



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
LANSING



NANNETTE M. BOWLER
DIRECTOR

MICHIGAN IV-D ACTION TRANSMITTAL 2003-005

TO: All Friends of the Court
All Prosecuting Attorneys
All Office of Child Support Staff

FROM: Marilyn F. Stephen, Director
Office of Child Support

DATE: February 26, 2003

SUBJECT: Receipt of Support Payments in Local Offices

The purpose of this Action Transmittal is to provide information and clarification to the Friend of the Court (FOC) on special receipting procedures for particular payments in the local offices.

Receipt of Non-Cash Payments in Local Offices

Michigan Rules of Court Section 3.208 (C) (2) and (3) define two conditions under which a payment will be applied to a specific case, rather than allocated and distributed across all of the obligor's cases:

- "If the court determines that following the guidelines established by the state court administrator would produce an unjust result in a particular case, the court may order that receipts be made in a different manner. The order must include specific findings of fact that set forth the basis for the court's decision, and must direct the payer to designate with each receipt the name of the payer and the payee, the case number, the amount and the date of the order that allows the special receipt." This is usually referred to as a "Special instruction payment".
- "If a payer with multiple cases makes a receipt directly to the friend of the court rather than through income withholding, (and) the payer requests a different allocation in writing at the time of receipt and provides (specific) information about each case for which receipt is intended."

We can ensure compliance with the court rule in these two circumstances only by receipting case-specific payments at the county level, through the FOC office, because payments received and processed by the State Disbursement Unit (SDU) are automatically allocated by MiCSES 2.4 across all of the obligor's cases.

State law does require that all payments be made to the SDU, but allows a period of time for transition from local receipting to SDU receipting, according to the timeframes established by the Office of Child Support (OCS). (See MCL 552.509 (2); MCL 400.237). We plan for most payments to be receipted at the SDU at the time of county conversion to MiCSES 2.4. A list of the types of payments that will remain receipted at the local level after conversion to MiCSES 2.4 is attached to this Action Transmittal.

Maintenance of New Local Bank Account

Each county or FOC must develop a method for deposits and sending money to the SDU independent of using a state bank account. Counties can look to the State Court Administrative Office (SCAO) for specific recommendations. Using a state bank account is not a viable option due to cash handling procedures that require reconciliation between the amount deposited and the amount recorded on MiCSES 2.4. MiCSES 2.4 supports reconciliation of local bank account deposits, but cannot support reconciliation with a central bank account at this time. OCS strongly recommends opening a new bank account due to possible reconciliation problems that may result if the existing account structure is used after conversion to the new system. (This was the standard practice following conversion to MiCSES 1.5.1.) Again, SCAO can provide specific direction to counties on this topic.

Moreover, there are very practical reasons for the decision to continue local bank accounts:

- No bank in the State of Michigan has a branch office in all counties. Therefore, it is not possible to offer a central account to all FOC offices.
- Various FOC approvals are required before the receipt is recorded in “deposited” status on MiCSES 2.4. If the receipt is recorded even one day after the actual deposit is made, the SDU is unable to reconcile the amount deposited with the amount on the system. The SDU has no way to reconcile the discrepancy, because the bank will only have the deposit total recorded. Therefore, the SDU will have to contact the FOC to assist in the reconciliation. This results in unnecessary delays in reconciling accounts. By using local bank accounts and local reconciliation, we eliminate inefficiency and assist in timely distribution and disbursement to the custodial party.

Ultimately, using local bank accounts results in less work for the FOC and the SDU.

Clarification of Two-Day Time Frame

Federal regulations require that child support collections be disbursed within two business days from the date of receipt by any arm of the IV-D program. (See 45 CFR 302.32 (b)). While collecting child support payments, the FOC is engaging in IV-D activity. FOCs have expressed serious concerns regarding non-sufficient funds (NSFs) and stop-payment checks received from obligors, and some FOCs hold checks for a period of time (up to ten days in some circumstances). This practice is out of compliance with federal regulations if it results in disbursing collections more than two days from the date of receipt.

Since the State is asking the FOC to direct the obligor to forward most non-cash payments directly to the SDU (see "Process for Receipting Payment" section of this Action Transmittal), the State is assuming most of the liability of fines and fees related to NSFs. However, OCS acknowledges that the FOCs will realize liabilities in receipt of non-cash payments. In those instances where the NSF occurs on the FOC accounts and the receipt has already been disbursed, the FOC will bear the cost of the NSF. The FOC does have the option to refuse to accept personal checks from an obligor to reduce the potential for this liability. (Note: if the receipt is still in MiCSES Suspense when the receipt is backed out for reason of NSF or stop payment, MiCSES will automatically return the money to the FOC; thus no liability is incurred. Additionally, if the receipt was disbursed to the State for TANF, MiCSES will automatically produce the FIA820 Refund form, so that the FOC can recover those funds from FIA.)

Process for Receipting Payment

If an obligor wishes to make a non-cash payment at the FOC office in person and does not demonstrate that the payment falls into one of the two circumstances described by MCR 3.208 (C) (2) or (3), then the FOC should not accept that payment. Rather, the FOC can provide the obligor with blank payment coupons and SDU-addressed envelopes so that the obligor can mail the payment directly to the SDU. The obligor is responsible for making sure the envelope contains all of the information required for the SDU to process the payment. We anticipate that the FOC will have appropriate customer services available for the following purposes:

- To determine whether the payment falls into one of the circumstances described by MCR 3.208 (C) (2) or (3).
- To assist the obligor with putting the correct information onto the blank payment coupon.

This approach places the burden for accuracy of the payment on the obligor, not on the FOC. This procedure should eliminate concerns of county auditors. The State does not provide stamps for the envelopes, nor does the State expect the FOC to pay for postage on those items.

If an obligor mails a non-cash payment to the FOC and there is no indication that the payment falls within MCR 3.208 (C) (2) or (3), the FOC should not receipt the payment. Similarly, the FOC might receive a payment or payments directly from an employer. The FOC should compile all of the checks received in one day, batch them together with a batch receipt, and mail them to the SDU for appropriate handling. The SDU then transmits the payment file into MiCSES 2.4. We encourage the FOCs to contact obligors and employers mailing non-cash payments to the FOCs and instruct them to submit payments directly to the SDU.

In those instances where the FOC receipts a check, the FOC should deposit the payment and record the appropriate information on MiCSES 2.4. The county FOC is responsible for reconciling the deposit to MiCSES 2.4, and then forwarding deposits to the state bank account. Questions regarding the transfer of funds can be obtained by contacting the FOC Help Desk Line at 1-800-817-0632.

Payments in the form of checks or warrants from other state child support agencies will continue to be mailed to the FOCs until all counties have been converted to MiCSES 2.4. FOCs will need to receipt and deposit these interstate payments locally using the MiCSES 2.4 online receipting functionality. Other state child support agencies will be redirected to make all payments to the SDU post-October 2003.

Sometimes, a court orders an obligor to guarantee future support payments. This order effectively creates a bond for the obligor. A bond should have language that allows automatic disbursement from the bond by the FOC if the obligor misses a future payment. The FOC can then process the bond pursuant to the court's order. MiCSES 2.4 does have functionality to support the processing of a bond. A payment on a bond must be receipted locally; it falls under the terms of MCR 3.208 (C) (2). Unless the bond has language that allows for an automatic disbursement on default, the FOC should follow the statutory method of disbursing funds. The SCAO can provide specific guidance on automatic disbursement language for the bond.

AT MAINTENANCE: Retain this Action Transmittal until further notice.

EFFECTIVE DATE: Upon Receipt

CONTACT PERSON: Daniel Bauer: (517) 373-9954
E-mail: BauerD@Michigan.gov
This Action Transmittal was written following consultation with representatives from the State Court Administrative Office, the State Disbursement Unit, and the MiCSES 2.4 Design Team.

ATTACHMENT: [Payment Types Receipted Locally](#)