

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



November 1, 2004

CSS LETTER: 04-22

ALL IV-D DIRECTORS
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL BOARDS OF SUPERVISORS

SUBJECT: UNDISTRIBUTED COLLECTION INSTRUCTIONS AND
DISBURSEMENT POLICIES

The purpose of this letter is to provide local child support agencies (LCSAs) with policy direction for the disbursement of child support collections and the resolution of collections that cannot be distributed. This letter is to provide guidance for resolving undistributed collections and does not require additional programming changes to the existing consortia systems to implement. This letter expands upon the policies outlined in the Manual of Policies and Procedures (MPP), Chapter 12-400, Child Support Collections and Distribution Regulations.

Disbursement Policies

LCSAs are expected to maintain processes and procedures to ensure the accurate distribution and disbursement of collections in a timely manner. The processes must include mechanisms to immediately identify and resolve situations where a collection could not be disbursed within required timeframes. Each LCSA shall continuously monitor its distribution process and resolve any distribution or disbursement problems that arise.

As stated in the California Department of Child Support Services strategic plan, one measure of the effectiveness of the LCSA's distribution process is the ability to maintain an undistributed collections (UDC) balance of less than one percent of distributed collections on a statewide basis. LCSAs are expected to monitor and manage the post disbursement process to ensure payments are properly disbursed; to identify and resolve undelivered or uncashed warrants in a timely manner; to report any escheated funds; and, throughout the process the proper accounting and reporting of the funds. The extensive efforts of the UDC initiative have resulted in greater statewide uniformity

Reason for this Transmittal

- State Law or Regulation Change
- Federal Law or Regulation Change
- Court Order or Settlement Change
- Clarification requested by One or More Counties
- Initiated by DCSS

and understanding of UDC management. The statewide policy direction in the UDC areas is described below.

Payments Not Disbursed

Each LCSA shall have a process in place to ensure that all pending authorized disbursements are in fact disbursed to the custodial party (CP) within the required timeframes in accordance with MPP, Section 12-108. For instance, the LCSA shall have a process in place to generate or request reports that can provide information for comparison of warrants pending disbursement versus warrants actually disbursed by either the local county Auditor-Controller's Office or the LCSA. If funds received within the last two days of the month are to be held longer than 48 hours, the UDC will need to be reported in the appropriate related category on the CS 35, Supplement to the Monthly Report of Collections and Distributions. Also, the LCSA shall ensure that collections from an Internal Revenue Service (IRS) Intercept that do not have an appeal, are disbursed to the family no later than 30 calendar days from the date of collection, as set forth in MPP, Section 12-108.9.

Unable to Disburse CP Payment

The LCSA should promptly attempt to contact the payee or the local county welfare department (CWD) in assistance cases, when a warrant is returned as undeliverable. If the LCSA is unable to contact the CP, the LCSA should ensure that the payment transaction is reversed and the warrant voided. The LCSA shall initiate locate attempts for six months, utilizing all available locate tools as specified in the California Code of Regulations, Title 22, Division 13, Chapter 3, Article 1, Section 113100(a). Each LCSA shall monitor locate efforts associated with undeliverable support payments. If a valid CP address is obtained, the LCSA shall reissue the warrant and release any subsequent disbursements held within two business days. If CP locate information is not obtained after a six-month period, the LCSA shall return the collection to the noncustodial parent (NCP) with a written directive advising the NCP that the returned payment does not relieve the obligor of the support obligation owed and that the NCP should consider putting the support payments aside.

Once the CP is located, if the NCP pays all past due child support payments in full within 15 days of notification that the CP has been located and payment is due, interest will not accrue. The LCSA shall have a process in place to request reports that reflect UDCs categorized by reason such as "unable to locate the CP" in order to monitor and assign to specific case workers responsibility for researching these collections.

Legal Dispute Holds

Each LCSA shall ensure that the disbursement process is completed within the required timeframe in accordance with MPP, Section 12-108, upon resolution of a dispute between parents and/or the LCSA. Such a dispute could include not only a pending court action, but also an administrative action. Examples could include contested paternity, contested bank levies or contested seizures of lottery winnings. Each LCSA shall have a process in place to monitor the status of any legal proceeding that impacts the distribution process in order to promptly disburse the funds to the CP, the Title IV-A or IV-E agency or another agency, or refund to the NCP.

Returned Refund Warrants

An NCP may receive a refund warrant as a result of an over-collection, erroneous collection or returning an NCP payment if the LCSA is unable to locate the CP. If the LCSA receives or is notified by the local county Auditor-Controller's Office or the U.S. Postal Service of an undeliverable refund warrant, the LCSA should promptly attempt to contact the NCP. This begins the six-month locate period.

If within six months, the LCSA is unable to contact the NCP using all available locate tools as specified in the California Code of Regulations, Title 22, Division 13, Chapter 3, Article 1, Section 113100(a), the LCSA shall ensure that the payment transaction is reversed and the warrant is voided. Each LCSA shall monitor locate efforts associated with undeliverable refunds to ensure that upon obtaining a valid address for the NCP, the warrant is reissued and disbursed within two business days.

If the NCP cannot be located after a six-month period and all locate sources have been exhausted, the LCSA shall hold the unclaimed funds in trust. The unclaimed funds held in trust from warrants that were less than \$15 shall be held for an additional six-month period (for a total of one year from date of the refund warrant) or lesser period upon an order of the court in accordance with Government Code, Section 50055. The unclaimed funds held in trust from warrants that were \$15 or more shall be held for an additional two and one-half years (for a total of three years from date of the warrant) or lesser period upon an order of the court for reversion to the county general fund in accordance with Government Code, Section 29802. The LCSA shall have a process in place to request reports that reflect UDCs categorized by reason such as "refund due payor" in order to monitor and assign the function of investigating the UDC to specific case workers.

Once the LCSA has complied with all the applicable requirements for unclaimed funds as specified in Government Code, Sections 29802, 50050, 50051 and 50055, the UDC held in trust is considered abandoned property (collections) and can be reverted to the county general fund. Abandoned collections are defined as the portion of collections that, despite numerous attempts, the State is unable to distribute or return to the NCP such as undeliverable or uncashed warrants. In accordance with federal requirements, when funds have reverted to the county general fund, they are considered to be "program income" and must be abated and reported as program income on the CS 356 Administrative Expenditure Claim (AEC). Consequently, when the LCSA reports funds as being reverted to the county's general fund, the subsequent AEC will be reduced by the reported program income amount. The Federal Office of Child Support Enforcement (OCSE) considers abandoned funds to be program income. Therefore, these funds should only be spent on child support program activities. The LCSA shall work in cooperation with the local county Auditor-Controller's office, county Board of Supervisors or other designated agency to make these funds available to the LCSA.

Unidentified Payments

Upon receipt of funds that cannot be associated with a specific case or where the LCSA is unable to identify the payor, each LCSA shall commence efforts to identify the payment for a period of six months. The LCSA shall compare the name on the warrant against case files or contact the employer who sent the funds or the financial institution the account is drawn upon. The LCSA should also review the envelope for any identifying information, such as address, return address, postmark, etc. In addition, the LCSA can consult with the local Title IV-A and IV-E agency to see if a referral is enroute or investigate if the court has referred the individual to the LCSA for services. The LCSA shall establish a process to monitor any unidentified funds to ensure the appropriate action is taken.

If the funds are identified to a case, the funds shall be distributed in accordance with regulations to the associated case immediately. When the sender is identified, but cannot be associated to a specific case after a diligent effort for a period of time not exceeding six months, the funds shall be returned to the sender.

If the sender cannot be identified nor associated to a specific case after diligent effort for a period of time not exceeding six months, the LCSA shall hold the funds in trust for an additional six months, for a total of one year from the date the LCSA received the funds or for a lesser period of time upon the order of the court. At the end of the one-year period, the UDC held in trust is considered abandoned property and is escheated and reverted to the county general fund in accordance with Government Code, Section 50055. The LCSA shall have a process in place to request reports that reflect UDCs categorized by reasons such as "unidentified" in order to monitor and assign the function of investigating the UDCs to specific case workers.

Abandoned collections, as defined earlier in the section of this letter pertaining to Returned Refund Warrants, are reverted to the county general fund as "program income" and abated and reported on the CS 356 AEC as program income. Consequently, the subsequent AEC will be reduced by the reported program income. The Federal OCSE requires that abandoned funds be considered as program income. Therefore, these funds should only be spent on child support program activities. The LCSA shall work in cooperation with the local county Auditor-Controller's office, county Board of Supervisors or other designated agency to make these funds available to the LCSA.

Future Payments

Each LCSA shall establish a process to ensure the NCP is given credit for any voluntary payment made in excess of current child support and arrearages or otherwise designated as a future payment. Each LCSA is responsible to ensure that when a disbursement is made to the family, the NCP is credited with any future payment.

Uncashed and Stale-Dated Warrants Issued to CP

Each LCSA shall establish a process to be notified when a warrant remains uncashed for more than 45 days by the local county Auditor-Controller's Office or other means if the LCSA issues the warrants. While the county treasurer may not void warrants as stale-dated within 45 days, the LCSA should attempt to contact the payee and inquire if the warrant was received in an attempt to prevent the warrant from becoming stale-dated. If the warrant was received, the LCSA shall encourage the CP to cash the warrant. If the warrant was not received, the LCSA should request a stop payment on the warrant and issue a replacement. When the local county Auditor-Controller's Office is the issuing agency, the LCSA may be required to obtain a Lost Warrant Affidavit signed by the CP prior to reissuing a warrant that has not expired. If the payee could not be reached because the payee's contact information is no longer valid, the LCSA should monitor and attempt to locate the payee for a period of six months using all available locate tools, as specified in California Code of Regulations, Title 22, Division 13, Chapter 3, Article 1, Section 113100(a).

When the LCSA has been unsuccessful in locating the CP after a six-month period and/or the check has become stale-dated, the LCSA shall reverse the payment transaction immediately. The LCSA shall return the collection to the NCP with a written directive advising the NCP that the returned payment does not relieve the NCP of the support obligation owed and that the NCP should consider putting the support payments aside.

Once the CP is located, if the NCP pays all past due child support payments in full within 15 days of notification that the CP has been located and payment is due, interest will not accrue.

Uncashed and Stale-Dated Warrants Issued to NCP

As with an uncashed and stale-dated warrant for the CP, each LCSA shall have an established procedure to be notified when a refund warrant remains uncashed for more than 45 days with the local county Auditor-Controller's Office or other means if the LCSA issues the warrants. The LCSA should attempt to contact the NCP to determine if the warrant was received and encourage the NCP to cash the warrant.

If the warrant was not received, the LCSA should request a stop payment on the warrant and issue a replacement. When the local county Auditor-Controller's Office is the issuing agency, the LCSA may be required to obtain a Lost Warrant Affidavit signed by the NCP prior to reissuing a warrant that has not expired. If the LCSA is unable to contact the NCP, the LCSA shall initiate locate attempts for a period of six months using all available locate resources, as specified in California Code of Regulations, Title 22, Division 13, Chapter 3, Article 1, Section 113100(a).

If the NCP cannot be located after six months and the warrant has become stale-dated, the LCSA shall reverse the payment transaction immediately. The LCSA shall hold the unclaimed funds in trust for an additional six months (for a total of one year from the date of the original warrant) if funds are less than \$15 or an additional two years (for a total of three years from the date of the original warrant) if funds are \$15 or more for reversion to the county general fund in accordance with Government Code, Sections 29802 and 50055. The LCSA shall have a process in place to request reports that reflect UDCs categorized by reason such as uncashed or stale-dated collections and assign the function of investigating the UDC to specific case workers.

Once the LCSA has complied with all the applicable requirements for unclaimed funds as specified in Government Code, Sections 29802, 50050, 50051 and 50055, the UDC held in trust is considered abandoned property (collections) and can be reverted to the county general fund. As defined in the earlier Returned Refund Warrant section, abandoned funds are reverted to the county general fund as program income. When funds are reverted to the county general fund, they are considered "program income" and must be abated and reported as program income on the CS 356 AEC in accordance with federal requirements. Consequently, when the LCSA reports funds as being reverted to the county's general fund, the subsequent AEC will be reduced by the reported program income amount.

The Federal OCSE considers abandoned funds to be program income; therefore, these funds should only be spent on child support program activities. The LCSA shall work in cooperation with the local county Auditor-Controller's office, county Board of Supervisors or other designated agency to make these funds available to the LCSA.

Intercounty Transfers

Each LCSA shall have a process in place to ensure that disbursement to another child support agency is made within the required two-business-day timeframes so the receiving county can disburse the collection accordingly.

If you have any additional questions related to policy, please contact Tonya Crawford-Comage, Manager of the Financial Management Policy Unit, at (916) 464-5055.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Poole".

SANDRA O. POOLE
Deputy Director
Child Support Services Division