



STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN IV-D ACTION TRANSMITTAL 2009-008

TO: All Prosecuting Attorney (PA) Staff
All Friend of the Court (FOC) Staff
All Office of Child Support (OCS) Staff

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

DATE: May 28, 2009

SUBJECT: Michigan's Electronic Disbursement Process

PURPOSE:

This Action Transmittal (AT) explains the changes that will occur to the electronic disbursement process with the Michigan Child Support Enforcement System (MiCSES) 5.4 Release (June 5, 2009). This AT also consolidates OCS policy (ATs) regarding the electronic funds transfer (EFT) program and introduces revisions to the:

- *Important Notice* (DHS-1383) (a.k.a. "The Insert").¹ The notice includes a clarification that the debit card is not an interest-bearing account;
- *Debit Card Authorization Form* (DHS-1371).² The form has been updated and includes a statement that the debit card is not an interest-bearing account;
- *Notice of Electronic Disbursement Update* (FEN801/DHS-823).³ The notice has been automated and incorporates the *Notice of Electronic Disbursement Cancellation/Change* (DHS-824/FEN802);
- *Electronic Disbursement of Child Support Information Sheet* (DHS-1388).⁴ The Michigan State Disbursement Unit (MiSDU) banking vendor name and "fee for service" information have been removed from this form;
- *Electronic Disbursement of Support – Frequently Asked Questions*.⁵ This form no longer mentions the MiSDU debit card vendor name or "fee for service" information; and

¹ Ref: Attachment 1.

² Ref: Attachment 2.

³ Ref: Attachment 3.

⁴ Ref: Attachment 4.

⁵ Ref: Attachment 5.

- *Direct Deposit Authorization Form (DHS-1377)*.⁶ The Department of Human Services (DHS) non-discrimination statement was revised with the release of this AT.

The following five published ATs and their attachments are obsolete with the publication of this AT:

- AT 2005-060, *Debit Card Information – First Communication*;
- AT 2005-061, *Debit Card Information: Form Modification and Newly-Created Documents*;
- AT 2006-002, *Debit Card Pilot Project: Updated Debit Card Information, Third Notice and New Form*;
- AT 2006-012, *Debit Card Project: Statewide Implementation*; and
- AT 2007-039, *Electronic Disbursement of Child Support – Information Sheet (DHS-1388)*.

This AT combines information from previously published ATs and includes new information specific to the MiCSES 5.4 Release. A change bar will identify new information or changes in policy related to the MiCSES 5.4 Release.

TABLE OF CONTENTS:

PURPOSE:	1
BACKGROUND:	2
PROGRAM ACTIONS AND POLICY INFORMATION:	3
I. Establishing Electronic Disbursements.....	4
II. Deposited Disbursements	5
III. Exceptions and Exemptions for Electronic Disbursement	6
IV. Debit Card Vendor Practices for Debit Card Accounts	8
V. EFT Disbursements.....	9
VI. Additional Information.....	9
LEGAL REFERENCES:	10
POLICY REFERENCES:	10
AT MAINTENANCE:	11
EFFECTIVE DATE:	11
REVIEW PARTICIPANTS:	11
CONTACT PERSON:	11
CC:	11
ATTACHMENTS:	11

BACKGROUND:

Public Act 548 of 2004 (codified in Michigan Compiled Law [MCL] 400.236[4]) required OCS to reduce operational costs by changing recurring child support payments from

⁶ Ref: Attachment 6.

paper checks to electronic disbursement by January 3, 2007. OCS offers the following options for implementing electronic distribution:

1. A support recipient may have his/her payments electronically deposited to a personal checking or savings account; or
2. If the recipient fails to identify a personal checking or savings account, the MiSDU will deposit the recipient's support payment on a stored value card (debit card).

Before statewide implementation, Public Act 548 of 2004 required OCS initiate a pilot program prior to January 3, 2006. OCS and the MiSDU selected Shiawassee, Marquette, and Muskegon counties for the pilot program. A workgroup consisting of state staff and pilot counties' IV-D staff collaborated to develop the pilot program. Upon completion of the pilot, a statewide electronic disbursement program was implemented.

PROGRAM ACTIONS AND POLICY INFORMATION:

OCS, through the MiSDU, electronically disburses child support payments. A child support recipient may choose to have the payment deposited directly to his/her personal checking or savings account or a non-interest-bearing stored value card account (debit card).

Note: The MiSDU contracts with a banking vendor (a.k.a. the debit card vendor)⁷ to provide non-interest-bearing debit card accounts for recipients. This account is similar to any personal checking or savings account a person may establish at a private banking institution. The MiSDU has no authority to make adjustments to debit card accounts.

Prior to the MiCSES 5.4 Release, MiSDU staff identified custodial parties (CPs) receiving paper payments and placed "The Insert" in the envelope with the check via the MiSDU's automated check printing system. With the MiCSES 5.4 Release, MiCSES will identify recurring payments based on the receipt source. After identifying a recurring payment, MiCSES will place an indicator in the check print file. The MiSDU's automated check printing system will use the information from the check print file to identify which checks must include "The Insert."

Note: A recurring payment is a payment received on a regular basis from a source of income (e.g., an obligor payment). Nonrecurring payments are irregular payments from sources of income (e.g., federal tax refund offset and financial institution data match).

The IV-D agency disburses payments (e.g., non-IV-D collections) to other governmental agencies (e.g., county treasurers and the Michigan DHS) and other third parties (e.g., obligors and employers). After the MiCSES 5.4 Release, MiCSES will allow electronic disbursements to these entities as well as CPs.

⁷ The MiSDU contracts with a financial institution to maintain an account in which the recipient's support payments will be deposited.

I. Establishing Electronic Disbursements

Before OCS sends a support payment via an electronic disbursement to any financial institutions (e.g., a bank or credit union), a test transaction (pre-note) is performed. The pre-note process starts a 10-day waiting period, allowing the financial institutions to confirm the recipient has a valid account at the receiving financial institutions.

A. Direct deposit request and debit card default

The first recurring payment disbursed as a paper check includes “The Insert” and the *Direct Deposit Authorization Form* (DHS-1377). “The Insert” indicates the recipient must choose either direct deposit or a debit card for future support payments. To select direct deposit, the recipient must return the DHS-1377 within 21 days. The DHS-1377 allows the recipient to initiate electronic disbursements via direct deposit to his/her checking or savings account.

1. If the recipient returns the completed DHS-1377 within 21 days, MiSDU staff will do one of the following:
 - a. Accept the request when the recipient has provided requested information and completed the DHS-1377. MiSDU staff will update the *Electronic Funds Transfer* (EFTR) screen in MiCSES with the direct deposit information. During the pre-note waiting period for a recipient not having an established electronic disbursement, the MiSDU will disburse payments as a paper check. After the pre-note period of 10 calendar days has ended, MiCSES will send subsequent payments electronically to the identified account.

With the MiCSES 5.4 Release, MiSDU staff may enter a new checking, savings, or debit card account before stopping EFT to an existing active account, allowing EFT to continue to the old (active) account during the pre-note period for the new account. This leaves EFT uninterrupted for the recipient.
 - b. Reject the request when the recipient has not provided all the requested information or fails to check the checking/savings account box on the DHS-1377. MiSDU staff will send the recipient notice of the missing information and a new DHS-1377. If the missing information and corrected DHS-1377 is not received within the original 21-day time frame, a debit card account will be established.
2. If the recipient does not return the DHS-1377 to the MiSDU within 21 days, (s)he will automatically receive a debit card. The MiSDU asks the debit card

vendor to establish an account for the recipient. The next day, a pre-note is generated for the new debit card account; or

3. If the recipient returns the completed DHS-1377 after MiSDU staff established a debit card account for the recipient, MiSDU staff will end electronic disbursements to the debit card account and establish the direct deposit (see above). At the end of the pre-note period, MiSDU will redirect the recipient's payments to his/her personal checking or savings account. MiSDU staff will not reverse support payments deposited to the debit card account. The recipient must use the debit card to access the deposited funds.

B. Debit card request

A recipient may request a debit card account by completing the *Debit Card Authorization Form* (DHS-1371). A recipient may ask MiSDU staff to send him/her a DHS-1371 or obtain it through the MiSDU Web site.⁸ When the recipient completes and returns the DHS-1371, MiSDU staff will update the EFTR screen in MiCSES accordingly. With the MiCSES 5.4 Release, the DHS-1371 was updated to include a statement that the debit card is not an interest-bearing account.

II. Deposited Disbursements

Support payments deposited into a checking, savings, or debit card account are considered disbursed and are no longer IV-D money. Banking laws govern support payments disbursed into checking, savings, or debit card accounts.⁹ MiSDU staff must have written permission from the account owner to recoup a support payment through reversing an EFT. If the account owner is not available to provide written permission (e.g., [s]he is deceased) MiSDU staff will reject the request.¹⁰

⁸ https://www.misdu.com/Secure/Portals/0/Direct_Deposit_Authorization_Form.pdf

⁹ The Uniform Commercial Code (MCL 440.1101 – 440.11102) codifies bank laws in Michigan.

¹⁰ If a court orders an FOC to recover money from a deceased recipient, the IV-D staff, not MiSDU staff, must receipt the recovered money. IV-D staff must make all of the appropriate account adjustments to all associated IV-D cases to ensure proper accounting is maintained in MiCSES regarding the recovered money. IV-D staff must document all changes to the account in MiCSES on the *Notes Processor* (NOTE) screen.

Note: A recipient's signature on the DHS-1371 or the DHS-1377 does not permit MiSDU staff to reverse an electronic disbursement. Reversing an electronic disbursement constitutes a recoupment of a support payment directly from a recipient.¹¹ However, if a system error occurs and results in large numbers of misdirected payments, MiSDU staff may reverse the transaction within three business days as permitted by the National Automated Clearing House Association standards.

Money held in debit card accounts is not subject to child support escheatment policies and procedures.¹² The MiSDU debit card vendor will escheat unclaimed property (money) left in an account with no activity for more than five years as prescribed by banking laws.¹³

III. Exceptions and Exemptions for Electronic Disbursement

OCS will grant an exception allowing a recipient to continue receiving payments via paper check.¹⁴

A. Conditions for system exemptions

There are three system exceptions to sending a payment via EFT:

1. Unidentified interstate payments refunded back to the originating state are sent as a check. The check stub contains all identifying information included on the original remittance sent by the originating state, which allows the originating state to identify the refunded payment. The EFT information file does not retain this information, preventing the originating state from properly identifying the refund.
2. Federal joint tax refund offsets refunded to the taxpayer are not disbursed via EFT even if the non-custodial parent (NCP) has a direct deposit or debit card account. The names of both taxpayers appear on the MiSDU check used to refund the federal joint tax refund offset.
3. Payments refunded to Michigan governmental agencies (i.e., county treasurers DHS, etc.) are sent via check, not EFT. Information needed by the agencies to

¹¹ Ref: Office of Child Support Enforcement (OCSE) Policy Interpretation Question (PIQ)-02-01, *Recoupment of a Child Support Overpayment*, at: <http://www.acf.hhs.gov/programs/cse/pol/PIQ/2002/piq-02-01.htm>, and PIQ-03-02, *Recoupment of a Child Support Overpayment*, at: <http://www.acf.hhs.gov/programs/cse/pol/PIQ/2003/piq-03-02.htm>.

¹² Ref: AT 2007-033, **REVISED: Escheatment**.

¹³ The Uniform Commercial Code requires banks to escheat unclaimed property after five years to the State Department of Treasury in the state the account was physically located. For example, unclaimed property held by a Michigan bank must be escheated to the Michigan Department of Treasury. Most State Departments of Treasury forward unclaimed property escheated to them to the State Department of Treasury in the state of the property owner's last-known address.

¹⁴ MCL 400.236(4).

process the refund is on the check stub. The EFT information file does not retain this information, preventing the agency from properly identifying the refund.

B. Conditions for non-system exemptions

The following conditions may exempt a recipient from electronic disbursement of child support:

1. If electronic transfer is not feasible to meet federal requirements on the disbursement of child support payments;
2. The support payment is from a source that is nonrecurring or that is not expected to continue in a 12-month period;
3. The recipient of support has a mental or physical disability that imposes a hardship in accessing an electronically transferred payment;
4. The recipient of support has a language or literacy barrier that imposes a hardship in accessing an electronically transferred payment; or
5. The recipient of support's home and work addresses are more than 30 miles from an automated teller machine and more than 30 miles from a financial institution where funds in the recipient's account may be accessed.

To request an exemption to the electronic disbursement process, recipients must contact the MiSDU customer service unit through their local county interactive voice response (IVR) system via system prompts.¹⁵ Once the recipient contacts the MiSDU customer service unit, MiSDU staff will document the request by entering it into MiCSES.

If a recipient meets the conditions for an exemption after (s)he has previously established an electronic disbursement, (s)he may request an exemption at that time.

C. Recipients of support on parole or probation

Special condition 7.0 in the Michigan Department of Corrections (MDOC) parole and probation conditions limits some offenders from having a bank account. Pursuant to MDOC Field Operations Administration (FOA) numbered memorandum 2009-044, published on January 1, 2008, "an offender who is a recipient of OCS funds shall be allowed to receive and use the OCS debit card and will not be cited for violation of special condition 7.0."

The MiSDU will not grant an exception from mandatory participation in the electronic disbursement of support solely for parole or probation reasons. If a recipient is concerned the debit card might violate the terms of parole or probation, IV-D staff may inform him/her of the language quoted from the MDOC

¹⁵ A list of county IVR phone numbers can be found on the MiSDU Web site at: <https://www.misdu.com/secure/Home/tabid/36/Default.aspx>. Click the *Friends of the Court Phone #'s* link.

FOA memorandum 2009-044. IV-D staff may also suggest that the recipient contact his/her parole or probation officer to confirm the MDOC FOA memorandum 2009-044 has not been rescinded and to address any other concerns regarding the terms of his/her parole or probation.

IV. Debit Card Vendor Practices for Debit Card Accounts

A. Multiple debit card accounts

A recipient with multiple IV-D member IDs (duplicate MiCSES IDs) receives disbursements for each IV-D member ID. The debit card vendor will establish a debit card account for each of the recipient's member IDs.

B. Monthly statements

The debit card vendor will provide monthly statements to debit cardholders (recipients) to track account activity. A recipient will also have access to his/her account information through the debit card vendor's Web site, debit card vendor's customer service IVR system, and the debit card vendor's customer service representative.

Note: The debit card vendor reserves the right to assess a fee for service and change the rate without notice.

C. Web site

In order for IV-D staff to answer recipient questions regarding their support collections, the debit card vendor will also provide a Web site that contains individual demographic and account information associated with debit card accounts. The MiSDU will give the appropriate IV-D staff usernames and passwords to access this Web site.

Note: For security purposes, IV-D staff must not share usernames or passwords.¹⁶

D. Closing debit card accounts

To ensure the security of a recipient's support held in a debit card account, only MiSDU staff may close a debit card account. A recipient may submit his/her request to the MiSDU in writing, or by contacting the MiSDU customer service unit through the local county IVR. If IV-D staff would like to have a debit card account closed (e.g., all of the recipient's IV-D cases are closed and the debit card account balance is zero), IV-D staff must contact the MiSDU FOC Assistance Line at 800-817-0632 to request the closure of a debit card account.

¹⁶ AT 2007-013, *Michigan Child Support Enforcement System (MiCSES) Password Security Standards for the MiCSES 4.7 Release*.

E. Inactive debit card accounts

If a recipient fails to follow the instructions printed on the debit card directing him/her to contact the debit card vendor to activate his/her card, the debit card account is considered inactive. On a quarterly basis, the MiSDU will produce a report identifying inactive debit card accounts. This report will be provided to IV-D staff¹⁷ in an effort to identify CPs who may not know about available funds. IV-D staff requesting a copy of this report will receive it through an OCS-approved secured transmission. IV-D staff will use the same security measures for the information on this report as are used for all confidential information.¹⁸ IV-D staff may use this report to contact CPs using their same office policy regarding stale-dated checks.

V. EFT Disbursements

Before the MiCSES 5.4 Release, MiCSES established an electronic disbursement on the EFTR screen using CP IV-D member ID numbers or federal information processing standard (FIPS) codes. With the MiCSES 5.4 Release, MiSDU staff may also establish an electronic disbursement on the EFTR screen using NCP IV-D member ID numbers and Other Party Information (OTHP) ID numbers. This will allow MiSDU staff to disburse all support payments electronically, reducing IV-D program operational costs. Additionally, the MiCSES 5.4 Release will allow MiSDU staff to enter future start and stop dates on the EFTR screen. If MiSDU staff update MiCSES more than 10 days before the stop and start dates, the pre-note period will end before the direct deposit is redirected. This will prevent any delay in the deposit of payments into the new account.

VI. Additional Information

This AT includes the following forms as attachments:

A. *Notice of Electronic Disbursement Update* (FEN801/DHS-823)

When a new EFT account is established or discontinued, MiSDU staff will update the EFTR screen, and MiCSES will automatically generate this form. The FEN801 informs the recipient of one or more of the following:

- A direct deposit was established per his/her request;
- A debit card was established;
- A direct deposit or debit card was discontinued per his/her request; or
- A direct deposit or debit card was discontinued because (s)he was granted an exception.

¹⁷ Typically, this report is requested by FOC staff but is available for other IV-D staff as needed.

¹⁸ AT 2005-069, **REVISED**: *Transmission of Restricted Information via Email*.

MiCSES will populate the revised FEN801 form with specific phrases depending on the information the MiSDU staff member enters on the EFTR screen. This version of the FEN801 obsoletes the FEN802 by combining the information from both forms.¹⁹

B. *Electronic Disbursement of Child Support Information Sheet (DHS-1388)*²⁰

OCS provides this information sheet via the MiSDU and the DHS public Web site. The document explains Michigan's electronic disbursement process. A primary change to this form was the removal of the MiSDU vendor name.

C. *Electronic Disbursement of Support – Frequently Asked Questions*²¹

OCS provides this document via the MiSDU Web site and the DHS public Web site. This document answers frequently asked questions about Michigan's electronic disbursement process. A primary change to this form was the removal of the MiSDU vendor name.

LEGAL REFERENCES:

Federal

PIQ-02-01, *Recoupment of a Child Support Overpayment*

PIQ-03-02, *Recoupment of a Child Support Overpayment*

State

Public Act 548 of 2004, MCL 400.236(4)

MCL 440.1101 – 440.11102

POLICY REFERENCES:

MDOC FOA numbered memorandum 2009-044

AT 2007-033, **REVISED:** *Escheatment*

AT 2007-013, *Michigan Child Support Enforcement System (MiCSES) Password Security Standards for the MiCSES 4.7 Release*

AT 2005-069, **REVISED:** *Transmission of Restricted Information via Email*

¹⁹ Ref: Attachment 3 for a detailed explanation of the automated versions of the FEN801.

²⁰ Ref: Attachment 4.

²¹ Ref: Attachment 5.

AT MAINTENANCE:

Retain AT until further notice.

Obsolete the following ATs and their attachments:

AT 2005-060, Debit Card Information – First Communication

AT 2005-061, Debit Card Information: Form Modification and Newly-Created Documents

AT 2006-002, Debit Card Pilot Project: Updated Debit Card Information, Third Notice and New Form

AT 2006-012, Debit Card Project: Statewide Implementation

AT 2007-039, Electronic Disbursement of Child Support – Information Sheet (DHS-1388)

Attachment 1, Debit Card Authorization Form (DHS-1371), in AT 2008-020, Client Participation Payment (CPP)

*Attachment 1, Direct Deposit Authorization Form (DHS-1377), in AT 2008-034, **REVISED:** Maintenance and Verification of Case Data*

EFFECTIVE DATE:

Upon receipt.

REVIEW PARTICIPANTS:

Financials Work Improvement Team
Friend of the Court Association Reviewers
Program Leadership Group

CONTACT PERSON:

Eric Hewitt
OCS Analyst
Hewitte@michigan.gov
(517) 241-4147

CC:

None

ATTACHMENTS:

Attachment 1 – *Important Notice* (DHS-1383)
Attachment 2– *Debit Card Authorization Form* (DHS-1371)

- Attachment 3 – *Notice of Electronic Disbursement Update*
(FEN801/DHS-823)
- Attachment 4 – *Electronic Disbursement of Child Support Information Sheet*
(DHS-1388)
- Attachment 5 – *Electronic Disbursement of Support – Frequently Asked Questions*
- Attachment 6 – *Direct Deposit Authorization Form* (DHS-1377)

MFS/EH