

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



March 3, 2006

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

CSS LETTER: 06-03

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

SUBJECT: LOST, DESTROYED, AND STOLEN CHECK REISSUE PROCESS

The purpose of this letter is to confirm the direction previously provided to the counties and local child support agencies (LCSAs) for processing checks when a payee indicates that a check may be lost, destroyed, or stolen. These instructions take effect as the counties transition to the State Disbursement Unit (SDU), and continue until otherwise instructed.

The intended payees that may be impacted by this process include custodial parties, non-custodial parents, or other payees to which the SDU issues checks. Note that stolen checks may be classified as either paid or unpaid and the process is different based on the classification.

Counties and LCSAs shall follow the process defined in the attached document, "Lost, Destroyed, and Stolen/Fraud Process." This document also describes the use and routing of several forms processed by the various parties involved. The process primarily involves required activities in the California Child Support Automation System (CCSAS) Version 1. CCSAS Version 2 activities will require some modifications to the process. The attached document will be updated as needed with the most current version available on the CIME website.

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If you have any questions or concerns regarding this matter, please contact me at (916) 464-5100 or via e-mail at cher.woehl@dcss.ca.gov

Sincerely,

o/s CHER WOEHL

CHER WOEHL
Deputy Director

cc: David Oppenheim, Executive Director
Child Support Directors Association

Attachments

Lost, Destroyed, Stolen/Fraud Process
3-3-06

Once a Local Child Support Agency (LCSA) transitions to the State Disbursement Unit (SDU), the LCSA no longer processes disbursements through the county's child support trust fund. All disbursements are processed at the state level through the SDU. This will change how lost, destroyed, stolen and fraudulently cashed checks will be handled.

Checks/Warrants Issued Prior to Transition

For checks that were issued by the county prior to the transition to the SDU, the process will not change from how the county currently processes these items. Each county has their own process with their auditor controller. LCSAs should follow their current processes for any disbursements that were issued by the county and are found to be lost, destroyed or stolen and fraudulently cashed.

Upon SDU Transition

When the Payee contacts the LCSA and indicates s/he has not received his/her check, the LCSA must first verify that the disbursement was actually issued and if so, whether the disbursement is outstanding or has been cashed. The LCSA uses the SDU Disbursement Engine (DE) to determine the disbursement status and then takes the steps described below for each status.

Warehouse Status	
Description	Disbursement Not Issued (in warehouse status in the DE)
Steps	Verify the Payee's disbursement address in ARS/CASES. <ul style="list-style-type: none">• If the address is incorrect, the LCSA should cancel the disbursement instruction in the DE and update the Payee's address in their system (ARS/CASES). Once confirmation has been received from the SDU that the cancellation was successful, the LCSA uses their system (ARS/CASES) to send out new disbursement instructions to the SDU.• If the Payee's address is correct, advise the Payee that the disbursement is set to be mailed the next day and that s/he should allow 5-7 business days for it to arrive.

Outstanding Status	
Description	Disbursement issued but not cashed
1. Facts	No Evidence of theft (Payee does not indicate that his or her check was stolen)
Steps	<p>Determine whether disbursement occurred more than 7 business days prior.</p> <ul style="list-style-type: none"> • <u>Disbursement less than 7 business days</u> – If 7 business days have not passed since the date the disbursement was mailed the LCSA should verify the Payee’s address, inform the Payee the date the disbursement was mailed, and advise the Payee that s/he should allow 7 business days for it to arrive. • <u>Disbursement more than 7 business days</u> – If 7 business days have passed since the date the disbursement was mailed: <ul style="list-style-type: none"> a. The LCSA sends the Payee an Affidavit and Indemnity Agreement, form DCSS 0317. (This form is attached as part of these procedures. The form is also available in ARS and CASES.) The LCSA completes the appropriate fields on the form prior to sending it to the Payee. See instructions below and the attached document. b. If the Payee returns the Affidavit and Indemnity Agreement, the LCSA once again checks the disbursement status in the SDU DE to verify that the check has not yet been cashed. c. If the check has been cashed, follow procedures for Cashed-Paid Status below. If the check is still outstanding, the LCSA performs a stop payment in the SDU DE. d. Once confirmation has been received from the SDU that the stop payment was successful, the LCSA uses their system (ARS/CASES) to send out new disbursement instructions to the SDU.
2. Facts	Evidence of Theft (Payee indicates the check has been stolen)
Steps	<p>If the Payee indicates that the check has been stolen, for example a purse was stolen or mail was stolen, take the following steps:</p> <ul style="list-style-type: none"> a. <u>Immediately</u> place a stop payment using the SDU DE when the call is received from the Payee, rather than waiting for the Payee to submit the Affidavit and Indemnity Agreement. b. Inform the Payee that the stop payment has been placed and that they must not cash the check should it be returned to them. c. Wait for the Payee to submit the completed Affidavit and Indemnity Agreement. d. When the Payee returns the Affidavit and Indemnity Agreement, the LCSA verifies by using the SDU DE that the stop payment was successful. e. If the stop payment was successful, the LCSA uses their system (ARS/CASES) to send new disbursement instructions to the SDU.

Cashed - Paid Status

Description	SDU DE shows that the check has been paid (cashed)
Steps	<p>Take the following steps to begin the process for determining if fraud has occurred:</p> <ol style="list-style-type: none">1. The LCSA sends the Payee the following:<ul style="list-style-type: none">○ Affidavit and Indemnity Agreement (DCSS 0317 V1), if the Payee has not already completed one as outlined in Outstanding Status procedure above.○ Bank of America (BofA) Stolen/Fraud Affidavit. Each LCSA will receive a PDF soft copy of this form. As the disbursement account is a BofA account, the BofA form must be used. <u>LCSAs must not use their county specific stolen/fraud affidavits.</u>○ A copy of the front and back of the paid disbursement check obtained from the SDU DE.2. The LCSA instructs the Payee to review the copy of the paid disbursement check. If the payee believes the check was cashed by someone else, instruct the Payee to complete the BofA Stolen/Fraud Affidavit, return the original forms to the LCSA, and keep a copy for his/her own records.3. If the LCSA receives the DCSS 0317 and the BofA Stolen/Fraud Affidavit, the LCSA assigns a tracking number which consists of the FIPS code, the current date (mmddyyyy) with no dashes, and the first four characters of the Payee's last name. Example: 06012-09232005-lalo. Place this number on the bottom right hand corner of each document.4. The LCSA documents the tracking number in their system (ARS/CASES) and also documents that the Payee is claiming fraud and forwards the consolidated package to the SDU at: <p style="text-align: center;">California State Disbursement Unit PO Box 989063 West Sacramento, CA 95798-9063</p>5. The SDU Service Provider (SP) receives the consolidated package from the LCSA, records the information on a tracking log, notifies the BofA Check Fraud Claims Unit (CFC), and forwards the package to the BofA CFC for investigation.

Determining Fraud	
Description	Where Fraud is Determined – Determining if there is fraud is a BofA function and responsibility
Steps	<p><u>Fraud Determined</u></p> <ol style="list-style-type: none"> 1. If BofA and/or the bank of first deposit determines that the check was cashed by someone other than the Payee, the disbursed funds are recovered by BofA and/or the bank of first deposit and BofA and/or the bank of first deposit returns the recovered funds to the BofA CFC. 2. The BofA CFC deposits recovered funds into a special DCSS adjustment account. 3. The SDU SP updates the tracking log, notifies DCSS SDU Operations staff of the recovered funds and provides DCSS SDU Operations with copies of the BofA documentation. 4. DCSS SDU Operations staff completes a check request form and forwards it to DCSS Accounting along with copies of the BofA documentation. 5. DCSS Operations staff documents the recovered fund information in the comments box for the original disbursement in the SDU DE. See SDU DE examples below. 6. DCSS SDU Operations staff contact the LCSA to let them know that a new check will be issued to the Payee, so the LCSA can record the information in their system (ARS/CASES). 7. Upon receipt of the check request form from DCSS SDU Operations, DCSS Accounting issues a new check to the Payee from a state account along with a notice explaining that the check represents funds recovered. This form is currently under development. Once finalized, it will be provided to the LCSAs for reference. <p>Notes:</p> <ul style="list-style-type: none"> • The new disbursement is not issued by the SDU and thus will not be recorded as a disbursement in the SDU DE. • A new disbursement will not be made unless and until the funds are recovered and received from BofA.
Steps	<p><u>Fraud Denied</u></p> <ol style="list-style-type: none"> 1. If BofA or the bank of first deposit determines that the Payee cashed the check, the BofA CFC sends the denied claim and supporting documentation to the SDU. 2. The SDU SP updates the tracking log, notifies DCSS SDU Operations staff of the denial and provides DCSS SDU Operations with copies of the BofA documentation. 3. DCSS SDU Operations staff contacts the LCSA and informs them of the denial, and the LCSA records the information in ARS/CASES. 4. DCSS Operations documents the fraud denied information in the comments box for the original disbursement in the SDU DE. See example below. 5. DCSS SDU Operations staff sends the Payee a notice informing him/her that the fraud claim was denied and includes the denial reasons received from the BofA CFC. This form is currently under development. Once finalized, it will be provided to the LCSAs for reference.

Viewing the Status of Fraud Claim

The BofA CFC strives to resolve fraud claims expeditiously and in a timely manner; there is no firm timeframe as to when the fraud decision will be made. This is dependent upon a number of factors and whether other banks are involved. The BofA CFC activities to determine fraud are not recorded in the SDU DE. There is no ability to query or view the interim status of the claim. If the Payee calls to request status, the LCSAs and the State have limited information that can be provided.

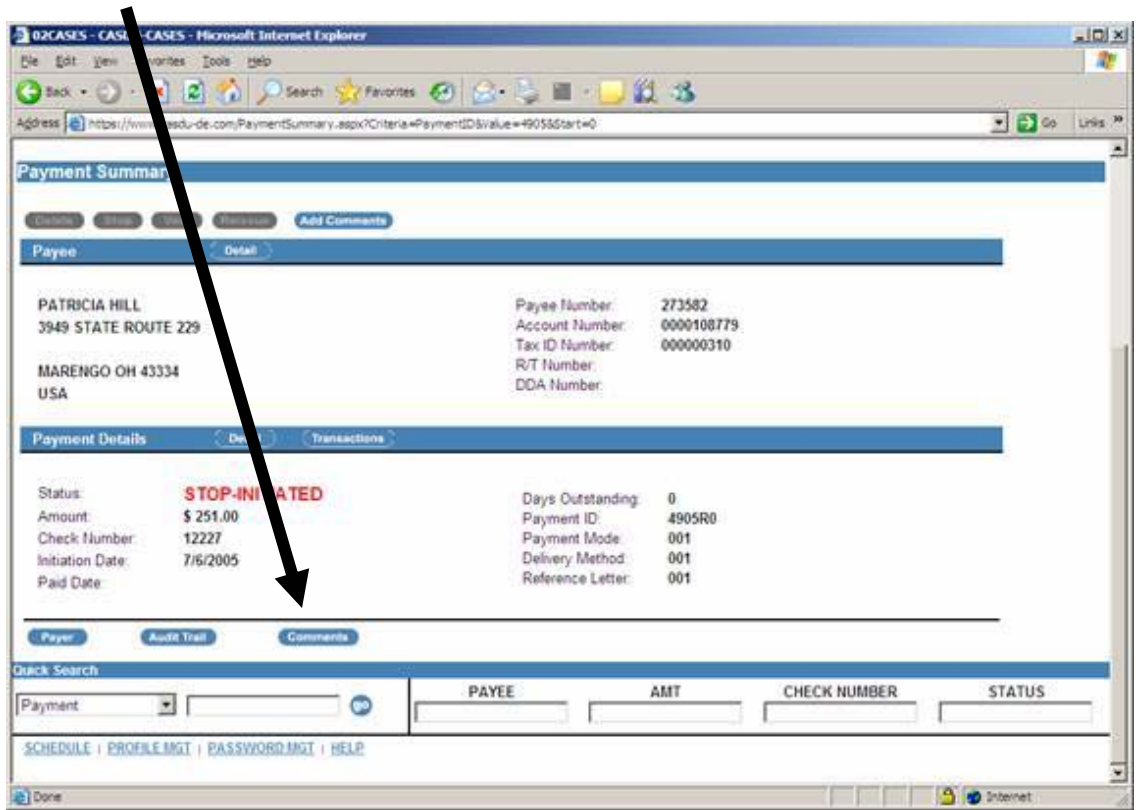
LCSAs will have the ability to access the following statuses:

1. View in ARS/CASES the date on which the LCSA sent the fraud claim to the SDU, including the LCSA tracking number.
2. View in the SDU DE the final status of the claim. See example on the following page.
3. View in ARS/CASES the final status of the claim.

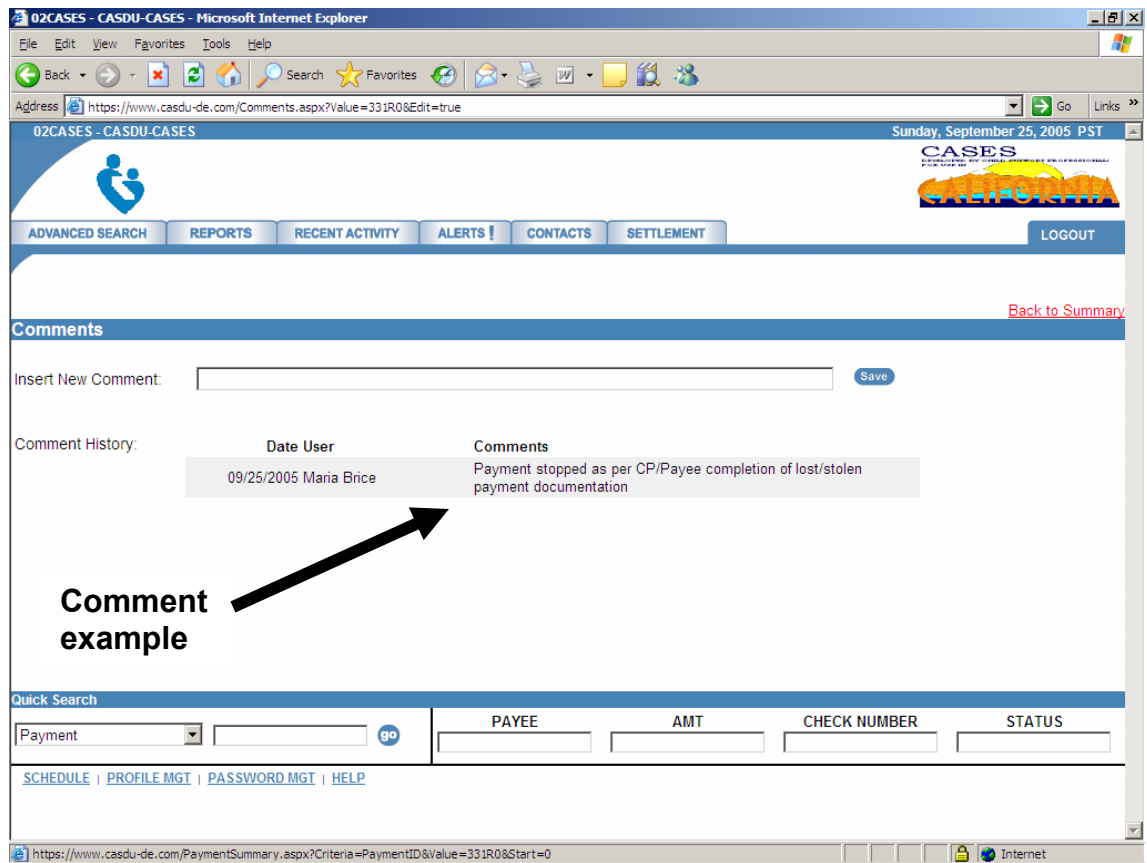
Accessing Comments in the SDU DE

To access comments in the SDU DE, go to the Payment Summary Screen. From the Payment Summary Screen of the disbursement record, click on the comments button. If comments do not exist, the button will appear as gray and will not be accessible. See screen prints on the following page.

Comments button



https://www.casdu-de.com/Comments.aspx?Value=331R0&Edit=true



https://www.casdu-de.com/PaymentSummary.aspx?Criteria=PaymentID&Value=331R0&Start=0

Instructions for Completing the DCSS 0317

Beginning with Wave 1 LCSAs, the Affidavit and Indemnity Agreement, DCSS 0317, will be completed manually or as a Word document. The first page of the form, which is a letter to the Payee, should be on LCSA letterhead. Below are copies of the letter and form. The **BOLD** text in the letter and the top of the Affidavit and Indemnity Agreement indicates the information the LCSA should complete and the data type that should be in the fields.

The LCSA should complete the fields in Section 1, Description of Check based on information on the image of the disbursement or information found in the SDU DE or ARS/CASES.

LCSAs must also complete the dollar amount of the check in Section 2, Statement of Facts.

V:\AdminServices\CCSASFiscalSupport\CCSASCommon\Correspondence\CSS Letters\Lost Stolen Destroyed Check Reissue Process\Lost-Destroyed-Stolen-Procedures.attachment.doc

[DATE_CURRENT]

Participant Number:

[NUMBER_MEMBER_ID]

[ADDRESSEE_NAME]
[ADDRESSEE_ADDRESS]
[ADDRESSEE_ADDRESS]
[ADDRESSEE_ADDRESS]
[CITY_STATE_ZIP CODE]
[BARCODE]

Dear [ADDRESSEE_NAME]:

You have asked for a replacement check because you did not receive or cannot cash the check that was mailed to you because it was either never received, or it was lost, destroyed, or stolen. Before a replacement check can be sent to you, you must fill out, sign, and date the second page of this notice. Please send the second page of this notice to the mailing address listed below:

[ADDRESSEE_NAME]
[ADDRESSEE_ADDRESS]
[ADDRESSEE_ADDRESS]
[ADDRESSEE_ADDRESS]
[CITY_STATE_ZIP CODE]

We will not be able to process your request until the completed form has been received from you. To avoid never received, lost, destroyed, or stolen checks in the future, you can request direct deposit so your support payments can be deposited directly into your bank account.

If you have any questions, please call us at [NUMBER_PHONE].

Affidavit and Indemnity Agreement - Replacement Check

DCSS 0317 SWS (1/2/2/7/05)

INSTRUCTIONS: *The completion of this form will enable us to send you a duplicate check to replace the original which was reported as never received, lost, destroyed, or stolen/fraud situation. Please carefully read, sign, and date Section II of this form and return it to the address below:*

[ADDRESSEE_NAME]
 [ADDRESSEE_ADDRESS]
 [ADDRESSEE_ADDRESS]
 [ADDRESSEE_ADDRESS]
 [CITY_STATE_ZIP_CODE]

A STOP PAYMENT HAS BEEN PLACED ON THE ORIGINAL CHECK. IF YOU RECEIVE IT, DO NOT CASH IT.

SECTION I - Description of Check (Department Use Only)

DATE CHECK ISSUED [DATE_ACTION]	CHECK NUMBER [NUMBER_CHECK]	AMOUNT OF CHECK [NUMBER]
NAME ON CHECK [NAME_AS_ON_CHECK]	PAYEE'S ADDRESS [ADDRESS_LINE_1]	
PAYEE PARTICIPATION NUMBER [NUMBER]	ADDRESS SECOND LINE [ADDRESS_LINE_2]	
DATE STOP PAYMENT REQUESTED [DATE_ACTION]	CITY, STATE, ZIP CODE [ADDRESS_LINE_3]	

SECTION II - Statement of Facts

I, the undersigned, certify or declare the following facts in connection with the above described check:

The check was never received, lost, destroyed, or stolen/fraud situation. *(Please check only one box)*

I did not cash the check described above and/or do not have it in my possession at this time.

If it is determined that I cashed the check and the replacement check, I will pay back the Department of Child Support Services for the amount of \$[NUMBER].

If I receive the check described above, I will return it without cashing it, to the State Disbursement Unit at:
P.O. Box 980218, West Sacramento, CA 95798.

I am the original payee of the check and am authorized to request a replacement check and enter into this indemnity agreement*. (See the third page of this form for the definition of indemnity agreement.)

I am requesting a replacement check to replace the original check, and I agree to indemnify* and hold harmless** the State of California, its officers and employees, from any loss resulting from the issuance of the replacement check. (See the third page of this form for the definition of hold harmless.)

I hereby certify or declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

PRINT PAYEE NAME	
SIGNATURE OF PAYEE	DATE
ADDRESS OF PAYEE	PHONE NUMBER

Affidavit and Indemnity Agreement - Replacement Check

DCSS 031 7 SWS (12/27/05)

****Indemnity Agreement** is an agreement where a person agrees to pay back another person for a loss.*

For example: Joan thought she lost her child support check for \$300. She applies for a replacement check by filling out and signing an "Affidavit and Indemnity Agreement - Replacement Check" form. Joan is sent a replacement check for \$300. Joan finds the original check for \$300 that she thought she lost. She cashes both checks. Since Joan filled out and signed the Agreement, she must pay back the replacement check amount of \$300.

*****Hold Harmless** - A person agrees to take legal responsibility for a situation which relieves another person from the legal responsibility. A hold harmless agreement means that the person agrees not to hold the other person responsible for a loss resulting from a transaction.*

For example: Harry filled out and signed an "Affidavit and Indemnity Agreement - Replacement Check" form to get a replacement check for \$300. Joe pretends to be Harry and falsely identifies himself as Harry to get the replacement check and cashes it. Since Harry filled out and signed the Agreement to hold harmless the State, its officers and employees, the State is not responsible for paying Harry his loss of \$300.