

National Interstate Case Reconciliation (ICR) Project Business Case

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EXECUTIVE SUMMARY

Successful completion of a national Interstate Case Reconciliation (ICR) will be of significant value to states in effectively processing their interstate caseloads. The ICR Business Case presents analyses, findings and recommendations to determine a cost-effective approach for performing a national reconciliation of interstate cases and provides a clear rationale for the value of performing a national ICR. The approach recommended in this document overcomes many of the current barriers identified by the states to interstate caseload reconciliation.

The overarching goals of a national ICR are to:

- Improve service to families with interstate cases,
- Improve electronic communication among states,
- Establish accurate state and national interstate case baselines, and
- Establish clear accountability for interstate case processing.

In order to help gauge state buy-in to a national ICR and to determine the best ICR approach, extensive input from all child support jurisdictions was solicited. Conference calls were conducted with, or written responses received from, 53 of the 54 child support jurisdictions (as documented in the final Reconciliation Tracking Matrix of March 4, 2003) during the first phase of this project. These calls were instrumental in collecting state and ACF Regional Office input necessary to document:

- Most significant problems that cause interstate cases to become “out of sync,”
- Most significant problems with currently employed reconciliation methods,
- Criteria that should be applied to various ICR approaches to evaluate which approach, would best meet state needs and best dovetail with available state resources,
- Cost/benefits of an interstate case reconciliation, and
- Level of state interest in proceeding with a national ICR.

The potential ICR approaches that were discussed during the ICR conference calls included: 1) CSENet-based exchange of files as documented in Action Transmittal (AT) 97-02; 2) CSENet-based exchange of data using the Case Information (CSI) transaction; 3) expanded Federal Case Registry (FCR) matching; and 4) Extract File Matching, a newly-designed methodology that matches cases from individual state extract files of interstate cases and returns categorized responses as to matches and mismatches (i.e., case data are not consistent, case status is inconsistent, or a comparable case in the other state does not exist). State call participants were asked to evaluate the feasibility and effectiveness of each of these possible ICR approaches from their state’s perspective and provide feedback as to which approach best met state needs. Each of these options is discussed in detail in Section 3 of this document with an analysis of how each met the evaluation criteria discussed during the calls.

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Given state input and subsequent follow-up analysis of the possible approaches to a national ICR, it is recommended that the Federal Office of Child Support Enforcement (OCSE) commit to scheduling and coordinating a national ICR utilizing the Extract File Matching approach. The Extract File Matching approach received the greatest level of preference (44 states) during the state conference calls.

For example, ICR Extract File Matching was endorsed by North Dakota because it offers an innovative and comprehensive solution. As summarized by Pat Conrad of **North Dakota**, *“At a time of tight budgets, the money we expend [on a national ICR program] will save us an enormous amount of time and money in the long run.”*

Using ICR Extract File Matching, states’ interstate cases submitted via extract files would be fully matched against each other. As a backup, for states that do not provide an extract of their interstate cases, an ‘extract’ would be derived from the FCR and compared against the other states’ extract files. While matching to an FCR ‘extract’ would afford matching at a less precise level¹, the inclusion of this feature as a backup was perceived by states as a guarantee to them that the national reconciliation effort would provide pointers to all of the states, even those states that did not send extract files.

It is estimated that 48 states will provide extract files, and that an FCR-derived ‘extract’ may need to be generated for six states. This is based on scores assigned to states (on a range of “0” to “3”) to assess level of interest in participating in a national ICR using the Extract File Matching approach. A matrix depicting the State Level of Interest with scores assigned to each state is provided in Figure 3.4 in Section 3 of this document.

Another major feature of the ICR Extract File Matching that appealed to state representatives concerns the file responses generated at the federal level. Upon completion of the matching process, each state would receive a formatted response dataset that clearly defines:

- Cases that exactly match a case in another state,
- Cases that essentially match another state’s case but contain significant data discrepancies between the cases,
- Open cases that matched closed cases in another state, and
- Cases that a state presumed were interstate cases of which the other states have no record.

State representatives categorized it as *critical* that the response files generated by a national reconciliation effort are organized in such a way that the receiving state can automatically process exact matches, and either verify that the correct other state case number is stored on their automated system, or automatically make corrections to the case number, if required.

¹ An FCR-derived ‘extract’ might not include all of the closed interstate cases that should be considered in an ICR.

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Maintaining other state case numbers was brought up numerous times by state representatives as a major hurdle in working interstate cases.

Additionally, state staff endorsed the breakdown of responses by reason codes associated with data discrepancies that would allow the state receiving the responses to quickly determine the next appropriate action to take to resolve a discrepancy. By far, the most frequent complaint about other reconciliation methods was the amount of time required to go through the responses received from other states, particularly with respect to those cases that involved line-by-line data comparisons to determine differences requiring resolution.

To counter much of the time spent in the initial resolution of data discrepancies, the recommended Extract File Matching approach identifies exact matches so they can be processed automatically; and, furthermore, identifies the nature of data discrepancies so state staff need not waste time determining why a mismatch occurred. This feature responds to a point emphasized repeatedly: *a national ICR is of little value to states if it simply provides case match/mismatch data without an overriding structure that categorizes the data.*

"We like the idea of running the perfect matches directly into the system. It should work to enhance and expand our ongoing reconciliation efforts. For states we have already reconciled with, it should allow for a fine tuning of already reconciled cases."

New Mexico Staff Representative

A detailed presentation of the Business Case follows, outlining the factors and considerations that shaped the recommendation for OCSE to go forward with a national ICR effort that employs the Extract File Matching approach. The document consists of six sections, which are outlined below. Note that the first three sections document state input that led to the development of the evaluation criteria applied to test the viability of potential ICR approaches.

Section 1: State Case Reconciliation Problems. This section defines the major reasons interstate cases are not synchronized between states, as defined by state and ACF Regional Office representatives during the ICR conference calls. An understanding of these problems is critical to evaluating the efficacy of potential ICR approaches.

Section 2: Problems Encountered with Current Reconciliation Methods. This section describes the problems with current reconciliation methods as identified by state staff. Clear identification of problems currently being encountered helped shape the evaluation criteria state representatives felt needed to be applied in selecting a national ICR approach.

Section 3: ICR Technical Approach. This section presents ICR Extract File Matching, the approach recommended for a national ICR based on evaluation criteria developed with state and ACF Regional office staff. The evaluation criteria are presented first, followed by a detailed review of the ICR Extract File Matching process, how this approach responds to state needs, and

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the anticipated buy-in of states to this approach. This section also presents an examination of alternative approaches considered for a national ICR, and the reasons why these alternatives were not selected.

Section 4: National Cost/Benefit Analysis. This section outlines the most significant benefits realized by states from completing individual state-to-state reconciliations. State staff were asked during the ICR conference calls if they had information concerning the dollar value of benefits from state-to-state reconciliations. While no state representative was able to precisely calculate such a value, state staff were able to provide concrete examples of reconciliation benefits. This section presents state examples of cost/benefits and provides extrapolations of those benefits to a national scale, when possible. The extent to which potential ICR approaches maximize or degrade these benefits became a significant evaluation criterion in focusing on a recommended approach.

Section 5: Risk Assessment and Mitigation Plan. This section discusses the inherent risks involved in moving forward with a national ICR and the recommended Extract File Matching approach. Each risk is evaluated as to probability of occurrence and mitigating actions.

Section 6: Business Case Conclusion. This section concludes the Business Case by reiterating the contents of this document, discussing pilot study considerations, and presenting the next steps to be taken should OCSE decide to proceed with a national ICR, which is the recommendation put forward in this ICR Business Case.

SECTION 1

STATE CASE RECONCILIATION PROBLEMS

In this section, synchronization problems that plague interstate cases are defined and discussed. Identifying synchronization problems common to interstate cases is an important first step in the process of evaluating potential ICR approaches. As emphasized by states, the recommended ICR approach must effectively resolve these synchronization problems.

One goal of conducting conference calls with state and ACF Regional Office representatives was to identify why interstate cases are difficult to keep synchronized between states. The most common synchronization problems are:

- Incorrect or missing other state case numbers,
- Cases open in one state and closed in the other state, and
- Cases presumed to be interstate by one state but of which the other state has no record.

These conditions are present to varying degrees in all of the states and adversely affect the ability of states to efficiently manage interstate caseloads.

1.1 Incorrect/Missing Other State Case Number

The most critical data element required to effectively manage an interstate case is the correct case number used in the other state – most commonly referred to as the “other state case number.” This number must be correctly maintained by both states working an interstate case in order to effectively communicate with each other concerning a case and take full advantage of automated EFT, CSENet capabilities, and the use of other states’ web sites to access case information.

Most state systems include edits to validate other state case numbers on incoming EFT and CSENet transactions. If the other state case number is incorrect, and that case cannot be found in the receiving state’s system, then the transaction is usually written to an EFT or CSENet error file that must be manually processed by a worker. Given the cost savings associated with automatically processing EFT payments, any problem with this automated function that requires manual intervention by a worker has a significant impact on a state’s ability to process payments in a cost effective and timely manner. Similarly, incorrect other state case numbers on incoming CSENet transactions generally cause errors that require manual intervention to process. These errors degrade the state system’s ability to automatically process incoming CSENet transactions and may delay state action on an incoming request while caseworkers identify the case requiring action in their system.

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The other state case number also is a critical required field for the Uniform Interstate Family Support Act (UIFSA) documents that are exchanged by states. Having an incorrect other state case number on a document makes it difficult for a receiving state to identify the case requiring action.

There was concern expressed by 18 state representatives that certain states require alternate identifiers (EFT PIN and depository numbers) for accepting incoming EFT transactions. In order to facilitate the transmission of outgoing EFT transactions to states that require alternate identifiers, transmitting states are forced to store the EFT PIN or depository number in their other state case number field. This practice causes synchronization problems, since most states do not have the ability to maintain multiple other state case identifiers in their systems. While this allows the outgoing EFT transaction to be accepted by the receiving state, it causes subsequent problems for outgoing CSENet transactions to those same states because the transaction no longer contains the correct other state case number.

As states move toward allowing access to case data via the Web, it will become increasingly important for states to have the correct case number assigned by other states in order to take advantage of this technological option.

The lack of a nationally reconciled, correct baseline of other state case numbers causes a significant degradation in the states' ability to efficiently process their interstate cases. Given the importance of this field in interstate processing, any effective approach to a national ICR must focus on ensuring that states can establish correct other state case numbers in a cost-effective, error-free manner.

1.2 Case Status Discrepancies

Case status discrepancies constitute another significant synchronization problem in an interstate caseload. Of the 45 states that have completed reconciliations, representatives of 36 states indicated problems with open interstate cases in their systems when the corresponding case in the other state has been closed. Many states report that case status discrepancies remain a problem even though automated closure notifications through CSENet and the FCR have been implemented to mitigate this problem.

It is important that a national ICR enable states to directly reconcile these discrepancies by including closed interstate cases in the matching process. Based on state input, it also is important for the ICR process to distinguish between open interstate cases that match to closed cases in another state versus open interstate cases that do not match to any case in another state.

Knowing that a case exists in the other state, but is closed, provides reconciliation workers with a concrete basis for deciding the next appropriate action to take with respect to the open case in their system. It allows for a more informed decision concerning the reconciliation of case status discrepancies as opposed to interstate case mismatches.

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When the state with the open case is the initiating state, that state's system or caseworker needs to determine whether an interstate action should be re-initiated, or whether it should now be a one-state case. In situations where the only open case is the responding state's case, the responding state's staff should determine whether there is a need to request information on the case, or whether the case should be closed.

Reconciliation of case status discrepancies using closed cases has many advantages. It eliminates unnecessary interstate cases from caseloads, prompts needed actions to be re-initiated, and promotes one-state enforcement actions that are more cost-effective and efficient than two-state actions. Resolving these discrepancies allows state staff to focus their efforts on those interstate cases that truly require attention and increase their collections ratio for interstate cases in the process. During the ICR conference calls, 21 states expressed a preference for including closed cases in the matching process and notifying both states when a case is open in one state and closed in the other. Only four states wanted to limit matching to open cases.

1.3 Interstate Case Mismatches

The final synchronization problem for interstate caseloads identified during the ICR conference calls was interstate case mismatches. State representatives repeatedly brought up situations where they presumed they had an interstate case in common with a state, only to find that the other state had no record of that case in their system. Interstate case mismatches seem to be more common when the state with the existing case is the initiating state; however, mismatches also can occur when the existing case belongs to the responding state.

The problems associated with this condition are similar to those caused by the case status discrepancy discussed above. As with case status discrepancies, resolving interstate case mismatches provides the same benefits to states in terms of closing unnecessary interstate cases, re-initiating needed interstate actions, and promoting the use of one-state actions.

1.4 Definition of an Interstate Case for ICR Purposes

Many state representatives expressed the concern that a common definition for an interstate case for ICR purposes must be defined and applied by all states in order for a national ICR effort to achieve standard and reliable results. The following are definitional elements that will be disseminated to states to assist in determining which cases should be submitted as interstate cases for ICR purposes:

- A case requested by one state for another state to open and maintain for purposes of paternity or order establishment, and/or enforcement.
- The state requesting this action is the "initiating" state; the other state is the "responding" state
- Both states maintain identical cases on their systems, and both states would submit the interstate case for ICR purposes
- Both open and closed interstate cases would be submitted for ICR purposes

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- Neither long-arm cases (which don't require services from the other state) nor limited services cases (where a case is not opened in the other state) would be submitted for ICR purposes.

The provision of these definitional elements should help eliminate ambiguity for states in selecting cases for a national ICR.

SECTION 2

PROBLEMS ENCOUNTERED WITH CURRENT RECONCILIATION METHODS

Just as the recommended ICR approach must address the root causes that impact caseload synchronization, the recommended ICR approach also must address the problems states have with current state-to-state reconciliation methods.

State conference calls carefully explored and documented problems states have encountered in attempting to reconcile their individual caseloads. The most significant problems found in the 45 states that have completed individual state-to-state reconciliations include:

- Level of manual effort and resource commitment,
- Lack of standardization,
- Coordination with other states, and
- Limited scope of the reconciliations.

2.1 Manual Effort

By far, state representatives expressed the most concern about the amount of manual effort that is required to complete reconciliation with another state. Of the 45 states that have performed state-to-state reconciliations, only 13 have automated the process of matching another state's file against their own state system database. Some of these states also have automated different aspects of reconciling exceptions through automated system updates based on exact matches with the other state's cases and by categorizing the exceptions for the appropriate next action.

Thirty-two states, however, use an entirely manual process to:

- Compare the other state's file against their caseload,
- Determine which cases match,
- Update the other state case number as necessary, and
- Identify exceptions that must then be reconciled with the other state.

This majority cited the level of manual effort required to match the other state's file to their caseload and to update the other state's case number in their system as the major problem with current reconciliation procedures.

Representatives from all but three of the 45 states that have performed reconciliations expressed their concern over the level of resources and time needed to process the exceptions and data discrepancies uncovered by their matching processes, regardless of whether the state's matching process was manual or automated. While state staff understood that the degree to which automation can be applied to exception processing is limited, they consistently agreed that an

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effective national ICR approach must provide some assistance in categorizing and clearly defining exceptions identified by the matching process.

These state representatives agreed that OCSE could provide the greatest assistance in minimizing the amount of manual reconciliation intervention by implementing an ICR approach that:

- Automates the matching of state caseloads, and
- Categorizes the matching results in a defined, detailed manner that allows states to automate the processing of exact matches, prioritizes the exceptions to be reconciled first, and suggests the next appropriate action to be taken by the reconciliation worker.

Given the near unanimous state concern over the current level of manual effort required to complete state-to-state reconciliations, the recommended ICR approach must be formulated to satisfy the above criteria as much as possible.

2.2 Standardization

Sixteen of the states that have performed state-to-state reconciliations had problems with a lack of standardization in current reconciliation methods. While some states have adhered to AT 97-02 standards for exchanging reconciliation data, other states have adopted their own unique file formats. This lack of standardization causes problems for states that have attempted to automate their matching routines, since these programs must be modified to accept different file formats from different states.

In addition to file formats, state representatives suggested that OCSE establish data standards for critical data elements such as other state case number. They expressed a need to adopt standardized formats (e.g., padding other state case number with leading zeros) to simplify the automated processing of reconciliation results.

While problematic for states, lack of standardized data elements is not considered to be a significant problem for a national ICR effort that is developed, managed, and enforced by OCSE since standardization would be inherent in the national approach.

2.3 Coordination with Other States

Another problem state representatives cited with current reconciliation procedures is the logistical burden of coordinating individual reconciliations with other states. Individual reconciliations require a two-way exchange of data between states in order to match caseloads. The state systems then need to be updated with corrections from the reconciliation process. Often state systems are programmed for follow-up data exchanges based on the updates that were made. Each of these interactions requires significant communication and coordination between staff in the two states. This process has unproductive lag time built into it as one state “waits” to receive files from another state. State staff desiring to complete a reconciliation of the

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state's interstate caseload with all of the other states must go through this data exchange process 53 times. A national ICR approach would take the burden off individual states by centralizing scheduling and managing roles while providing response data to the states in a timely fashion.

2.4 Limited Scope of State-to-State Reconciliations

Two concerns were identified with respect to the number and scope of completed state-to-state reconciliations. First, a full national reconciliation pursued through individual state-to-state reconciliations involves 54 jurisdictions reconciling with 53 other jurisdictions, creating a universe of 2,862 individual reconciliations to be performed. Based on reconciliation totals provided by the states, only 891 of these reconciliations have been completed as of February 14, 2003. Reconciliation totals from the Big 10 + 1 states indicate that these states have completed 38 of the 110 possible reconciliations required to reconcile their caseloads with each other.

Second, the majority of completed state-to-state reconciliations (653 out of a total of 891) have been limited to obligated cases for EFT purposes only. These limited reconciliations ignore interstate cases that require establishment services. Therefore, a significant segment of the interstate caseload has not been reconciled in those states that have performed reconciliations.

These statistics serve to illustrate the extent to which the national interstate caseload remains unreconciled. Given the current status of reconciliation activity, any recommended national ICR approach should cast the broadest possible net to ensure that no significant potential population of interstate cases is excluded from a national reconciliation effort.

Based on the analysis of problems inherent in current reconciliation methods, any potential national ICR solution must be evaluated according to how the approach:

- Minimizes manual intervention to complete the reconciliation, and
- Includes the full population of interstate cases.

The effectiveness of any recommended national ICR approach must be gauged according to how well it resolves synchronization problems in interstate caseloads, and how well it resolves the problems inherent in current reconciliation methods. In addition to these criteria, there must be demonstrable benefits that flow from any national ICR.

SECTION 3

ICR TECHNICAL APPROACH

This section presents **ICR Extract File Matching**, the recommended approach for a national ICR. The recommendation of this approach is made based on an evaluation of this approach, as well as an evaluation of three other potential approaches, using criteria developed based on communications with state staff. The evaluation criteria that were developed are presented first, followed by a detailed presentation of the Extract File Matching approach, how that approach measured against the criteria and the anticipated buy-in of states to this approach. Lastly, an examination of three other potential ICR approaches is provided.

3.1 Evaluation Criteria

Evaluation criteria were developed based on a dialogue with state staff as to the root causes for interstate cases becoming unsynchronized, and why problems were encountered during previous state-to-state reconciliation efforts. Four potential approaches to a national ICR were examined. These approaches are referred to as:

- Action Transmittal (AT) 97-02
- Case Information (CSI) Transaction
- Expanded FCR Matching
- Extract File Matching.

Each potential approach was analyzed based on the extent to which the approach satisfied the following evaluation criteria:

- Minimized the cost of processing reconciliation results by:
 - ✓ Allowing for the automated processing of exact matches to establish a correct baseline of other state case numbers,
 - ✓ Defining and categorizing reconciliation exceptions and discrepancies,
 - ✓ Preventing the redundant reconciliation of cases from previous state-to-state reconciliations, and
 - ✓ Minimizing unnecessary reconciliations of non-interstate cases;
- Addressed the issue of closed cases; and
- Included the full population of interstate cases.

As a result of the application of the above evaluation criteria, Extract File Matching is recommended as the approach OCSE should undertake for the national ICR effort.

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The following sections present the ICR Extract File Matching approach, assess the approach against the above evaluation criteria, address state buy-in to the recommended approach, and present an evaluation of the three alternative approaches that were considered.

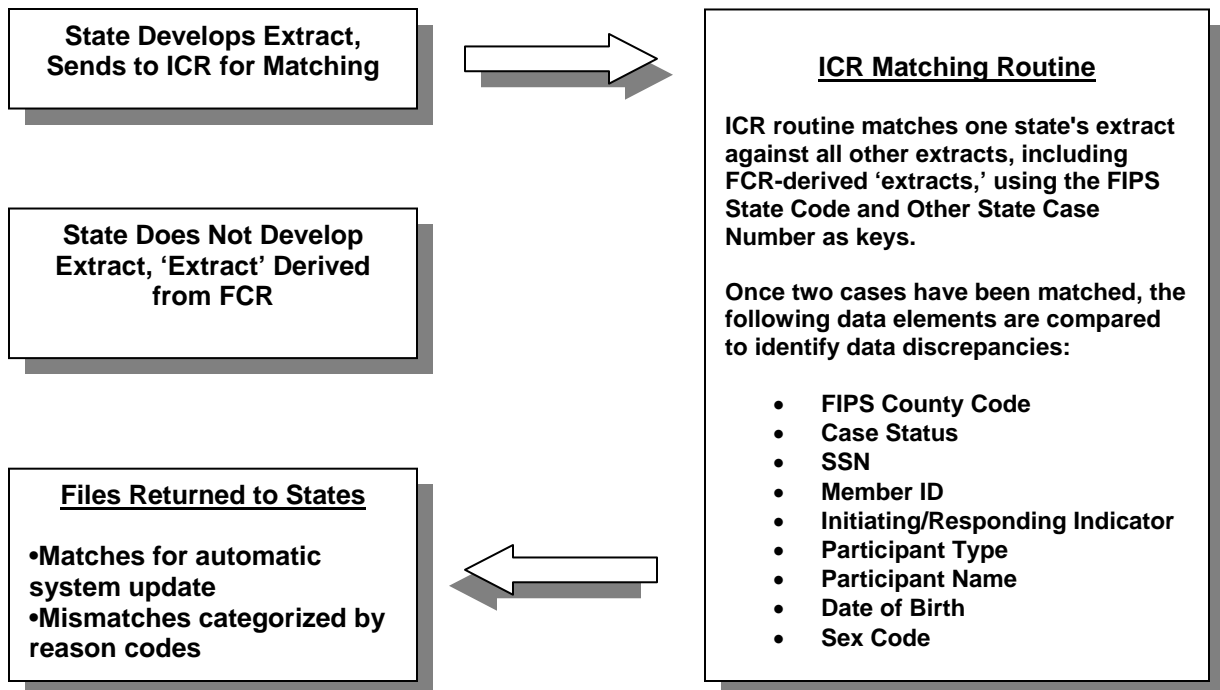
3.2 ICR Extract File Matching

ICR Extract File Matching centers on the submission by states of extracts of their interstate cases to OCSE for one-time matching at the national level. These extracts would contain basic case and participant data for every case in the state systems that fits the definition of an interstate case as provided in Section 1.4. A submission window would be designated for all participating states to submit their extracts. Upon receipt of all of the state extracts, OCSE would run an extract file matching routine and process each state's extract. At the completion of the matching process, OCSE would send each state a formatted response dataset that clearly defines:

- Cases that exactly match a case in another state,
- Cases that essentially match another state's case but contain significant data discrepancies between the cases,
- Open cases that matched closed cases in another state, and
- Cases that a state presumed were interstate cases of which the other states have no record.

Figure 3.2, ICR Extract File Matching, illustrates the recommended ICR matching approach.

Figure 3.2 ICR Extract File Matching



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The following sections walk through the diagram of ICR Extract File Matching as depicted in Figure 3.2.

3.2.1 State Develops Extract, Sends to ICR for Matching

States would extract basic case and participant data for each case that meets the definition of an interstate case for ICR purposes. The basic case data would include:

- Submitting State Case Number
- Submitting State Initiating/Responding Indicator
- Submitting State Case Status (i.e., 'open' or 'closed')
- Submitting State FIPS Code
- Other State Case Number
- Other State Initiating/Responding Indicator
- Other State FIPS Code.

The basic data for each active participant on each submitted interstate case would include:

- SSN
- Member ID
- Participant Type
- Participant Name
- Date of Birth
- Sex Code

State extracts would be submitted in a file format provided by OCSE and via CONNECT:Direct, the secure transmission line currently used for transmission of case and participant data to the FCR.

3.2.2 State Does Not Develop Extract, 'Extract' Derived from FCR

Alternatively, for those states that do not submit an interstate case extract, an 'extract' would be derived from the state's cases on the FCR. The FCR-derived 'extracts' would contain similar information to that submitted by ICR-participating states. A problem with using FCR-derived 'extracts' is that the FCR would not contain a potentially significant number of interstate cases. Missing from the FCR-derived 'extracts' would be:

- Cases that were not submitted by states with their initial loads to the FCR in 1998 because the cases were already closed (i.e., closed cases were specifically excluded from initial loads);
- Cases rejected by the FCR due to missing critical data elements (e.g., an SSN was not submitted or identified for either the CP, NCP, or PF); and
- Cases not submitted by states because state staff knew the cases would be rejected for lacking necessary data.

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FCR-derived 'extracts' would be accepted into the ICR matching routine once assembled by the FCR development contractor following file formats provided by the ICR project team.

3.2.3 ICR Matching Process Routine

The matching routine developed for the ICR would process each state's interstate extract against all other state extracts, including FCR-derived 'extracts' for non-participating states. The matching routine would first search for a corresponding case in another state's extract by using the Other State FIPS Code and the Other State Case Number as keys to find that case. If the other state's case were found, the submitting state's case and the other state's case would be compared automatically to determine the extent to which the case and participant data match between the two cases.

If the other state's case could not be found based on the combination of Other State FIPS Code and Other State Case Number, the program would assign a reason code to indicate this mismatch and would then proceed to search for each participant from the submitting state's case by SSN. If the SSN search revealed a corresponding case for that participant in the other state, the program would compare case and participant data between the two cases to determine the extent to which they match.

If no corresponding case or participant was found in the other state, the submitting state's case would be flagged as a case mismatch. This designation would capture the situation in which the submitting state had presumed it had a case in common with another state, only to discover that the other state did not have a corresponding interstate case on its system.

For cases that match, the program would compare the participant data to determine if the cases have a child in common. At least one matching participant on the two cases must be designated as a child on both of the cases for the program to consider this a match. The response file will contain the number of adults and children submitted by both states and provide these counts along with the number of each that matched. The program also would compare key case and participant data to identify data discrepancies that exist between the two states that share the case.

When the program finished the comparison of case and participant data for matching cases, it would write a response record to the reconciliation response file for the submitting state. This response record would transmit all data from the match to the submitting state. The data would include the number of adults and children submitted by each state along with the number of each that matched between the two cases, a series of reason codes categorizing the extent of the match, and any critical data discrepancies identified by the matching program. The reason codes would clearly define the following conditions:

- All data match between the two cases: an exact match
- The matching program failed to find any case in the other state based on a search using the submitting state's other state case number and based on a search for a child in common between the two states: a case mismatch

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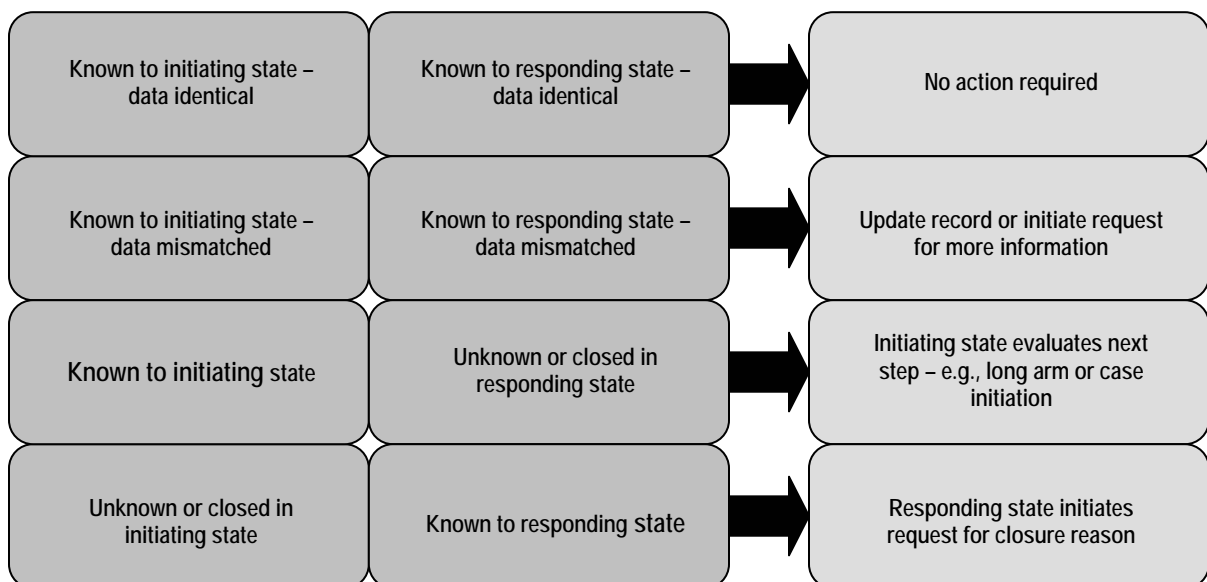
- A case with a child in common was found in the other state, but the other state case number from the submitting state does not match this state's case number. Check the number of adults and children matched and compare it against the number of adults and children submitted to determine the extent to which participants matched between the two cases
- Data discrepancies between the two cases involving the following case/participant data elements (a specific reason code relates to each specific data discrepancy):
 - ✓ FIPS County Code
 - ✓ Case Status (open in submitting state, closed in other state and vice-versa)
 - ✓ SSN
 - ✓ Member ID
 - ✓ Participant Type
 - ✓ Initiating/Responding Indicator
 - ✓ Last Name
 - ✓ Date of Birth
 - ✓ Sex Code.

Once the response file for the submitting state is fully populated, the file would be transmitted to the state via CONNECT:Direct.

3.2.4 Files Returned to States

Upon receipt of the response file from the ICR Match routine state staff can evaluate discrepancies, indicated by the associated reason codes to determine what the appropriate next actions should be. The information returned to the states should allow the system to update information that is not consistent between the two states. Full use of other available tools such as CSENet could be utilized for those instances in which an action needs to be taken by another state, such as providing closure reasons or case initiation.

Figure 3.2.4-1 ICR Response File Processing



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On the previous page, Figure 3.2.4-1, ICR Response File Processing, presents at a high level the results of the matching process in state response. The specific reason codes identifying matches and mismatches, descriptions, and recommended state actions are suggested in Figure 3.2.4-2, Reason Code Table.

Figure 3.2.4-2 Reason Code Table

Reason Code	Description	Action
00	All information matches.	None required
01	The Case Number submitted as the Other State Case Number does not exist. The other state did not submit a case that matches the case in your state.	As Initiating State – Resend CSENet transaction, if necessary, to reinstate case. As Responding State – Check with other state for possible case closure. If the state still wishes to have the other state open a case on their behalf, a CSENet transaction should be initiated.
02	The Case Number submitted by the other state does not match the Other State Case Number in your state; however, a matching case was found by matching the participants. The case number submitted by the other state can be found in the New Case Number field. The number of participants that matched can be determined by interrogating the number of adults and children matched, and comparing them to the number of adults and children submitted.	As Initiating State - The state should update the Other State Case Number with the new information. As Responding State – The state should update the Other State Case Number with the new information.
03	Positions 3 - 5 of the FIPS Code submitted by the other state do not match positions 3 - 5 of the Other State FIPS Code in your state's record. The FIPS County Code submitted by the other state can be found in the New FIPS Code field.	As Initiating State - The state should update the Other State FIPS County Code with the new information. As Responding State – The state should update the Other State FIPS County Code with the new information.

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Reason Code	Description	Action
04	The SSN submitted by the other state does not match the SSN for the participant in your state; however, the case number and participant type are the same. The SSN submitted by the other state can be found in the Other State SSN field.	<p>As Initiating State- The state should check for a verified SSN for the participant in its system. If the SSN is not verified or is missing, the state may want to consider using the other state's SSN.</p> <p>As Responding State – The state should check for a verified SSN for the participant in its system. If the SSN is not verified or, is missing the state may want to consider using the initiating state's SSN.</p>
05	The Member ID submitted by the other state does not match the Member ID in your state for the participant. The Member ID submitted by the other state can be found in the New Member ID field. This reason code is conditional and based on whether the Other State Member ID was supplied.	<p>As Initiating State - The state should update the Other State Member ID on its system.</p> <p>As Responding State – The state should update the Other State Member ID on its system.</p>
06	The Participant Type submitted by the other state did not match the Participant Type in your state for the participant. The Participant Type submitted by the other state can be found in the new Participant Type field.	<p>As Initiating State - The state should either update the Participant Type on its system, or generate a request for more information.</p> <p>As Responding State – The state should update the Participant Type on its system, or generate a request for more information.</p>
07	The Case Status in your state indicates that the case is open; however, the matching case submitted by the other state is closed.	<p>As Initiating State - If necessary, send a CSENet transaction to have the case re-initiated in the responding state.</p> <p>As Responding State - Send request for closure reason to the initiating state.</p>
08	The Case Status in your state indicates that its case is closed; however, the matching case submitted by the other state is open.	<p>As Initiating State – Resend closure reason to the responding state.</p> <p>As Responding State - Resend closure reason to the initiating state</p>
09	The Last Name submitted by the other state does not match the Last Name in your state for the participant. The Last Name submitted by the other state can be found in the Other State Last Name field.	Based on state policy and depending on whether your state is the initiating or responding state, the Last Name should be updated with the Last Name provided by the other state.

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Reason Code	Description	Action
10	The Date of Birth submitted by the other state does not match the Date of Birth in your state for the participant. The Date of Birth submitted by the other state can be found in the Other State Date of Birth field.	Based on state policy and depending on whether your state is the initiating or responding state, the Date of Birth should be updated with the Date of Birth provided by the other state.
11	The Sex Code submitted by the other state does not match the Sex Code in your state for the participant. The Sex Code submitted by the other state can be found in the Other State Sex Code field.	Based on state policy and depending on whether your state is the initiating or responding state the Sex Code should be updated with the Sex Code provided by the other state.
12	The Initiating/Responding indicator for the other state is different from what the other state has indicated on their file.	The other state should be contacted to determine what role each state plays in the case.
13	The Participant was not found in the Other State Case. The case was found based on either the case number match or by matching at least one child participant on both cases. However, this participant was not found.	Contact the other state to determine if this participant should be added to your case.

3.3 Evaluation of Extract File Matching

ICR Extract File Matching would fully support the automatic update of other state case numbers in a flexible, cost-effective manner. The match responses sent to states would clearly define matches between the child participants on two cases in which the only case discrepancy is a mismatch of the other state case number (i.e., the submitting state's other state case number does not agree with the case number found in the other state's extract). By comparing the number of adults' and childrens' SSNs matched with the number of adults' and childrens' SSNs submitted, the program allows state staff to decide what level of match is sufficient to trigger the automatic update of the other state case number in their systems.

The Extract File Matching approach categorizes reconciliation exceptions and data discrepancies through the use of reason codes, as delineated in figure 3.2.4-2, Reason Code Table. These codes are sufficiently detailed to suggest the next appropriate action to be taken by the state system or the reconciliation worker. The appropriate actions would be fully addressed in supporting training material and user documentation. These reason codes would provide states with the ability to prioritize exception processing and help to minimize the costs of reconciling the exceptions.

Closed cases would be directly addressed in the Extract File Matching approach. The case status discrepancy codes would clearly identify open cases in the submitting state that match closed cases in the other state and vice-versa. The approach also would identify case mismatches in which the submitting state presumes that an interstate relationship existed and no corresponding case can be found in the other state.

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Extract File Matching would include, for those states fully participating by submitting file extracts, the full population of interstate cases that meet the definition presented for ICR purposes. This would include cases currently resident on the FCR, cases never submitted by states to the FCR, and cases previously rejected by the FCR.

The Extract File Matching approach would prevent the redundant reconciliation of cases from previous state-to-state reconciliation efforts, and it would minimize the reconciliation of non-interstate cases. For states that have completed a large number of state-to-state reconciliations, such as **Texas**, this process would simply validate the results of those reconciliation efforts. If **Texas** interstate cases were still synchronized with another state, **Texas** would receive a large number of exact matches from that state in the **Texas** response file. Since exact matches do not require any action on the part of the state, **Texas** staff would be free to concentrate on those exceptions that they deemed to be a high priority.

Finally, state extracts are limited to cases that states consider to be interstate cases. Therefore, a match of cases between state extracts would not include the matching of participants between a TANF arrears-only case in one state and an ongoing current support case in another.

3.4 State Buy-In to ICR Extract File Matching

Obtaining the highest quality of interstate matches depends upon the submission of interstate extract files by as many states as possible. The greater the number of states that participate, the better the reconciliation results. Therefore, the Extract File Matching approach places a premium on obtaining state buy-in.

Based on input from 53 of 54 child support jurisdictions, there are a sufficient number of probable state participants to warrant proceeding with an ICR that utilizes Extract File Matching. It is anticipated from the matrix provided in Figure 3.4, which captures states' level of interest in participating in the Extract File Matching approach, that extract files will be provided by 48 states.

State representatives expressed varying levels of concern in the ICR conference calls over the resources required to create and submit a state extract. The majority of state representatives said that it would not be a problem as long as they were given sufficient lead time to develop the extract program.

Most state representatives estimated that it would take from one to two weeks to write and test an extract program. This is a reasonable investment given the extent to which this approach maximizes the benefits of a national ICR. Moreover, OCSE has committed to providing technical assistance to the states. Based on OCSE experience with the successful implementation of an expanded FPLS, technical support will be critical to promoting and maintaining state participation.

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All but three states expressed concern over the level of staff resources required to process reconciliation exceptions. ICR Extract File Matching addresses this concern by maximizing the extent to which reconciliation responses can be automatically processed.

Figure 3.4 Recommended ICR Approach: State Breakdown by Level of Interest

Score	States
32 States Score of 3 "Very Interested"	Alabama, Alaska, Arizona, California* , Colorado, Delaware, District of Columbia, Florida , Georgia , Hawaii, Illinois , Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Hampshire, New Jersey , New Mexico, New York , North Dakota, Ohio , Oklahoma, Pennsylvania , Puerto Rico, South Dakota, Virgin Islands, Washington, West Virginia, Wisconsin , Wyoming
16 States Score of 2 "Cautiously Optimistic"	Arkansas, Idaho, Maine, Maryland, Massachusetts, Michigan , Minnesota, Montana, Nevada, Oregon, Rhode Island, Tennessee, Texas , Utah, Vermont, Virginia,
4 States Score of 1 "Cautiously Pessimistic"	Connecticut, Iowa, Nebraska, South Carolina
1 State Score of 0 Staff did not participate in conference call	North Carolina
1 State Staff unable to schedule conference call	Guam
The median score was 2.49, signifying a high level of interest in the Extract File Matching approach.	
* (Big 10+1 states are highlighted in bold)	

When states were asked their opinion of the Extract File Matching approach over other alternatives, 44 of the states expressed that they favored it over other alternatives. The exceptions are shown below.

- **Guam** did not participate in a conference call, so state staff assessment could not be ascertained.
- **South Carolina** state representatives were pessimistic as to their ability to participate given their lack of a statewide system.
- **North Carolina** staff questioned the need for any national ICR. North Carolina only communicated via e-mail and declined to participate in a conference call.

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- **Connecticut, Maine, Tennessee, Vermont and Virginia** staff favored an FCR-based approach.
- **Nebraska** staff favored a CSI transaction approach; similar to the state-to-state reconciliation they conducted with Iowa.
- **Iowa** staff preferred an approach that maintained reconciliation data on the Web, allowing for real-time state access.

It should be noted that some state conference call participants stated that while they were assigned to participate in the calls and would have input into the state's decision, they themselves did not have the authority to make a decision on participation in a national ICR

3.5 Alternative Approaches Examined for a National ICR

This section summarizes the three other approaches considered for a national ICR, and highlights the reasons they were not selected

3.5.1 Action Transmittal (AT) 97-02

Some states have automated certain aspects of their individual reconciliation procedures using AT 97-02 as their standard, and their staff said that it would be an advantage for them if a national ICR followed suit. The AT 97-02 encouraged states to implement an electronic data exchange format of "newly created or revised child support case numbers" prior to transmission to other states. The format included the two states' case numbers; the sending state's FIPS Code; CP and NCP SSNs, names and DOBs; and a 'no match found' error indicator.

When this approach was evaluated against what the majority of state representatives relayed as important criteria for selecting a national ICR process, however, two significant disadvantages became apparent:

- The AT 97-02 reconciliation file format does not include child data. This lack of child data severely constrains the definition of an "exact" match. Data pertaining to the children on a case must be included in any matching process to guarantee exact case matches. It is unlikely that state staff would consider automatically validating and updating the other state case number based solely on an NCP/CP match between the two states' cases. The establishment of the correct other state case number is a critical prerequisite for realizing the most significant benefits of a national reconciliation. To be cost-effective, the recommended ICR approach should promote the ability of states to automatically update these identifiers. The AT 97-02 approach does not meet this test.
- The AT 97-02 standards do not include closed cases in the file format. As documented in Section 1, states consider case status discrepancies to be one of the most significant synchronization problems plaguing interstate caseloads. As a result of individual state-to-state reconciliations, states have realized considerable cost savings by closing unnecessary interstate cases. Therefore, an effective national ICR

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approach must clearly identify open cases in one state that match to closed cases in another. The AT 97-02 approach does not meet this test as well.

Since the AT 97-02 approach failed to meet two essential criteria that are critical to maximizing the benefits of a national reconciliation, this approach was not selected as the recommended approach.

3.5.2 Case Information (CSI) Transaction

Using the CSI transaction for reconciliation purposes centers on matching interstate caseloads and returning response data to the states in the form of CSI transactions transmitted through CSENet. The CSI transaction was developed as a means for states to obtain comprehensive case data from each other.

A **Nebraska-Iowa** reconciliation is an example of a state partnership in the creative use of the CSI transaction for reconciliation purposes. **Nebraska** and **Iowa** successfully used a modified method of triggering CSI transactions to reconcile their interstate cases with each other. The states discovered approximately 2,800 cases in common. Of these cases, 822 were identified as less than exact matches. The remainder matched exactly.

Iowa also attempted to reconcile their interstate caseload with **Connecticut** utilizing the CSI transaction. **Iowa** used 270 processing hours to match their caseload and process results from **Connecticut**. Although the two states have fairly small caseloads, **Connecticut** staff was not able to complete the reconciliation on their end due to resource constraints. From this reconciliation effort, **Iowa** matched on only 28 **Connecticut** cases and was able to load only one of those cases onto the state system based on the CSI data.

In examining the viability of using a CSI transaction approach to a national ICR the extent to which state systems can utilize pre-existing CSI programs to facilitate the processing of reconciliation results must be addressed. To meet the minimum certification standard for accepting incoming CSI provide transactions, a state system needs to be able to automatically process the transaction and display the contents to a worker.

This standard does not require state systems to automatically update case data with CSI data from a corresponding case in another state. Yet, this is functionality (particularly in regards to correcting Other State Case Numbers) can minimize the costs of manually processing reconciliation results. The results of the **Iowa-Connecticut** reconciliation cast some doubt on the cost-effectiveness of this approach. Representatives from both states commented during their respective conference calls that this reconciliation method required a heavy utilization of staff resources and was labor-intensive. The number of hours that **Iowa** staff devoted to their reconciliation with **Connecticut**, as compared to the results of that reconciliation attempt, seems to support this assessment.

The size of the CSI transaction also is cause for concern. The volume of reconciliation response data that would be generated by a national reconciliation effort would be considerable. Much of the CSI transaction data is tangential to the requirements of reconciling cases. Generation of CSI

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response transactions requires a state system to interrogate all data blocks associated with a case, including those that do not pertain to case reconciliation.

Based on the above concerns, utilization of the CSI transaction was not considered viable for a national ICR. It represents an innovative attempt by states to maximize the use of existing automated functionality to reconcile interstate cases, but it is not viable given the scale of a national reconciliation.

The CSI transaction, however, does have a role to play in a national ICR. Depending upon a state's level of CSI automation, state staff may find it useful to program their systems to automatically generate CSI transactions when a case mismatch in the response files generated by Extract File Matching points to the need for more case information to be elicited from another state. This could be a more effective process for obtaining case information from the other state than attempting to contact staff in that state. The use of the CSI transaction will be explored to determine applicability in the national ICR effort. Use of the CSI transaction will be integrated into ICR training materials and user documentation.

3.5.3 Expanded FCR Matching

The FCR currently identifies participants in common between cases in different states through the FCR-to-FCR proactive matching process. Expanding FCR matching was examined as a possible approach for a national ICR. This approach would allow for the reconciliation of interstate cases entirely within the FCR.

Under an expanded FCR matching approach, the current proactive matching routine would be modified to look for case groupings of participants that matched between states. Unlike the current proactive match, this case reconciliation match would be extended to the unverified files and closed case files within the FCR to broaden the population of potential interstate case matches. The primary matching configuration that this routine would look for is a matching CP/NCP combination between states. Further comparison of child data between the two cases would establish whether the case participants matched exactly or matched to some lesser degree.

The reconciliation results would be passed back to the states via the FCR proactive match record. Existing filler fields within this record would require modification to categorize how closely the participants in the two cases matched, whether an open case in one state matched to a case in the FCR closed case file for the other state, and the extent to which discrepancies existed in key case and demographic data between two cases that matched.

State staff could modify their existing proactive match processing programs or create new programs to automatically update the other state case number in some circumstances. The proactive match record would contain the case number that the other state had reported to the FCR, so that the receiving state could compare the other state case number in its system to the case number from the proactive match record. If the other state case number in the receiving state's case matched the case number from the proactive match record, then both states would know they had an interstate case that matched exactly. If the other state case number in the receiving state's case did not match the case number from the proactive match record, but the

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case participants matched exactly, then the receiving state could decide to automatically update the other state case number in their system with the case number from the proactive match record.

Problems arise with an expanded FCR matching approach because the FCR does not currently maintain any interstate data. The first problem would occur when the participants from two cases in different states matched exactly, but one or both of the cases were not interstate cases. The most common example of this type of match would be a TANF arrears-only case in state A matching with an ongoing current support case in state B. Both cases would share the exact same participants. Because the FCR does not currently maintain any interstate data, the expanded FCR matching program would be unable to determine if an interstate relationship existed between the two states. It would report this match as an exact match to each state, leaving it up to those states to determine if an interstate relationship actually existed. This would greatly diminish the states' ability to automatically update the other state case number based on a high degree of confidence that the matched cases are *interstate* cases.

Consequently, the lack of interstate data in the FCR would promote the unnecessary reconciliation of cases that were not interstate cases. The burden would be placed on state staff to determine the nature of the relationship between the two cases. This would add to the already formidable task of processing reconciliation results and would not likely be well received by the states.

The lack of interstate data in the FCR also would make it impossible to identify interstate case mismatches. If a state presumed that it had a case in common with another state, but the other state had never initiated a corresponding interstate case, matching within the FCR would not identify the problem. Because the FCR does not maintain any interstate data, the expanded FCR matching program would have no way of knowing that state A presumed that it had a case in common with state B.

An expanded FCR matching approach partially addresses the issue of closed cases through matching against the FCR closed case file. However, cases closed by states prior to initial loads onto the FCR in 1998 are not resident in the FCR, since closed cases were specifically excluded from the initial loads. There are potentially a large number of interstate closed cases that should be included in a national ICR effort that would be missed for this reason.

Matching records through the FCR would not require any up-front work from the states to support the matching process; and, since OCSE has control over the FCR databases, this approach would simplify the scheduling and coordination of a national reconciliation. However, a potential problem may exist with the current proactive match record format and whether it could be modified to clearly define the extent to which cases matched and the nature and type of data discrepancies between two cases.

Reconciliation results should be defined to a level that the category of a match or a data discrepancy clearly suggests the next appropriate action that should be taken by a reconciliation worker. The existing proactive match record has a limited amount of filler that could be used for this purpose. If filler could be used, programming changes would need to be made at both the

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federal and state levels. Since these changes would constitute a “major impact change” to the FCR, a requisite seven-month notification period would need to be given to states to prepare for the changes. Delays of this nature could place a national reconciliation effort in competition with other national initiatives.

Finally, an expanded FCR matching approach may not include the full population of interstate cases. Cases that were never sent to the FCR by states, or were rejected by the FCR, because they failed to meet minimum case/participant data criteria would be excluded from the match process. The potential number of interstate cases that would be missed in an expanded FCR-based reconciliation attempt is difficult to estimate. However, this limitation does run counter to the opinion expressed by a majority of states that any national reconciliation should include as many interstate cases as possible.

Based on the above concerns, an expanded FCR matching approach would not resolve all of the critical synchronization problems identified by the states. The overriding factor in this evaluation is the lack of interstate data in the FCR and the inability of the matching routine to identify the existence of either a true interstate relationship or of a presumed interstate relationship. This lack of interstate data within the FCR significantly degrades the benefits of automatically updating other state case numbers and resolving case mismatches that should flow from a recommended ICR approach.

3.5.4 Conclusion Drawn on Evaluation of Alternatives

While each of the alternative approaches offered valuable lessons for a national ICR approach, none met the criteria established with the states. Given all factors, the recommended approach is ICR Extract File Matching. Section 4 provides a cost/benefit analysis for proceeding with a national ICR. Section 5 provides a risk assessment and mitigation plan for this approach.

SECTION 4

NATIONAL ICR COST/BENEFIT ANALYSIS

The benefits and cost savings of a national ICR can be measured by how well it helps states address the problem of unsynchronized interstate cases, and how well the ICR program overcomes problems inherent in current reconciliation methods.

4.1 State Costs for a National ICR Program

Based on anecdotal information obtained through conference calls with state and ACF Regional Office representatives and their estimates of the time required to develop programs for a national ICR using Extract File Matching, some of the costs associated with the process are provided below.

- The cost to states to develop an extract file ranges from \$1,040 to \$6,000, based on a 1-2 week development time. The lower figure (\$1,040) is based on a state programmer annual salary of \$50K, divided by 1920 hours x 40 (one week). The higher figure (\$6,000) is based on a contractor employee hourly rate of \$75 x 80 hours (two weeks)
- The cost to states to develop a program to automatically update their systems with matched data or to generate transactions or documents to obtain additional information from other states, ranges from \$2,080 to \$9,000, based on a 2-3 week development time. The lower figure (\$2,080) is based on a state programmer annual salary of \$50K, divided by 1920 hours x 80 (two weeks). The higher figure (\$9,000) is based on a contractor employee hourly rate of \$75 x 120 hours (three weeks)
- The cost to states to manually reconcile those cases that cannot be reconciled through automated means cannot be reliably gauged, and, therefore, this cost cannot be assigned. Factors contributable to this inability to estimate the cost to the state for this phase include: the extent of unreconciled cases; the varying level of interstate caseloads from one state to another; past reconciliations performed by a state; and the efficacy of both the program developed to automatically update the state system and the procedures the state already has in place to reconcile mismatched cases.

Ameliorative measures to reduce the burden on states for manual reconciliation are part of the ICR program, and include training, technical assistance, and maintenance of a "best practices" clearinghouse for state staff to share knowledge with one another.

Also, an analysis of a recent reconciliation between **Montana** and **North Dakota** drew an encouraging conclusion regarding the use of the Extract File Matching process to greatly reduce the need for manual reconciliation of mismatched cases. The results of the **Montana-North Dakota** reconciliation showed that 53 percent of the interstate cases had errors that precluded

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automated updates of **North Dakota**'s system under current reconciliation conditions. Of a total of 514 cases, 270 (53 percent) of these were in error: 232 had incorrect case numbers; 34 had a closed case in **Montana** carried as open; and four no longer required the services of **Montana**. Of the 270 cases in error, 47 also had incorrect names in the responding state's cases.

An analysis of the **Montana-North Dakota** reconciliation by **North Dakota** staff determined that, using the Extract File Matching approach; all of the 270 cases with errors could have been corrected immediately or reconciled through automated means.

These costs are most severe for large states that use a manual process to reconcile. However, even states with highly automated reconciliation procedures cite the labor involved in reconciling exceptions and discrepancies as their most significant cost.

Staff from **Pennsylvania**, a state that automated its reconciliation procedures, estimates that it takes six weeks or more to complete a full reconciliation with a single state. This includes time spent by central office staff in planning, scheduling and coordinating the reconciliation, as well as the time spent by numerous field staff in reconciling the exceptions and discrepancies identified by the reconciliation. This effort represents a substantial expenditure of staff hours on **Pennsylvania**'s part. All states currently conducting reconciliations incur these costs to a greater or lesser extent based on the size of their interstate caseloads and their level of automation.

A national ICR using the Extract File Matching process would minimize the costs currently incurred by states in scheduling and coordinating the exchange of files with other states. OCSE would assume responsibility for scheduling and coordinating a national ICR and establishing standards to govern the reconciliation. The states would only have to interact with OCSE to submit their caseload for matching and to receive the results of that matching process, rather than having to interact with 53 other child support jurisdictions. Moreover, the lag time built into the two-way exchange of data between individual states would be eliminated, since a national approach would return results to the states in a timely fashion. Consequently, the costs currently incurred by states in performing individual state-to-state reconciliations would be reduced by a national ICR.

Representatives from **Texas** and **Pennsylvania**, two states that have completed a large number of full individual state-to-state reconciliations, also expressed the concern that a national reconciliation would cause them to revisit cases that had already been reconciled. Incurring costs twice to reconcile the same case is not acceptable to them. The extent to which the Extract File Matching process addresses this concern is a key factor in state acceptance of a national ICR. An analysis of this concern drew the following conclusion, which was conveyed to representatives of both states: if a state had reconciled in the past, those cases would indeed appear as interstate cases in a subsequent reconciliation. However, the cases would be "perfect" matches (unless they had subsequently gone out of sync) and would need no manual intervention.

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OCSE has committed to providing training and technical assistance to states participating in a national ICR. The value of this assistance in reducing the cost of processing reconciliation compares favorably to OCSE's experience with the implementation of the expanded Federal Parent Locator Service (FPLS). The technical assistance provided by OCSE to states was critical to the successful establishment of both the NDNH and the FCR. Such assistance would prove equally important in ensuring the success of a national ICR.

4.2 State Cost Savings and Benefits of a National ICR

Processing reconciliation results is the costliest component of a completed reconciliation. It is this cost that states perceive to be the biggest barrier to their participation in a national ICR. A key factor in the analysis of proposed national ICR approaches was the extent to which each approach mitigates this cost for states. Promoting the automatic update of other state case numbers and identifying open/closed case discrepancies are critical factors in minimizing reconciliation costs. As Mark Mintzer of **Washington** commented in a conference call *“Even if the program only addressed closed cases and the right case numbers, that alone would save hundreds of man-hours.”*

It is estimated that correcting the other state case number through the ICR program could save **\$17.5 million nationwide**, which equates to **438 FTEs** that could be devoted to other, more productive tasks. (This is based on: a nationwide caseload of 17 million, OCSE estimates of 11 percent of cases as interstate cases, states' estimate of 30 percent of interstate cases containing incorrect or missing case numbers, a \$40K national average caseworker salary (plus benefits), and 3 caseworker transactions/case/year at 30 minutes per transaction.)

The most significant benefits reported by state representatives through the establishment of a correct baseline of other state case numbers were to:

- Resolve open/closed case discrepancies and case mismatches
- Improve EFT processing
- Improve CSENet processing
- Improve communication among states.

The analyses of these four benefits are discussed below.

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4.2.1 Resolve Open/Closed Case Discrepancies and Case Mismatches

Case status discrepancies and case mismatches constitute a severe impediment to efficient interstate case processing, affecting a majority of states that undertake state-to-state reconciliations. Providing states with the data required to close unnecessary interstate cases and re-initiate needed interstate actions is a major benefit of a national ICR. An example from **Texas** indicates the scope of this problem.

In a reconciliation between **Texas** and **Virginia**, **Texas** staff identified 2,700 cases they presumed they had in common with **Virginia**, for which **Virginia** did not have a corresponding open case on its system. Upon reconciling these exceptions, **Texas** staff discovered that they were able to close 600 of these cases on their system.

This example illustrates the inefficiencies of unreconciled interstate cases. Caseworkers spend time attempting to process open cases in their state that are closed or have never been opened in the other state. A national ICR based on the Extract File Matching approach will identify the interstate cases that no longer require any action from the state.

Reconciling these discrepancies allows state staff to focus on those interstate cases that truly require action, and gives caseworkers the opportunity to revisit whether a case needs to be an interstate case or whether a one-state action may be more effective in serving their client. States also should realize benefits from more accuracy in incentive calculations.

4.2.2 Improve Electronic Funds Transfer (EFT) Processing

The establishment of correct other state case numbers is a requirement for effective nationwide use of interstate EFT. However, of the 2,862 state-to-state reconciliations that would be required to reconcile the national interstate caseload based on a calculation of each of the 54 states needing to reconcile with the other 53 states ($54 \times 53 = 2,862$), only 891 have been completed as of February 14, 2003. A national ICR that provides states with the ability to automatically update other state case numbers in their systems would establish a baseline of correct other state case numbers. This baseline would provide substantial, direct benefits to the states when EFT alone is considered.

Of the 45 states that have performed reconciliations, representatives from 27 states cited improved EFT processing as a major benefit associated with completing individual state-to-state reconciliations. Representatives from several states, **Arizona** and **New Jersey** among them, mentioned that their EFT error rates fell to less than 1 percent for states with which they had reconciled; **Ohio** also noted a dramatic reduction in error rates.

EFT is widely recognized as the most cost-effective means for states to process outgoing and incoming interstate collections. States receive significant cost savings when they implement EFT instead of generating and mailing outgoing paper checks, and processing batches of

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incoming paper checks. A clear example of EFT savings concerning outgoing checks was provided by **Montana**.

With an interstate responding caseload of 5,000 (12 percent of its entire caseload), **Montana saves \$45K per year as a result of reconciling with 34 states for outgoing EFT purposes.** The state averages 345 EFT transactions to other states per day at savings of fifty cents per transaction. This is approximately 80 percent of the potential savings in outgoing EFT transactions since Montana has not yet reconciled for EFT purposes with 20 states. And for incoming EFT transactions, Montana was able to save **1.5 FTEs. This represents staff members that formerly processed payments manually and are now assigned to other activities.**

Montana staff stated that their state disbursement unit saved “huge amounts” of man-hours for every state that agreed to exchange interstate collections via EFT. The labor savings included the elimination of physical controls that have to be imposed on batches of paper checks and the implementation of automated posting of EFT amounts by the system, thus preventing human posting errors that cost significant man-hours to correct after checks have been released.

Transmitting an incorrect other state case number is one of the most common EFT errors. Such errors can be costly, since they require interaction between staff from both states to correct. This is one reason that many states do not implement EFT with another state until the states have reconciled their interstate cases with each other.

4.2.3 Improve CSENet Processing

A correct baseline of other state case numbers would provide states with a much more efficient use of resources as a direct result of their ability to fully utilize the automated capabilities of CSENet.

The CSENet network was established to provide states with a means to effectively exchange interstate data with each other. CSENet incorporates many automated features that were designed to interface with state child support systems and minimize the amount of manual caseworker intervention required to process interstate requests. As with EFT, the benefits derived from use of CSENet’s automated features are significantly degraded by the transmission of incorrect other state case numbers in CSENet transactions. Most state systems validate the other state case number included on incoming CSENet transactions. If the other state case number is incorrect or missing, the resulting error has to be resolved by a caseworker before the state system can initiate the next appropriate action associated with that CSENet transaction. The cost of resolving these errors reduces the savings realized from a successful state system interface with CSENet.

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Representatives from 17 of the 45 states that have performed state-to-state reconciliations cited improved CSENet processing as a major benefit. While no one was able to provide quantifiable savings associated with more efficient use of CSENet, a **Texas** representative mentioned a significant reduction in interstate paperwork that allowed the state to reassign workers previously dedicated to processing that paperwork. He directly attributed this reduction in paperwork to improved state system processing of CSENet transactions resulting from the 39 state-to-state reconciliations they had completed as of December 2002. A representative from **Georgia** noted that CSENet transactions work much smoother after reconciling with another state.

4.2.4 Improve Communication Among States

Another benefit associated with correct other state case numbers is improved communication between states and a more efficient use of staff time. While this benefit is less tangible than the cost savings associated with EFT and CSENet, many state staff felt it was significant. Being able to provide another state with the correct case number for the corresponding case in their system (whether through a phone call, e-mail or UIFSA document) is the most basic requirement for effective interstate communication. Representatives from **Georgia** and **Illinois** cited better communication as an important benefit of their reconciliation efforts. Because interstate cases require coordination between staff in two states, any improvement in the communication of requests and data between those workers will have a positive impact on the processing of interstate cases. As states move towards offering web access to case data resident on state systems, the use of the correct case number will become a key issue.

4.3 OCSE Benefits of a National ICR

State representatives made it clear that they have experienced substantial benefits from completing individual state-to-state reconciliations. These benefits become even more significant when realized on a national scale. As shown in the previous sections, a national ICR program, using the Extract File Matching approach, could generate substantial savings and produce significant benefits for the states. However, there are real and tangible national benefits that could accrue to OCSE as well:

- **Federal-State Cooperation.** A successful ICR program, with oversight from OCSE, could be seen as a significant example of a federal-state partnership. Unlike previous ICR initiatives, the current approach, with interstate case matching to be performed at the federal level, has been designed to minimize the workload impact on the states. The Extract File Matching approach, with its centralized design and emphasis on ongoing assistance, should be seen as a joint venture *with* the states rather than a mandate *to* the states **Reliable Statistical Reporting.** A successful ICR program will provide a better estimate of the national interstate caseload. The cost/benefit analysis of this document was hampered by a lack of hard figures defining the extent of the interstate caseload for each state as well as nationwide. An important component of the ICR program is that it will now provide more reliable statistics for econometric purposes.

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- **Additional Collections.** A successful national ICR will improve the efficiency and effectiveness of state child support programs, improving the states' ability to collect more money for and provide more accurate counts of cases. This, in turn, will improve incentive measures for each state and improve data reliability at a national level, to the benefit of children and families.

SECTION 5

RISK ASSESSMENT AND MITIGATION PLAN

Risk management uses systematic processes to anticipate program problems and provide insight into possible consequences of change. An analysis of potential problems, along with the probabilities and impacts, enables managers to take necessary action to mitigate the potential negative effects of change. Possible risks in performing a national ICR are identified below. Contributing factors were analyzed and the probability of each risk factor occurring is shown as well as the action items that would help mitigate each risk.

Figure 5 Risk, Probability, and Mitigation Factors for a National ICR

Risks	Probability	Mitigation
States may submit defective, incomplete and untested files for the extract file match. Time constraints limit the ability of states to correct problems.	Medium/ High	Notify states that their extract files must be fully tested and verified. Provide programs to perform edits within the states before submission for the extract file match.
Due to state budget constraints, it is possible that some states will be unable to provide resources for programming of the initial extract file.	Medium	ICR technical lead can provide skeleton code and assist states with this task. Also, an 'extract' file from the FCR can be used for those states that are unable to participate.
Due to budget constraints and overlapping priorities, more than the anticipated number of states may be unable to participate in a national ICR.	Medium	An 'extract' file derived from the FCR will be used for those states unable to participate.
Due to budget constraints and overlapping priorities, states may not have the resources to change their systems to automatically process the returned files.	Medium	Provide programs to print responses for manual reconciliation, if needed.

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Risks	Probability	Mitigation
Timing of the state participation in the ICR could overlap with other federal initiatives.	Medium	Once a decision to proceed is reached, the ICR effort must proceed with an aggressive schedule while allowing states sufficient time to complete necessary programming.
States may not have the resources to process those cases that require manual intervention.	Medium	Provide training and a “best practices” guide to assist states with return file data.
The majority of the states agreed that a national ICR would be beneficial. However, conference call participants were not necessarily state decision-makers.	Low	Provide updated information to state decision makers about the benefits of the national ICR.
Disagreement among state representatives on the required extract data elements.	Low	Use state input in finalized extract file layout and secure agreement by demonstrating the value of the required data elements.
Non-timely submission of extract files from states.	Low	Obtain buy-in with participating states to adhere to timetable for extract file submission through continued discussions on conference calls, at conferences, and with assistance of ACF Regional Office staff. Also, provide technical assistance to states, as needed.

SECTION 6

BUSINESS CASE CONCLUSION

This Business Case has presented a recommendation for OCSE to proceed with a national reconciliation of interstate caseloads using **ICR Extract File Matching**. Based on extensive state input, it is evident that a national ICR would provide direct benefits to the states in helping to improve service to the significant constituency of child support clients whose cases involve the cooperation of, and maintenance by, more than one state. The recommended approach of Extract File Matching overcomes many of the barriers that have impeded previous state-to-state reconciliation efforts and addresses concerns expressed by states regarding interstate case synchronization.

To reiterate what was presented in the Executive Summary, the overarching goals of a national ICR using the Extract File Matching approach are to:

- Improve service to families with interstate cases,
- Improve electronic communication among states,
- Establish accurate state and national interstate case baselines, and
- Establish clear accountability for interstate case processing.

Calls were made with the assistance of the ACF Regional Offices to 52 of the states, with written input received from a 53rd state, to help document the reasons interstate cases become unsynchronized and problems experienced through previous state-to-state reconciliation efforts. State and ACF Regional Office input helped determine the evaluation criteria that should be applied to possible alternatives to performing a national ICR. Based on the application of these criteria, ICR Extract File Matching was selected as the best approach.

This document presented a detailed description of ICR Extract File Matching, with an analysis of how this approach met the criteria established for evaluation purposes. The level of interest in participating in a national ICR using this approach was presented (**48 states**) as well as the enthusiasm supporting this approach among the states (**44 states selected this approach as the most desirable approach**).

6.1 Document Structure

This document was structured to help present the material necessary for OCSE to make an informed decision as to proceeding with a national ICR.

- **Section 1** presented **State Case Reconciliation Problems**
- **Section 2** presented **Problems Encountered with Current Reconciliation Methods**

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- **Section 3** presented the **ICR Technical Approach**. This section presented ICR Extract File Matching and the reasons why this approach was selected as the recommended approach for a national ICR. The evaluation criteria developed with state and ACF Regional office staff input, and the anticipated buy-in of states for this recommended approach, were provided. Additionally, this section presented three alternative approaches to ICR Extract File Matching that were considered, but not selected, after analysis against the evaluation criteria
- **Section 4** presented a **National ICR Cost/Benefit Analysis** based on the Extract File Matching approach
- **Section 5** presented a **Risk Assessment and Mitigation Plan** of those factors that could influence the success of a national ICR utilizing the Extract File Matching approach.

6.2 Pilot Feasibility

The need for an ICR demonstration pilot, as well as the feasibility of conducting one, were analyzed during a two-week period and discussed at the OCSE FCR/ICR meeting on February 10, 2003.

During the ICR conference calls, several states expressed interest in a pilot study as a vehicle for small-scale testing of the nationwide ICR concept.

- **South Dakota, North Dakota and Colorado** staff volunteered to participate in a pilot study of ICR Extract File Matching, if OCSE decided to conduct a pilot.
- **Virginia** staff said they would prefer to see a pilot of the ICR undertaken before they committed their resources to a national ICR.
- **Nebraska** staff spoke about the value of conducting a pilot before initiating a national ICR.

Given the level of interest, the OCSE FCR/ICR workgroup discussed the following issues:

- **Form of Pilot Study.** The FCR/ICR workgroup discussed what form the pilot would take – a two-state pilot of the expanded FCR matching approach, or a two-state pilot of Extract File Matching. Also discussed was a dual pilot, using both approaches, in order to compare results and gauge the effectiveness of each approach
- **Project Delay.** The FCR/ICR workgroup discussed scheduling and expressed concern that a pilot might delay a national ICR and force the effort into direct competition with new initiatives that might be legislated later this year
- **Cost/Benefit Implications.** The role of a pilot in providing ICR cost/benefit data was discussed.

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- Value of a Pilot as a “Selling Point.” The workgroup discussed whether a pilot would persuade those states to participate in a national ICR that would otherwise not participate.

The Project Officer articulated the following conclusions reached by the FCR/ICR workgroup:

- The benefits of conducting a pilot are outweighed by the potential for delaying a national ICR
- State staff have already expressed a significant level of interest in pursuing a national ICR. Given this level of interest, it is doubtful that a pilot would increase the number of states willing to participate in a national ICR
- States may be dissuaded from participating in a national ICR due to the time loss caused by a pilot
- Time demands on the states will only increase if Congress passes new initiatives.
- Delays in implementing a national ICR could result in increased schedule conflicts for the states.

Therefore, the workgroup tabled further discussion of a pilot ICR study, and a pilot is not currently under active consideration as part of the ICR project.

6.3 Next Steps

The next steps to be taken include:

- Obtain a decision by OCSE as to whether a national ICR effort should proceed using the Extract File Matching approach as documented herein
- Present the recommended approach to the ACF Regional Offices and to the states. The participation of ACF Regional Offices will be critical in helping to maintain communication with the state stakeholders. Continued interaction with workgroups, especially the Big 10 + 1, also will be instrumental in fostering successful implementation of a national ICR
- Lock in state participation through presentations at conferences (for example, a national ICR will be discussed at the ERICSA and NCSEA conferences) and direct communication with state and ACF Regional Office staff
- Schedule the implementation of a national ICR effort utilizing Extract File Matching. Adherence to deadlines and milestones will be critical for the success of this effort
- Initiate training and technical support to the states. State staff have come to expect a high level of support from OCSE, as provided through earlier implementation efforts involving the FCR and NDNH. State participants on the ICR conference calls expressed on numerous occasions that they would appreciate the leadership and guidance of OCSE in the implementation of this effort to address the reconciliation of interstate cases on a national level.