INSTRUCTIONS FOR USING THE RECONCILIATION CALCULATOR

PURPOSE

The Reconciliation Calculator is designed to help child support line workers quickly and easily determine the total amount of child support owed and paid in cases in which an obligor has child support orders for the same child in more than one state or U.S. territory. The Calculator is simply a set of Excel worksheets that automatically calculate the total amount of unpaid support across all cases after the worker enters basic information about each order, such as order effective date, ordered payment amount, and total payments made per year.

The Calculator has the capacity to track the amount of child support owed and paid on up to five orders over a 25-year period. It automatically determines which order is the "charging order" each month and applies the interest rate associated with that order to any unpaid balances. The Calculator generates a one-page Summary Sheet that provides grand totals across all orders as well as year-by-year breakdowns of payments owed and made, arrearages accrued, interest charges, and unpaid fees. It also generates a separate printable page for each year in which an order was in effect. These Annual Pages show the amount of support due each month, accrued arrearages, the applicable interest rate on arrears, and the total payments made on all orders.

The Summary Sheet and Annual Pages are intended to be used by workers to explain to custodial and non-custodial parents, court officials, and others how payments made under multiple orders were reconciled with the total amount of support due. The calculator can be shared electronically with tribunals to facilitate the determination of support due in contested cases.

DEFINITIONS, ASSUMPTIONS AND LIMITATIONS

The Reconciliation Calculator is designed to quickly reconcile accounts for multiple orders with a minimum of data entry required by the worker. In order to meet this goal, certain assumptions were made in the design of the calculator that may impose some limitations on its accuracy and applicability to certain cases.

Definitions and Assumptions

Charging Order — For each month in which more than one support order is in effect, the order with the highest amount of *current support* due is labeled the "charging order" in the calculator.[1] That is, the obligor is expected to pay the total amount of current support due under the *highest order*. The Calculator converts all payments due— whether they are due weekly, biweekly, semimonthly, or monthly—to monthly amounts and uses the order with the highest amount as the charging order in its calculations.

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[1] Where multiple valid child support orders were established under URESA, payment made toward any one of the orders must be credited against the obligation owed under the others. This is what is known under both URESA and UIFSA as "*pro tanto* discharge." Unless the order earlier was vacated, modified or otherwise revoked by the tribunal that entered it, all orders remain in effect. Closing the IV-D case is not the same thing as revoking the order.

Interest Charges — The interest rate on accumulated arrears that is used in the calculations is the interest rate charged by the state determined to have the charging order. For example, if the order in State A is for $250 per month with a 10% APR on arrears and the order for State B is $300 with a 5% APR, then State B's interest rate of 5% is applied to the cumulative arrears. When the charging order changes, the interest rate on arrears changes as well. The Calculator contains a table of *current* annual interest rates by state that it uses to compute interest charges automatically.

The Calculator computes interest charges annually on the unpaid balance at the end of the calendar year. The unpaid balance includes arrearages accrued during the current year, as well as arrearages carried over from previous years. It does not include interest charges from previous years—in other words, the Calculator does not charge interest on interest. Similarly, it does not apply interest to the retroactive portion of a current support order – interest is only calculated from the date of the order forward. It also does not calculate interest on unpaid fees.

If more than one state had a charging order in effect during a given year, the annual interest rate used is the *average* of their respective rates prorated by the number of months that each state's order was the charging order. For example, if during the first half of the year the charging order was from State A with a 10% APR and during the second half from State B with 5% APR, the annual percentage rate charged on the unpaid balance at the end of the year would be 7.5%.

Fees — States often collect various fees from obligors in addition to child support payments. These include fees for paternity tests, court costs, handling or processing fees for payments received, etc. Because there is so much variation in the way states charge (or do not charge) fees, it is not possible for the Calculator to maintain current information on the types, frequencies, and amounts of fees charged by every state. Therefore, it is assumed that states and territories that charge fees will be able to provide records that indicate the total amount of fees charged and collected per year for each of its orders being reconciled. The Calculator contains a data screen for entering the total amount of fees owed and paid each year for each order.

Annualized Payment Information — To minimize the amount of data entry needed for using the Calculator, payment information is entered in terms of total payments per year for each order. This assumes that workers can obtain payment records that show the total dollar amount of payments collected under an order for each calendar year. The Calculator automatically computes the amount of support due each year and subtracts the amounts paid under all orders to determine whether any arrearage has accrued in a given year.

Application of Payments — The calculator applies payments each year first to current support, then toward the accrued arrears. If all current support and arrears have been paid, on the Summary Sheet in the box "Aggregate Case Totals," any overpayment will be applied against any remaining unpaid interest or fees.

Limitations

1. **Capacit**y — The Calculator is limited to tracking child support activity for up to five orders over a 25-year period. If more than five child support orders are involved in the reconciliation, or if together they extend beyond the 25-year period, then the worker will need to use another means to reconcile the amounts due under the orders.

2. **Support Order Amounts** — Because the Calculator converts all support order amounts to a monthly figure, the amount shown on an Annual Page as owed each month may vary slightly from the actual amounts owed. For example, if an obligor is ordered to pay $100 every two weeks ($2,600 per year made in 26 payments), then for 10 months of the year the actual amount owed is $200 and for two of the months it is $300. The Calculator merely divides the annual amount owed by 12 months and shows that *on average* the obligor owes $216.67 per month. This difference in calculating the monthly amount owed does not matter if the support order is in effect for a whole calendar year. However, if the order begins or ends in the middle of the calendar year, the Calculator may over- or underestimate the amount owed for the year by a portion of a payment. This means that the Calculator should not be relied upon to produce a "to-the-cent" accounting of support owed. It will provide a close, but not exact, estimate.

3. **Interest Charges** — The Calculator will underestimate interest charges for states and territories that charge interest on unpaid fees or that compound their interest charges (that is, charge interest on unpaid interest). It may overestimate interest charges slightly for states and territories that do not charge interest until a payment is overdue by 30 or more days.

   The Calculator also applies any payment above the current support obligation to arrears. Some states apply any overage first to interest debt. However, because states vary so significantly in interest charges and application of payment rules, this methodology was determined to be the most appropriate for the majority of states. While the total debt listed on the summary sheet will be a reasonable estimate, the allocation between the arrearages and unpaid interest charges may not exactly reflect the practice in a particular state with a different application of payments rule.

   Because the Calculator uses the most recent available reported automatic state interest rates in its calculations, interest charges for earlier years may not be accurate if the rates have changed. ***This can be corrected by manually overwriting the interest rates displayed on Annual Pages to reflect the applicable rate for each year.***

DATA ENTRY INSTRUCTIONS

Step 1: Gather and organize support order information.

Before data entry can begin, it is essential that the following information is gathered for each support order:

Basic Case Identification Information:
- ❑ Names of non-custodial parent and custodial parent/caretaker
- ❑ Case number
- ❑ Order number
- ❑ State or territory in which the order was issued

Support Order Dates:
- ❑ Order date (date the order was legally established)
- ❑ Effective date of the order (often the same as the order date, but may be different, e.g., if parent found liable for support dating back to the birth of the child)
- ❑ Order termination date (if applicable)

Termination Information:
- ❑ Reason the order was terminated

Support Owed:
- ❑ Current support order payment amount
- ❑ Payment frequency (monthly, weekly, etc.)
- ❑ Adjudicated arrears (any lump-sum payment amount included in the order in addition to regular support payments)

Annual Payment History:
- ❑ Total amount of support paid in each calendar year the order was in effect (includes regular payments, wage withholding, lump-sum payments, intercepts, etc.)

  Note: Before data entry, all payments and collections during a given year must be summed to produce a single year-end total of payments for the particular order.

Fees:
- ❑ Total amount of fees owed for each calendar year the order was in effect
- ❑ Total amount of fees collected each calendar year the order was in effect

Step 2: Enter case identifying information in the Entry Screen.

Start MS Excel and find the file containing the Test (Blank) Reconciliation Calculator workbook. Use the "Open As a Copy" feature in Excel to avoid entering data in the main Calculator workbook.

Using the tabs at the bottom of the workbook, go to the Entry Screen worksheet. Yellow fields and drop-down fields indicate places where the worker enters information. Green fields indicate values that are automatically computed by the Calculator based on information entered by the worker.

Enter case identifying information (client information and worker information) in the yellow fields at the top of the screen.

The date entered for "Reconciliation Date" is the date used by the Calculator to terminate calculations. It will reconcile all support owed and payments made through this date, beginning with the effective date of the earliest order established. "Date Prepared" is the date information is entered in the workbook. These dates and some of the case information is copied onto the Summary page and the Annual pages.

Usually, the Reconciliation Date and the Date Prepared are the same; however, the worker can enter different dates in the Reconciliation Date field to test different "what if" scenarios. For example, to see what accrued arrears and interest charges would be two years in the future if no more payments were made.

Step 3: Enter information for the <u>earliest order</u> under Order 1.

It is quite important to enter information for the earliest order that was established in the area of the Entry Screen reserved for Order 1. This is because the date entered in the yellow field under Order Effective Date for this order will be used by the Calculator to determine the year to begin the reconciliation process. Annual Pages will be generated beginning with that year.

Use the drop-down list to select the state or territory in which the order was issued. The Calculator will automatically enter the current interest rate for that state or territory in the green field at the right.

The Order End Date may be a past or future date (for example, if the order expires ten years from now when the child reaches the age of emancipation). If no Order End Date is entered, the Calculator uses the Reconciliation Date as the end date for purposes of reconciling arrears.

Using the drop-down list under Reason Ended, indicate the reason the order was (or will be) terminated.

In the yellow field under Payment Amount, enter the dollar amount of the regular payments ordered and then use the Payment Frequency drop-down list to indicate how often payments

were to be made under this order. The Calculator computes the monthly payment equivalent and enters it in the green field at the right.

If the order stipulates that in addition to regular payments the non-custodial parent must also pay off an arrears balance, enter that amount in the yellow field under Adjudicated Arrears. Be careful, however, not to double count arrears. This may happen in cases where the Order Effective Date precedes the Order Date. For example, if a support order is established for a 5-year-old child in 2002 but is retroactive to date of birth, the Calculator will compute the payments owed beginning with this Effective Date in 1997. If the five years of payments owed has already been taken into account and included as arrears due under the initial order, these arrears will also have been entered as Adjudicated Arrears on the Entry Screen and thus counted twice. To avoid this problem, the worker should enter the Adjudicated Arrears amount established in the order, but change the Order Effective Date to be the same as the Order Date. The calculator will then count payments owed beginning in 2002 and add them to the Adjudicated Arrears amount.

Step 4: Enter information for the remaining orders.

Case information for up to three more orders can be entered in the Data Entry screen. It is recommended that they be entered from earliest to latest.

Step 5: Enter payment information.

Using the tabs at the bottom of the workbook, click on the worksheet labeled "Payments." The Calculator has already entered some case identifying information at the top of the page and created a yellow data-entry column for each order. The rows are labeled by calendar year, beginning with the year Order 1 (the earliest order) became effective.

Enter the total amount of child support paid or collected each year under each order. If payments were made on multiple orders in the same year, the Calculator will automatically total these amounts and enter the sum in the green column labeled Annual Sum of Payments at the right.

Note: Be careful not to double count payments. For example, when support is withheld from wages in one state and sent to another for disbursement to the custodial parent, it is sometimes possible that both states have counted this support as payment on their respective orders.

Step 6: Enter fee information.

Click on the tab at the bottom of the workbook labeled "Fees."   Again, the Calculator has created year-by-year data-entry columns for recording fees owed and paid under each support order. Enter this information by year and the Calculator will compute the annual total of unpaid fees and record this amount in the green column at the right.

Step 7: Review the calculations.

Click on the tab at the bottom of the workbook labeled "Summary." The Calculator has taken all the information entered and used it to compute the case summary presented on this page. Review the yearly and aggregate totals to determine if the amounts shown appear to be reasonable based on the information that has been input.

A separate worksheet has been generated for each year in which one or more orders were in effect. Clicking on the tabs marked "Year 1" to "Year 22" can bring these up. The green column on the right shows which order was the charging order each month, as well as the annual interest rate used in the calculations, the total arrears at the end of that year, and how much of the arrears was from previous years. Use these worksheets to see how the annual information presented in the Summary sheet was calculated.

Step 8: Print results.

Once satisfied that the information has been entered and calculated correctly across all support orders, the worker can print paper copies of any worksheet to use in working with the parents, courts, and other states in reconciling any amounts still owed under the multiple orders.

Step 9: Save the results.

Use the "Save As" feature in Excel to give the file a unique name and save it to disk in case there is a need to use it again. Close the file.