

2.0 FEDERAL OFFSET PROGRAM PROCESSING

This section reviews both the incoming (State to OCSE) and outgoing (OCSE to State) processes that are performed by the Federal Offset System.

2.1 Processing Year 2000 Overview

OCSE developed a consolidated certification process in Processing Year 1998 (PY1998), for each of the three available remedies:

1. Federal Income Tax Refund Offset
2. Administrative Offset
3. U.S. Passport Denial

At the end of PY1998, the Multistate Financial Institution Data Match (MSFIDM) was added. The certification process required States to submit their entire certified caseload to OCSE at the start of PY1998. Beginning January 1, 1999 the States were permitted to add new cases, modify existing cases, and delete cases on a weekly basis.

In January 1999, the operation of the Federal Offset Program, which interfaced directly with the Internal Revenue Service (IRS), was changed to interface with the Department of Treasury's Financial Management Services (FMS).

Since the migration to FMS, there were concerns that case information on the FMS, OCSE, and State databases may not be the same. For example, States notified OCSE that certain cases that were to be excluded for offset received collections. Also, there was some confusion about how cases were handled when the arrearage amount was reduced to zero during the processing year. OCSE has been working closely with FMS to resolve these issues and to align the systems.

In order to ensure that the information on the FMS database accurately reflected State case information, OCSE determined that States must re-transmit their entire caseload again for Processing Year 2000 (PY2000). Depending on the PY2000 results, OCSE is striving to eliminate the annual certification process and move toward a process of continuous submission of cases. Even though OCSE does not anticipate problems, States should be prepared to submit another annual certification in PY 2001.

2.2 State to OCSE Update Process

States submit two files to OCSE: 1) the Case Submission and Update File, and 2) the Local Contact Phone and Address File. The purpose of the Case Submission and Update File is to allow States to submit new cases and to maintain, modify, or delete existing certified cases. The Local Contact Phone and Address File is used by the State to submit their Local and/or State agency telephone and address contact information. Refer to Appendix E, "Input Record

Specifications,” for more information regarding the required fields, validation criteria, and format, position and length requirements. States can add new cases and modify existing cases by transmitting the Case Submission and Update File using CONNECT:Direct. Refer to Section 7, “Transmitting Files,” or on-line, refer to Section 6, “Federal Offset Program On-line Procedures”. States can also add or modify their State and Local contact information using CONNECT:Direct or the Federal Offset Program on-line system.

2.2.1 THE UPDATE PROCESS

The purpose of the Update Process is to allow States to add new cases and modify or delete existing certified cases. Based on Department of Treasury regulations, States must notify OCSE of deletions or decreases in the amount of debts that are referred for collection, and may notify OCSE of increases in the amount of the debt on an ongoing basis throughout the year in the manner and timeframes provided by the DHHS. DHHS requires States to notify OCSE of any decrease in, or elimination of, an amount referred for collection by Federal income tax refund and/or by administrative offset on at least a monthly basis. Due to the fact that all Federal remedies depend on the information on the Federal Offset file, especially the arrearage amount, it is imperative that States keep the information current. OCSE recommends that updates be sent weekly if possible. Arrearage amount modifications should not be submitted unless the certified arrearage balance has changed.

Updates for a case consist of the following transaction types for processing:

- Add a new case;
- Modify an existing case:
 - Change the local code for a submitting state;
 - Modify the arrearage amount owed and report the current balance;
 - Add or remove an offset exclusion indicator type (i.e., removing a case from passport denial or MSFIDM); or
 - Transfer the case to the State with the order for administrative review;
- Delete an existing case; or
- Create a State payment for an existing case.

The weekly processing schedule for updates is:

- By the close of business on Monday, OCSE processes the update files received from States and forwards the data to FMS (referred to as the “weekly processing cycle”). Case Submission and Update files received by 12:00 p.m. on Monday will be included in that night’s processing. Files received after 12:00 p.m. may be included in that night’s processing and if the file is not included in that night’s processing it will be processed on the following Monday.
- If a Federal holiday falls on a Monday the Case Submission and Update files received by close of business on the previous Thursday, (i.e., the Thursday before the Federal holiday), will be processed Friday evening. Files received

after close of business may be included in that week's processing and if the file is not included in that week's processing it will be processed on the Monday following the Federal holiday.

- FMS processes the OCSE weekly updates by Friday.
- The error codes for cases that are rejected by FMS are sent back to OCSE by the following Monday.
- OCSE processes the file from FMS and notifies the States by Tuesday of cases that have been rejected. Unfortunately, States that send updates weekly may not receive their rejections prior to generating their next update file.

It is important that States process the rejected file, initiate corrections and resubmit the cases to OCSE to ensure synchronization between the State, OCSE and FMS databases.

2.2.2 UPDATE REQUIREMENTS

1. OCSE will accept multiple Case Submission and Update files from a State in the weekly processing cycle. A sequential batch number is assigned to each file based on the order in which each file is received. The sequential batch number is also attached to each record in the file. OCSE combines all State Case Submission and Update files and processes the records in the following order:

- A Add a new case
- D Delete an existing case
- L Change submitting State local code
- M Modify arrearage amount owed, which may be an increase or a decrease
- R Replace existing offset exclusion indicator(s)
- S State payment, which is the accumulated amount
- T Transfer for administrative review to State with the order

- When adding a new case any transaction type other than 'A' will be rejected for the new case. All of the information needed for a new case should be included on the Case Submission and Update record. This includes the Arrearage Amount and exclusion indicators.
- Periodically duplicate transactions are processed in the same cycle. A transaction is identified as a duplicate when the key data (Submitting State Code, SSN, Case Type Indicator and Transaction Type) are the same. For State Payments, the Processing Year must also be the same to be a duplicate. The definition of "true" duplicate transactions is all fields on the Case Submission and Update record are identical. "Partial" duplicate transactions are defined as records with the same key data, but differing data in other fields such as Arrearage Amount. Following are the three possible duplicate scenarios and how they are handled:

- A. When "true" duplicate transactions are submitted, only one of the transactions will be processed. All other "true" duplicate transaction

- records will be rejected and returned to the State on the Rejected Case Submission and Update File. The “true” duplicate transactions may be from the same or different Case Submission and Update files.
- B. When “partial” duplicate transactions are submitted in the *same* Case Submission and Update file, all duplicate transaction records will be rejected and returned to the State on the Rejected Case Submission and Update File. In this instance, OCSE does not want to determine which transaction in the file is the most current.
 - C. When “partial” duplicate transactions are submitted in *different* Case Submission and Update files, the transaction record from the most current file received (based on the batch number assigned) will be processed. All other duplicate transaction records will be rejected and returned to the State on the Rejected Case Submission and Update File. In this instance, OCSE assumes that the most recent file submitted contains the most current transaction to be processed.
2. An NCP (i.e., with one SSN) can have two cases certified for offset by a submitting State, but only if the cases are of different types (i.e., TANF/Foster Care Cases and Non-TANF/Medicare Cases). If an NCP has more than one TANF case, the arrearage should be combined and submitted as one case. Similarly, Non-TANF cases should be combined.
 3. During the annual PY2000 certification process only, if the Submitting State Code, SSN, and Case Type matched a case on the OCSE Case Master file, OCSE accepted the submission regardless of whether the Obligor Last Name on the submission matched the Obligor Last Name on the OCSE Case Master file. However, if the Obligor Last Name on the submission file differed from the OCSE Case Master file, the Obligor Last Name was not updated. Also if the local code or case ID differed from what was on the OCSE Master file, the case was accepted, but the information was not updated.

During the PY2000 update processing, if the Obligor Last Name submitted by the State on the Case Submission and Update File does not match the Obligor Last Name on OCSE’s Case Master file, the update transaction is rejected. This applies to cases that are being re-certified, deleted or modified. In order to determine which names were not accepted as part of the PY2000 submittal process, OCSE strongly recommends the State request a copy of their certification file in January 2000. All local codes that need to be updated should be changed through the update process. The case ID cannot be changed and will remain the same.

2.2.2.1 Adding a New Case

A case is defined as new if any one of the following applies:

- The case was never previously submitted to the Federal Offset Program.

- If an offset on the case resulted in the arrearage amount equaling a zero balance but a new arrearage now exists.
- If the State submitted a modification to the case which brought the arrearage amount to zero but a new arrearage now exists.
- The case was previously submitted, then deleted and is being resubmitted.

States are required to submit a certification letter annually for all new cases that are being added to the Federal Offset Program. If a State requests that OCSE mail Pre-Offset Notices to obligors a Pre-Offset Notice will be sent for all new cases for that State. A State may change at any time who issues the Pre-Offset Notice. A new certification letter informing OCSE of the change should be submitted.

The arrearage amount for a new case must be at least \$25 or the case will be rejected. All States are encouraged to provide current NCP address information on the Case Submission and Update Record.

If an NCP address is not submitted on the Cases Submission and Update file, OCSE will attempt to obtain the NCP address information. If the case was previously submitted OCSE will try to obtain the NCP address from the OCSE Case Master file. If the NCP address does not exist on the Case Master File OCSE will attempt to obtain an address from the IRS.

If OCSE issues the Pre-Offset Notice on behalf of States and is unable to obtain an address, the case will be rejected. The State will be notified of these “unaccountable” cases on the Unaccountable Missing Address File.

If the State issues their own Pre-Offset Notices, the address information is still necessary because this address will be forwarded to FMS and will be used to send the Offset Notice when processing the Offset. If OCSE is unable to obtain an address, the State will be notified of these “unaccountable” cases as detailed in Section 2.3.3. However, OCSE will still forward the case to FMS. If the NCP is receiving a Federal payment and an address is associated with a payment, FMS will offset the payment and use that address to mail the offset notice. If an NCP is receiving a Federal payment and no address is associated with the payment, FMS will not offset the payment.

All new cases are subject to the holding period currently used to meet due process requirements.

- If OCSE sends the Pre-Offset Notice, cases will be held for 90 days from the date the notice was issued by OCSE, and then forwarded to FMS.
- If the Submitting State issues their own Pre-Offset Notice, cases will be held for 60 days from the notice date provided by the State, and then forwarded to FMS.

When a State adds a case, OCSE determines the priority for offset based on the date the case was received by OCSE. If a case is deleted and re-certified at a later date, the original priority date remains the same. The order of priority at FMS for distributing both tax and

administrative offsets is as follows:

- tax levy - Federal tax debts
- child Support TANF cases
- other Federal debts
- child support Non-TANF cases
- State tax debts

If a case was excluded from all remedies except MSFIDM, be aware that OCSE will issue a Pre-Offset Notice. The current notice does not address MSFIDM. MSFIDM-only cases will still be sent to FMS, but will not be offset unless the administrative and tax refund exclusion indicators are removed. It is the State's responsibility to ensure the case is eligible for offset at the time the exclusion indicator is removed.

If the combined arrears for a TANF and Non-TANF case are greater than \$5,000 OCSE automatically forwards the case to the Department of State for passport denial unless the "PAS" exclusion indicator is set for the case.

2.2.2.2 Modifying an Existing Case

The information that may be changed when modifying a case is:

- the submitting State local code
- the arrearage amount (i.e., current balance)
- the exclusion indicators
- transferring the case to the State with the order

At this time there is no capability to change the obligor's first name or the obligor's last name even if the case was deleted and is being re-certified.

After the offset of a Federal tax refund or an administrative payment, OCSE recommends that States not submit a modification of the arrearage amount reflecting the offset for that case. The arrearage amount is automatically decreased by the exact amount of the offset when the offset is processed. A modification in this situation would be rejected since the modified arrearage amount is the same as the arrearage amount already on the OCSE Case Master file.

If at any time a case type changes from TANF to Non-TANF or vice versa, States should notify OCSE of the change using the Update Process. A new Pre-Offset Notice will not be generated on case type changes, as long as they are processed in the correct order.

CASE TYPE MODIFICATIONS

If OCSE issues Pre-Offset Notices on behave of the State and the State does not want another notice mailed to the Obligor when the case type changes, the State should process the case type change as described below.

- A. Case type changes from TANF to Non-TANF
- Create a Modify transaction for the TANF case using the transaction type 'M'. Zero fill the amount owed for the TANF case.
 - In the following week create an Add transaction for the Non-TANF case using the transaction type 'A'. Place the appropriate arrearage amount in the amount owed for the Non-TANF case.

The TANF case is being modified to zero and flagged as deleted and the Non-TANF case is activated with the appropriate arrearage balance.

- B. Case type changes from Non-TANF to TANF
- Create a Modify transaction for the Non-TANF case using the transaction type 'M'. Zero fill the amount owed for the Non-TANF case.
 - In the following week create an Add transaction for the TANF case using the transaction type 'A'. Place the appropriate arrearage amount in the amount owed for the TANF case.

The Non-TANF case is being modified to zero and flagged as deleted and the TANF case is being activated with the appropriate arrearage balance.

SUBMITTING STATE LOCAL CODE MODIFICATIONS

The transaction type 'L' is used to change the submitting State local code. The new local code should match a local code that was previously submitted to OCSE on the Local Contact Phone and Address File. If spaces or a local code that doesn't exist are entered, the local code will default to the State contact information (i.e., '000') when Pre-Offset Notices are issued. If a new local code is submitted, a new corresponding local address should be submitted using the Local Contact Phone and Address File or the on-line system.

ARREARAGE AMOUNT MODIFICATIONS

The transaction type 'M' is used to modify the arrearage amount. The SSN and the first four characters of the last name are used to match transaction type 'M' against the OCSE Case Master file. If the SSN and the last name characters do not match a case on the OCSE Case Master file, the transaction is rejected.

The arrearage is the total amount that is owed by the obligor. Arrearage amount modifications should not be submitted unless the certified arrearage amount balance has changed.

- If the arrearage amount is modified to zero the case will be flagged as deleted.
- If the arrearage amount is modified below the eligible amount for either tax offset or administrative offset, the case will remain certified but will not be subject to offset.
- If the arrearage amount is modified below \$25 but is greater than \$0 the case will not be flagged as deleted.
- If a case is subject to passport denial and the arrearage amount falls below \$5,000, it is the State's responsibility to exclude the case from passport denial if appropriate under State policy. OCSE will only remove a case from passport denial based on a deletion or an exclusion indicator from the State.

EXCLUSION INDICATOR MODIFICATIONS

The transaction type 'R' is used when replacing the exclusion indicators. Currently there are eight possible exclusion indicators:

1. ADM exclude all Administrative Offsets (RET, SAL, VEN)
2. RET exclude Federal Retirement
3. VEN exclude Vendor Payment/Miscellaneous
4. SAL exclude Federal Salary (future enhancement)
5. TAX exclude Tax Refund Offset
6. PAS exclude Passport Denial
7. FIN exclude MSFIDM
8. Space remove all existing exclusion indicators

Because FMS is not currently offsetting Federal salaries, the SAL exclusion indicator is not active. OCSE will accept and store the exclusion indicator pending future enhancements. It is important to note that if the ADM indicator is used, all administrative offsets will be excluded (i.e., RET, SAL and VEN). If the ADM exclusion indicator is sent in conjunction with any other administrative offset exclusion indicators only ADM will be forwarded to FMS.

The administrative offset and the tax offset exclusion indicators are submitted to FMS. The passport denial exclusion indicator is used to determine if a case should be forwarded to or deleted from the Department of State database. The financial exclusion indicator is used by OCSE to exclude a case from the weekly MSFIDM process.

To replace or change an exclusion indicator, the field must contain all current exclusion indicators desired for that case. When sending a modification of the exclusion indicators, the State must include all exclusion indicators desired for that case, even if they have been sent previously. Any exclusion indicator not included in the modification will be removed. If a State would like to submit a case for MSFIDM only the exclusion indicators sent to OCSE would be ADM, TAX and PAS. Chart 2-1, “Exclusion Indicators Example,” presents how OCSE processes the exclusion indicators.

CHART 2-1: EXCLUSION INDICATORS EXAMPLE		
Exclusion indicator(s) on the Case Master file	State submits an exclusion indicator modification	After the exclusion indicator modification is processed
Space Filled	FIN,PAS	FIN,PAS
FIN,PAS	VEN	VEN
VEN	ADM,TAX,PAS	ADM,TAX,PAS
ADM,TAX,PAS	TAX	TAX
TAX	RET,ADM	RET,ADM
RET,ADM	Space Filled	Space Filled

TRANSFER THE CASE TO ANOTHER STATE

When transferring a case to another State, transaction type ‘T’ is used. The transfer State code and the transfer local code are required fields for this transaction type.

A transfer transaction would occur when the State that submitted the case receives a request from the taxpayer for an administrative review in the State with the order. This would allow the Transfer State (the State to which the case is being transferred) to also modify the case in the next processing cycle. It is important that the submitting State transfer the case in a timely manner to enable the State with the order to submit updates.

2.2.2.3 Deleting an Existing Case

There are two methods that may be used to delete an existing case.

1. Modify the arrearage amount to equal zero, or
2. Submit a delete transaction using the transaction type ‘D’.

A case is automatically deleted if an offset on the case resulted in the arrearage amount equaling a zero balance. If a case has been deleted all modifications will be rejected. If an offset occurred, State payments may still be reported. In order to re-certify the case an Add transaction must be submitted.

2.2.2.4 Creating a State Payment for a Case

The transaction type 'S' is used when creating State payments. A State payment is reported when a State agency refunds money to a taxpayer, based on an erroneous offset. Offsets that have been distributed to the custodial parent are NOT to be reported as State payments. State payments are reported to OCSE as the total accumulative amount.

State payments as the result of an offset can occur for the following reasons:

- The case was certified erroneously and an offset occurred.
- An offset occurred based on an incorrect arrearage amount reported to OCSE.
- An administrative review may have resulted in the amount owed being decreased.
- The NCP may have made a payment decreasing the amount owed.

A State payment should not be made on joint tax return cases where the non-obligated spouse is seeking a refund or any other tax related issue. The non-obligated spouse or taxpayer should be referred to the IRS.

When reporting two or more State payments for the same processing year on a case the total year-to-date amount associated with the State payment should be reported, (i.e., additional money is being returned to a taxpayer or an incorrect amount was included on the first reporting). This is true whether a State is increasing or decreasing the amount of the payment. For example, if a State payment of \$150 is reported on a case, and the State refunds the same taxpayer an additional \$50 at a later date, the State should then report a State payment of \$200. If the State reports a payment of \$250, but only actually refunded \$25, the State should then report a State payment of \$25. A State payment is rejected if the accumulated amount that is submitted equals the amount on the OCSE Case Master file.

When a State payment is reported the processing year of the offset is required. This ensures that the State payment is processed against the appropriate collection. For processing years prior to and including 1998, the State payment amount must be less than the offset minus any adjustments or the record will be rejected. For theyear1999 and forward, the State payment will be accepted even if there is no offset on file at OCSE or the State payment is greater than the offset minus the adjustment. This allows States to issue refunds based on an offset notice and to accurately report a State payment, however if no record of an offset exists at FMS the State payment will be rejected by FMS. FMS does not adjust the arrearage amount to reflect a State payment. It is very important that States submit a modification to the arrearage amount to reflect the State payment adjustment where necessary.

2.2.3 LOCAL ADDRESSES (UPDATING STATE/LOCAL TELEPHONE NUMBERS AND ADDRESSES)

OCSE uses the State and local address, local codes, and telephone number information when issuing Pre-Offset Notices. FMS uses this information to issue Offset Notices. To ensure that obligors are given the most current State and local contact information, it is important that OCSE receives updated local addresses.

State and local address modifications should only be sent to OCSE when the contact information changes or new contacts are added. If changes are submitted to OCSE they will be forwarded to FMS within thirty days of the receipt.

When modifying or adding State and local contact information through the Update Process, refer to Appendix E, "Input Record Layouts, Local Contact Phone and Address Record Layout," for the required contact information. Appendix E identifies all required fields, conditionally required fields, and the validation criteria for each field. The format, position and length requirements for each field are also listed.

2.3 OCSE to the State (Update Process)

2.3.1 UPDATE PROCESS OUTPUT FILES

OCSE returns two files to the States as a result of the Update Process: 1) Rejected Case Submission and Update File and 2) Unaccountable Missing Address File.

The purpose of the Rejected Case Submission and Update File is to notify the State of cases that failed the Update Process. The Unaccountable Missing Address File is sent to the State to report cases that did not have an NCP address and OCSE could not obtain an address. Refer to Appendix F, "Output Record Specifications," for a complete description of the files.

2.3.1.1 Update Process (Rejected Case Submission and Update File)

All Case Submission and Update transactions must pass the OCSE edit validation process before a case can be added, modified, deleted or a State payment applied. If OCSE identifies an error with the update transaction it is placed on the Rejected Case Submission and Update File. If the update transaction passes the OCSE edit validation it is forwarded to FMS for processing. If the case is returned from FMS with an error, it is also on this file.

The Rejected Case Submission and Update File contains an error code identifying the reason the update transaction was rejected. For Add transactions there may be from one to six error codes listed in the Error Code field. All other transaction types will have one error code listed in the Error Code field. When the edit validation detects the first error the validation process does not continue and the case is rejected.

Included in this file is the Rejected Case Submission and Update Control Record. This record is the last record on the file or the only record on the file. The control record identifies the total number of records that passed the edit validation and the total number of records that failed the edit validation. If all of the records for the Update Process passed the edit validation process the State will receive the control record only. If one or more transactions failed the edit validation process the control record will be the last record on the file. The control record contains:

- The sum of the TANF Accepted, TANF Rejected, Non-TANF Accepted and Non-TANF Rejected equal the total number of records the State submitted to OCSE on the Case Submission and Update File.
- The sum of the TANF Rejected and the Non-TANF Rejected equal the total number of records, excluding the control record, on the Rejected Case Submission and Update File.

Any case that appears on the Rejected Case Submission and Update File was not accepted by OCSE or FMS, (i.e., if a new case is submitted to OCSE and appears on the "Rejected Case Submission and Update File," the new case was not certified). The rejected update transactions should be reviewed by the State, corrected if necessary and re-submitted to OCSE on the next Case Submission and Update File. This will ensure that both OCSE and FMS have the most current information.

2.3.1.2 Update Process (Unaccountable Missing Address File)

The Unaccountable Missing Address File applies only for new cases that are missing the obligor address information on the Case Submission and Update File. If an address does not exist, OCSE will attempt to obtain an address from the OCSE Case Master File. If the Case Master File does not have an address OCSE will attempt to obtain an address from the IRS.

If the obligor address information is found on the IRS Taxpayer Master File, the IRS will send the address information back to OCSE. OCSE will place the obligor address on the OCSE Case Master file. If OCSE prints the Pre-Offset Notices for the State the address from the IRS will be used on the Pre-Offset Notice. When the case is forwarded to FMS, this address will be used.

If the obligor address information does not exist on the IRS Taxpayer Master file, OCSE will forward the SSN to SSA, in an attempt to obtain a corrected SSN. If SSA finds a corrected SSN they will return the corrected SSN to OCSE. The case will be returned to the State on the Unaccountable Missing Address File with the corrected SSN from SSA. The State should review these cases to see if they should be resubmitted.

If OCSE issues the Pre-Offset Notices for a State the records on the Unaccountable Missing Address file were not accepted by OCSE and were not forwarded to FMS. The State is encouraged to review the Unaccountable Missing Address records, attempt to find a correct

address and re-submit the cases to OCSE on the next Case Submission and Update file.

If the State issues their own Pre-Offset Notices the records on the Unaccountable Missing Address File were accepted and forwarded to FMS. An offset will not occur unless a valid address is obtained by FMS on the payment record.

2.4 OCSE to the State (Monthly Collections and Adjustments)

2.4.1 MONTHLY COLLECTIONS AND ADJUSTMENTS OUTPUT FILE

OCSE sends one file to each State on a monthly basis to report the collection and adjustment activity that has occurred for that month on the Monthly Collection And Adjustment File.

The purpose of the Monthly Collection and Adjustment file is to notify each State of the collections and adjustments that have occurred during the given month. The type of offset, administrative or Federal tax refund, is also contained on the monthly collection file. Refer to Appendix F, "Output Record Specifications," for a complete description of this file.

2.4.1.1 Monthly Collections and Adjustments Process

Once a week FMS forwards a collection file to OCSE reporting all collections and adjustments that occurred during the week. The collection file identifies the administrative offsets and the Federal tax refund offsets which have taken place for a case. Once a month, the Monthly Collections and Adjustments file is forwarded to each State.

Included in this file is the Monthly Collections and Adjustments Control Record. This record is the last record on the file or the only record on the file. The control record identifies the total number of collections, the total number of adjustments, the total collection amount and the total adjustment amount.

- The sum of the Total Collections and the Total Adjustments equal the total number of records on the Monthly Collections and Adjustments file.
- The Total Collection Amount minus the Total Adjustment Amount equals the Total Net Collections for the month.

2.4.2 MONTHLY COLLECTIONS AND ADJUSTMENTS REPORTS

OCSE delivers two hardcopy reports to each State IV-D Director: 1) a Dear Colleague Letter and 2) the OCSE Federal Offset Net Check Amount Report. OCSE also sends three reports electronically via CONNECT:Direct to each State: 1) the OCSE Federal Offset Net Check Amount Report, 2) the Dear Colleague Monthly Collection Report and 3) the Statement of Service Fee Report. Refer to Appendix J, "Sample Reports," for an example of CONNECT:Direct reports.

2.4.2.1 Dear Colleague Letter

The Dear Colleague Letter is produced and distributed to all State IV-D Directors each month. This letter summarizes the national Federal tax refund and administrative offsets for the month. The letter provides the net collection total for all offsets that occurred for that month. The year to date net collection total and the year-to-date offsets are also reported in the letter.

2.4.2.2 OCSE Federal Offset Net Check Amount Report

The Federal Offset Net Check Amount Report summarizes the net check amount for each State. This report identifies the total number of tax refund and administrative offsets, the total collection amount, the total adjustment amount, the total service fee and the net check amount for each State. A grand total is provided at the end of the report which is the accumulated State totals.

- The total collection amount minus the total adjustment amount minus the service fee equals the net check amount.

2.4.2.3 Dear Colleague Monthly Collection Report

The Dear Colleague Monthly Collection Report is produced and delivered to the States electronically. The report is divided by TANF and Non-TANF and provides totals for the Federal tax refund and administrative offsets within the individual State agency. The report summarizes the total offsets, total amount collected, total service fees and total adjustments for the month being reported.

2.4.2.4 Statement of Service Fee Report

The Statement of Service Fee report is produced by State, and identifies the total number of cases that received a Federal tax offset and the total number cases that received an administrative offset. The report summarizes the service fees for the month being reported.

2.4.3 MONTHLY COLLECTIONS AND ADJUSTMENTS (MONEY TRANSFER TO STATES)

OCSE will transfer the monthly collection dollars via Electronic Funds Transfer (EFT) to each State once a month. The dollar amount is the total collections for the month minus any adjustments and service fees. The EFT usually occurs around the second week of the month following the receipt of the Monthly Collections and Adjustments Files.

Each State is responsible for providing their banking information to OCSE so that the EFT can directly deposit the monthly collections. This form need only be resubmitted if there are any changes with the State's financial institution (i.e., the ABA routing number changed).

The Public Health Service accounting office handles the EFT process on behalf of OCSE.