

AUDITOR OF STATE BULLETIN 99-011
JUNE 10, 1999

TO: ALL COUNTY COMMISSIONERS
ALL COUNTY AUDITORS
ALL DIRECTORS OF COUNTY CHILD SUPPORT ENFORCEMENT
AGENCIES
INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: FINANCIAL STATEMENT DISCLOSURES RELATED TO THE
SUPPORT ENFORCEMENT TRACKING SYSTEM (SETS)

Implementation issues related to the SETS child-support accounting software could require footnote disclosure under the following accounting standards:

- Governmental Accounting Standards Board Technical Bulletins 98-1 and 99-1 (the GTBs) require disclosure of Year 2000 remediation efforts for mission-critical systems (see Auditor of State Bulletins 98-010 & 99-009). We believe that software integrally related to child support collections and payments is mission critical to counties. While the Ohio Department of Human Services (ODHS) believes that SETS is Y2K compliant, delays in fully implementing SETS could force some counties to continue using existing child-support software that may have Year 2000 issues.
- National Council on Governmental Accounting Statement 1 (paragraph 158) requires that notes to the financial statements disclose material items whose omission would cause the financial statements to be misleading.

To comply with the aforementioned standards, we suggest a county's GTB disclosure address the following:

1. Child support accounting software is a mission-critical system to the County. Where installed, SETS is therefore mission critical except in instances where we are aware that SETS is only accounting for a clearly insignificant number of child support cases.
2. Under Federal law, the Ohio Department of Human Services is responsible for the cost and development of child support software.
3. If SETS is unlikely to be substantially operational by January 1, 2000, make GTB disclosures for software that will be used after that date.

4. We also suggest counties describe contingency plans if there is a reasonable possibility that SETS or other child support software will be unable to fulfill its mission, whether due to Year 2000 or other system failures.

Example Disclosure

(Suitable for insertion into a GTB disclosure:)

“The County is responsible for collecting and distributing child support payments. Collections and payments during 1998 were approximately \$_____. To comply with the 1988 Federal Family Support Act, the Ohio Department of Human Services (ODHS) assumed responsibility for developing the Support Enforcement Tracking System (SETS) software all counties must use to account for child support activity. ODHS is responsible for all costs (which are significantly reimbursed by Federal matching dollars) and programming for SETS development.

As of December 31, 1998, SETS was not yet installed [and is not scheduled for preliminary installation until (date)]. Due to developmental delays, SETS [was installed in (month), 1999 / is only partially installed /has not been installed as of (opinion date)]. As a result, the County continues to use its existing child support software, for which it [has/ has not] assessed Year 2000 compliance. The County [is / is not] [remediating /validating and testing] this system. The County [has/has not] developed a contingency plan in the event that child support software fails after December 31, 1999. ODHS believes that statewide implementation of SETS will likely not be complete until September, 2000.”

We emphasize that the above is only an example, and will require careful analysis and modification (especially the second paragraph) to suit each county’s circumstances. The GTBs require disclosure of the stage of work to address Year 2000 issues as of the balance sheet date, though the Auditor of State permits (and encourages) additional disclosure when there has been a significant change since the balance sheet date. The example above includes additional information beyond the December, 1998 balance sheet date. We suggest you discuss this disclosure with your independent auditor. You can refer questions regarding this Bulletin to the Auditor of State’s Department of Accounting & Auditing Support at 800-282-0370.

Auditors’ Responsibilities for Reporting Deficiencies

Government Auditing Standards Section 5.26 requires auditors to disclose reportable conditions (including material weaknesses) related to internal control that come to their attention. Significant control weaknesses related to child support accounting (i.e., unreconciled accounts) may qualify for such reporting, whether related to SETS, other software or other causes. Counties have important accounting responsibilities for child support, and auditors should report significant control or operational deficiencies regardless of the cause.

Year 2000 child support software issues may also qualify for such reporting. Pages six and seven of Auditor of State Bulletin 98-010 provide suggested categorizations for Year 2000 reporting issues. These categorizations also appear in Part Four of the Auditor of State’s *Year 2000 Analysis Program & Disclosure Checklist*, included in Audit Division Advisory Memo 98-21.

Auditors should consider whether the omission of disclosures relating to child support software result in an incomplete GTB disclosure that may require an opinion qualification. Also, independent accountants can refer to Auditor of State Bulletin 99-009 regarding reporting issues when GTB disclosures are presented as Required Supplementary Information.