Electronic Income Withholding (e-IWO)

User's Guide

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Administration for Children and Families
Office of Child Support Enforcement

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Background

Legislative History

The Child Support Enforcement Program has greatly expanded since its establishment in 1975. The program's goals are still to ensure that children are supported financially by both parents and to reduce public assistance expenditures. Created as Title IV, Section D of the Social Security Act, the program is often referred to as the "IV-D Program" and handles slightly more than half of all child support orders nationwide. Child support orders that are handled outside the IV-D Program, by private attorneys, the courts or the parties themselves, are referred to as "non IV-D". The program is federally mandated and partially federally funded but is administered at the local level by a combination of state and local/county agencies depending upon the state, as well as federally recognized tribes or tribal organizations. Participation in the IV-D program is voluntary unless the custodial parent is receiving Temporary Assistance to Needy Families (TANF cash public assistance benefits) or Medicaid in which case their participation is mandatory.

Over the years, Congress has strengthened the program by enacting new initiatives and mandates that led to more child support being collected. In 1996, Congress passed the most comprehensive and far reaching changes as part of the Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193), commonly referred to as "Welfare Reform" or PRWORA. Under its terms, state and federal case registries were built, databases containing employment information were developed and states were required to implement State Disbursement Units (SDU's). In addition, the Federal Office of Child Support Enforcement and many state agencies have developed innovative and creative approaches to handle specific child support issues by utilizing the latest technological advances.

Although federally recognized tribes or tribal organizations can establish and operate tribe specific child support programs (and receive federal funding), federal regulations do not require that tribal IV-D agencies implement an automated child support system. Several tribes have agreements with their respective states and use the state's automated child support systems. Recent changes in federal regulations may provide the opportunity for tribes to design and develop automated child support systems in the near future.

History of Income Withholding

The use of income (or wage) withholding as an effective means of collecting child support began in the 1980's. The Child Support Enforcement Amendments of 1984 (P.L. 98-378) required states to implement procedures for initiated income withholding when an arrearage occurred.

In 1988, the Family Support Act (P.L. 100-485) mandated the concept of immediate income withholding in all IV-D cases with new or modified orders after November 1, 1990 and for all non IV-D cases initially issued after January 1, 1994. These provisions also contained the exceptions to withholding where one of the parties demonstrated to the court or administrative agency that there was a good cause not to require immediate withholding, or the parties reached a written agreement providing for an alternative arrangement.

As part of the PRWORA legislation in 1996, states were required to implement additional changes to make the use of income withholding easier and more efficient. One of the main

changes was the requirement that a federally approved, standardized income withholding order form be used for all child support withholdings (IV-D and non IV-D cases). It is this form that provided the basis for the e-IWO process. The form can be found in Appendix C.

Current Practice

The current income withholding process is based on paper – requiring several steps on the part of child support agencies and employers. Although there may be some slight variation depending upon the specific state or employer, in general, the process is as follows:

- an income withholding order (IWO) is initiated by the child support enforcement agency by the generation of the IWO form;
- the IWO is printed and mailed to the employer; this may involve the worker having to fold the document, put it into an envelope and affix postage;
- the IWO is received by the employer, opened and the information entered into their payroll system;
- the specified amount is deducted from the non custodial parent's (NCP) wages each pay period and sent to the child support enforcement agency.

Depending upon how often the NCP is paid, when the IWO is received and the amount of time required to enter the data into the employer's payroll system, it is commonly accepted that the process may take four to six weeks to fully implement and for the custodial parent to receive the first payment. Income withholding orders "lost in the mail" are common, which only serves to further delay the flow of child support collections.

If the NCP stops working for the employer, this information may be relayed to the child support enforcement agency in some kind of written format. In some instances, it is not reported at all. Upon receipt of the termination, the child support worker must enter the information into their automated system. In some states, this triggers automated searches for new employment data for the NCP and once found, the process begins again.

How Did We Get Here?

In August 2004, a workgroup was convened in Chicago, Illinois to explore the possibility of transmitting IWO information electronically. The workgroup was comprised of employers from the public and private sector, a large payroll processor, federal agencies (Social Security Administration, Department of Defense and US Postal Service) and eighteen (18) states/tribes/territories. The workgroup brainstormed through creative ideas and suggestions to create an electronic process that provided for the two-way flow of information between states and employers.

At this time, since most tribal IV-D agencies are not automated, they have not been intricately involved in the development and implementation of this process and therefore are not specifically referred to throughout this document. However, as more tribes develop and/or enhance tribal infrastructures and move into their own age of automation, it is anticipated that the future will see more tribal IV-D programs with the desire to utilize interfaces including e-IWO's.

The workgroup meets on a semi-monthly basis to review and develop standard business definitions for each data element of the standardized IWO form and to define a standard record layout for each transaction. Participants also participated in the pilot phase. The workgroup

continues to meet and discuss topics as they evolve and as the project expands to more states and employers.

Information regarding the pilot can be found in Appendix E.

e-IWO – An Overview

In child support enforcement, the income withholding order is the quickest, easiest and most efficient method to ensure that regular child support payments are made to the children and families who rely on them. The IWO has become so effective that, in FY 2004, more than two-thirds of all child support collections were made in this manner – that amounted to more than $17 billion.

In an age of ever changing technological advances, the Federal Office of Child Support Enforcement (OCSE) in cooperation with private and public employers, and state child support agencies, explored the possibility of creating an electronic mechanism by which IWO information could be transmitted to employers. The culmination of this effort is the electronic income withholding order or *e-IWO* which has the following goals:

- to reduce the amount of time it takes to send and process an IWO;
- to reduce or eliminate costs associated with traditional paper processing; and
- to reduce the time it takes for child support to be received by the family.

The e-IWO format is based on the most recent standardized Order/Notice to Withhold Income for Child Support which has been approved by the Office of Management and Budget (OMB). Through the e-IWO process, states are able to send an IWO directly to employers electronically. In addition, employers have the opportunity to provide electronic feedback in a timelier manner. The e-IWO process has been successfully piloted and is ready for nationwide implementation.

This guide is designed to provide states and employers (public and private) with the necessary information and recommendations to implement the e-IWO process. While every effort has been made to anticipate issues and questions that might arise while considering the use of e-IWO, it is recognized that some situations may not be covered.   A list of contacts has been provided at the end of this guide should further information be necessary.

It is important to keep in mind that the use of the e-IWO is strictly voluntary on the part of states and employers. It is hoped however that as more states and employers take advantage of this process, that the lives of children everywhere will be improved.

The e-IWO Process

The e-IWO process involves the electronic sharing of information between the state child support enforcement agency and the employer. The information shared may be characterized as follows:

- New/original or amended order information (child support enforcement agency to employer);
- File and Receipt acknowledgement (employer to child support enforcement agency);
- Termination of NCP employment (employer to child support enforcement agency);
- Termination of order information (child support enforcement agency to employer);
- Lump sum payments (child support enforcement agency to employer).

Through a secure, agreed upon method, the child support enforcement agency and the employer exchange data files based on a defined, standard file layout. The formats that have been tested for states and employers to submit are flat file and XML. Through these various methods, states and

employers have the ability to select the technology that best meets their needs. File layouts may be found in Appendix A.

New/Original Order Information

The e-IWO process begins with the entry of the details of the support order and information about the NCP employer in the state's automated child support enforcement system. A file is then generated from the state's system containing all the data elements that would ordinarily appear on the paper version of the IWO (for example, NCP's name, Social Security number (SSN), support obligation amounts, case number, etc). The file is transmitted to the employer by whichever method has been agreed upon and is automatically downloaded into the employer's payroll/computer system. Since some state laws require that the employer provide a copy of the IWO to the employee, employers may need to develop a process to be able to print a paper copy of the IWO for its own records and/or for the employee/NCP. A variety of possible methods for performing this action include conversion to a PDF file. Information regarding communication methods can be found in Appendix D.

Acknowledgement

Once the e-IWO file is downloaded into the employer's system, a transaction is sent to the submitting state, acknowledging receipt of the file. This acknowledgement lets the state know that the employer received the transaction and whether the transaction was accepted or rejected (along with a reason for the rejection). Depending on the particular code returned to the state and that state's particular practices, follow-up action by the child support enforcement agency may be warranted.

Termination of NCP Employment

If the NCP's employment with the employer is terminated for any reason, the fact of the termination is entered into the employer's payroll system. If the employer has implemented income withholding against the employee, a transaction is sent to the originating state letting the state know that the NCP is no longer employed. Employers may optionally provide additional information to the state regarding the date of termination, last payment date and amount, and new employer. Depending on the state's particular practices, follow-up action to locate a new employer may be initiated either automatically by the child support system or manually by a worker.

Modification/Termination of Child Support Order

When a support order is modified or terminated, information indicating this is entered into the state's child support system. Utilizing the equivalent of the "Amended" or "Termination" boxes contained on the actual IWO form, a new transaction is sent from the state system to the employer. This transaction notifies the employer to update the information in its payroll system and take the appropriate corresponding action (modifying the amount being withheld or terminating the withholding altogether).

Lump Sum Payments

If the child support enforcement agency becomes aware that the NCP is or may be entitled to a "lump sum payment" (bonus, severance pay, etc.), a separate lump sum transaction may be sent to the employer in order to obtain part or all of the payment to apply to the NCP's support obligations. Upon receipt of the lump sum payment transaction, the employer will deduct the amount indicated and forward it to the child support enforcement agency, along with an acknowledgement record (as indicated above). Since the lump sum payment transaction is a "one time" payment, there is no need for the child support enforcement agency to transmit a termination of a lump sum payment.

In addition, the employer has the ability to notify the child support enforcement agency of an upcoming lump sum payment. Upon receipt of this information, the child support enforcement agency will generally have a set number of days to respond to the employer, indicating the action the employer should take with regard to the lump sum amount.

The e-IWO Process for State IV-D Agencies

Note: For purposes of this section, the term "employer" includes federal agencies and non-federal agency/private employers unless otherwise designated.

Benefits to the State IV-D Agency

The transmission of income withholding orders electronically has several important improvements over sending a paper version through the mail. There are two primary benefits to the state IV-D agency: increased collections and cost savings. As a result of the decreased delivery time between the state IV-D agency and the employer, the employer is able to implement the income withholding more quickly which translates into receiving the first child support payment from the employer more quickly. With the elimination of mailing a paper copy of the IWO to the employer, the IV-D agency will reduce postage and paper costs in addition to decreased personnel time dedicated to the handling of paper income withholding orders. In addition, automating the termination of employment information received from the employer reduces staff time related to entering this information manually into the child support enforcement system, and may allow a new employer for the NCP to be found more quickly.

Costs

IV-D agencies who wish to take advantage of the e-IWO process will incur some costs initially in order to develop the interface to exchange and process files between employers and their automated system. However, the cost savings as highlighted above will quickly offset the cost of development. In addition, other states that have successfully implemented the process may be willing to share information related to their e-IWO development, including best practices and lessons learned which may help lower development costs.

It is important to note that most of the development costs are "one time" costs when implementing e-IWO the first time with an employer. Due to the standardization of the process, it is easy to add additional employers with often little or no additional IT resources. As more employers are added and the number of e-IWO's processed increases, the initial costs are more quickly recovered.

Process

Withholding orders are translated into an electronic version of the standard income withholding form which has been formatted in a defined layout used by states and employers (see Appendix A). The orders are placed into a file, which is electronically passed through a secured connection and transmitted daily to the employer. Acknowledgement files are generated from the employer and returned to the state verifying receipt of the submitted batch file.

Communication Between State and Employer

The method of communication between the state and the employer may vary slightly depending upon the employer and the agreed upon method. Files transmitted between the state and all federal agencies (DFAS, SSA, USPS, etc.) will be through the OCSE Child

Support Enforcement Network (CSENet), which is a secure, closed network. For all other employers, communication will be either through a flat file exchange or through an exchange of files via a secured web site. This exchange can take place either through the state's automated system batch cycle or via a state web portal using a secured FTP connection.

All communication methods will provide a two-way connection between the state and the employer. When submitting the e-IWO transactions, the state uploads the detail records to its directory and then routes the data to the employer by the Federal Employer Identification Number (FEIN) located in the header record. The employer, in turn, will download the data files from its directory and process accordingly. The receipt and acknowledgement files sent by the employer are uploaded to the agency's directory and are then routed to the state based on the state's FIPS code, also located in the receipt or header record. The state will download the data file and process it into their child support system. Information on communication methods can be found in Appendix D.

Level of Automation

As part of their system's certification, states should be producing the paper IWO automatically through their automated child support system. The e-IWO process takes the data elements currently populated into the generated IWO form and instead, puts them into a file data string, making the creation of the records transmitting e-IWO information relatively easy. Some system changes will be required in order to handle the information being sent back by the employer; however, the extent of those changes is at each state's discretion. States may choose to fully automate the acknowledgement from the employer to reflect that the record was received by the employer (including the information on the system entry that indicates an e-IWO was sent for example), as well as any employment termination information. Alternatively, a state can choose to provide this information to its workers through reports, alerts or other means compatible with their system.

Files Exchanged

There are three separate files exchanged between the state and employer:
- e-IWO files (containing Header, Detail and Trailer)
- Receipt File
- Acknowledgement files (containing Header, Detail and Trailer)

Fields within the files are considered Required (R), Optional (O), or Conditionally Required (CR). Further details can be found in the file layouts found in Appendix A.

Copy of IWO for employee

Federal and/or state laws may require that the employer provide a copy to the employee. An indicator in the file will advise the employer when this requirement applies. How each state and employer handle this requirement should be agreed upon prior to implementing e-IWO with a particular employer. Another option for the employer is to make a copy of the IWO available through an employee information website (if available).

Errors

Any e-IWO records that contain errors or missing information will quickly be identified by the employer through a pre-established edit process that has been incorporated into the e-IWO system specifications documentation. Ideally, those orders that are identified as errors should be captured and segregated into a separate suspense database that can be reviewed by the employer's payment or garnishment department staff for review and any appropriate follow up with the state that submitted the record.

Lump Sums

The e-IWO process includes the ability to handle lump sum payments in two different ways.   The first is the notification by the employer to the state child support agency that the NCP is eligible for a lump sum payment. Upon receipt of this notification, the state agency can let the employer know that they want to receive some of those funds for the payment of child support. The second method is the reverse – the state agency becomes aware that the NCP may be receiving a lump sum payment and requests the funds from the employer. These requests are indicated in the Detail Record by Action Code "LUM". Due to the nature of the payments, timeliness is crucial in processing these requests. The e-IWO process should enable more lump sum payments to be applied to child support obligations.

The e-IWO Process for Federal Agencies

Benefits to the Federal Agency

The transmission of income withholding orders electronically has several important improvements over sending a paper version through the mail. Some obvious benefits include the decreased delivery time between the state child support enforcement agency and the federal agency, the elimination of keying errors that result from the manual entry of child support withholding information into the payment system, and the significant cost and time savings associated with decreased postage and handling of paper. Additional benefits include reduced processing time, paper and printing costs. Through the transmission of "bulk" orders at one time, personnel costs for mail processing and data entry will be reduced.

Costs

Federal agencies wishing to take advantage of the e-IWO process will incur some costs initially in order to develop the interface to exchange and process files between the states and their payment processing system. However, the cost savings as highlighted above will quickly offset the cost of development. In addition, federal agencies that have successfully implemented the process may be willing to share information related to their e-IWO development, including best practices and lessons learned which may help lower development costs.

It is important to note that most of the development costs are "one time" costs when implementing e-IWO the first time with a state. Due to the standardization of the process, it is easy to add additional states with often little or no additional IT resources. As more states are added and the number of e-IWO's processed increases, the initial costs are more quickly recovered.

Process

Income withholding orders are translated into an electronic version of the standard income withholding form that has been formatted in a defined layout used by states and federal agencies (see Appendix A). The order information is placed into a flat file, which is electronically passed through a secured connection and transmitted daily to the federal agency. Acknowledgement files are generated from the agency and returned to the state child support enforcement agency verifying receipt of the submitted batch file. In the future, federal agencies may be able to utilize XML as well.

Communication Between State Child Support Enforcement Agency and Federal Agency

Files are transmitted between the state child support enforcement agency and the federal agency through the Federal Office of Child Support Enforcement's (OCSE) Child Support Enforcement Network (CSENet), which is a secure, closed network. The e-IWO files require a designated location on the child support enforcement system for pick up and delivery. A user ID and password to log onto the CSENet system must be obtained by the federal agency in order to exchange files. Since most states use IBM mainframe

systems, these files are referred to as data sets. The user ID that is used to log onto the system must be given read and write capabilities.

CSENet will provide a two-way connection between the state child support enforcement agency and the federal agency. When submitting the e-IWO transactions, the state agency uploads the detail records to its directory and CSENet then routes the data to the federal agency using the Federal Employer Identification Number (FEIN) located in the header record. The federal agency, in turn, will download the data files from its directory and process them accordingly. The receipt and acknowledgement files sent by the federal agency are uploaded to the agency's directory on CSENet and are then routed to the state child support enforcement agency based on the state's FIPS code, also located in the receipt or header record. The state agency will download the data files and process them into their automated child support enforcement system. Additional information regarding communication methods may be found in Appendix D.

Files Exchanged

There are three separate files exchanged between the state and agency:
- e-IWO files (containing Header, Detail and Trailer)
- Receipt File
- Acknowledgement files (containing Header, Detail and Trailer)

Fields within the files are considered Required (R), Optional (O), or Conditionally Required (CR). Further details may be found in the file layouts found in Appendix A**.**

Errors

Any e-IWO records containing errors or missing information will be quickly identified by the agency through a pre-established edit process that has been incorporated into the e-IWO system specifications documentation. Those orders that are identified as errors can be captured and segregated for review and any appropriate follow-up with the state child support enforcement agency that submitted the record.

Lump Sums

Where applicable, the e-IWO process includes the ability to handle lump sum payments in two different ways.   The first is the notification by the federal agency to the state child support enforcement agency that the NCP is eligible for a lump sum payment. Upon receipt of this notification, the state agency can let the federal agency know that they want to receive some of those funds for the payment of child support.

The second method is the reverse – the state child support enforcement agency becomes aware that the NCP may be receiving a lump sum payment and requests the funds from the federal agency. Both types of transactions are indicated in the Detail Record by Action Code "LUM".   Due to the nature of the payments, timeliness is crucial in processing these requests. The e-IWO process should enable more lump sum payments to be applied to child support obligations.

The need to exchange lump sum information will depend upon the availability of lump sum payments by each agency.

The e-IWO Process for Non-Federal Employers

Benefits to the Employer

The transmission of income withholding orders electronically has several important improvements over sending a paper version through the mail. Some of the more obvious benefits include the decreased delivery time between the child support enforcement agency and the employer, the elimination of keying errors that result from the manual entry of child support withholding information into the payment system, and the significant cost and time savings associated with decreased postage and handling of paper. Additional benefits include reduced processing time, paper and printing costs. Through the transmission of "bulk" orders at one time, personnel costs for mail processing and data entry will be reduced.

Costs

Employers wishing to take advantage of the e-IWO process will incur some costs initially in order to develop the interface to exchange and process files between the states and their payment processing system. However, the cost savings as highlighted above will quickly offset the cost of development. In addition, employers that have successfully implemented the process may be willing to share information related to their e-IWO development, including best practices and lessons learned which may help lower development costs.

It is important to note that most of the development costs are "one time" costs when implementing e-IWO the first time with a state. Due to the standardization of the process, it is easy to add additional states with often little or no additional IT resources. As more states are added and the number of e-IWO's processed increases, the initial costs are more quickly recovered.

Process

Income withholding orders are translated into an electronic version of the standard income withholding order form which has been formatted in a defined layout used by states and federal agencies (see Appendix A). The income withholding order information is placed into a file, which is electronically passed through a secured connection and transmitted daily from the state child support enforcement agency to the employer. Acknowledgement files are generated from the employer and returned to the state agency verifying receipt of the submitted batch file.

Communication Between State and Employer

Non-federal employers have a couple of options to consider when determining the method of communication with a particular state child support enforcement agency: flat file processing and XML. The method chosen must be made in consultation with and agreement from the state. The employer must also consider the resources necessary for making information technology changes and their availability, as well as the capability to provide adequate security to protect the data being exchanged. Due to the various options available for states and employers, there is no "one way". The e-IWO staff from

the Federal Office of Child Support Enforcement (OCSE) can assist employers and states in determining the method most suitable for their exchange. Information regarding communication options can be found in Appendix D.

Regardless of the communication method chosen, the e-IWO provides a two-way connection between the state child support enforcement agency and the employer. When submitting the e-IWO transactions, the state agency uploads the detail records to its directory and then routes the data to the employer based on the Federal Employer Identification Number (FEIN) located in the header record. The employer, in turn, will download the data files from its directory into their payroll/accounting system and process them accordingly. The receipt and acknowledgement files sent by the employer are uploaded to the state child support enforcement agency using the state's FIPS code, also located in the receipt or header record. The state will download the data files and process them into their automated child support enforcement system.

Use of Payroll Providers

If the employer's payroll and/or income withholding is handled by a third party payroll provider, careful consideration should be given as to the expected benefits of implementing e-IWO and the number of IWO's processed. This situation may require additional processing between the employer and the payroll provider.

Level of Automation

In order to maximize savings by utilizing the e-IWO, the employer should automate as much of the process as possible. However, it is not necessary to handle 100 percent of the process in an automated fashion. Each employer should determine how much automation its company can accept and still be cost-effective. For example, the employer can receive the IWO electronically, print the documents and enter the data manually into their payroll system if fully uploading the information into the payroll system is not feasible. This determination may also need to take into account the employer's internal policies regarding the processing of IWO's in general.

Copy of IWO for Employee

There may be instances when an actual paper copy of the IWO is needed. In this situation, the employer may want to develop a print program that would print a paper copy of the IWO transmitted or the employer may make a copy of the IWO accessible to the employee via an employee website. In addition, some states may have the ability to send a PDF file containing printable versions of the IWOs that were transmitted electronically. How each state and employer handle this requirement should be agreed upon prior to implementing e-IWO with a particular state.

Files Exchanged

There are three separate files exchanged between the state and employer:
- e-IWO files (containing Header, Detail and Trailer)
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Fields within the files are considered Required (R), Optional (O), or Conditionally Required (CR). Further details may be found in the file layouts found in Appendix A.

Errors

Any e-IWO records that contain errors or missing information will quickly be identified by the agency through a pre-established edit process that has been incorporated into the e-IWO system specifications documentation. Those orders identified as errors may be captured and segregated for review and any appropriate follow up with the state child support enforcement agency that submitted the e-IWO record.

Lump Sums

The e-IWO process includes the ability to handle lump sum payments in two different ways.   The firs, is the notification by the employer to the state child support enforcement agency that the NCP is eligible for a lump sum payment. Upon receipt of this notification, the state agency can let the employer know that they want to receive some of those funds for the payment of child support. The second method is the reverse – the state agency becomes aware that the NCP may be receiving a lump sum payment and requests the funds from the employer. Both types of requests are indicated in the Detail Record by Action Code "LUM".   Due to the nature of the payments, timeliness is crucial in processing these requests. The e-IWO process should enable more lump sum payments to be applied to child support obligations.