

# **MODULE 5: PAYMENT DISBURSEMENT**

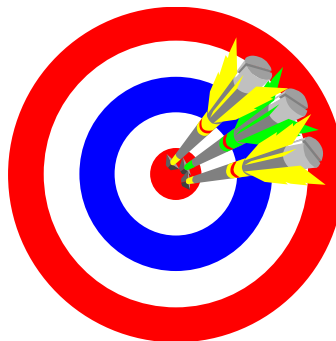
## TRAINING NOTES

### Module 5 Objectives - Payment Disbursement

- List where, when and how withholding should be sent
- Define SDU and redirected payment
- 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 can 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 – they no longer have to send checks to multiple localities in a state (i.e., a number of different county child support enforcement agencies).
- Employers 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).
- All non-IV-D cases entered on or after 1/1/94 must go to the SDU. In states that require all payments to be sent to the SDU, even pre-1994 non-IV-D cases must be sent to the SDU.
- Many states require all payments to be sent to the SDU (about 38 at last count), even those not required by federal law (i.e., non-IV-D).
- The OCSE website provides a SDU matrix with state-by-state contact information.

### Payment Disbursements

- Five possible destinations:
  - **State Disbursement Unit \***
  - Child support enforcement agency
  - Court
  - Attorney
  - Custodial party



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## 5.2 PAYMENT DESTINATIONS

- **Five current payment destinations:**

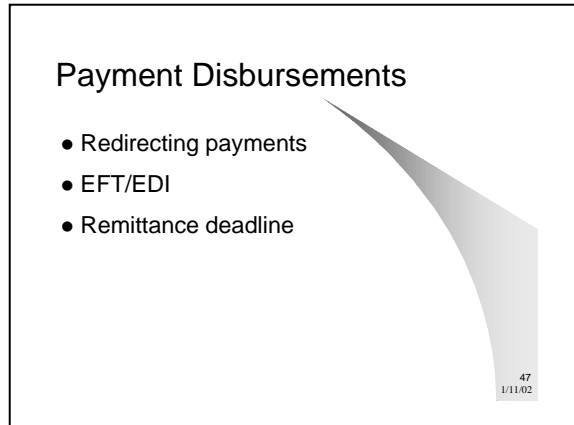
1. Child support enforcement agency
2. State Disbursement Unit (agency's centralized payment processing site)
3. Court (Clerk of Court)
4. Private attorney
5. Custodial party

- **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.
- Many states require all child support payments to be sent to the SDU (both IV-D and non IV-D).

## TRAINING NOTES

- Employers should only redirect their withheld payments to an SDU when officially notified to do so. Premature redirection can result in confusion and payments may not be properly credited.
- 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.



### 5.3 REDIRECTING PAYMENTS


- **Redirecting payments to the SDU:**
  - Employers should wait to be officially notified that the SDU is the new payee before sending in 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.
  
- **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 less than seven (7) days.

## TRAINING NOTES

- As of May 2002, there were seven (7) federal agencies sending child support payments electronically: Coast Guard, Marines, Public Health Service, Department of Energy, Postal Services, FBI and Bonneville Power Administration.
- Provide contact name and number for person handling EFT-EDI for the OCSE Employer Services group, if known.

### Benefits of Electronic Payments

- Get \$ to children faster
- Reduced check processing costs
- Eliminate postage
- Fewer phone calls from CPs
- Less error-prone



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## 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 of sending payments electronically. The EDI portion of the transmission includes identifying information so that the payment can be properly credited to the payor'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), has the capability to do EFT/EDI. The Office of Child Support Enforcement is working with FMS to convert paper payments to electronic payments.

Federal agencies are strongly urged to begin sending child support payments electronically if they are not already doing so.

- **Benefits of Electronic Payments**

- Get funds to children faster
- Reduced check processing costs
- Reduced postage
- Fewer phone calls from custodial parents
- Less error-prone

- **New Options for Electronic Payment**

- ACH debit transactions, including web-based payment options

- **State EFT/EDI Contacts Matrix**

-- Available online at:

[http://www.acf.hhs.gov/programs/cse/newhire/employer/contacts/eftedi\\_statecontacts.htm](http://www.acf.hhs.gov/programs/cse/newhire/employer/contacts/eftedi_statecontacts.htm)


## TRAINING NOTES

- Including **both** the case identifier and the SSN is critical. Use the child support agency's "Case Identifier" listed on the bottom of the Order/Notice form, as opposed to the "Tribunal/Case Number" that may be listed at the very top of the form. If there is no "Case Identifier" at the bottom of the form (in the "Make check payable to" section), use the "Employee's/Obligor's Case Identifier" towards the top of the form.
- 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
- Case identification number
- Amount of payment
- Date of payment
- Name and address where check should be sent



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## **5.5 ASSURING 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 non-custodial parent or employee/payor
- SSN of employee/payor
- Case 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  
**Redirect to SDU upon notification only**
- E-payments are the preferred method
- Send payments within seven (7) business days OR LESS

## 5.6 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 income-withholding order/notice.
- Payee is usually the child support enforcement agency, court, private attorney or custodial parent.
- The designated payee is responsible for forwarding the payment to the child and family.
- Increasingly, the payee will become the State Disbursement Unit (SDU), a centralized site for collections, with one in every state.
- Payments should not be "re-directed" to the SDU until official notification is received.
- Multiple payments can 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 in to the SDU (electronic transmission).
- Withheld child support payments must be sent to the payee within a maximum of seven (7) business days of withholding. Many states require that payments be sent to the payee much sooner 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.

**TRAINING NOTES**