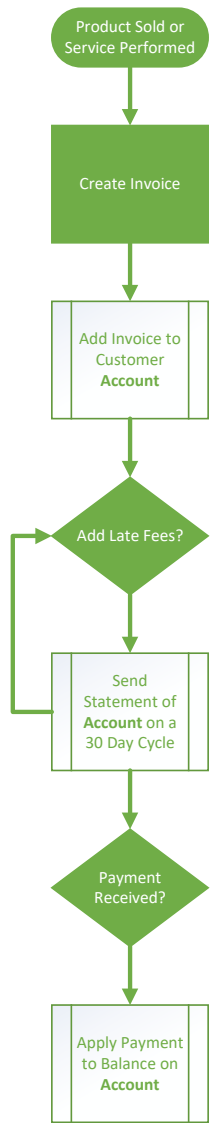
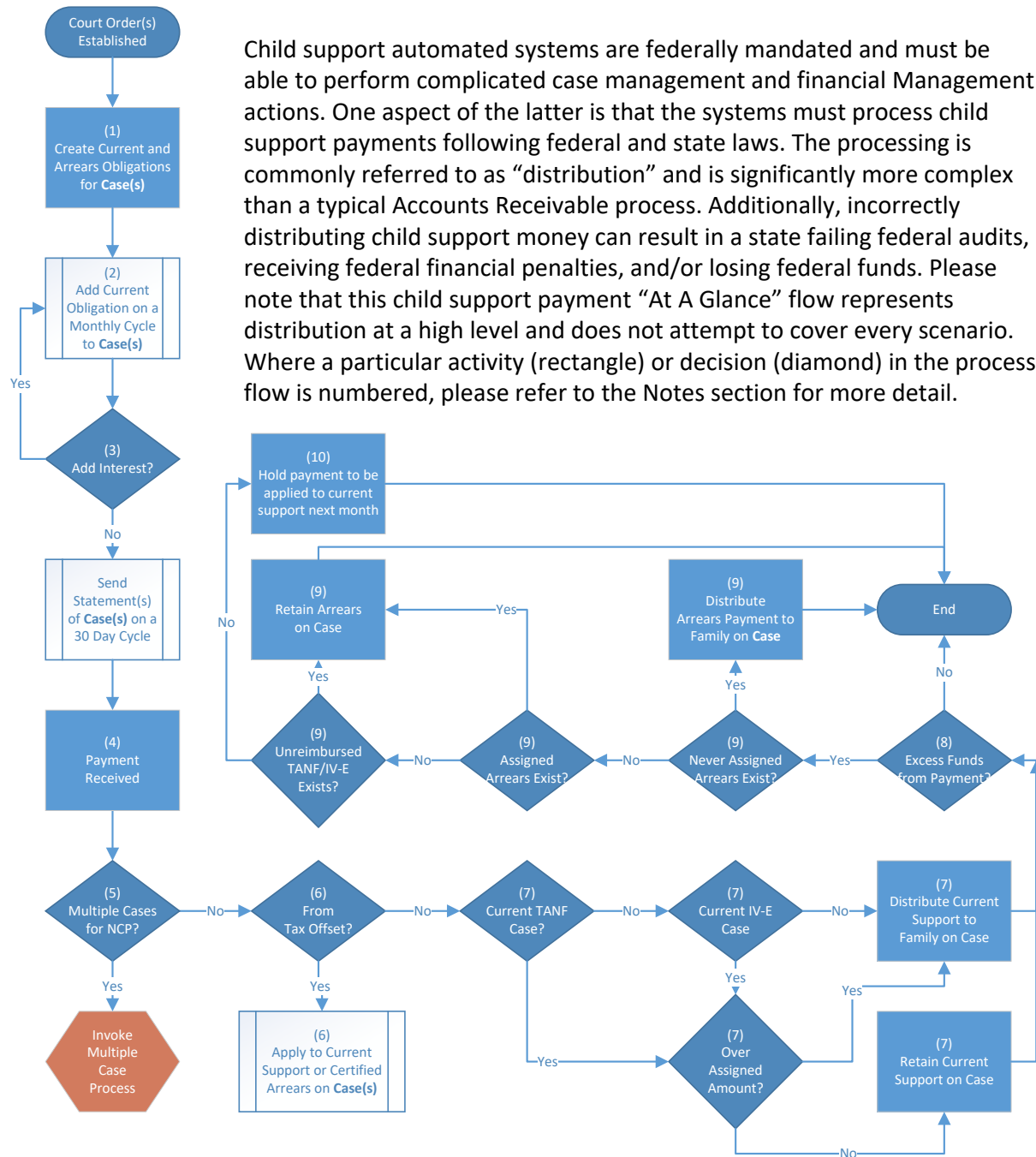


Typical Accounts Receivable Process



Child Support Process



IV-D DISTRIBUTION AT-A-GLANCE

Child support automated systems are federally mandated and must be able to perform complicated case management and financial Management actions. One aspect of the latter is that the systems must process child support payments following federal and state laws. The processing is commonly referred to as “distribution” and is significantly more complex than a typical Accounts Receivable process. Additionally, incorrectly distributing child support money can result in a state failing federal audits, receiving federal financial penalties, and/or losing federal funds. Please note that this child support payment “At A Glance” flow represents distribution at a high level and does not attempt to cover every scenario. Where a particular activity (rectangle) or decision (diamond) in the process flow is numbered, please refer to the Notes section for more detail.

Notes

- 1 - The system may need to track court orders for as long as 21 years for current support and longer if arrears exist. Also, if the effective date is prior to the court order date when the initial order is entered, the system may need to calculate arrears going back to that effective date.
- 2 - Court orders can be weekly, bi-weekly, semi-monthly, or monthly. For the first three, the system must be able to calculate the correct monthly amount.
- 3 - Not all states charge interest, but if they do, laws are significantly different. For the child support system to be programmed to calculate, it needs to know multiple items: (1) whether the interest charge is automatic or only added at the discretion of a judge, (2) whether it only applies if the obligor has accrued a certain amount of interest, and (3) how much interest to add over what period of time. For example, in Massachusetts, the monthly interest rate is 0.5%; however, that interest is only charged at the end of any month in which the obligor owes more than \$500 in past-due support and has not paid the minimum monthly payment. In Michigan, interest is only charged at the discretion of the judge, and the system must be able to calculate "at 6-month intervals at an annual rate of interest equal to 1% plus the average interest rate paid at auctions of 5-year United States treasury notes during the 6 months immediately preceding July 1 and January 1, as certified by the state treasurer." In Colorado, it's a 12% compounded interest; whereas in Vermont, it's a 6% simple interest.
- 4 - Depending on the amount, source (and date) of the payment, the system must be able to correctly determine how to distribute the money between one or more cases (or multiple CPs), and between one or more current support or arrears balances. Additionally, this flow does not reflect that some (though not all) payments have a retroactive effective date, which require the system to correctly determine the status of the case at that retroactive effective date and to distribute the payment as if it came in then.
- 5 - Some NCPs have multiple separate court orders, depending on the number of children and the number of separate CPs.
- 6 - Under federal law, states must choose between two alternative distribution schemes for federal tax offset cases. In one, the money is applied to current support, and in the other it must be applied to "certified" arrears. The system must carry out whichever option the jurisdiction uses.
- 7 - If a CP (TANF) or child (IV-E) is actively receiving these benefits, current support is retained by the state and federal governments. However, if the current support payment is more than the monthly grant amount "assigned" to the government, the extra amount must go either to the family (TANF) or be used on the behalf of the child (IV-E).
- 8 - If the amount paid is greater than the current support owed, then the system must check for arrears.
- 9 - In checking for arrears, to distribute correctly, the system must identify and distinguish which type of arrears exist. If the CP/child never was on TANF or IV-E, the money goes to the family. If the CP/child currently or formerly is/was on TANF/IV-E, the system must know exactly how much was paid in TANF/IV-E that hasn't been reimbursed, so that the proper amount can be retained for the government. If the payment exceeds the amount owed to the government, the excess goes to the family unless it is processing money on a IV-E case, and the child in that case was ever on a TANF case. In that case, the system must check to see if there is unreimbursed TANF as well; and if there is, the money must go to repay the government.
- 10 - For all IV-D cases, the system must be able to hold excess amounts and apply them to future months, rather than disbursing to the government or family.

As noted above, this document addresses only the major distribution decision points and processing. There are any number of additional processes that must take place in certain circumstances. For example, if there is an issue on a case that prevents distribution the system must hold the payment, analyze, and categorize it; and present the information to a worker so the issue can be resolved. The issue could be something as simple as a missing or incomplete payee address, or a case where a court order has not yet been added to the system, to something as complex as a flag that indicates the total amount assigned to the government needs verification before distribution can occur. Another circumstance that can add significant complexity is when more than one state is involved because the parties have moved, sometimes multiple times, within the life of the child support case. The system must be able check for balances owed to other states and handle that distribution correctly. Finally, there may be specific state laws that the system must follow, particularly where fees are owed or where reimbursement for medical costs is due to the state's Medicaid agency or to the CP.