

MODULE 5: PAYMENT DISBURSEMENT

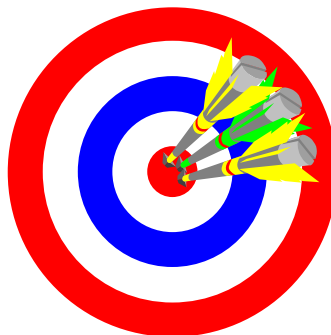
TRAINING NOTES

Module 5 Objectives - Payment Disbursement

- List where, when and how withholding should be sent
- Define SDU and its purpose
- Name benefits of electronic payments
- List standard elements needed on Treasury checks for child support

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5.1 MODULE OBJECTIVES



At the end of this module, you will be able to:

- List where, when, and how withheld child support payments should be sent (or explain where this information may be found).
- Define “SDU” and its purpose.
- Name the benefits of electronic payments.
- List the standard elements required on every U.S. Treasury check issued for child support payments.

TRAINING NOTES

- State Disbursement Units (SDUs) make it easier for employers, especially Federal agencies with employees all over the country. Federal agencies no longer have to send checks to multiple localities in a State (i.e., to many different county child support enforcement agencies).
- Federal agencies may still have to send multiple checks to multiple SDUs, if they have employees who work in different States around the country.
- Ask class to name some **benefits** of centralized collections:
 - Reduced check processing cost
 - Reduced postage and handling cost
 - Opportunity to use Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI)
 - Faster payments to children and families
 - Fewer calls (about late payments) to employers.
- Pre-January 1994 cases may still have payments sent to a court or private attorney. Over time, these cases will age out (1993 case for newborn child in a State where age of majority is 18 will close in 2011).
- Tribal cases may require that payments be sent to another payee than the SDU.
- All payments on child support orders entered on or after 1/1/94 must go to the SDU. Some States require all payments to be sent to the SDU, even payments on pre-1994 child support orders.
- The OCSE website provides an SDU matrix with State-by-State contact information. It can be found at:
http://www.acf.hhs.gov/programs/cse/newhire/employer/contacts/sdu_matrix.htm

Payment Disbursements

- All payments withheld by employers should go to the **State Disbursement Unit (SDU)**
- Pre-1994 orders & Tribal orders may be payable to another party



5.2 PAYMENT DESTINATIONS

- **Primary payment destination:**
 - State Disbursement Unit (SDU) – handles centralized collections.
 - The SDU is the single, computerized payment processing site for all child support payments being sent to a State.
 - SDUs handle payments for all orders enforced by the child support enforcement agency, plus all private child support cases (non IV-D cases) for which an order was issued on or after January 1, 1994.
 - All States (except South Carolina, which does not yet have an SDU) require all child support payments to be sent to the SDU (both IV-D and non IV-D) However, there are times when orders instruct otherwise. If you find an instance in which a payment is ordered to be sent to a payee other than the SDU, you may make the payment to the SDU. We recommend contacting that SDU also.
- **Other possible destinations**
 - Orders entered prior to January 1, 1994 may be payable to the custodial parent, courts, attorney or child support agency.
 - Tribal support orders may be payable to another entity.
- **More Information**
 - The OCSE website provides an SDU matrix with State-by-State contact information. It can be found at:
http://www.acf.hhs.gov/programs/cse/newhire/employer/contacts/sdu_matrix.htm.

TRAINING NOTES

- EFT/EDI is a cost-effective alternative for many employers, and speeds up the process of getting the money out to the families who need it.

Payment Disbursements

- Redirecting payments
- EFT/EDI
- Remittance deadline

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5.3 REDIRECTING PAYMENTS

- **Redirecting payments to the SDU:**
 - Employers should be officially instructed by an IWO that the SDU is the new payee before sending payments to the SDU.
 - SDUs encourage the use of Electronic Funds Transfer (EFT) and Electronic Data Interchange (EDI). The two electronic transmissions work hand-in-hand. Contact the State child support enforcement agency for information on how to start using EFT/EDI.

TRAINING NOTES

- Most Federal agencies now send child support payments electronically, including the major Federal agency payroll providers like the Defense Finance and Accounting Service, the National Finance Center, the National Business Center, and the General Service Administration.
- Provide contact name and number for person handling EFT/EDI for the OCSE Employer Services group, if known.

Benefits of Electronic Payments

- Gets \$ to children faster
- Reduced check processing costs
- Eliminates postage
- Fewer phone calls from CPs
- More accurate
- Safer



5.4 ELECTRONIC PAYMENTS FOR FEDERAL AGENCIES

The Federal government and State child support enforcement agencies are promoting the use of electronic payments when paying child support withholdings.

Electronic Funds Transfer (EFT)/Electronic Data Interchange (EDI) is the primary method for sending payments electronically. The EDI portion of the transmission includes identifying information so that the payment can be properly credited to the payer's case. EFT/EDI is the appropriate payment method for larger employers, including the Federal government. The Treasury Department, through the Financial Management Service (FMS), handles EFT payments. The Office of Child Support Enforcement is working with FMS to convert all Federal agency paper child support payments to electronic payments.

Federal agencies are strongly urged to begin sending child support payments electronically if they are not already doing so. Although most Federal employees' salary payments (those attached for child support) are now being sent electronically, many Federal benefit payments (attached for child support) are still being disbursed by paper check. The Social Security Administration is converting its benefit payments (those attached for child support) to electronic payments, as is the Railroad Retirement Board. The Department of Veterans Affairs (VA benefit payments attached for child support) and the Office of Management and Budget (Federal retirees' pension or annuity payments attached for child support) are still sending child support payments by paper check.

- **Benefits of Electronic Payments**

- Get funds to children faster
- Reduce check processing costs
- Eliminate postage costs
- Fewer phone calls from custodial parents
- More accurate
- Safer

- **New Options for Electronic Payment**

- ACH debit transactions, including web-based payment options
- 28 States offer web-based payment services to employers

- **Nine States Require Employers to Remit Payments Electronically (as of November, 2008)**

1. CA
2. FL
3. IL
4. IN
5. MA
6. NE
7. OR
8. PA
9. VA

- **State EFT/EDI Contacts Matrix**

-- Available online at:

<http://www.acf.hhs.gov/programs/cse/pubs/reports/working/apj.html>

5.5 REMITTANCE DEADLINE:

- Federal law requires employers to remit the payment to the SDU within seven (7) business days of withholding from an employee.
- Individual States may require remittance in fewer than seven days.


TRAINING NOTES

- Include **both** the remittance identifier and the SSN on paper or electronic checks. Use the child support agency's "Remittance Identifier" listed under "Remittance Information" on the IWO. When converting from paper checks to electronic payments, perform case reconciliation with the SDU before sending the first electronic payment.
- Unfortunately, in a number of States, each county is able to assign the same court order number to a case. If you specify a court order number, the withheld payment may be credited to the wrong case in a different county.

Proper Identification of U.S. Treasury Checks

Always include:

- Name of NCP/employee
- SSN of NCP
- Remittance identifier
- Amount of payment
- Date of payment
- Name and address where should be sent


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5.6 ENSURING PROPER IDENTIFICATION OF FEDERAL TREASURY CHECKS

To help State child support enforcement agencies identify U.S. Treasury checks issued for child support payments, the following standard elements need to be on every check (per the Department of Treasury Memorandum to all Federal payroll agencies dated March 2000):

- Name of NCP or employee/payer
- SSN of employee/payer
- Case or remittance identification number
- Amount of payment
- Date of payment
- Name and address where the check should be sent

TRAINING NOTES

Payment Disbursements SUMMARY

- Send withheld payment to payee in IWO & include proper identifying information
- SDU is predominant payee
- E-payments are the preferred method
- Send payments within 7 business days or less
- Identifying elements on Treasury checks

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5.7 PAYMENT DISBURSEMENT SUMMARY

- Once child support payments have been withheld from the employee's pay, payment must be sent in to the entity named as the payee in the IWO.
- Payee is usually the SDU.
- The designated payee is responsible for forwarding the payment to the child and family.
- Payments should be re-directed to the SDU if the order does not direct that payments go to the SDU. A copy of the IWO and underlying order should also be sent to the SDU to allow them to enter the order into their automated system.
- Multiple payments may be sent to the SDU together in a single check, if accompanied with identifying information. EFT/EDI is the quickest and easiest method to send payments to the SDU.
- Withheld child support payments must be sent to the SDU within a maximum of seven business days of withholding. Many States require that payments be sent to the payee earlier than seven days.
- Certain identifying elements must be included on all U.S. Treasury checks sent for child support payments to ensure that the child support agency can properly identify and credit the payment.