

Tier will use this information to generate the ACH file. Employers will then download the file from the secured website and send it to their bank.

Our solution provides the employers the capability of updating the employee records with changes in employment status, something that has often made employers hesitant to use electronic files. The solution will also provide adequate assistance to many of the employers who have technological challenges, allowing them to remit payments electronically, thus enabling us to exceed the expectation of 95% of the top employers certified and remitting payments electronically.

Tier has extensive experience in employer outreach and compliance. Tier understands the advantages of obtaining the cooperation of all stakeholders and we know how to direct and edit the most pertinent information for a targeted audience, particularly the employer community. As an example of successful use of multiple outreach methods, Tier's Alabama SDU represents a success story. When Alabama implemented its SDU in late 2000, outreach efforts included a color informational brochure mailed to over 75,000 employers. The tri-fold brochure contained information specific to an employer's needs and interests. Relevant contact and customer service information was provided, thereby reducing much of the confusion that sometimes surrounds a time of major change. A sample of the brochure is included in Figure IV.B.2.5-8.



Which payments will be processed at the Child Support Payment Center?

All payments previously sent to and processed by the Alabama County Department of Human Resources Child Support offices must now be sent to the CSPC. These payments will be converted to the centralized operation between October and December 2000.

In addition, payments from employers, which were previously sent to the Clerks of the Court, must also be sent to the CSPC beginning in January 2001. These Court payments will be converted to the CSPC between January and March 2001.

Please note that payments currently sent to the Jefferson and Bessemer County Family Courts and to the Mobile County Accounts Departments will be converted with the payments processed by the courts and converted between January and March 2001.

What information must be included with payments sent to the Child Support Payment Center?

In order for payments to be credited to the proper individual quickly and accurately, employers must send to the CSPC:

- Employee's first and last name,
- Employee's social security number,
- Amount of the payment,
- Court order or docket number for payments previously sent to the clerk of courts. You must include the county name in which the order was issued with all payments identified by a court order or docket number.

Will I be able to call the CSPC for payment information?

Employers can call the Payment Center toll free at 1-866-AL-CHLD (866-252-4453). Payment Center hours are from 8:00 a.m. to 5:00 p.m. Central Time, Monday through Friday.

Is the option to submit payments by Electronic Funds Transfer available at the Alabama CSPC?

Yes, employers can now submit their child support payments by EFT. With EFT, you no longer have to write a check. EFT allows you to submit withheld child support payments directly from your bank account to the State's child support bank account.

For additional information about electronic funds transfers, you can call the Child Support Payment Center (toll free at 1-866-AL-CHLD (252-4453)) or visit our web page at www.dhs.state.al.us.



**Alabama
Child Support
Payment Center**

Partnership
Results
Tier
Technology

Figure IV.B.2.5-8. Outreach efforts for our client Alabama included this brochure.

Tier's Kansas operation has implemented similar strategies to those used in Alabama and proposed for Michigan. A sample of the Kansas flyer is shown in Figure IV.B.2.5-9.

Electronic Funds Transfer

The Kansas Payment Center (KPC) provides employers the option to submit support payments electronically through the banking network known as the Automated Clearing House (ACH). If you offer employees the option to have their pay directly deposited into their bank accounts, you are already participating in the ACH. Making support payments electronically is a similar process.

What is Electronic Funds Transfer (EFT)?

EFT electronically transfers monies from your bank account to the KPC bank account. The payment identification information is transmitted via an Electronic Data Interface (EDI) following the NACHA formats. The KPC can accept employer remittance for income withholding either as a Cash Concentration and Disbursement (CCD+) or Corporate Trade Exchange (CTX) formatted file.

Advantages

EFT provides assurance that support payments are received by the KPC and distributed to families accurately and efficiently. EFT provides security, eliminates delayed, lost and stolen checks. The use of EFT reduces the need for mail opening and data entry staff, thereby reducing the time for payment processing.

If you utilize a payroll service, ask them if they can submit your child support withholdings through the ACH. Otherwise, contact your bank and ask to speak to someone about ACH origination. Tell them you are interested in originating ACH credits in a CCD+ or CTX format. Let them know that you wish to employ the ACH convention for submitting child support payments. If they aren't familiar with this convention, they can obtain a copy of a booklet developed by the Bankers EDI Council titled Child Support Application Banking Convention: A guide for Child Support Enforcement Entities & Their Financial Institutions. This publication is available through the National Automated Clearing House Associations (NACHA).

Resources Available

For general information and information about participation in this program contact the Kansas Payment Center at 1-877-729-6367. Ask to be connected to the Employer EFT Coordinator.

Figure IV.B.2.5-9. Outreach efforts for our client Kansas included this flyer about EFT.

Tier provides EFT outreach and processing to three of the seven SDUs we currently operate. Figure IV.B.2.5-10 depicts the 2003 statistics for EFT transactions processed in these SDU operations.

SDU Operation	No. of EFT Transactions Processed in 2003	Amount collect in EFT Transactions for 2003
Alabama	310,220	\$33,887,136.99
Kansas	243,439	\$33,321,680.94
Tennessee	344,734	\$37,024,540.45

Figure IV.B.2.5-10. In 2003 Tier provided EFT outreach and processing to three of the seven SDUs we currently operate.

Tier has demonstrated its ability to accomplish greater compliance with respect to employers providing information necessary to meet the needs of child support programs. Tier, in our Tennessee SDU operation, has been able to successfully increase compliance with the acquisition of necessary

information. Over the course of four years of service to the State of Tennessee's Child Support program, through the operation of the State's SDU, we have been able to achieve incredible success by driving the number of daily child support payment remittances to more than 99.2% submitted in compliance with the program requirements. At the time of Tennessee's centralization of child support payment processing to the SDU, the compliance was only 88%. Within a few months, Tier was able to contact non-compliant employers, through telephone contacts and mailed correspondence, to increase the data submission compliance to 97%. By practicing a program of continuous improvement, Tier has been able to reach the data compliance level of 99.2%.

Our proactive procedures have provided successful solutions to each of our SDU operations. These procedures have included: mailings (both mass informational mailings and daily non-compliance notifications), web site access, phone calls, and EFT/EDI assistance. Our proven procedures will assure the State of Michigan a successful employer outreach campaign designed to convince large employers of the benefits to remitting payment electronically either through the traditional methods or through Tier's proposed solution. This approach will create a win-win situation for all parties involved resulting in significant saving for the State. More importantly the custodial parent receives the child support payment sooner in the case of electronic remittances.

Tier is dedicated to increasing the EFT receipts from employers and, as previously mentioned, will have an EFT coordinator as part of the Tier staff. The EFT coordinator's sole responsibility will be to increase the EFT receipts. This will be done through follow-up with employers after mailings, arranging appointments with employers to conduct presentations outlining the benefits of electronic remitting, working with payroll providers ensuring they are remitting all of their payments electronically and developing contacts with the payroll associations. Tier believes our solution

to increase EFT remittances from employers will allow the State to meet its objective to significantly increase EFT receipts. Tier is very optimistic that the state will begin to see significant increase within the EFT receipts within the first six to nine months of the contract.

Brochures

We will develop a tri-fold brochure for employers, their agents, and their financial institutions that emphasize their vital role in the child support program, the availability of electronic means for transferring payments, and the importance of remitting payments electronically. If appropriate the brochure will contain remittance information in order to streamline our processing and decrease the number of times employers are contacted for clarification. Similar brochures, concentrating on customer service have been created and disbursed to the child support community in Alabama and New Jersey.

Speaking Engagements

In addition to the employer brochures as a method of outreach, Alabama SDU management staff members have served as speakers for the Alabama Payroll Association (APA) on topics related to child support payments and the EFT process. A Tier representative has spoken annually at the Birmingham-Jefferson County APA meeting and has addressed employer questions and concerns in an environment conducive to an effective exchange of information

It is our experience that there is no substitute for personal contact. We will contact employer groups and arrange presentations promoting EFT and the electronic methods we will accept. We will arrange to meet with community leaders, industry groups, payroll associations, and chamber of commerce. We will respond to employer inquiries seeking clarification on the impact of the child support program and answer questions in particular about wage withholding and Consumer Credit Protection Act limits.

All outreach materials and seminars will be submitted to the State for approval and be provided in HTML format to permit Internet access. Results of all seminars will be collected through the use of an evaluation. The resulting evaluations will be collected and submitted to the State, and will include a narrative describing the results.

Tier will also incorporate educating the employers on the benefit of remitting payment electronically when there is contact with the employer. This contact will generate from the customer service unit contacting the employer to research or troubleshoot an inquiry or the employer contacting the customer service unit for any reason. This approach will serve as an extension of our outreach initiatives.

Tier efforts to increase EFT receipts both from the employer and other state agencies will be tireless as demonstrated by the various initiatives that Tier will implement.

Tier is committed to ensuring the current employers continue to remit payments electronically while focusing on increasing electronic receipts. Tier will work with any employer to re-establish remitting payments electronically to the MiSDU. Results of outreach efforts and implemented strategies can be measured by the increase in EFT submittals. We will maintain a thorough record of these numbers on a weekly and monthly basis. Our operational reports will include reference to these numbers. Because EFT can be submitted in various forms, we will provide a breakdown by transmission method for the States review.

Tier understands the importance of responding to request in a timely manner and it is equally important the employers receive information in a timely manner in order to understand the system or an issue at hand. Therefore, Tier is committed to responding to the following employer inquiries within one business day:

- ◆ Requests for research to find transactions that may have been delayed in the mail, assigned to research due to incorrect/incomplete information, or misdirected;
- ◆ Inquiries requesting information on mailings or other communication that may originate from the OCS or MiCSES;
- ◆ Inquiries requesting information on and distribution of preprinted materials to assist the employers in the application of the income withholding notices (IWNs)
- ◆ Inquires on employer NSF or employer initiated Stop Pay actions and to prompt employer payment
- ◆ Requested information updates in MiCSES
- ◆ Requested coupons for use in submitting withholding payments.

When determined by the State, Tier will develop coupons for employers to remit their payments to the MiSDU.

Friends of the Court (FOC) Offices [ITB II.C.2.d.4]

Through years of operating many child support centers throughout the U.S, Tier understands the nature of the work of agencies such as the FOC offices. We realize it is very important that their requests are handled in a timely manner. Tier is committed to ensuring the following requests are processed no later than one business day following the request:

- ◆ Research on the status of a receipt.
- ◆ Information on prior contacts between a party on a docket and the MiSDU.
- ◆ Clarification of notes entered to MiCSES by the MiSDU.
- ◆ Initiation of three-way calls between the MiSDU, FOC, and a CP or NCP to resolve conflict over what may have been said or understood.
- ◆ Information on MiSDU policies and practices.
- ◆ Image in the event the FOC is not able to gain access to the MiSDU web-based images.

- ◆ Education regarding MiSDU processes.
- ◆ Emergency messages to be placed on the MiCSES IVRs.

We will be very diligent about maintaining a respectful and friendly relationship with the FOC offices. They are our link to providing customers with answers to difficult questions that cannot be handled during our initial interaction.

Tier's CRM solution and Kids1st will allow the CSRs readily accessible information with which to communicate status at their fingertips. Information regarding contacts with any client or party would also be accessible via the CRM. Through an effective training program we hope to limit the need to clarify notes entered to MiCSES. But, on the rare occasions where clarification is needed, Tier's management team will seek out the author of the documentation for clarification. Additionally, we will incorporate reviewing notes in MiCSES as part of our QA program to ensure Tier is documenting clear and concise notes within MiCSES.

Tier also understands the need to have all parties communicating and to clarify any misunderstandings that might come up during any interaction with a CSR. Tier will facilitate the gathering of all parties to discuss and resolve any misunderstanding. Tier will also have the customer service supervisor participate so that corrective action can be taken, if necessary.

Tier realizes the importance for the MiSDU customer service staff to have a solid understanding of MiSDU's policies, procedures, and processes. Tier's training will focus on ensuring this. See section below entitled "Training, QA Practices, and Escalation Processes" for more details on training. This education and training will be passed onto the FOC in order to achieve a greater understanding of the MiSDU.

Tier will also escalate to the FOC any inquiries received from a client who expresses dissatisfaction with the services that were provided. Tier will use this information to strengthen our call center operations and will discuss these incidents with staff from a lessons-learned point of view.

Tier also understands the importance of getting information out to as many people as possible. Because of this, Tier will have the capability to add emergency messages to be placed on the MiCSES IVR.

Because of Tier's understanding of the importance of such agencies as the FOC, Tier is committed to handling all of the needs stated above and as outlined in Section II.2.d.4 of the ITB.

Interstate [ITB II.C.2.d.5]

As noted in the section above entitled "Employers," Tier will employ an EFT Coordinator whose responsibility will be to increase EFT receipts, including electronic receipts from other state agencies and SDUs. Tier is aware of the current challenges that many states are facing in their desire to remit electronic payments to one another. Technology and the need for centralization are two tremendous hurdles to overcome. The EFT Coordinator will be committed to aiding any state agency with overcoming any challenge preventing the ability to receive and send payments between two state agencies. The EFT Coordinator will also redirect states not submitting to the MiSDU and will follow up as necessary.

The EFT coordinator will work with all state agencies to assist them with remitting payments electronically, especially those states in which Tier operates the SDU. Tier will work with the State to ensure the EFT coordinator participates on the monthly call facilitated by OCSE where all of the state agencies come together to discuss their issues and challenges with transmitting payments electronically. Tier will provide updates to the FOC as any state agency gets closer to remitting electronic payments or when it has been determined that new challenges are present.

Tier knows there will be a need to have a contact person for other state agencies as they remit payments electronically and that their payments may require troubleshooting, research, or resolution. The EFT coordinator will serve in this role.

Tier recognizes not only the benefits in receiving electronic receipts from employer, but from other state agencies as well. Our EFT Coordinator will work with employers and also state agencies to receive payments for the MiSDU and to disburse payments to the MiSDU. Because Tier realizes the important benefits to electronic payments, we are assigning staff that is dedicated to improving this area of the operation.

Tier's processing application, Kids1st, includes the capabilities to accurately post intrastate payments received from cost-recovery states. When a greater understanding of the MiCSES system is obtained, Tier will be able to ensure that the payment will be posted into MiCSES.

FIDM Module Needed [ITB II.C.2.d.6]

In addition to privatized SDU operations, Tier operates Financial Institution Data Match (FIDM) systems for 17 states, including the State of Michigan. The FIDM system is designed to locate assets belonging to delinquent child support obligors. By matching persons having assets in financial institutions with persons owing child support, the IV-D program offers States a tremendous opportunity to recover funds owed to families, and States using this enforcement technique have seen tremendous increases in collections.

Also, many of the 17 states currently implementing our FIDM system have SDUs that Tier is either developing or has developed (e.g., New Jersey, Maryland, Maine, Montana, Texas, and North Dakota). In May of 2004, Tier was selected as the successful bidder for the New York FIDM project. For the State of Michigan, Tier has consistently located over \$70 million per quarter through their FIDM system. This successful partnership has resulted in providing additional collections of support for Michigan's children.

Due to Tier's extensive knowledge of FIDM and with Tier operating the MiSDU, we can ensure that these two units will work closely together to guarantee maximum efficiencies. Our processing application, Kids1st,

can accommodate FIDM payments and can code the payment received as a FIDM payment. This will allow for the payment to be tracked and processed in accordance to MiSDU policies. Tier understands the requirements for posting both paper (10 days) and electronic (60 days) monies and our processing application has the functionality to track these payments. By generating daily reports, Tier will know what FIDM payments are ready for processing. Tier will work closely with the Central Enforcement Unit (CEU) for direction of the posting of FIDM payments.

In order to ensure these payments are not intermingled with other types of payments and to ensure correct processing and handling Tier is committed to opening an additional post office box to receive FIDM payments, if necessary.

Escheats [ITB II.C.2.d.7]

Unfortunately, and too often, payments are returned to the SDU due to bad or outdated addresses, preventing the custodial parents from receiving the financial assistance to raise their children. Tier understands the importance of the escheatment process and the need to conduct due diligence before the escheatment process begins. The CSU will be prepared to deal with and resolve all inquiries received from the generation of the mailings in order to ensure monies are delivered to the intended recipient.

Tier's New Jersey operations assist the State of New Jersey with escheating payments that have been determined as unidentified.

Tier realizes the automated mailings to recipients may result in additional items requiring research, address changes, or even stop payment. When all measures have been exhausted both from the State and Tier, Tier will transfer the monies to the appropriated account as identified by the State. Tier proposes the process depicted in Figure IV.B.2.5-11 for the escheatment of payments.

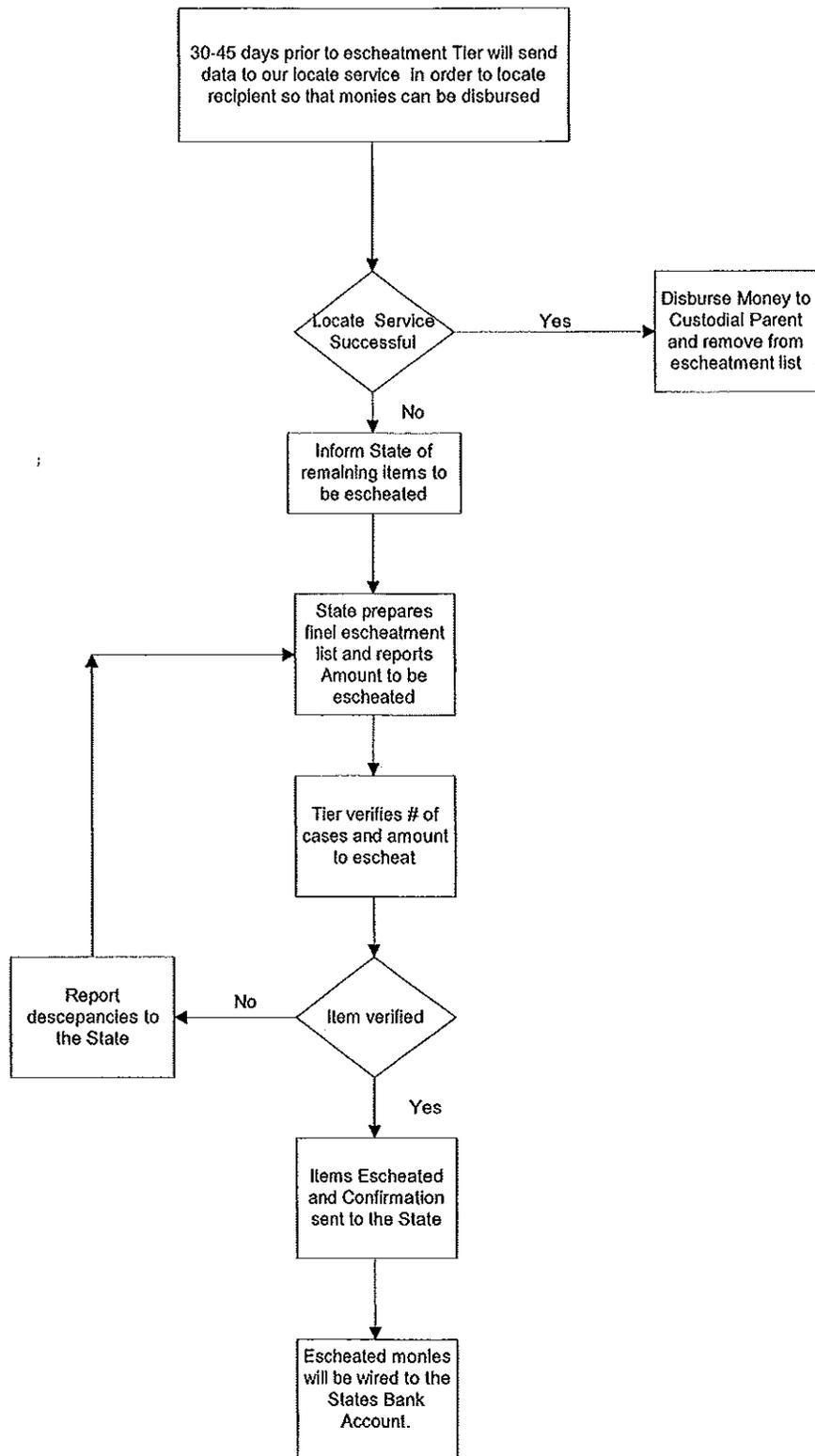


Figure IV.B.2.5-11. Tier understands the importance of the escheatment process and the need to conduct due diligence before the proposed escheatment process depicted here begins.

**Office of Child Support, Attorney General, and Prosecutors
[ITB II.C.2.d.8]**

Tier understands the needs of the Office of Child Support, the Attorney General, and Prosecutors, and how vital it is to research requests timely and effectively. Often requests from attorneys general and prosecutors are time sensitive. Tier understands this from the experience we have gained. Tier is committed to ensuring a timely response to the requests from the attorneys general and prosecutors so that they may perform their duties effectively.

**Conferences, Workgroups, Meetings and Partner Education
[ITB II.C.2.d.9]**

Tier has always participated in Family Support Council Conferences throughout the nation and will continue to do so. Tier has attended the National Child Support Enforcement Association conference as well as the local child support conferences in Alabama and Kansas. Tier also presented at the Kansas Child Support Enforcement Association Conference. Tier will participate in the FOCA workgroup monthly meetings and any other forum/venue recommended by the state. This will allow Tier to fully understand many of the issues present in the child support arena.

Tier understands the importance of informing all stakeholders/partners of any systemic or processing change. It is critical that everyone is on the same page and kept abreast of any change relating to the child support operations. When any major change occurs, a detailed communication plan will be developed to inform all stakeholders of the change. This communication plan will include meeting with stakeholders who may be impacted by the change, including but not limited to: OCS Workgroups and Work Improvement Team, Employer Advisory Group and other related employer groups and activities, Family Support Council, MiCSES, and NACHA/The Payments Authority related activities.

Tier understands the need to educate all partners and stakeholders on the child support operations and will be most willing to conduct tours to

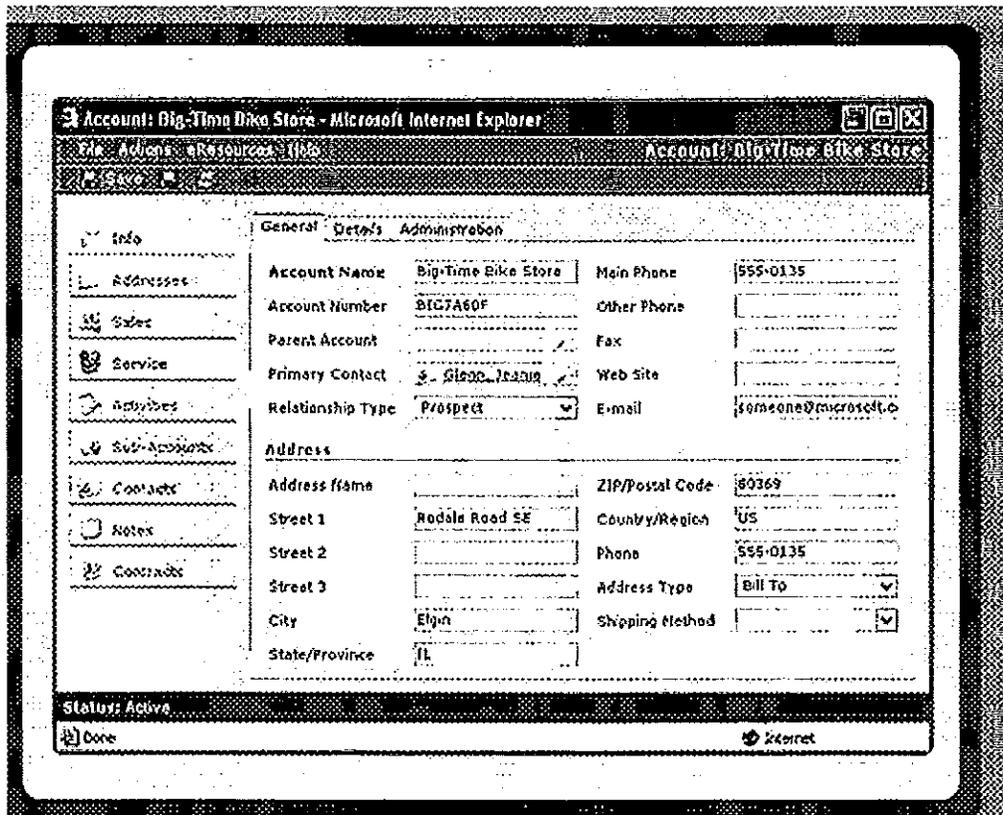
explain our processes and systems. The more knowledge everyone has regarding the operation and how it functions, the better the clients can be served.

Work Tools and Interfaces for Customer Service [ITB II.C.2.d.10]

The foundation of Tier's CRM solution for our Michigan State Disbursement Unit (MiSDU) is the Microsoft Customer Relations Management package. Microsoft CRM provides Michigan with a business strategy that will enhance customer service levels, while increasing the productivity and efficiency of the MiSDU. Our goal is to provide a CRM package that will enable the MiSDU to manage and track every aspect of a stakeholder's case.

Technically, Microsoft CRM is built from the ground up on the Microsoft .NET architecture and will give the MiSDU the ability to manage, track, and measure customer service levels. The advantages of providing the MiSDU with Microsoft CRM built on .NET framework include easy integration with Microsoft Office, Microsoft Business Solutions applications, third-party applications, and web services. Furthermore, the flexible .NET architecture provides the option of having agents work online or offline in Microsoft Outlook or directly through a Web browser.

An additional benefit to the State is in productivity and time required for training. Because Microsoft CRM offers the same logical user interface and intuitive work tools (as shown in the sample screen shot, Figure IV.B.2.5-12) most individuals are familiar and proficient with from Microsoft Office and Outlook, training costs associated with the CRM package are minimal. Likewise, Microsoft CRM runs on Microsoft Windows® 2000 or Office XP operating systems running Microsoft Office 2000 or Office XP, Microsoft SQL Server™ 2000, and Microsoft Exchange Server 2000. For web access, CSRs require Internet Explorer 6.0 on their desktop computers.



Account: Big-Time Bike Store - Microsoft Internet Explorer

File Actions Resources Help Account: Big-Time Bike Store

Save

Info

Addresses

Notes

Service

Activities

Sub-accounts

Contacts

Notes

Contacts

General Details Administration

Account Name	Big-Time Bike Store	Main Phone	555-0135
Account Number	BIG7A60F	Other Phone	
Parent Account		Fax	
Primary Contact	S. Glass, Jr. (Jr.)	Web Site	
Relationship Type	Prospect	E-mail	someone@microsoft.com
Address			
Address Name		ZIP/Postal Code	80369
Street 1	Rodale Road SE	Country/Region	US
Street 2		Phone	555-0135
Street 3		Address Type	Bill To
City	Elgin	Shipping Method	
State/Province	IL		

Status: Active

Done Internet

Figure IV.B.2.5-12. A familiar and intuitive Microsoft user interface keeps training costs down.

Whether accessing Microsoft CRM through Microsoft Outlook or the Web, CSRs can access and support a stakeholder's case record, provide documentation and information to the stakeholder, view and track previous support incidents from initial contact through resolution, assign follow-up actions, and automatically route, queue, and escalate requests requiring further action. With Microsoft CRM, MiSDU can import existing data from multiple sources, integrate with new or existing solutions, and scale to meet changing staffing needs within the MiSDU. The following chart, Figure IV.B.2.4-13, details some of the basic system features that would serve the MiSDU.

Microsoft CRM Customer Service Features List

Case Management	<ul style="list-style-type: none"> ☛ Create and assign stakeholder's cases to CSRs ☛ Manage cases from creation to resolution.
Complete View of Accounts	<ul style="list-style-type: none"> ☛ Access and view all information regarding a stakeholder's case to better understand the specific needs of the stakeholder.
Automated Routing, Queuing and Escalation	<ul style="list-style-type: none"> ☛ Customize the system to MiSDU's workflow rules to allow cases and contacts to be automatically assigned for research, follow-up, or supervisory input.
Activity Management	<ul style="list-style-type: none"> ☛ CSRs can view and update calendar, workload, re-search assignments, and follow-up activities.
Searchable Knowledgebase	<ul style="list-style-type: none"> ☛ Create a searchable knowledge base that is just a click away to assist in answering routine inquiries from stakeholders.
Auto-Response E-mail	<ul style="list-style-type: none"> ☛ Send auto-responses to stakeholders in accordance with MiSDU business rules.
E-mail Management	<ul style="list-style-type: none"> ☛ Track e-mail contacts with stakeholders as well as phone contacts.
Reports	<ul style="list-style-type: none"> ☛ Comprehensive reporting facility for identifying common issues, evaluating CSR performance, tracking time-to-resolution, etc.
Integration to other State Systems	<ul style="list-style-type: none"> ☛ Integrate Microsoft CRM to other State databases and applications with the flexible .NET technologies and the integration tools available with the system.

Figure IV.B.2.5-13. The proposed CRM offers a range of customer service capabilities.

The standard customer service user interface screen with Microsoft CRM provides a great deal of functionality that can be directly beneficial to MiSDU CSRs. As shown on the sample screens below, a CSR can toggle from one screen between a listing of all stakeholder cases to the activities involving a single stakeholder's case. In addition, a customizable case form would allow CSR to take notes regarding the current activity, assign a follow-up code and date, assign a researcher to follow up on the activity, as well as other activities.

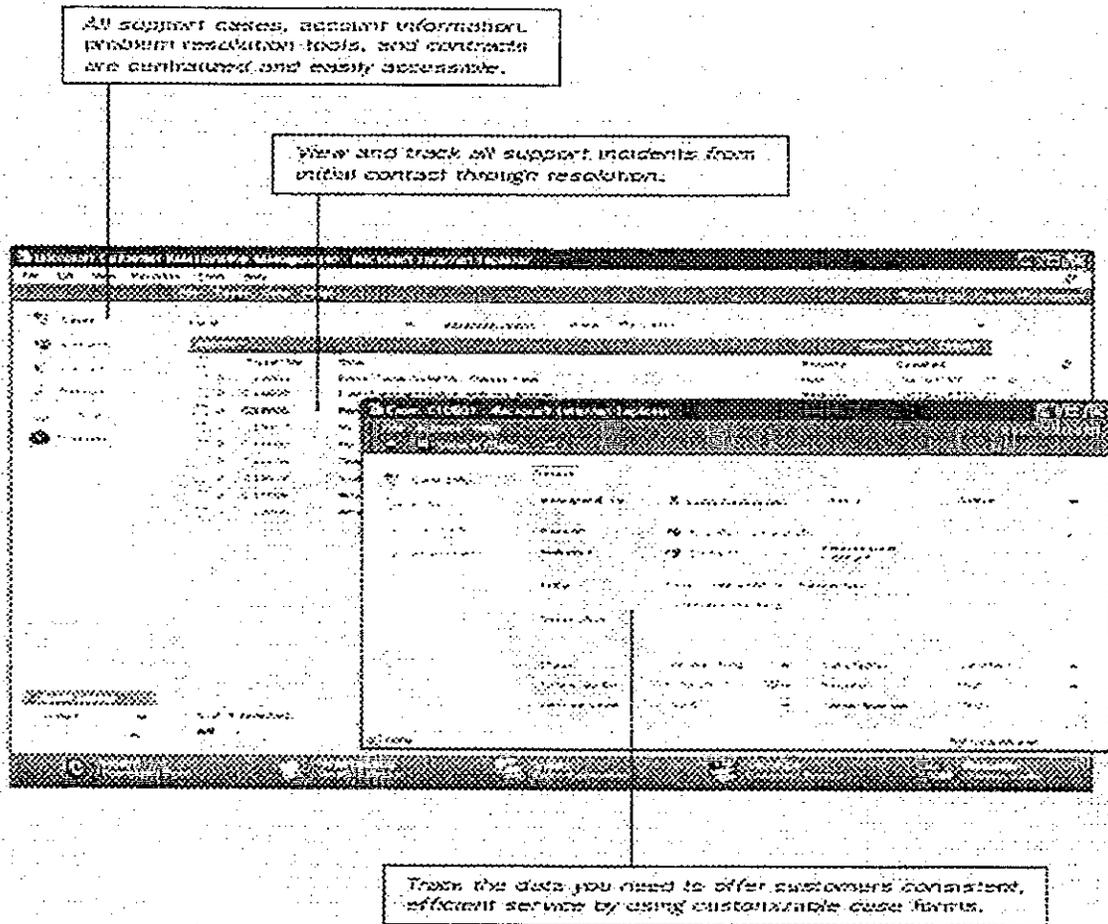


Figure IV.B.2.5-14. A CSR can toggle from one screen between a listing of all stakeholder cases, to the activities involving a single stakeholder’s case.

Although much standard functionality of Microsoft CRM could be easily adapted to meet the call management and ticketing workflow of MiSDU, Microsoft CRM allows for extensive customization of the screens and the interfaces to provide a tool that uniquely suits the requirements of MiSDU.

Customization

Microsoft Business Solutions CRM can be adapted to meet a wide range of organizational and industry-specific business needs. The CRM metadata-driven architecture, declarative workflow engine, integrated setup, and tools have been designed to help increase the ease of configura-

tion, customization, deployment, and upgrade. As a true four-tiered Internet-architecture application, Microsoft CRM delivers a solution that can be scaled up or out, and that can be customized to a high degree. The application is partitioned into user interface (UI), application, XML Web services, and data tiers to support extremely flexible deployment options.

Unique to Microsoft CRM, the client UI has two distinct presentation components: Internet Explorer as the rich, web-based user experience and Microsoft Outlook as the Windows-based experience. Both layers consume the same intermediate XML-based form definition language, which makes it possible to customize user interfaces once and have them apply to both clients.

There are several levels of customization possible in Microsoft CRM—database schema, application (including customizing forms, views, and templates), and business processes. In the UI forms, views, and previews can be modified to allow the business to achieve the level of specialization required. This level of customization can be superficial or require modifications to the database schema.

Using the Workflow Manager tool, custom business processes can be created or changed quickly to fit the rapidly changing needs of an organization. Workflow rules can be as specific as creating an automatic email to a supervisor when a call comes in from a particular stakeholder. As shown in the screen capture of the forms editor, Figure IV.B.2.5-15, the choices for customization of the forms (i.e., adding tabs, sections, changing properties, etc.) are extensive.

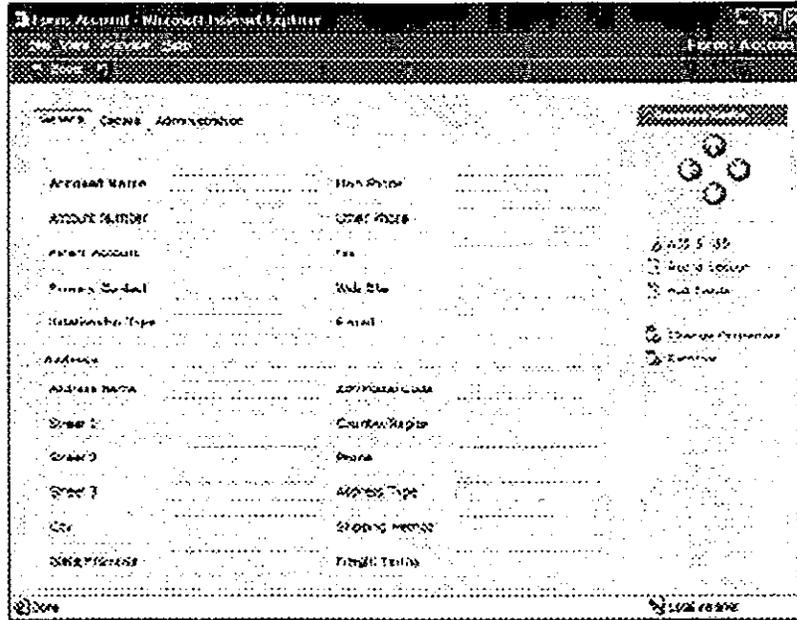


Figure IV.B.2.5-15. Form Editor provides the option of creating, changing, or customizing business process forms.

Knowledge Base

Reliable and current information can be provided to stakeholders as well by using the knowledge base features of the system. The searchable knowledge base (sample screen shown below in Figure IV.B.2.5-16) provides answers to Frequently Asked Questions (FAQs) as well as access to other relevant information. Review processes are built into the knowledge base functionality to ensure that information is complete, timely, and properly tagged for search.

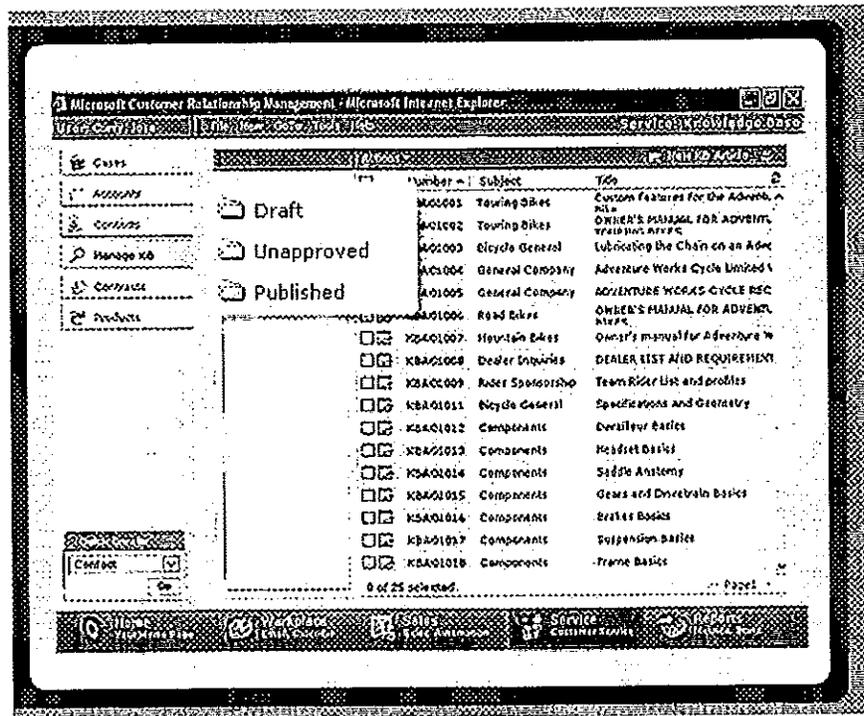


Figure IV.B.2.5-16. The searchable knowledge base provides access to reliable and current information.

Integration with non-Microsoft applications

An additional advantage of Microsoft CRM is the flexibility of the architecture allowing for integration to non-Microsoft applications. Using open Application Programming Interfaces (APIs) and Microsoft BizTalk Server tools and services, Microsoft CRM can be integrated with State databases. Microsoft CRM provides the necessary building blocks for integrating with third-party software using customer integration maps. Microsoft's CRM Application Integration Component (AIC) is the starting point for integrating. For example, a button could be added to the CSR's main screen that would allow the CSR to perform a lookup in an external database.

Security

The Microsoft CRM system also was designed with security goals in mind. The first is to support the concept of sharing: users can be granted access to objects for collaborative effort. The second is the converse: users are prevented from accessing objects that have not been shared with them. The final goal is to categorize types of users (e.g., forbidding CSRs from accessing supervisory level materials).

Microsoft CRM uses an uncomplicated, but very powerful, organizational structure for construction of arbitrarily complex business hierarchies. Each installation can hold a single concept, called an “Organization.” Organizations are lightweight entities that provide a common location from which to locate other business units.

There are three primary entities within the organizational structure, not including the “Organization” itself. These entities are *users*, *teams*, and *business units*. Users represent real people within the Active Directory; these are the people who use the product. Teams are arbitrary groups of users. Business units are the primary container entity within the organizational hierarchy.

Access is granted to users according to their role and team assignments. Roles are collections of privileges that are granted to users. A user can simultaneously participate in any number of roles. For example, a user can perform the role of researcher in addition to being a CSR, with all the privileges of both roles.

Roles are configurable within Microsoft CRM and may be modified or even removed, as necessary, to fit the business needs. Microsoft CRM uses privileges, not the role, as the core of the underlying security check. Privileges are “built-in” with the product and are used throughout the application and platform layers. It’s not possible to add or remove privileges, nor is it possible to change how privileges are used to grant access to cer-

tain functionality. But it is possible to construct new roles from the existing privilege set.

A team is simply a group of users. A team does not perform any roles and does not have any privileges. A team can be granted access to objects in the same manner as a user, and a team can even own objects. User privileges determine each team member's user access to objects shared with the team.

Quality Assurance and Call Recording

The Customer Interaction Center (CIC) proposed with Microsoft CRM includes the ability to monitor QA practices to assure consistent, complete, and accurate responses to customers. With CIC and Microsoft CRM, the State can periodically monitor customer calls, as well as capture and retain customer call audio for later use.

CIC provides facilities that allow authorized CIC users to record and listen in on calls just by clicking a button. To ensure security and confidentiality when recording calls, CIC's hierarchical security model carefully controls all recording and monitoring capabilities. For example, CIC can be configured so that every user can record his or her own calls, but only the help desk supervisor can record or listen in on a help desk's calls. Along with being able to listen in on calls, a supervisor using CIC can jump in and take over a call at any point.

For call recording storage, CIC also stores recorded calls as uncompressed wave files, making all calls easy to play or forward to other users. To compress and archive large numbers of recordings for contact centers, legal offices, and other recording-intensive organizations, the optional Interaction Recorder™ add-on application from Interactive Intelligence gives such organizations the recording and storage capabilities they need.

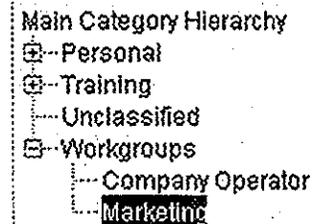
The Interaction Recorder provides recording and recording management capabilities beyond the Record button and the Interaction Client screen. The Interaction Recorder application extends recording capabilities

in CIC by creating a database of recordings and storing all associated information, including:

- ◆ CIC call ID number
- ◆ Recorded user
- ◆ Recording date and time
- ◆ Recording length
- ◆ Requested by user
- ◆ Recording method (automatic, user-initiated)
- ◆ Recording file name
- ◆ ACD workgroup
- ◆ Call direction (inbound, outbound)
- ◆ Call type
- ◆ Line
- ◆ Name of the CSR who took the call
- ◆ Telephone number of the CSR who took the call
- ◆ Telephone number of the caller (i.e., ANI)
- ◆ Name of the caller (if available)
- ◆ Station (extension) where the CSR was located

To minimize impact on the host processor at the conclusion of a recorded call, Interaction Recorder automatically launches a low-priority thread on which compression takes place; the result is that a 1-gigabyte hard drive can store 8,000 2-minute recordings.

Interaction Recorder also provides the ability to group recordings in some meaningful way with its user-defined category hierarchy that allows users to easily create a “tree” with folders and subfolders—all while describing the conditions under which a recording should be placed into a particular folder. Using this easy-to-use recording management approach, Interaction Re-



order automatically places each new recording into the appropriate point in the tree.

The supervisor interface in Interaction Recorder allows supervisors to quickly and easily accomplish the following:

- ◆ Define and modify a categorization hierarchy and grant users access to specific parts of the hierarchy.
- ◆ Set up rules describing where new recordings are to be imported in the hierarchy. For example, a rule might determine that “if the call comes in on the marketing queue, place it into the Workgroups/Marketing category.”
- ◆ Create search filters that can be used to find all recordings matching certain conditions, such as “Recordings of inbound calls greater than 60 seconds in length handled by Beth.”
- ◆ Review recordings and see who has listened to them.

The Interaction Recorder Client interface allows CSRs and other end users to quickly locate and listen to individual recordings via three user-friendly interface pages as see in Figure IV.B.2.5-17 below.

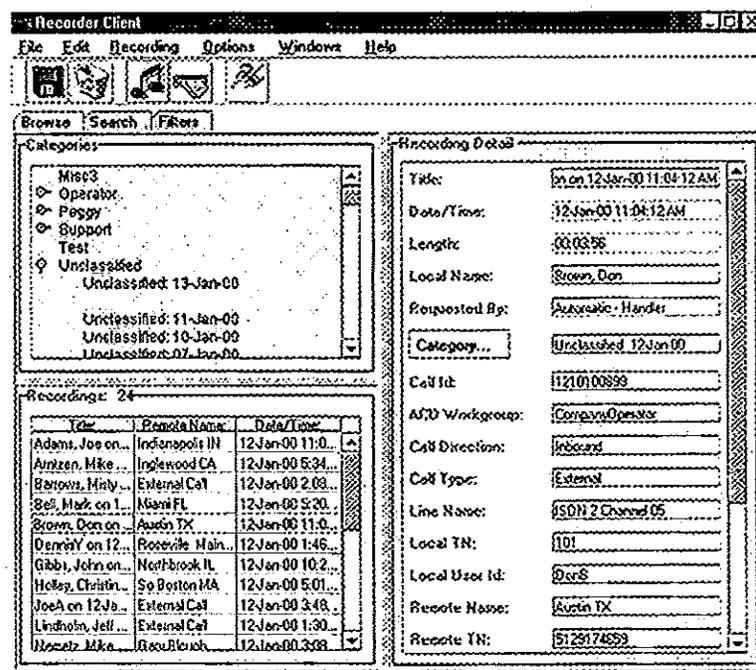


Figure IV.B.2.5-17. The Interaction Recorder Client Interface provides a variety of options for categorizing, recording, and playback of individual recordings.

The Browse page allows CSRs to view the recordings stored in particular parts of the categorization hierarchy. For example, say a CSR has highlighted the Unclassified category in the Main Category Hierarchy. The recordings list at the bottom left corner of the Browse page displays all the recordings falling into this category. Once a recording is selected, the Recording Detail pane to the right displays its information. CSRs can then listen to the highlighted recording over her/his telephone simply by clicking the Play button in the icon bar at the top of Recorder Client interface. The Search page allows users to access all recordings that meet the criteria of a previously defined search filter. Finally, the Filters page allows users to define new search filters.

Integrating Interaction Recorder into CIC lets MiSDU do more than just record and store information. In addition to CSR training and quality assurance, the Interaction Recorder add-on application can be used for order validation, transcription services, recording and playing back conference calls, and other training and administrative uses.

Interaction Recorder also prepares records for archiving, allowing call recordings to be removed from a server and stored offline. To start the archiving process, system administrators simply select the calls and call categories to be archived, then move the selected call recordings to a temporary directory. From there, the call recordings are easily copied to a prescribed archive media, such as CD-ROM. Optionally, Interaction Recorder lets organizations store a database file referencing all archived records right along with the call recordings—all within the same archive media. Best of all, users simply load the archive media to view archived recordings. Interaction Recorder provides additional support to access archived recordings for certain CD jukebox applications.

Interactive Voice Response (IVR) System [ITB II.C.2.d.11]

As discussed above, the foundation of Tier's IVR solution for the MiSDU is the CIC from Interactive Intelligence, Inc. As the most intelligent contact management and business communications software available, CIC brings voice and data communications together on a single, scalable architecture running on a Microsoft Windows 2000 server. CIC provides a fully functional customer service solution. CIC takes over for legacy PBXs, ACDs, IVR systems, voice mail systems, fax servers, and computer telephony middleware and will allow Michigan staff to administer the system and every user from one administrative interface and CIC's built-in auto attendant.

The CIC system proposed includes, as part of its "all-in-one" system, a robust IVR system that will serve as the auto-attendant for the proposed system. The proposed MiSDU IVR system will be integrated with the MiCSES distributed IVR. CIC's integration features include the following:

- ◆ Extensive database connectivity to popular database systems including Oracle[®], Microsoft[®] SQL Server[™], Sybase[®], IBM[®] DB2, Informix, etc.

- ◆ The ability to execute complex database queries and to insert, update, and delete data
- ◆ Built-in support for stored procedures including result sets
- ◆ Support for mainframe terminal emulation using 3270, 5250 and VT220

It is understood that approximately 80% of all calls to the MiCSES IVR will not reach the proposed MiSDU IVR due to standardized responses and information available on the MiCSES IVR. Furthermore, it is understood that the MiCSES IVRs are the only point of access for custodial and non-custodial parties into the MiSDU customer services area. Finally, it is understood that in addition to the MiCSES transferred stakeholders, the MiSDU IVR will receive direct toll-free calls from employers, FOCs, interstate and other agencies. Separate toll-free lines will be provided—one for employers and one for FOCs and agencies.

Figure IV.B.2.5-18 depicts a stakeholder call being transferred to a CSR via the MiSDU IVR after transferring out of a MiCSES IVR.

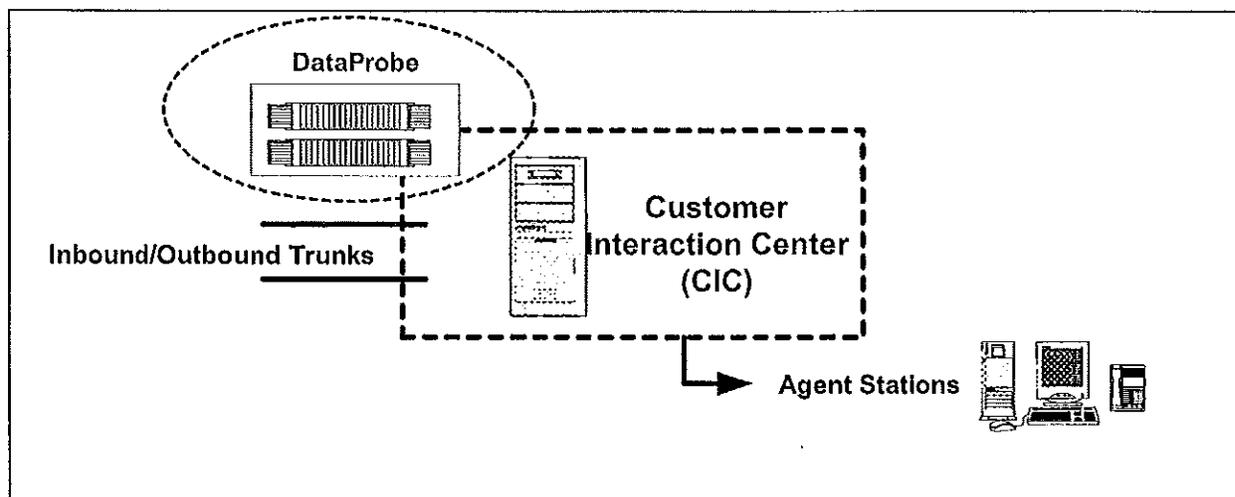


Figure IV.B.2.5-18. The CIC will transfer callers to CSRs via the MiSDU IVR if their questions are not satisfied with the standardized information available on the MiCSES IVR.

Once a stakeholder is transferred to the MiSDU IVR, they will have the option to speak with a CSR, request forms or update actions, inquire about a delayed receipt or disbursement, and/or request that their IVR PIN be reset. In the event that call volume is abnormally high and a timely response cannot be achieved, the stakeholder will be transferred to voice mail to leave a voice message. The system will support calls from Spanish and Arabic speaking peoples as well as the hearing impaired. CIC supports native TDD, meaning that a TDD caller can respond to TDD prompts with their TDD keyboard and CIC will convert the TDD into text during the input function.

Because PIN Reset can be a costly and time-consuming activity, we have proposed the EPOS ExpressReset product for securely and efficiently resetting stakeholders' PINs (see Figure IV.B.2.5-19). ExpressReset utilizes Nuance Verifier 3.5, Nuance's advanced voice authentication software, to enable businesses to provide secure access to sensitive information over the telephone. Like a fingerprint, Nuance Verifier voice authentication software creates individual voiceprints to authenticate callers and customers with just their voices, enabling secure access to information. Voice authentication offers the best combination of accuracy, convenience, and cost-effectiveness. This biometric technology captures specific physical characteristics of the human voice, using those characteristics to identify callers, something that other security measures just cannot do. In addition, encrypted voiceprint storage is nearly impossible to "reverse engineer."

ExpressReset Features

- ❑ Effective in a wide range of environments – landline, wireless, or hands free phones
- ❑ One-time enrollment for verification during any subsequent call, from any type of phone
- ❑ Speaker identification allows multiple users to share an account or identifier
- ❑ Ongoing adaptation of voiceprint characteristics as voices change or age
- ❑ Supports random prompting to safeguard against recording
- ❑ Integration of verification and speech recognition that combines “who you are” with “what you know” in a single phrase
- ❑ Unique combination of voice authentication and speech recognition delivers two-fold security (knowledge verification and voice authentication) verification using letters, numbers, alphanumeric strings, phrases, etc.
- ❑ Dynamically detects if more information is needed to verify callers
- ❑ Extensive language support

Figure IV.B.2.5-19. Tier proposes to use the EPOS ExpressReset product for securely and efficiently resetting stakeholders’ PINs.

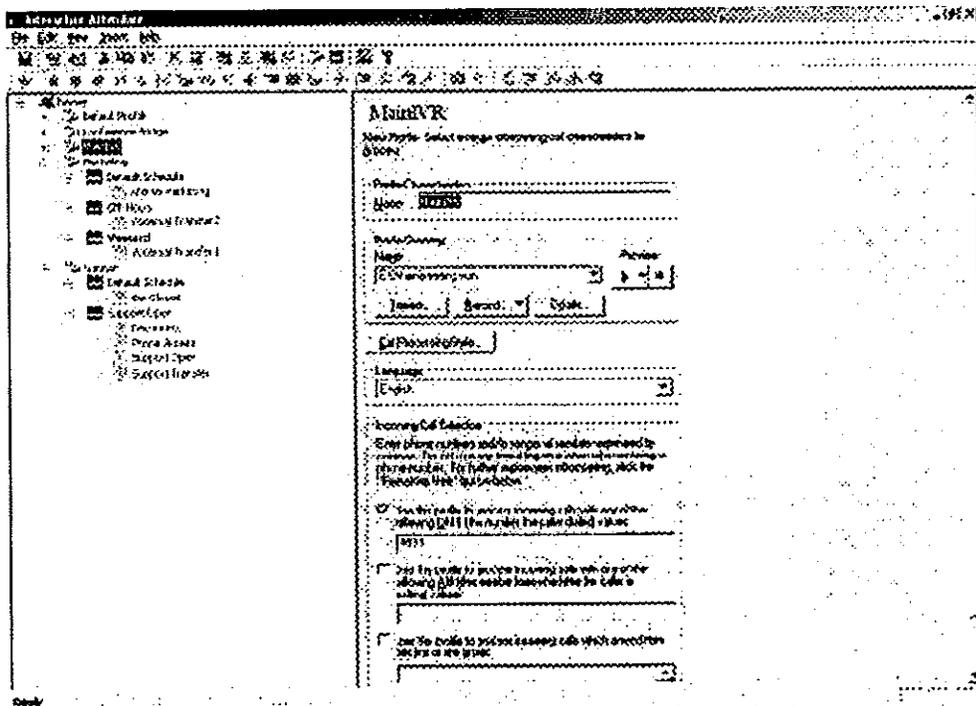
Automating IVR PIN resets could be easily accomplished by having customer service representatives direct stakeholders to enroll in the new PIN reset program. This could be accomplished routinely as a part of any call or could be done only when a stakeholder calls to reset their PIN. Once a stakeholder’s voice is enrolled in the system, they can automatically and securely reset their PIN in about 20 seconds without CSR assistance.

Additional benefits of ExpressReset include:

- ◆ Improved system automation and cost savings by reducing reliance on live CSRs to identify customers
- ◆ Reduced occurrences of PIN resets, reducing call center costs
- ◆ Increased security of information access, reducing the potential for fraud and identity theft

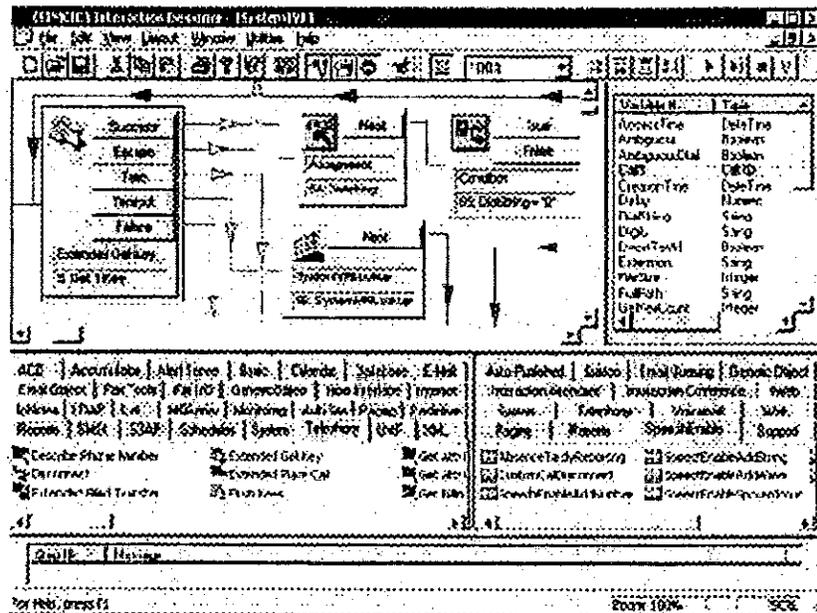
Automated PIN resets will be available only for English speaking users. TDD users, as well as Spanish and Arabic speaking users still will have to transfer to an CSR to reset their PINs.

Building IVR menus and scripts with CIC is an intuitive and easily learned process. CIC's inherent *Interaction Attendant*[®] (Figure IV.B.2.5-20) allows IVR authors to create the majority of IVR menus and scripts, while its *Interaction Designer*[®] graphical application generator (Figure IV.B.2.5-21) can be used to build IVR applications of virtually unlimited complexity, with no arbitrary limits on data access, business rule logic, or external information/system integration.



CIC's *Interaction Attendant* makes it easy to build call flows and IVR menus – including recording prompts and accessing/validating information in databases on-the-fly.

Figure IV.B.2.5-20. CIC's *Interaction Attendant* allows IVR authors to create the majority of IVR menus and scripts.



CIC's inherent *Interaction Designer* graphical application generator allows advanced IVR authors to create IVR applications of virtually unlimited complexity.

Figure IV.B.2.5-21. CIC's Interaction Designer can be used to design highly complex IVR applications.

Some additional IVR capabilities of CIC include:

- ◆ The ability to play audio prompts of any length
- ◆ The ability to make use of existing wave (.wav) files
- ◆ Text-to-speech capabilities across multiple languages
- ◆ Speech recognition capabilities using the Nuance[®] ASR engine, ScanSoft[®] (formerly SpeechWorks[®]) and/or Aculab speech recognition engines
- ◆ The ability to make use of a wide range of telephony operations including call recording, transfers, conference calls, etc.
- ◆ The ability to make use of hundreds of tools for email (sending, receiving, checking), file I/O, TCP/IP socket communication, XML, SOAP, MQ Series, fax, paging, string manipulation, web server integration (e.g., HTML generation), wireless applications, etc.
- ◆ The ability to place and update emergency messages on the MiCSES IVRs in response to FOC requests.

- ◆ The ability to authenticate stakeholders by using a PIN, social security number, docket number, or other identifier before providing confidential information.

Tier's approach to customer service is enhanced by an array of reports designed to outline Key Performance Indicators while providing management with the tools to effectively monitor and coach employees. Consistent and productive information best leads to an improved product. Reporting is one piece of an overall strategy to combine extraordinary service and efficiently using best practices. Tier's CIC provides comprehensive historical reporting and nearly 100 pre-built status reports of the CIC system at all times. All CIC reporting information is stored in an open relational database format that can be easily accessed, even when customizing an existing report to include that extra information someone always wants to see.

CIC's IVR functionality and open standards report by Attendant Profile, Schedule, Menu, and Node. Some of CIC's standard IVR reports include:

- ◆ IVR Abandoned Summary
- ◆ IVR Abandoned Detail
- ◆ IVR Menu Summary
- ◆ IVR Exit Path
- ◆ IVR Level By Date

The CIC reporting software contains dozens of pre-built reports allowing Tier to supervise on-line, using real-time data, and obtain textual or graphical reports covering any aspect of users' interactions. Reports are created with Crystal Reports accessing the SQL Server database provided with the system installation. Users (as defined within the system) such as supervisors, will have access to all system reports. Report access can easily be granted to supervisors and or CSRs on an as needed basis.

In addition to the standard set of reports that are provided by CIC, there is the capability for customized reports. This mechanism will be used to provide reports for information that is specific to Michigan.

In addition to the on-demand reporting facility, the solution will also include a supervisor's dashboard. This dashboard will provide real-time information from the CIC system and CSRs, such as calls in queue, call aging, CSR activities, etc. In addition, supervisors will be able to receive requests for assistance from CSRs. The CSRs will simply click a button on their desktop to request assistance. The dashboard will also provide access to standard and customized reports. This allows Tier's management to monitor and adjust staffing real-time to better serve the people of Michigan.

While the current requirements are for an IVR that can serve as the auto-attendant for the entire system and interface to the existing MiCSES IVR systems, the proposed MiSDU IVR is positioned to replace the MiCSES premise-based IVR units in 29 counties and the hosted IVR in Cincinnati, Ohio.

Because IVR functionality is inherent in the proposed CIC system, providing a single toll-free number to gain access to the MiSDU customer services would be a matter of application design. Stakeholders could directly access the MiCSES stored procedures and bypass the current MiCSES IVRs. Wait time would continue to be kept to 2 minutes or less by providing an adequate number of lines based on documented call volumes, busy days/hours, etc. As an IVR system, CIC can scale to support 20 or more T1/E1 circuits on a single server. Multiple CIC servers can be clustered to support virtually any IVR application handling millions of calls.

The benefits of the proposed IVR system for the MiSDU include the ability to improve efficiency while providing exceptional customer service with the automation of routine, but time-consuming tasks. The ability of

Tier to combine cutting edge technology with a vast amount of experience and understanding of child support issues means that MiSDU gains a proven, cost-effective, highly functional, and user-friendly system.

Web Page Development and Maintenance [ITB II.C.2.d.12]

Tier and its EPOS Strategic Business Unit, bring to the table experience and creativity for website development and enhancement. Tier has developed numerous websites for agencies including child support enforcement agencies. EPOS has developed numerous websites for county governments, colleges, and universities. We are very familiar with the content, types of users, and technologies needed, to develop an effective website, and we can focus that knowledge to meet the MiSDU needs.

In order to provide MiSDU with the most advanced set of web features, Tier will provide MiSDU with a web portal that will include a public facing domain which provides general information, forms, documents, etc. to the public-at-large, as well as a user/administrator domain in which CSRs and administrators can access information to better assist stakeholders. The web portal proposed will replace the current MiSDU web site functions and provide additional features as well.

The public-facing page of the web portal, to be accessible via MiSDU.com, is shown below in Figure IV.B.2.5-22. The general public, clients, employers, and FOCs can access publicly available information regarding child support issues from this first page.



Figure IV.B.2.5-22. The public, clients, employers, and FOCs will be able to access publicly available information regarding child support issues from a MISDU web portal opening page.

On the first page, stakeholders have access to a complete site map as well as FAQ, documents, and forms (Figures IV.B.2.5.23 and IV.B.2.5-24).

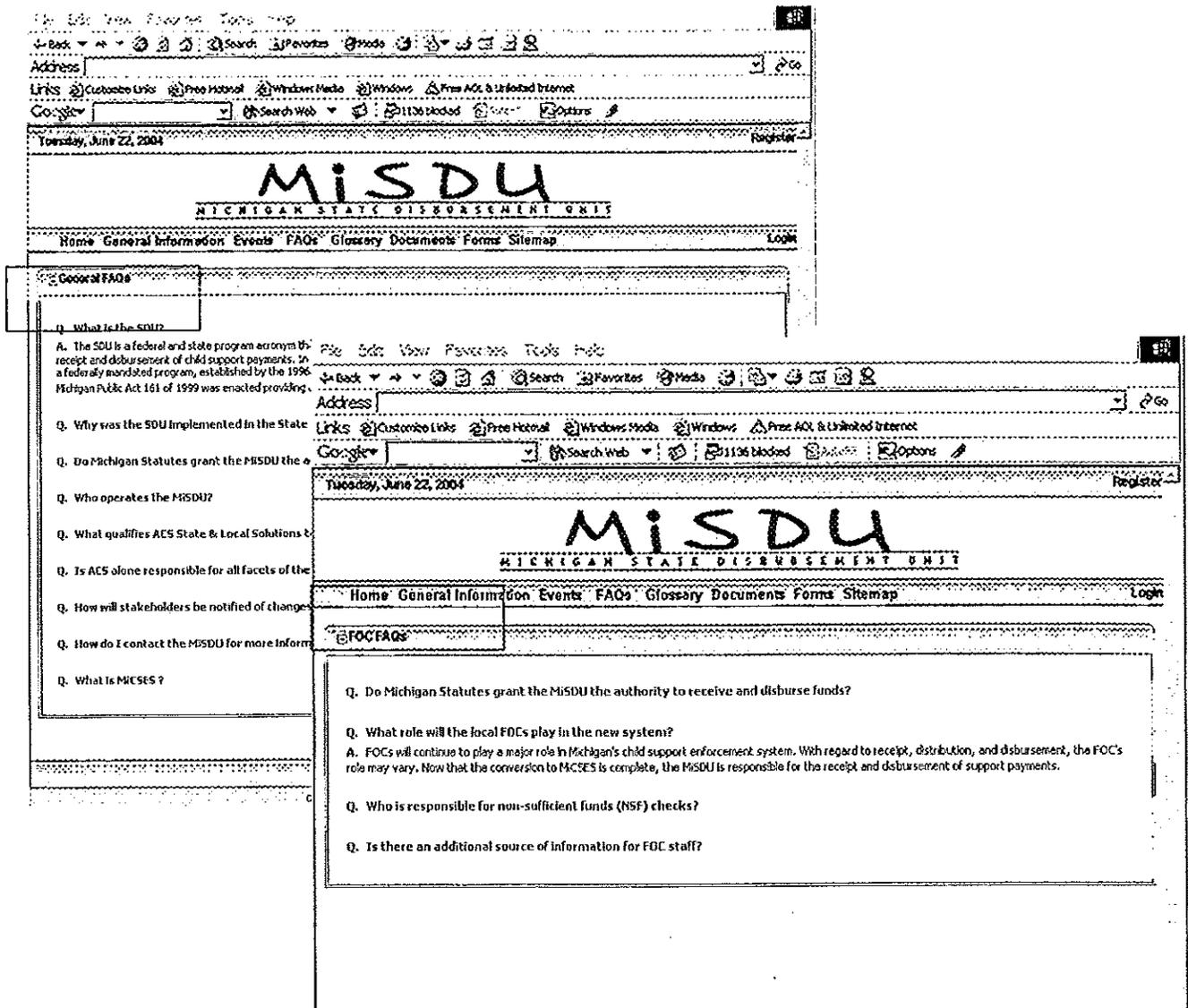
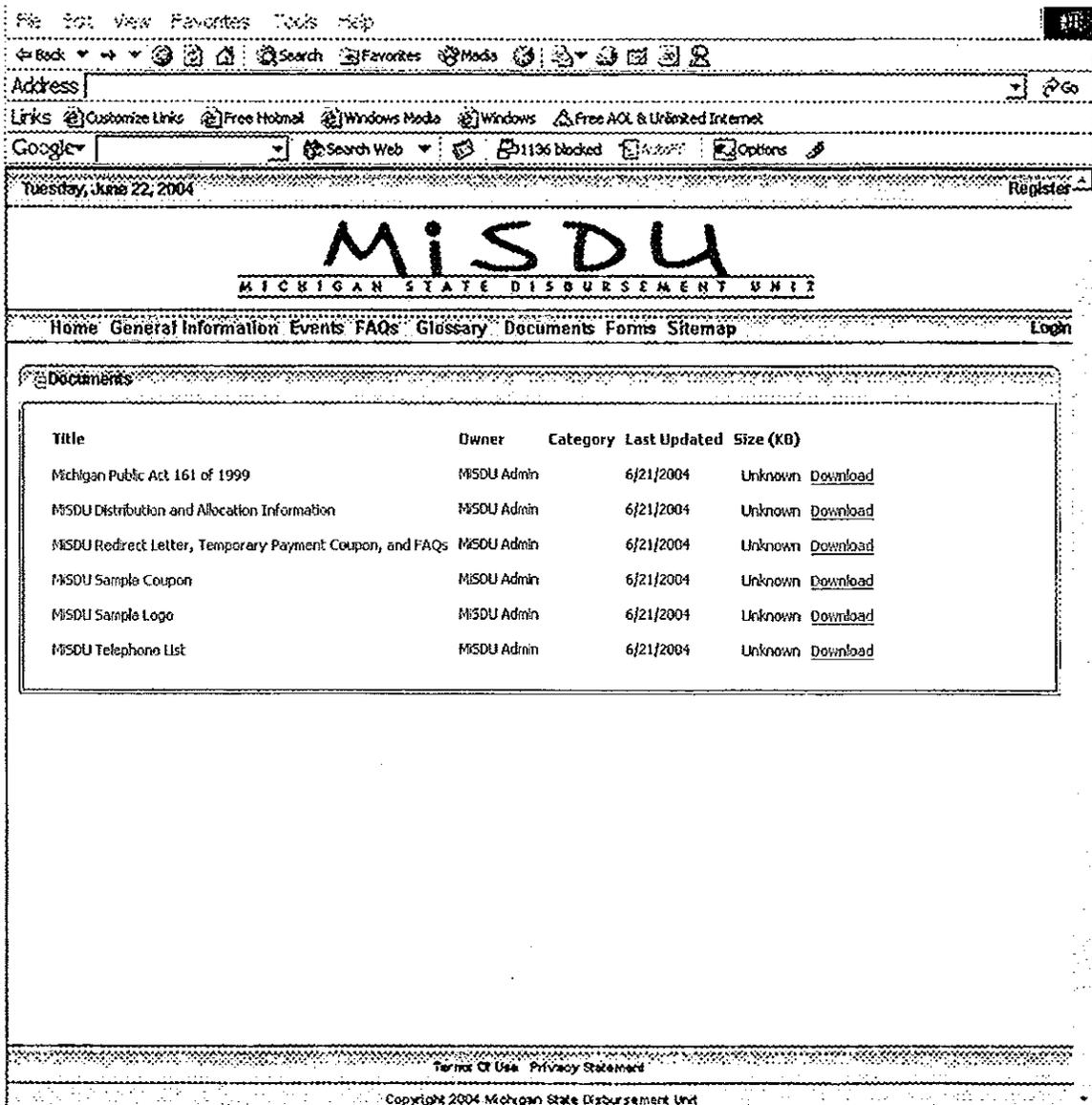


Figure IV.B.2.5-23. MISDU stakeholders will have access to general and FAQ web pages like these prototypes.



The screenshot shows a web browser window displaying the MISDU website. The browser's address bar is empty. The website header features the MISDU logo and the text "MICHIGAN STATE DISBURSEMENT UNIT". Below the header is a navigation menu with links for Home, General Information, Events, FAQs, Glossary, Documents, Forms, and Sitemap. A "Login" link is also present. The main content area is titled "Documents" and contains a table with the following data:

Title	Owner	Category	Last Updated	Size (KB)
Michigan Public Act 161 of 1999	MISDU Admin		6/21/2004	Unknown Download
MISDU Distribution and Allocation Information	MISDU Admin		6/21/2004	Unknown Download
MISDU Redirect Letter, Temporary Payment Coupon, and FAQs	MISDU Admin		6/21/2004	Unknown Download
MISDU Sample Coupon	MISDU Admin		6/21/2004	Unknown Download
MISDU Sample Logo	MISDU Admin		6/21/2004	Unknown Download
MISDU Telephone List	MISDU Admin		6/21/2004	Unknown Download

At the bottom of the page, there are links for "Terms Of Use" and "Privacy Statement", and a copyright notice: "Copyright 2004 Michigan State Disbursement Unit".

Figure IV.B.2.5-24. A web page devoted to MISDU Forms will make it easy for stakeholders to obtain the information they need.

In addition to the public-facing domain, the web portal provides secure login access for stakeholders, CSRs, and state administrators. Stakeholders may securely login and pay their child support via credit card, access financial data (Figure IV.B.2.5-25), review payment history, etc., whereas agents and administrators are provided access to a new administration menu where they can set permissions, add documents and forms, run reports, and manage the site.

Figure IV.B.2.5-25. Stakeholders may securely login and pay their child support via credit card, access financial data, and review payment history.

Reports can be run from the administration domain of the system that show the frequency with which a stakeholder accesses the site as well as which pages of the site are the most used by stakeholders. (See Figure IV.B.2.5-26.) Outbound email campaigns can be conducted via the portal, as well.

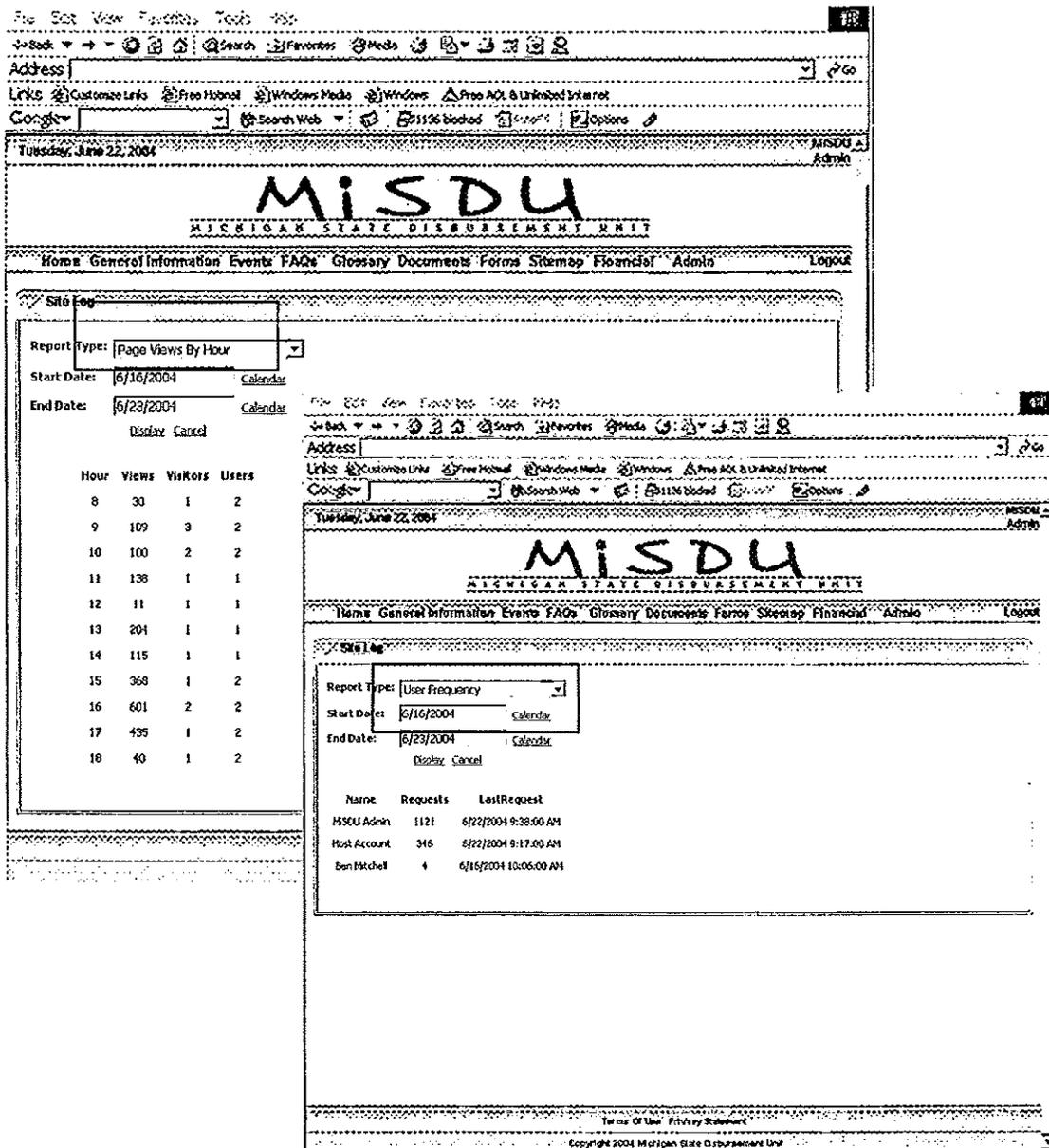


Figure IV.B.2.5-26. Information on User Frequency and Speed will be compiled and made available for users to access for reports.

With the development of the MISDU portal, Michigan raises the bar on customer service. Not only will stakeholders have easy access to information, forms, payment processing, and documents, but CSRs and administrators are given a great deal more functionality in accessing information and responding to stakeholder calls.

Tier's experience in designing, developing, implementing, and monitoring websites for agencies across the country is extensive. For the City of Phoenix, Tier redesigned its website to increase usability and streamline the 10,000 pages to 750 pages (see Figure IV.B.2.5-27). The City of Phoenix expects to finalize implementation of the new design in early 2005.

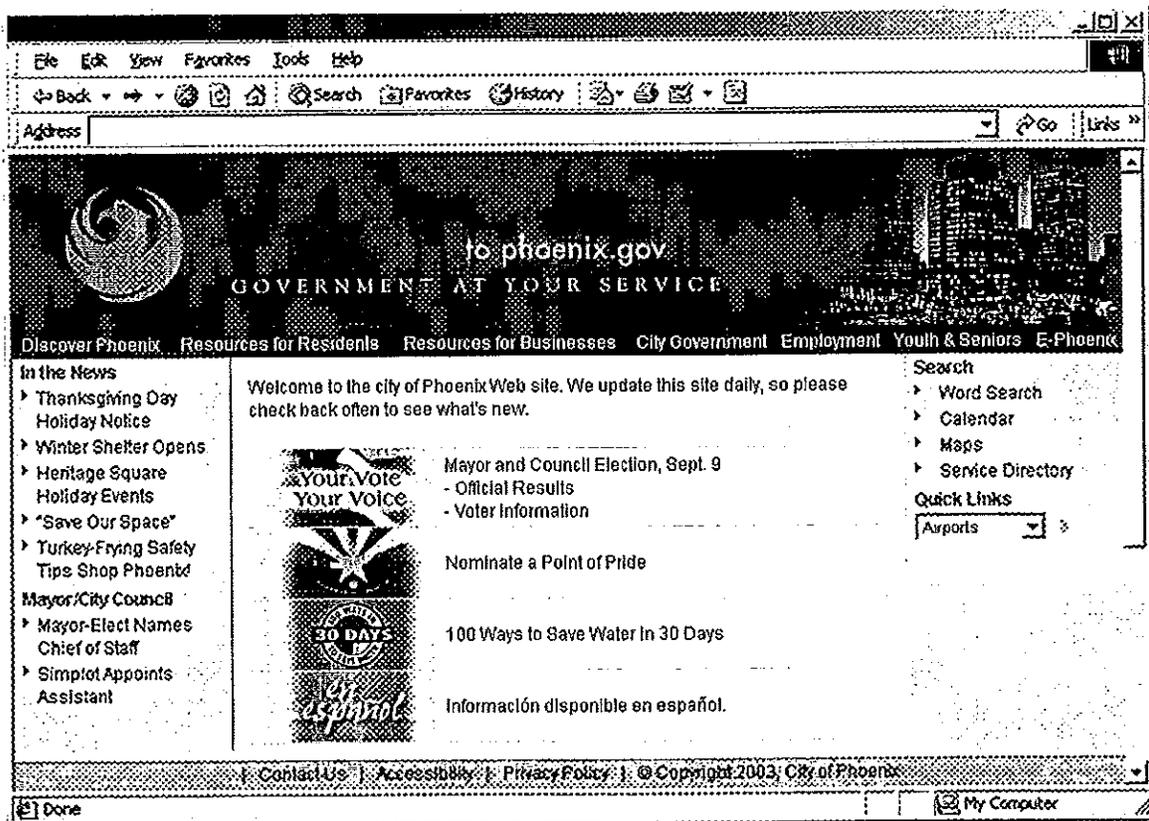


Figure IV.B.2.5-27. Tier redesigned and streamlined the Phoenix.gov Web site.

For New Jersey's Child Support Enforcement Division, Tier has designed and developed a new site for obligors and small to medium employers, which is currently under review by the agency (Figure IV.B.2.5-28).

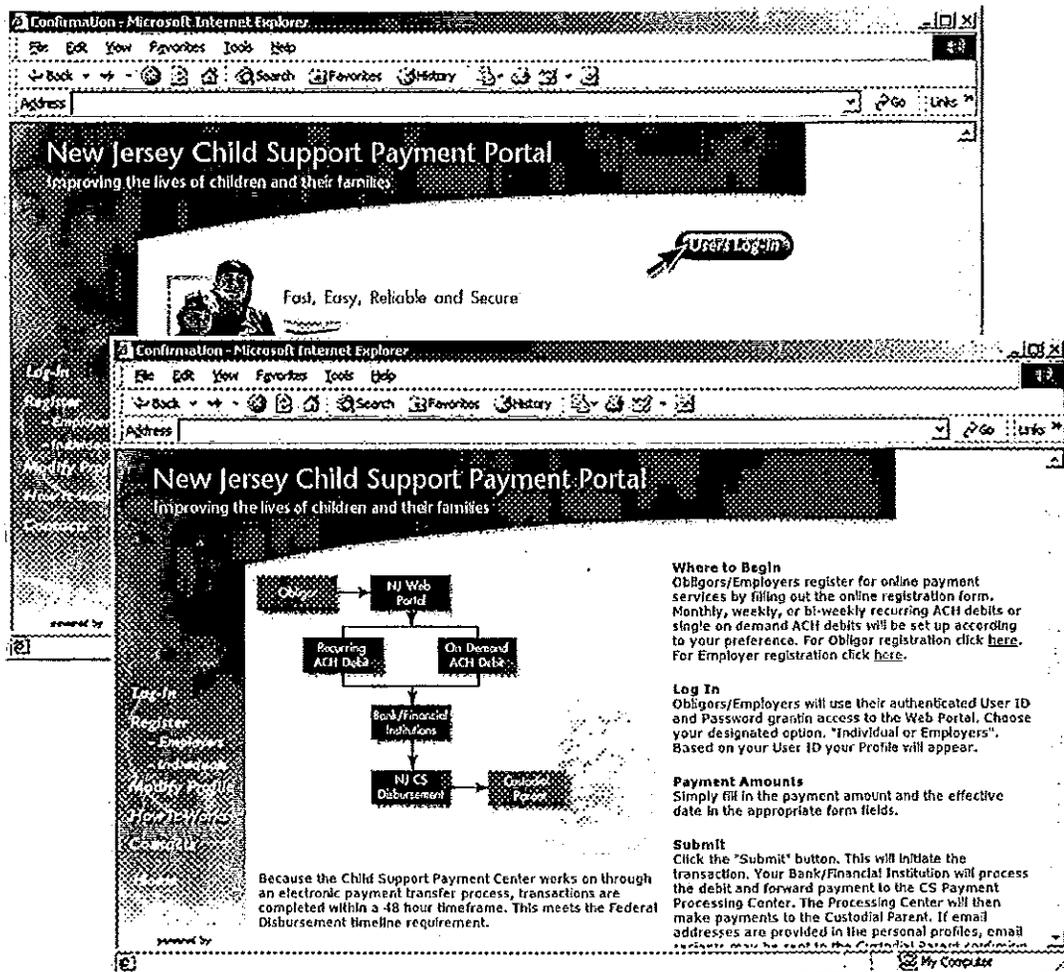


Figure IV.B.2.5-28. Tier designed and developed this site for NJ CSE.

For the Missouri Department of Social Services, Tier designed an online Child Care Invoicing System. And for the County of Nassau, Tier is currently redesigning their site to add online payments and two interactive applications as well as provide a new look and feel (Figures IV.B.2.5-29 and IV.B.2.5-30). All of these projects and many others, contribute to Tier’s strong ability to assist the MiSDU in enhancing its website for Michigan citizens.

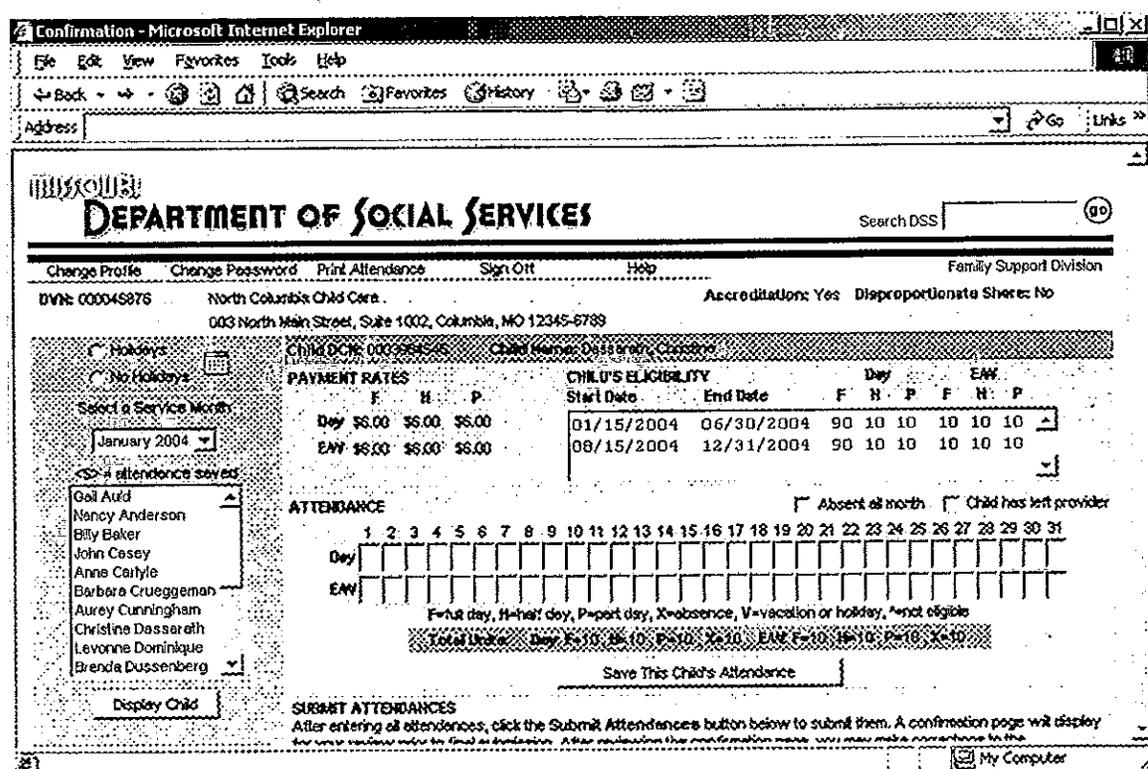
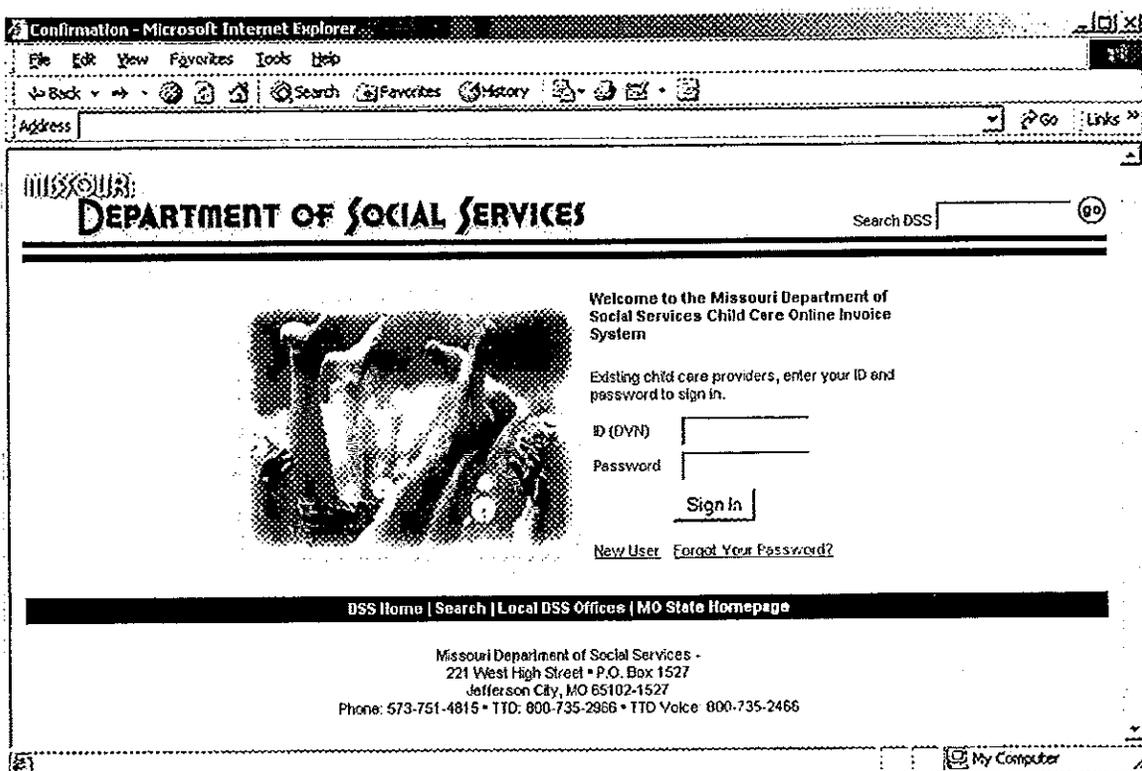


Figure IV.B.2.5-29. Tier recently completed work on an Online Child Care Invoicing System for the Missouri Department of Social Services.

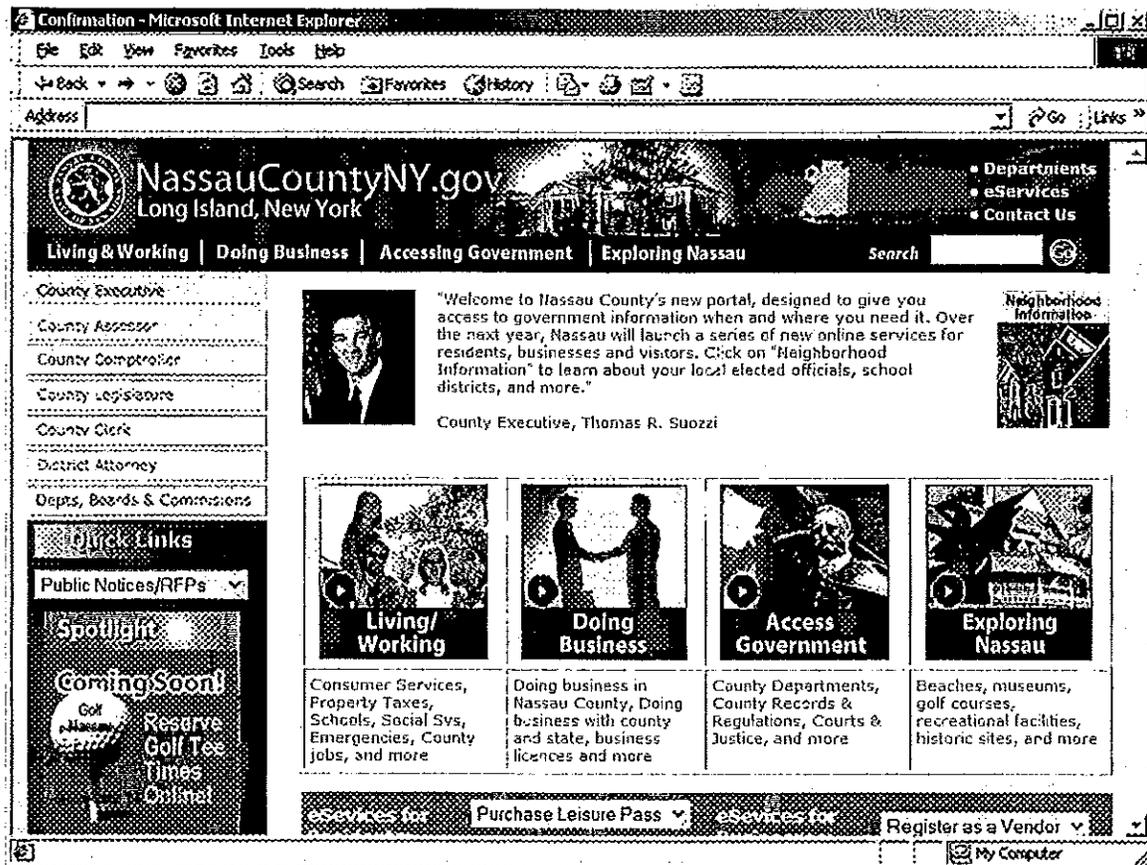


Figure IV.B.2.5-30. For Nassau County, NY, Tier is currently redesigning its site to add online payments and two interactive applications, as well as provide a new look and feel.

Training, quality assurance practices, escalations process [ITB II.C.2.d.13]

Tier's methodology of training and managing staff revolves around the needs of each client. Tier has designed and implemented training material at child support payment processing centers in Alabama, Kansas, Kentucky, Maryland, Minnesota, New Jersey, and Tennessee. Tier has additionally provided customer service training in Alabama, Illinois, Kansas, Kentucky, Ohio, and New Jersey. From these successful training launches we have the expertise to provide the State of Michigan with a seamless transition and consistent improvement.

Our approach to training employees to provide world-class customer service will start with the four fundamental customer service values:

1. Treat each caller with importance, respect, and attention.
2. Provide accurate, timely, and pertinent information.
3. Measure success by caller satisfaction through timely problem resolution.
4. Remember that the Customer Service Unit is not just Tier, but the MiSDU.

With these core values set as basis for goals and expectations, Tier can work closely with new employees—providing them with the tools and knowledge needed for success.

Tier enjoys the opportunity to provide a well-considered, comprehensive, and achievable solution to the State of Michigan. We have significant and expanding experience with child support customer service operations. Moreover, our understanding is not academic, but based on corporate and individual experience in centralized child support payment processing operations in addition to child support customer service units throughout the country.

Tier's approach to training will begin with our gaining familiarity with the MiCSES. Tier will seek MiCSES training from the State in train-the-trainer sessions with core management team members as soon as possible. This training session will allow Tier to develop comprehensive training guidelines.

These guidelines will focus on customer service skills such as Call Control Guidelines, Caller Security, Ghost Call Procedures, World Class Quality Call Forms, and Conflict Resolution. These procedures are reviewed and practiced during training to fuse the OCS's knowledge with professional call handling.

Documentation of employees, specifically CSRs, is retained in working folders. Employees' working folders have a discussion log, which out-

lines coaching discussions held with management. These discussion logs will also outline the training provided to employees in preparation for serving Michigan's Child Support Customer Service line. The discussion logs will provide a running tab of topics CSRs have been trained on. This training log will be kept in the CSRs' working folders. Tier will provide the State with any training manuals for review upon request. Any new training to be launched within the site will be submitted to the State for their approval

Tier understands the importance of trained staff on the MiCSES system, which is a statewide system used by many entities. Our training program will be structured to ensure our staff has a full understanding of the functionality and usage of MiCSES. This will enable effective and accurate communications to all of the internal and external constituents of the program, including the FOC, CPs, NCPs, Employers, Special Initiatives Unit, Central Functions Unit, etc.

Plan Overview

Tier has a plan for ensuring that quality CSRs are trained and ready to perform at a high level from the first day of transition. The plan includes the four core values, outlined in the introduction, as well as the training process to ensure positive results.

First, Tier will provide its new CSRs with an overview of the general terms used and knowledge needed to provide world-class service. A sample of this overview is provided in the figures on the following pages (Figure IV.B.2.5-31). This overview will be expanded upon as needed to meet the requirements of the Michigan Child Support Program.

CHILD SUPPORT

- How a case gets started
- Payments via court
- Federal law

COMMON TERMINOLOGY

- CP (AR)
- NCP (AP)
- MSO

CASE TYPES

- IVD
- NIVD
- BLND - one child IVD/another child NIVD
- NIVA - IVD arrearage
- NIVI - other state as 3rd party

MICHIGAN JUDICIAL CIRCUIT COURTS and FOC

- 66 Friends of the Court Offices
- 57 Circuit Clerks
- 70 FOC offices serving 83 Counties

PROCESSING PAYEMTS

- Kids1st
- EFT (Electronic Funds Transfer)

VARIOUS MISDU SYSTEMS

- MiCSES
- Online Resolution System (ORS)

Figure IV.B.2.5-31. Tier will provide its new CSRs with an overview of the general terms used and knowledge needed to provide world-class service.

This guide will provide a general overview of the child support system, MiSDU specific policies, and finally customer service skills.

Tier trains our CSR staff thoroughly, including an historical introduction to child support laws and legislation, as outlined in Figure IV.B.2.5-32.

Program History

- ☎ Federal Legislation
 - 1935 -- Creation of welfare (IV-A)
 - 1950 -- Reporting abandonment
 - 1975 -- Establishment of CSE Program (IV-D)

- ☎ 1981 Legislation
 - IRS tax intercept
 - Spousal support
 - IW from UIB

- ☎ 1984 Amendments
 - Mandatory IW
 - State tax intercept
 - Liens
 - Credit agency reporting
 - Enforcement of interstate cases

- ☎ 1988 Family Support Act
 - IW on initial orders
 - Use of uniform guidelines
 - \$50 disregard incentive
 - SSNs required on birth certificates
 - Time frames established
 - Development of automated systems

- ☎ 1994 Amendments
 - Hospital-based paternity
 - Medical support and medical insurance

- ☎ 1996—PRWORA (Welfare Reform)
 - Elimination of \$50 disregard
 - New Hire Directory
 - State Case Registry
 - UIFSA
 - License revocation
 - Passport denial
 - FIDM
 - Centralized Collection

Figure IV.B.2.5-32. Tier CSRs receive training on program history.

Tier's training approach leads to a confident voice on the phone. Starting with the child support basics, Tier training helps build a knowledge base on which to develop excellent customer service skills. Customers expect to speak with someone knowledgeable and polite when they call for information and assistance. Michigan CSRs will be trained on the child

support process and types of child support cases, as shown in Figures IV.B.2.5-33 and IV.B.2.5-34.

THE MAJOR COMPONENTS OF CHILD SUPPORT
• CASE INITIATION
• PATERNITY ESTABLISHMENT
• SUPPORT ORDER ESTABLISHMENT
• ENFORCEMENT
• MODIFICATIONS
• INTERSTATE CASE PROCESSING
• PAYMENT PROCESSING

Figure IV.B.2.5-33. Tier CSRs receive training on the child support process.

CHILD SUPPORT CASE TYPES

IV-D CASES	NON IV-D CASES
State has an interest	State does not have an interest
Custodial Parent has received IV-A <ul style="list-style-type: none"> • AFDC • Medicaid 	Custodial Parent has not received IV-A
Custodial Parent has requested the services of the IV-D State Agency	Custodial Parent has not requested the services of the IV-D State Agency
Child Support payments are passed through the IV-D agency for recoupment of TANF monies	Child Support payments are passed through to the custodial parent
State monitors and keeps a record of payments due and paid	State monitors and keeps a record of payments due and paid
Payment processing handled by the Tier	Payment processing formerly handled by the County Clerks

Figure IV.B.2.5-34. Tier CSRs receive training on the types of child support cases.

During the training of Michigan’s CSRs, Tier will perform recap exercises to ensure knowledge retention. Figures IV.B.2.5-35 and IV.B.2.5-36 highlight terminology and history exercises that would be implemented into CSR training.

Child Support Terminology Exercise

For each child support term listed, place the corresponding letter of its definition or meaning in the space provided.

- | | | | |
|-----|-------------------|---|---|
| ___ | 1. CP | A | Case on the KPC System that consists of multiple children where at least one child is in the IV-D program and at least one child is Non IV-D. |
| ___ | 2. Arrears | B | A number assigned by a county to a support order. The 2 character county code in conjunction with the county assigned number is what makes the support order number unique in Kansas. |
| ___ | 3. NCP | C | Case on the KPC System that is Non IV-D, but also has IV-D arrears due to previous participation in the IV-D program. |
| ___ | 4. NIVD | D | Case on the KPC System that is Non IV-D and involves another State. |
| ___ | 5. IVD | E | Social and Rehabilitation Services is the child support enforcement unit for the State of Kansas. |
| ___ | 6. BLND | F | The parent that has legal custody of the child and is the recipient of ordered child support. |
| ___ | 7. NIVA | G | The total unpaid support obligation owed by the NCP. |
| ___ | 8. NIVI | H | The parent that has been ordered to provide financial support for the dependent child. |
| ___ | 9. SRS | I | The child support program enacted via the Social Security Act, Title IV, Part D. |
| ___ | 10. Support Order | J | Child support cases where the CP has not requested services from the State and/or has not received welfare assistance. |

Figure IV.B.2.5-35. Tier has developed several CSR training exercises to reinforce material, like this exercise in child support terminology.

Child Support History Exercise

Objective: To test your knowledge of the history of the Child Support Program.

Exercise: Answer the following questions true or false regarding the history of the Child Support Program.

1. The Child Support Enforcement Program began in 1975.
 True False

2. In 1981, legislation was passed to allow states to collect arrears through IRS and State tax intercept.
 True False

3. The Family Support Act provided that income withholding be established on all initial court orders.
 True False

4. The Personal Responsibility and Work Opportunity Reconciliation Act is commonly referred to as Welfare Reform.
 True False

5. The current CSE Program is a taxpayer recoupment program.
 True False

Figure IV.B.2.5-36. CSRs also receive training in child support history.

Once new employees have a firm grasp on child support terms, history, and the processes, they are prepared for MiCSES training. CSRs will not receive identical training in MiCSES as payment processors; however, they will receive training on research and problem solving. As in the knowledge assessments outlined above, Tier will create a MiCSES scavenger hunt to prepare CSRs to quickly and efficiently manage MiCSES to find needed information. This training scavenger hunts have been successful in Tier's Minnesota and Kansas operations, and Tier continually focuses on best practices between sites to improve existing and new projects. Having Tier's trainers work with their group to exhibit knowledge

and learn researching skills, Tier will instill world-class customer service skills needed to meet the expectations of each caller.

Tier will ensure that all CSU staff are fully trained in the operation of the CIC software. Tier will provide a combination of classroom and computer-based training to meet the requirements for the call center staff. The final training plans will be developed after working with the State to define specific requirements. These will include requirements for facilities and equipment needed for such training, development of training materials, as well as a schedule for conducting all training. Training will address items such as:

- ◆ Contact Center CSRs
 - Introduction
 - Terminology and Definitions
 - Component Overview
 - CSR system overview
 - Typical start of day tasks
 - Additional CSR tasks overview
 - Interaction Client Overview
 - Screens overview
 - CSR Availability Management
 - Phone Call Management
 - Queue and Workgroup Management
 - Unified Messaging (email, voicemail and fax usage)
 - Interaction Client customization
 - CSR initiated call recording
 - Interaction Client computer-based training (CBT)

Approximate time required for CSR training (per class)

Instructor-Led – 1/2 day

CBT - 2 hours

◆ Training Plan for Contact Center Supervisors

Call Center Supervisors would attend the training for contact center agents and then have further training on the following items:

- CSR and call monitoring
- Initiated recording sessions
- Queue assignments
- Agent and Queue Management
- Alerts
- Reports
- Position Monitoring

Approximate time for supervisor training (in addition to time required for basic training) - 1/2 day

Knowledge of security and confidentiality requirements

Tier has provided services to the child support community since 1990. Tier understands firsthand the types of sensitive information involved in managing child support operations. This highly confidential information pertains to virtually every aspect of an individual's life including personal demographics, employment information, banking and personal financial information, paternity issues and testing results, and court proceedings including bankruptcy. Our staff is knowledgeable about the requirements of federal and state laws and regulations and we will maintain rigorous corporate standards regarding the safeguarding of this extremely sensitive information.

Tier recognizes that federal regulations impose stringent accountability and security requirements for the operation of all state IV-D programs. These regulations extend to any provider of IV-D services, whether it is the state or a private contractor. Tier understands that the unlawful disclosure of information will result in substantial penalties. We assure the State of Michigan that we will safeguard all information and fully comply with

all federal and state laws and regulations pertaining to disclosure through strict monitoring and enforcement of the policies described in this section.

Additionally, we are extremely sensitive to the issue of family violence. Family violence is a critical issue—sometimes affecting the very lives of our customers. We fully recognize the need to protect these individuals from further threat. Our CSRs will be trained to identify the indication of domestic violence on the MiCSES system. We will follow the State's procedures regarding the dissemination of data on these cases.

Quality Assurance (QA) Practices

We stress that quality must be engineered into customer service delivery while providing the capability to monitor that delivery. To that end, we have established a QA training position whose responsibility will be to provide continual training in the area of quality and also to monitor service delivery.

There are many benefits to instituting QA into the MiSDU Customer Service Unit. The QA program is a mechanism that will ensure the customer service representatives are all communicating accurately to the clients, ensures consistency with our communications, provides immediate feedback to representatives when it is determined improper information is disseminated.

Through the CIC platform supervisors and the State will have the ability to listen to a call in progress. The supervisor utilizing the monitoring form the supervisor will observe the call to ensure that it is within the operating guidelines established by the state. In the event that the CSR provides inaccurate information, the supervisor will alert the CSR to place the client on hold by using the chat feature (see Figure IV.B.2.5-37) in the CIC and after receiving feedback the CSR can communicate accurately to the client. This approach will not only ensure accurate communication to staff but also educate the CSR on how to handle similar calls in the future.

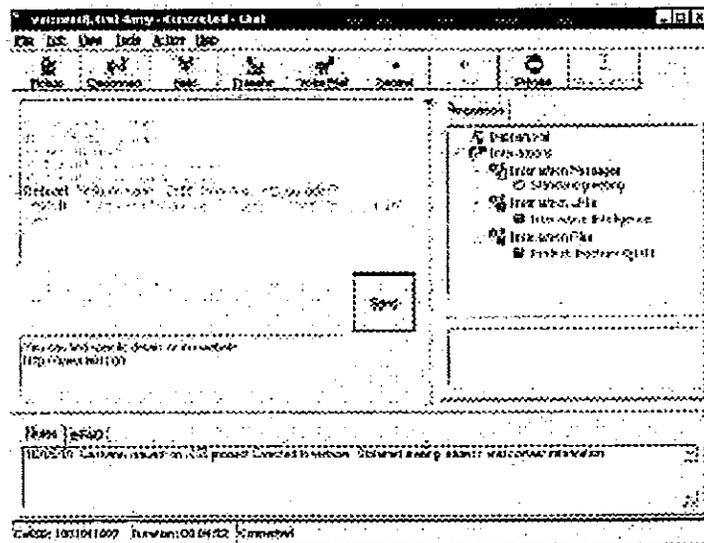


Figure IV.B.2.5-37. Using CIC Chat, a supervisor can communicate and provide assistance and feedback to CSRs.

After monitoring and capturing all case identifiers from the call the supervisor will verify the appropriate and accurate documentation within our tracking system (CRM) and if appropriate MiCSES. Immediate informal feedback will be provided to the CSR. The CSR will receive more formal feedback during their twice a month meeting with their immediate supervisor. Tier will use the following QA forms in administering our QA form. The monitoring form (see Figure IV.B.2.5-38) will be used to provide immediate feedback regarding the handling of a call. This form is used to ensure proper call center competencies are administered, proper documentation in the CRM and other systems deemed appropriate and the accurate dissemination of information. The weekly QA form shown in Figure IV.B.2.5-39 is used to provide feedback to the customer service representative on how well they performed customer service related competencies. The rating is based upon calls monitored and observations by the supervisor.

AS 400				
Onyx				
Did the CSR demonstrate knowledge of the Child Support Program?				
Was the response accurate?				
Quality Customer Service				
Did the CSR actively listen?				
Did the CSR remain courteous, polite and treat the caller with respect?				
Did the CSR speak clearly and concisely?				
If the call was placed on hold, did the CSR ask permission? N/A=				
If the call was placed on hold, did the CSR thank them for holding? N/A=				
Did the CSR control the pace of the call?				
Did the CSR comply with all quality assurance guidelines?				
If applicable, did the CSR maintain a professional tone with an agitate caller? N/A=				
Did the CSR educate caller on AVR or promote EFT to employers?				
Did the CSR summarize activities performed for the caller?				
Did the CSR close the call with a thank you?				
Did the CSR update case information appropriately and accurately in onyx?				
Did the CSR direct the case to the appropriate department/group?				
Did the CSR place self on Do Not Disturb to complete call?				
Did the CSR place self on Gone Home at the end of the day?				

Figure IV.B.2.5-38. The Monitoring Form is used to provide immediate feedback regarding the handling of a call.

**ILLINOIS SDU
Customer Service - Quality Assurance**

Agent Name: _____ Month: _____ Date of Review: _____

	1	2	3	4	Total
Verification of caller Id/obtain telephone # (confirmed caller's name, address, docket #, sst sst#)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information provided caller Was appropriate information given to answer client's call)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Professionalism (verbitage and treatment of client wa:was handled professionally)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Call Time: (was call rushed or was too much time taken wit with caller?)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tone/Volume of Agent Voice (agents voice was not bored, angry, too quiet, too loud, pointed delivery)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complete Notes in Onyx and Directed to Appropriate Area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promotion of AVR and Web site	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SCORING: 1=Training required 2=needs work 3=average 4=above average 5=excellent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality Assurance Results (average of all categories)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:	Agent Signature: _____				
	Supervisor Signature: _____				

Figure IV.B.2.5-39. The Weekly QA Form is used to provide feedback to the customer service representative on how well they performed customer service-related competencies.

Coaching and feedback are important elements in operating a call center. Tier is committed to conducting random monitoring of all of the CSRs to ensure that our calls are handled within the guidelines of the State, but more importantly to ensure that we offer exemplary service to the clients. When it has been ascertained that one of our CSRs requires additional training from observations by Tier management or through the monitoring of their phone calls the representative will under go additional training specific to their deficiencies.

Tier's QA program is not just implemented to provide coaching and feedback to the CSRs and to change their behavior, but to improve the efficiency and effectiveness of the operations. Tier will monitor trends within the QA program that will help in identifying how our training program can be strengthened. When consistent deficiencies are observed, adjustments will be made in our training program, job alerts will be published to ensure an understanding of policies or procedures, or team

meeting will be held to provide answers to any uncertainty. Tier looks at the QA program as more than providing feedback to staff, but also as a mechanism for strengthening the overall operations.

Tier strives for excellence in all of our operations and as a result we will solicit feedback during regular scheduled meetings from stakeholders and partners of MiCSES to identify improvements to the customer service centers.

Derived from years of experience Tier recognizes the need to sometimes have calls escalated to a supervisor. These calls can generate from a client who wants to speak to someone in charge; from the need to facilitate conversations between a stakeholder or partner and a client; from the need to correct any misunderstanding with the information provided by our customer service representative; or from a stakeholder or partner wanting to bring any matter to the supervisor's attention. Tier understands the necessity of escalated calls and this practice will be incorporated into our call center culture. Tier will ensure all of the CSRs will summon a supervisor or designee when the caller request for the call to be escalated.

Performance, Metrics, and Reporting (ITB II.C.2.d.14)

Tier's operations and performance standard are set to the highest possible level to ensure not only the meeting of expectations but also the exceeding of expectations of our clients. The performance, metrics, and reporting, as defined in ITB Appendix B, have been reviewed, and Tier believes it is completely within our ability to deliver a successful MiSDU.

Additionally, daily, weekly, and monthly reports will be generated to track the facets of the call center as defined in ITB Appendix B, Section I. These reports will be forwarded to the State for review. These reports will also be used to monitor the efficiencies of the call center; necessary adjustment will be made when appropriate.

Tier understands the escalation process defined by the State and accepts the penalties for deliverables not met.

IV.B.2.6 Suspense and Resolution Services [ITB II.C.2.e]

Misapplied Payments—Vendor Error, FOC or State Error, and Misdirected Payments [ITB II.C.2.e.1, II.C.2.e.2, and II.C.2.e.3]

One of the cornerstones of Tier's success in the remittance processing industry is our understanding that a payment posted incorrectly is worse than a payment not posted at all. Misapplied or misposted payments negatively impact multiple families and negatively impact the reputation of the program as a whole. The Office of Child Support (OCS) vision, "Child Support for every child," and its mission, "The Office of Child Support ensures that every eligible child receives child support," are goals that Tier takes very seriously and executes daily in all of our State Disbursement Unit (SDU) operations. To reduce the number of misapplied payments, Tier's policy, procedures, and training emphasize accuracy over speed. In addition, our proposed system Kids1st was designed to facilitate the intelligent capture of child support remittance information. Kids1st is a payment processing application rich in features. First and foremost is its ability to recognize payments. Integrated with sophisticated imaging systems, Kids1st obtains bank account information from checks and keeps an internal database that associates bank accounts to lists of child support cases. Kids1st then recognizes payments and pre-fills the posting-screen data fields. This feature alone greatly reduces research, minimizes the number of keystrokes required, and eliminates errors. All data fields must be completed during the processing stage to allow the payment to be posted. If the payment is missing specific information, Tier will follow an exception process to make contacts, gather needed data, and submit it for proper payment posting.

Misapply Prevention

Tier fully understands the importance of maintaining a low error rate and of minimizing the impact of processing errors to payees. Tier has employed a technical strategy encompassing best practices with technical

stopgaps to decrease risk. This is why Tier’s overall remittance processing solution enjoys one of the lowest error rates in the industry. For example, in our Tennessee SDU operation during the period of January 1, 2003 through December 31, 2003, we recorded 454 processing errors out of 3,176,428 stubs posted, including all errors discovered in-house and those reported by local child support enforcement offices or Child Support Fiscal Services. This reflects an average payment processing error rate of 0.0142%. The following graph (Figure IV.B.2.6-1) illustrates the low rate of our Maryland SDU operation and how we monitor and continue to reduce our error rate as shown by the trend line for the period of September 2003 through April 2004 (please note that because the rate is already low, any increase or decrease is magnified by the graph and appears to be a larger fluctuation than it is).

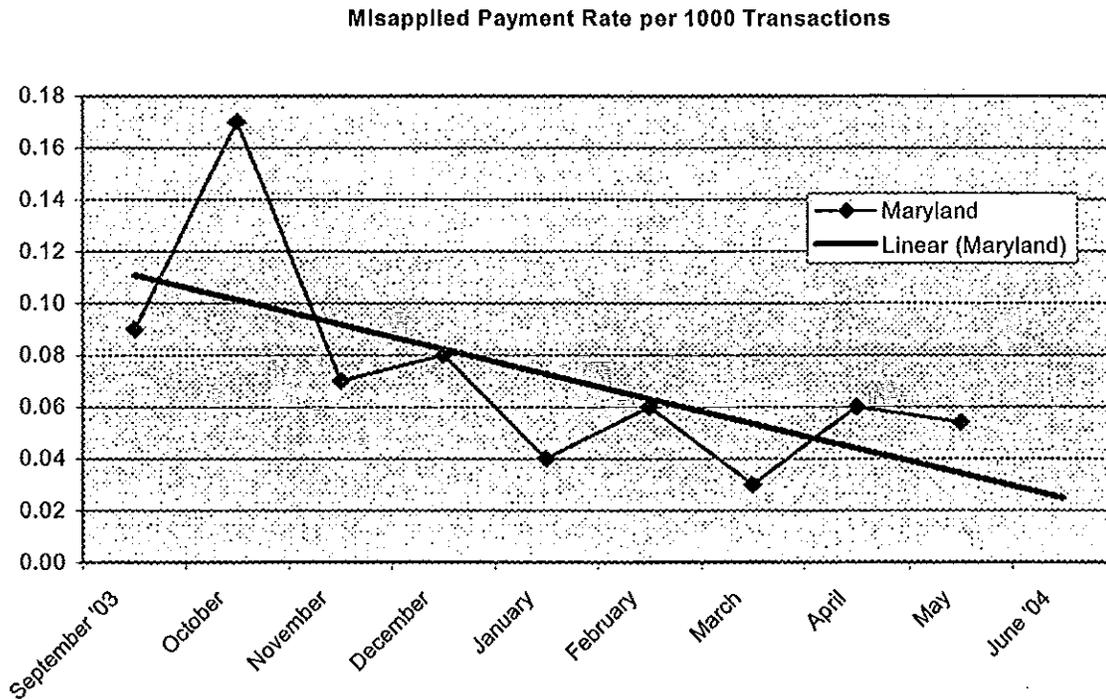


Figure IV.B.2.6-1. The trend line for the period of September 2003 through April 2004 illustrates our reduction in error rate in our Maryland SDU operations.

The methods in which Tier engages that result in such achievements are described below.

Coaching

Payment processing supervisors meet with their staff weekly, in a one-on-one meeting. This set time is the opportunity to discuss current statistics including:

- ◆ Utilization (Productivity measurement)
- ◆ Error %
- ◆ Attendance
- ◆ Data Speed

Misapplied errors are reviewed and discussed. The image of the check and remittance are reviewed and the process of how to properly post is explained. The opportunity to ask questions and make suggestions follows. Each coaching session is documented in the Employee Discussion Log. This set meeting has been beneficial in building a partnership between the processors and supervisors.

If a processor is still not in compliance after attending the bi-weekly coaching sessions, Tier will implement a Performance Improvement Plan (PIP).

Performance Improvement Plan (PIP)

We believe that employees who have satisfactorily completed an initial training period at Tier should continue to receive direct and constructive feedback throughout their careers within the company. This process takes many forms: ongoing informal feedback from project leaders, supervisors, colleagues, and clients; interim and annual Performance Planning and Review (PPAR) activities; and, when necessary, a more structured process called a PIP.

Individuals who fail to meet the performance standards established for this operation will become part of our PIP. The PIP's objective is to

clearly define the nature of any issue (behavioral, performance, or skill-related) causing less than satisfactory job performance; define specific and observable improvements; clarify what improvements are expected within a defined time period; and conducting planned follow-up meetings to review progress. A manager or supervisor can use the PIP as an effective coaching tool to correct numerous situation. At Tier we believe that employees are valuable assets in the professional services business and that it is desirable to work with them so they may continue to be productive, valued contributors to both Tier and the State of Michigan's success.

In rare situations, an individual may be unable or unwilling to respond to performance coaching. In such a case, the PIP serves as a documented reason for termination of employment.

Misapplied Payment Indicator

Misapplied Payment Indicator (MPI) is a software program added to Kids1st to address misapplied payments. MPI searches for logarithms created by previous misapplied payments. It will identify if the payment has been posted incorrectly in the past, and alert the processor. The MPI "pop-up" will have to be addressed prior to the continuation of processing. In addition, MPI will notify the process if the payment being post is outside of the "highest/lowest" previously posted payment. For example, if payment history dictates that a non-custodial parent (NCP) normally sends in \$50-\$150 per month but a payment is being posted for \$500, MPI will display a message explaining the payment is outside the "highest previous" and ask the processor to recheck their documentation prior to continuing. The implementation of the MPI will decrease the risk of misapplied payments in the MiSDU.

DEROG – Derogatory Note

The derog (short for "derogatory note") Kids1st message is a good tool for account-specific issues. A member of Tier's management staff, in or

der to address a specific issue or upon request from the OCS can add derogs. This will alert the processor of a difficult payment or possibly to “do not post” if we were contacted to hold the check. If there are specific posting instructions for the payment, this tool will be utilized to communicate that information.

Processor Supervisor Conference Calls

Monthly, Tier processing supervisors gather on a conference call to openly discuss concerns and brainstorm solutions. This has proven successful in testing and sharing information between work sites. Sites can Beta-test a process and report on the findings to the group for a division wide implementation. Tracking, coaching, and management skills are also shared to improve the overall production of the sites.

Electronic Fund Transfers

Tier’s solution for electronic fund transfers (EFTs) includes edits on the incoming EFT files to determine if the file has been processed within the last 30 days. This includes validation against the date and dollar total of the incoming file. We have found these edits superior in identifying duplicate EFT files and will institute the same procedures in Michigan.

Quality Assurance

Reviewing the quality of processing functions is critical to establishing a quality attitude and expectations for staff. Tier currently performs many quality checks in each of our SDU operations. Tier has found that the key to quality assurance (QA) in child support payment processing projects is reviewing individual performance daily. This provides a basis to identify individuals needing additional training, uncover opportunities for process improvement, and establish benchmarks to evaluate individual and project improvement. Daily QA and focus create small incremental improvements that yield long-term institutionalized benefits for the MiSDU. QA is composed of the combined steps and actions that measure the quality of pay-

ment processing for individual payment processors. Evaluating and improving each individual's quality performance is at the heart of the plan. As individual performances improve, the entire project's quality improves. The Quality Analyst will perform these reviews.

Daily, the Quality Analyst will review every processor's work product. Batches completed that day are reviewed during the production day prior to export. A sample of at least one batch of work for every processor will be examined on a daily basis. This will provide a good picture of a processor's consistency and daily variations in quality.

Consistently reviewing batches from each processor allows us to readily recognize and remedy any processor issues.

Furthermore, because we are reviewing the batches prior to export, errors discovered will be corrected prior to export, significantly decreasing the errors that could be realized by the State.

Elements of the QA Reviews

Many of the validation/confirmation steps taken during the QA reviews are driven by contractual requirements. Other steps are driven by operational rules and conventions established for payment processing. The Financial Instrument Review list will require examination of the checks and money orders processed. The Stub Review will require review of the stubs of the checks processed. Both of these lists of elements will be confirmed (where possible) with the information in Kids1st databases.

All List batches are subject to QA. The list batches are "previewed" by QA first to highlight posting dates and identify possible confusing information. Next, list batches are assigned fairly to the processors. Prior to encoding the list batches, QA will review all posted payments and correct any errors. These errors are documented and reviewed in the processor's next weekly one-on-one meeting with their supervisor.

Employees within their first 90 days of employment will have the majority of their batches reviewed. During this training period, timely and

constructive feedback is crucial. New processors will master employer batches prior to regular and out-of-state batches. As they increase knowledge, the QA department's training assessment is critical. QA will provide supervisors with a weekly performance check on processors in training. This feedback list helps identify specific training needs and positive attributes to commend. This infusion of information and positive coaching methodology has led to positive results in Tier's other payment processing operations.

Tier sites implement a "QA Corner" publication. This is a "remember to" tool that identifies site-specific challenges. It is an opportunity for staff to have their "name in lights" by recognizing top performers. The QA Corner is another communication tool used as a best practice.

Documentation of all pertinent information will be retained for review with processor(s), including detailed statistics for batches reviewed, items in the batches, and errors discovered. QA forms for payment processing will be used for documentation of batches reviewed and the errors that were found. Also retained are any checklists or reports that document our reviews. Some of the reports that will make the reviews more efficient are being developed.

Feedback to processors will be provided immediately after the reviews. The supervisor will be informed if a processor appears to be having problems that day. Additional batches may be reviewed for discovery and correction of errors for problem processors or new staff. The findings of the reviews will be summarized into summary reports for periodic reviews during coaching sessions.

Misapplied Payments Tracking

Tier will track misapplied payments using proven, highly effective error tracking and coaching techniques. A screenshot of the Misapplied Payments Tracking Log is shown below in Figure IV.B.2.6-2. Tier maintains daily, weekly, and monthly versions of this tracking report, detailing

error rates by each individual payment processor and the unit as a whole. These can be provided to the State at any time or in regular time intervals at the State's request.

	A	B	C	D	E	F	G	H	I	J
1	Misapplied Error Tracking									
2										
3	Date	Info on stub?	Date of Error	Link Error	Entry Error	Misalign	Not Verified	Total Amount		
4	01/21/04	Y	01/09/04				2	\$979.50	flip-flopped prmts	
5	01/22/04	Y	01/19/04			1		\$327.50	Skipped a line on	
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										

Figure IV.B.2.6-2. Tier's Misapplied Payments Tracking Log details error rates by each individual payment processor and the unit as a whole.

Misapplied Payment Procedures

When a misapplied payment is identified by either a Friend of the Court (FOC), client, employer, the State, or ourselves, Tier will document, research, and confirm that it is a misapplied payment using our methods as describe in Section IV.B.2.3, Research and Resolution, and identify the cause of the misapplied as either a vendor, FOC or State, or payer error in order to follow the correct procedures as outlined below.

Vendor Errors

- ◆ Initiate and complete the required MiCSES transaction to correct the error
- ◆ Transfer funds from vendor account to the MiSDU account

- ◆ Track and report (daily, weekly, and monthly) both the occurrences and the transfers from vendor account to the State account
- ◆ Establish a recovery account in MiCSES.

FOC or State Errors

- ◆ Escalate the research findings to the State for approval
- ◆ Initiate and complete the required MiCSES transaction to correct the error
- ◆ Request transfer of funds from MiSDU account to Tier's account
- ◆ Track and report (daily, weekly, and monthly) all details of occurrences including amount transferred from our account to the State account as well as the source of the error. The amount reported will be reduced by items reapplied to the debt types as part of the back-out process
- ◆ Establish a recovery account in MiCSES for State recovery.

Payer Errors

- ◆ Notify initiator of and request the results of the findings.
- ◆ Neither Tier nor the State will be required to fund the misapplied payment; however, Tier will work with the State and employer to make whole with the next payment. Tier can flag (derog) the case in Kids1st to apply correction money as directed by the MiSDU.
- ◆ Track and report (daily, weekly, and monthly) all details of occurrences including source of the error and amounts. The amount reported will be reduced by items reapplied to the debt types as part of the back-out process.

Unidentified Payments from Any Source [ITB II.C.2.e.4]

In Section IV.B.2.3 Research and Resolution Services, we described the process, methods, and tools that would be used to reduce, research, and identify unidentified checks (UDCs). We further understand that after all efforts to identify a collection have been exhausted, the collection should be transmitted to MiCSES as Unidentified. All documentation received

with the collection will be made available to the State in image form, as well as documentation detailing the identification efforts that have been made by our unit during the research process. We understand that unidentified payments shall not be returned to the sender without written approval from the State for payments that were not intended for the MiSDU, payments where the payer has not provided adequate information and has not responded to documented telephone and mail contacts, or where a return address is available with no other identifier.

Tier will continue to provide daily, weekly, and monthly reports, allowing the State to monitor the status and age of unidentified collections on an ongoing basis until resolved or escheated by MiCSES. Tier will also continue to work items in which the FOC or other entity provides more information that can be researched. Tier is aware that consideration is currently be given to an additional 10-day period to await responses to be received from letters sent to payers where there is a possibility avoiding the return or unnecessary posting to unidentified. If FOC identifies an unidentified item, Tier will process the MiCSES suspense adjustment.

Tier's Success Experiences for Researching and Reducing Unidentified Payments

Tier stands out from the crowd because of our diverse, multiple approaches in improving methods that benefit the SDUs we serve. Many examples of this can be found in Tier's relentless pursuit of reducing Unidentified Payments and providing expedited methods of research. The MiSDU will benefit from the best practices Tier has developed in its current SDU operations, some of which are highlighted below.

In our Tennessee SDU, Tier's contractual requirement is to post payments received with identifying information the same day it is received. If the payment is received without information that allows a positive case or docket identification, it is posted to the state's Unidentified (UNID) module and appears on the state's suspense listing. Tier is responsible for

working the item 5 days from the day of receipt and must perform required steps to post the support payment properly. After 5 days, during which Tier has performed the required research actions, the payments are flagged as “state responsible,” and turned over to the state.

Over the past 4 years the rate at which the unit has initially posted payments to UNID has steadily decreased. In the past year, Tier dramatically decreased the initial posting of UNIDs, as well as the number and rate at which they were turned over to the state. The result is more support reaching the families who need it. Figure IV.B.2.6-3 displays Tier’s success. To give another example, Tier knew that different staff actions during the processing cycle could affect the number (and rate) of payments posted to UNID and focused on those (see Figure IV.B.2.6-4). These same processes will be employed at Tier’s MiSDU operation to ensure that Tier’s staff and processes continually strive to improve.

	EOY Sept. 2000	EOY Sept. 2001	EOY Sept. 2002	EOY Sept. 2003
Total Payments Received	2,268,923	2,516,466	2,857,222	3,116,291
Initial Posting to UNID				
Number	76,851	62,498	62,417	34,632
% of Total Received	3.39%	2.48%	2.18%	1.11%
Remaining 5 Days After Receipt				
Number	24,168	11,805	18,110	5,844
% of Total Received	1.07%	.47%	.63%	.19%

Figure IV.B.2.6-3. Our success with handling suspense lists and unidentified (UNID) payments in Tennessee has resulted in more support reaching the families who need it, when they need it.

Action	Result
<p>Payment Processor skills at research during posting</p>	<p>The UNID originates at the point that a payment processor determines that a payment does not contain identifying information. The payment may actually be lacking information, the processor may not have the skills to decipher the information provided and appropriately research it on the state's child support system, or the payment may not be on the positive file because of case problems.</p> <p>In Tennessee Tier reviewed the number of daily UNID postings made by each processor and determined an average number of UNIDs. If a processor appeared to have a higher level of UNID postings, Tier researched what was being posted to determine if training or counseling was necessary, and then followed through with necessary action to bring the UNID postings in line.</p> <p>Tier also included the appropriateness of UNID posting as a review element in the QA procedures. Follow up for questionable UNID posting was performed with processors. Tier learned that often UNID posting came down to a judgment call for the processors. Rates could be improved by providing more and better guidance about what was acceptable</p>
<p>Researchers correcting the submission problem once</p>	<p>Correcting lack of submission information was the easiest situation to resolve. Tier reached out to employers, informing them of the importance of providing needed information. The vast majority of employers, when contacted in a friendly and professional manner, will comply with requests if they are able. They do not want complaints from CPs or their employees. They also wish to follow correct procedures, and will do so, if given concise directions.</p>
<p>Researchers following up after turning over postings to the state</p>	<p>At the same time, Tier had a focus of ownership in correcting UNIDs. From the time a research staff member touched a UNID item, until it was resolved, that staff member owned it. Tier's research lead maintains a list of current suspense payments and if there is a repeat of UNID payments posted, the owner of the first is informed and that person takes ownership of the new one.</p>
<p>Better coordination with Local Child Support Offices</p>	<p>The more difficult and time-consuming issues were those that involved case information on the Tennessee system, TSCES. Everything from case or docket inactivation and closure, to income withholdings not being timely, to changes of CPs and docket numbers, to balance errors, or simply setting up the cases incorrectly caused items to be posted to suspense. Tier's efforts were focused on determining what the case issues were and contacting the local child support worker to correct the case setup or help determine a corrective action. This often took considerable time and multiple contacts to achieve final correction.</p>

Figure IV.B.2.6-4. In Tier's Tennessee SDU operations, we also focused on certain staff actions during the processing to help us improve our handling of unidentified payments.

In our Kansas SDU, we initiated a Suspense Reduction Team when we took over to reduce the amount of existing suspense as well increase the speed of which items were researched. This is an example of the type of initiatives we can implement in Michigan, as needed, to improve current operations. We adapt and modify proven solutions to fit new environments. This success story is showcased in Figure IV.B.2.6-5.

Suspense Reduction Team

June, 2003 – The KPC launched a team dedicated to the following goals:

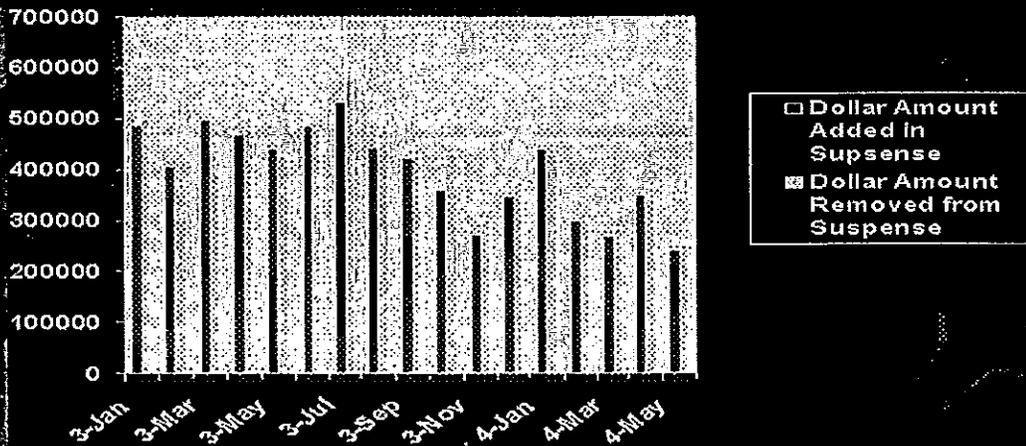
1. Reduction of the number of items placed into suspense
2. Improve efficiency in managing suspense
3. Decrease the amount of overtime at KPC

In order to achieve these goals, the team needed dedicated members. The team members must represent every department. Finally, the team must be on the same page with regard to their goals.

Since the implementation of the Suspense Reduction Team in June of this year, the KPC has experienced a significant drop (44%) in the number of transactions placed in suspense. Education and awareness of processes or procedures via emails and staff meetings were quite effective. Quality Assurance processes were solidified between departments to a mainstream format that all could follow. The Payment Processing Department increased the amount of additional training and management involvement in the daily performance of the department. These steps have contributed to the decrease in number of items placed into suspense.

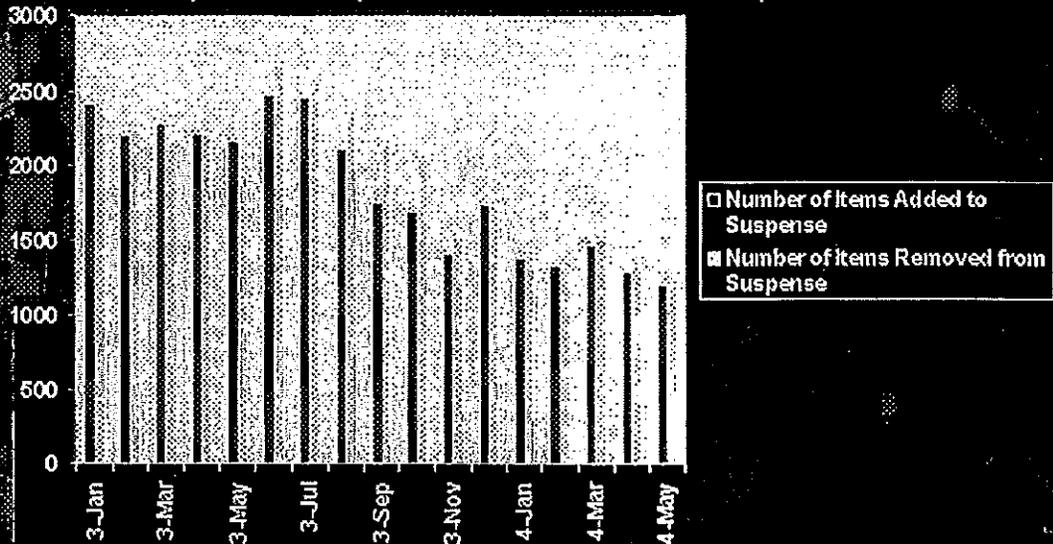
Best Practice - Suspense

The chart below reflects the change in the monetary amount placed in suspense versus the amount removed from suspense before and after the formation of the Suspense Reduction Team. The amount placed into suspense prior to the Suspense Reduction Team was close to 500K per month. The most recent completed month placed approximately 239K into suspense.



Best Practice - Suspense

The chart below displays the number of items placed in suspense versus the number of items removed from suspense before and after the conception of the Suspense Reduction Team. As you can see, the number of items added to suspense prior to the Suspense Reduction Team was close to 2500. The most recent completed month placed under 1200 items into suspense.



QA Process

The Research, Customer Service and Payment Processing Department have calibrated best practices to derive to an easy to manage Quality Assurance process. The QA process assists us in achieving the contractual obligation to research all suspense items within 17 business days of the item being placed into suspense. This process is broken down to a number of steps.

1. The item in suspense is worked by an Unidentified Researcher, who resides in the Payment Processing area, the first two business days of its placement in suspense.
2. On the third business day, the item is assigned to a department to be worked. The assignment is based on the error code given and the maker of the check's name. (The departments divide the items in suspense by an alphabetical split.) The leads in each department pull the transactions from suspense and take ownership of all transactions assigned to their department. Those transactions are then emailed/assigned to the staff and they are instructed to work those transactions and, if needed, request more items from their lead.
3. On the fifth business day, the leads go through the assigned items to ensure ownership has been taken and acceptable notes have been entered.
4. The transactions are followed up on by the leads and supervisors twice a week after the last step is completed to monitor its progress in suspense.

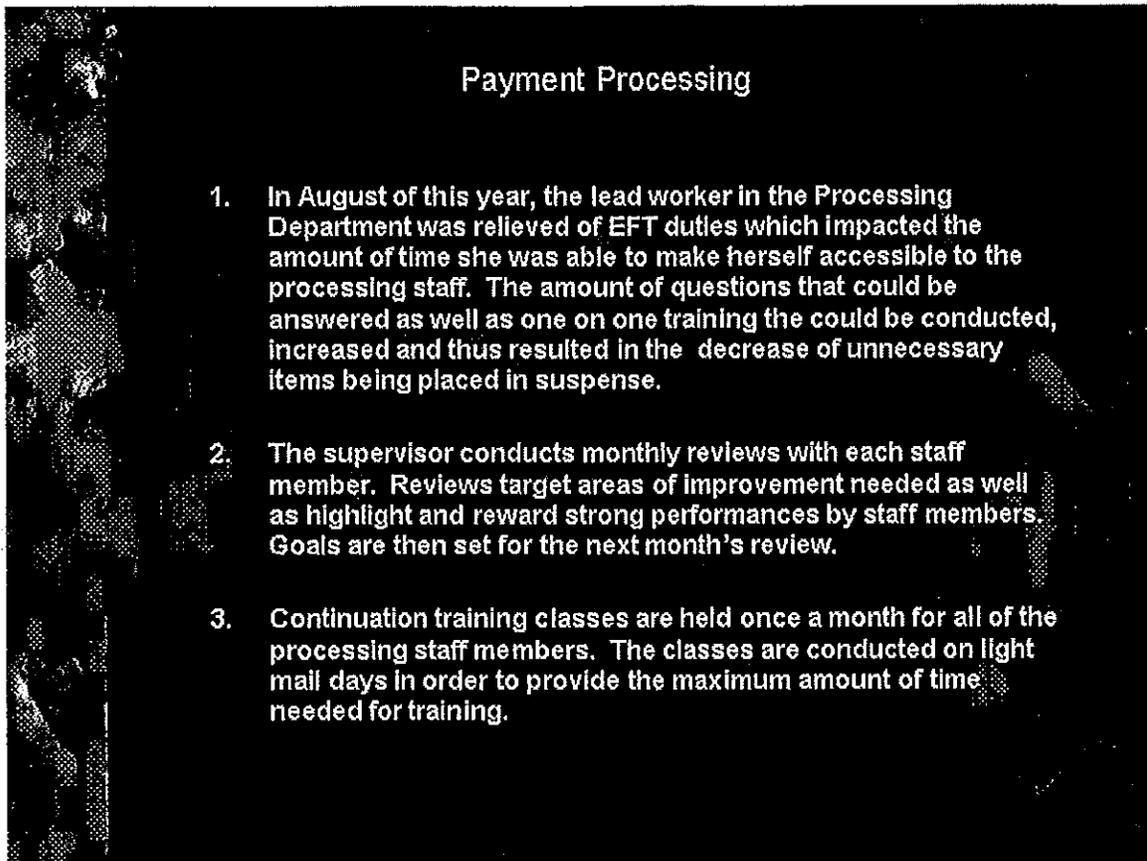


Figure IV.B.2.6-5. In our Kansas SDU, we initiated a Suspense Reduction Team when we took over to reduce the amount of existing suspense as well increase the speed of which items were researched.

Tier has demonstrated that we have the highest level of concern for the timely and accurate identification of child support payments. We have consistently exceeded expectations in this area and strive to develop new processes and procedures that will allow continued improvements in both efficiency and accuracy of payment identification to help “ensure that every eligible child receives child support.”

**FOC Requests for Adjustment, Release, and Reposting
[ITB II.C.2.e.5]**

The Online Resolution System (ORS), as detailed in Section IV.B.2.3, tracks requests received from FOC and MiSDU, documenting the date received, type of request, government staff who made the request, receipt number, and original processing date of receipt. ORS verifies the Re-

search Resolution Team has received the request with an automated email to the FOC or MiSDU worker who submitted the request. ORS captures data such as the date the request was submitted by the State, the date it was assigned to a research specialist, the current status of the request, the completion date of the request, and the final resolution. Tier will work with the State to determine what categories of data need to be captured.

The research specialists research the adjustment requests and reports their finding, via the ORS, to FOC and MiSDU. After completing the research and/or making the adjustments in MiCSES the research specialists enter notes in the ORS and in MiCSES. An automated email is also sent to MiSDU or FOC worker to let him or her know the work has been completed.

Our research specialists are trained in federal Personal Responsibility and Word Opportunity Reconciliation Act (PRWORA) policy guidelines with regards to distribution of funds. The research specialists apply OCS and federal PRWORA policy guidelines to the resolution/solution, elevating inappropriate requests to the supervisor for review and to the State for confirmation. Tier is familiar with the process of requesting court order documentation when necessary to identify a payment to a case not yet set up in the child support system or when question arise regarding distribution of payments on NCP with multiple cases. Tier will work with FOC and MiSDU to gather any documentation needed to correctly post payments.

Adjustments that require back out and funding from the state are to be processed according to directions from FOC and MiSDU. A transfer of funds is requested from MiSDU prior to the disbursement of the adjusted receipt.

ORS is capable of tracking and reporting adjustments that require recoupment as well as those that do not. Special codes are created to capture details for the explicit purpose of accounting, audits, case mainte-

nance, and recoupment. Reports are generated daily, weekly, and monthly, in detail for the worker and supervisor as well as summary for management analysis.

Update MiCSES Notes [ITB II.C.2.e.6]

As part of Tier's Research Resolution Service procedure, every note, each special instruction, and any action log entered into the ORS is also entered into the State's OCS system (MiCSES). For each function, templates have been created to standardize the notes. For example: Payor checks returned non-sufficient funds (NSF), Account Closed, Stop Paid all have similar notes entered into both MiCSES and OSR: "Cactus Grill - Employer check # 1234, dated 05-24-03 for \$250.65 returned NSF." A recoupment account for the same amount has been created and the NSF flag set. "JSmith(worker name) 06-15-03 (date of note entry)."

Performance, Metrics, and Reporting [ITB II.C.2.e.7]

Tier's performance standards are set to the highest possible level to ensure exceeding the expectations of our clients. After review of the State's performance standards criteria of critical activities and events we believe it is completely within our ability deliver a successful MiSDU.

At a minimum, reports on these criteria will be delivered to the state weekly.

Given the "Exceptions" found in ITB Appendix B – Performance, Metrics and Reporting, (e.g., when request volume exceeds contract level of effort estimates, MOCSES downtime in Managerial metrics does not exceed 30 minutes per day), Tier accepts the State's Escalation Process and Penalties for standards not met. The Research Resolution Team, fully staffed and highly trained, will handle the 650 plus adjustment requests anticipated daily and will exceed the State's standard of 70% within the first 5 business days and 100% within 7 business days.

Reports are generated daily, weekly, and monthly to track all adjustments requested and/or completed by categories predetermined by the State of Michigan. These reports capture valuable data that will help the State define areas within its agency structure and staff, its policy and procedures, and MiCSES that may benefit from review and adjustment. At a minimum the reports will be generated for the following data:

- ◆ Back-out adjustments that require funding from the State or the vendor (a valuable tool in recoupment efforts)
- ◆ Back-out adjustments that do not require funding
- ◆ Reports tracking the average time (weekly) each transaction takes
- ◆ The number of items sent back to the payor
- ◆ The number of requests made for adjustments and suspense releases for each hold

In addition, Tier will work with the state to determine the reports, data, and format that best serve FOC and MiSDU.

Below are two samples of reports from our Kansas Payment Center Online Resolution System that demonstrate some of the data captured on each request. A sample issue log is displayed in Figure IV.B.2.6-6. This log is detailed in Section IV.B.2.3, Research and Resolution Services, of our proposal. A sample supervisor's summary report is included in Figure IV.B.2.6-7. All reports will be customized to fit the needs of MiSDU.

Supervisor Dashboard - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites History Mail Print Edit

Address http://www.tier.com/... Go



ON-LINE ISSUE RESOLUTION SYSTEM

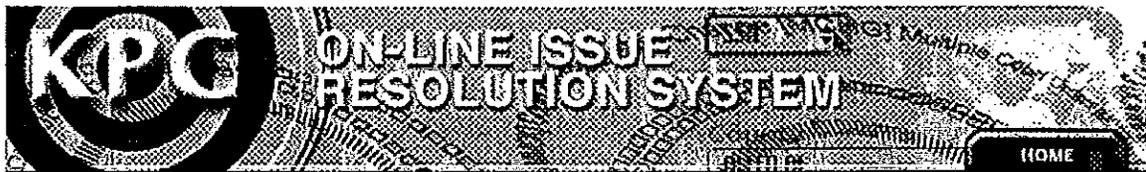
LOG OUT

Unidentified Payment

Select	Log ID Number	From	Date	Rep	Status
<input type="checkbox"/>	01-27-04-0012		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0011		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0010		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0009		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0008		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0007		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0006		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0005		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0004		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0003		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0002		1/28/04	Moszeter	Assigned
<input type="checkbox"/>	01-27-04-0001		1/28/04	Moszeter	Assigned

Done Internet

Figure IV.B.2.6-6. This sample Unidentified Payments Log will be customized to fit the needs of MiSDU.



REPORTING

The following is a current report for 1/28/04 at 8:47:32 AM:

Item	Missing Payment	Misapplied	Adjustments	Refunds	Unidentified Payment	Total
Unassigned	0	0	121	0	0	121
Open	0	7	16	1	29	53
Deferred	0	0	0	0	0	0
Active Queue	0	7	137	1	29	174
Summary						
Closed	2437	7451	74776	664	43562	128890
Archive	928	1104	93	113	94	2332
Grand Total	3365	8555	74869	777	43656	131222

Figure IV.B.2.6-7. This sample Supervisor Summary Report on issue queues will also be customized to fit the needs of MISDU.

These are just two samples of the reports available through Tier's ORS. Our ORS is described in detail in Section IV.B.2.3. Tier will work with the State to customize any report or create any new reports to fit the needs of MISDU.

IV.B.2.7 Banking and Account Reconciliation [ITB II.C.2.f]

Transition Existing State Bank Accounts with Bank One Currently Owned by the State to the Financial Institution Chosen by the New Vendor [ITB II.C.2.f.1]

Just as states commonly employ multiple contracts for banking services, Tier has elected to obtain banking services from two very capable banking partners—Fifth Third Bank and U.S. Bank. Through an analysis of banks and services provided, Tier believes that the combination of Fifth Third Bank and U.S. Bank provides the strongest possible set of banking

services addressing the specific needs of the MiSDU. Fifth Third Bank provides local banking services with a progressive outlook, while U.S. Bank provides electronic disbursement card services.

Tier based its selection of Fifth Third Bank for its banking partner, in part, on Fifth Third's capability to take advantage of the upcoming enactment of Check 21 legislation. While Check 21 specifically addresses the check clearing process within the banking industry, indirectly it enables full electronic deposits of all checks from lockbox operations. Many banks do not yet realize the far-reaching ramifications of Check 21 in this regard. Fifth Third Bank however, is a very progressive bank and is ready to embrace this latest technology in support of the MiSDU.

Prior to October 2004, there are only two options for electronic deposits:

1. Accounts Receivable Conversion (ARC), applicable only to personal checks, with its onerous notification and opt-out provisions
2. Electronic deposits with conversion back to paper, a rather cumbersome and expensive process.

Effective in October, 2004, however, Check 21 will enable Michigan to become the first SDU in the country that does not deposit any paper checks. Performing an entirely electronic deposit eliminates risks associated with moving large volumes of paper checks, eliminates dependency on highly mechanical pass II equipment, and strengthens Tier's business continuity plan as it is no longer limited to backup facilities near bank deposit facilities.

Tier based its selection of the U.S. Bank for its banking partner, in part, on U.S. Bank's proven capability to provide electronic disbursement card services. U.S. Bank has the longest and broadest history of providing electronic disbursement card services to SDUs for child support disbursements. Since mandatory direct deposit and electronic disbursement cards

are currently being considered in at least one legislative bill, the provision of electronic disbursement card services will become an increasingly important service. If requiring legislation passes, it's likely that more than 40% of total disbursements will be done using electronic cards by 2007.

Tier proposes a bank account structure designed to separate its make whole account. Moreover, Tier proposes a structure designed to maintain separation of financial transactions by type in order to simplify reconciliation. The account structure proposed is illustrated in Figure IV.B.2.7-1 below. It is assumed all accounts, with the exception of the vendor make whole account, are owned by the State and managed by Tier.

Tier provides seamless integration to the new banking partner and new account structure by maintaining the current bank account for Automated Clearinghouse (ACH) credits receipts until all remitters have been successfully transitioned to the new bank account. Tier also proposes to keep the existing disbursement account open until all outstanding checks have cleared or are stale dated. Tier makes provision for two separate cleared checks files to be sent to MiCSES prior to final disposition of outstanding disbursements at the time of transition. If necessary, it will combine the two files before sending to MiCSES. Tier also makes provision to begin numbering checks on its new account with a number larger than the last check issued by the current vendor in order to avoid confusion from duplicate check numbers within the SDU.

Conceptual Banking Model

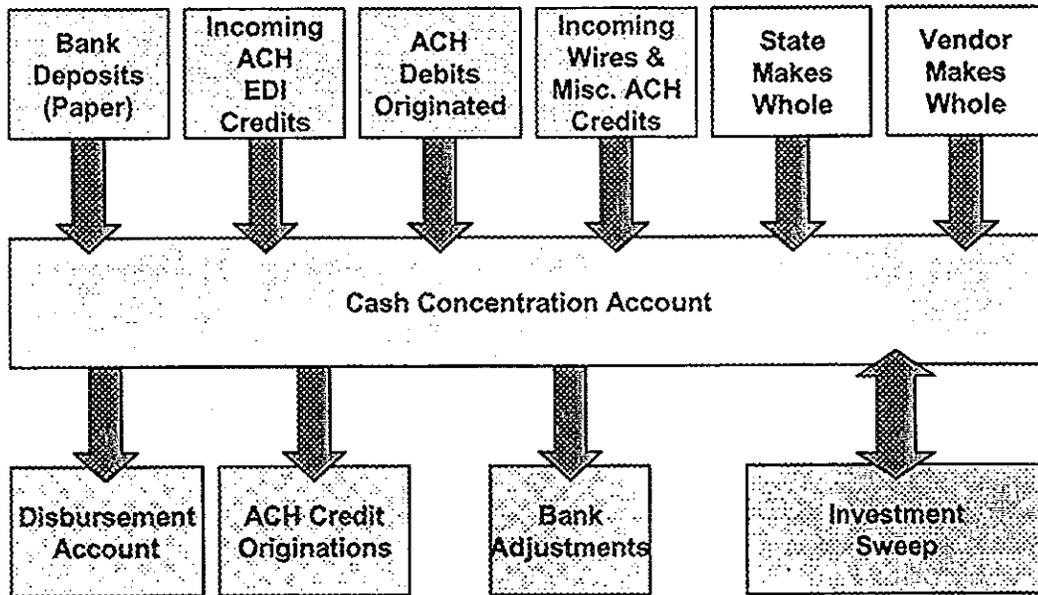


Figure IV.B.2.7-1. Tier will provide seamless integration to the new banking partner and the proposed account structure depicted here.

Fifth Third Bank does not charge a fee for client redemption of a check drawn on it. It recognizes diminished risk by utilization of positive pay and the fact that it supports positive pay at the teller terminal. Fifth Third Bank reciprocates by diminishing risk to the State through its support of positive pay validation on not only check number and dollar amount, but also on payee name (available service by second quarter of 2005). Taking advantage of this added positive pay capability requires a slight modification to MiCSES in order to include the payee name on the positive pay file. If, however, the State prefers not to make the change to MiCSES, Tier can accommodate that decision by deriving the payee name from the check file and appending it to the positive pay file before forwarding to the bank.

Tier has imbedded bank charges within its services unit rate structure per the State's requirement. Fees for Stop Pay and other services are separately and specifically identified. Fees for image requests have been ex-

cluded because Tier provides access to images for deposited checks and cleared checks on its image archive system. All images are therefore available to the State at no charge.

The primary method of communicating transaction and balance information for each of the banking accounts, regardless of size, will be electronic, using transmissions in a BAI2 file format. Fifth Third Bank currently has the flexibility to offer this capability via direct transmission and a service called Fifth Third Direct: Account Access, an online Internet portal. This service provides full account balance reporting with prior-day and intra-day reporting, detailed transaction reporting, electronic account reconciliation, and account statement generation. Information Reporting on Fifth Third Direct is available 24 hours a day, 7 days a week. Current intra-day beginning balances are posted by 6:00 a.m. ET Monday–Friday. Intra-day updates of various transaction types are performed every 15 minutes and include all summary and detail BAI2 code items, including: cash letter and check deposits (with store/location numbers) and lockbox deposits with availability, standard wire transfer detail, limited addendum text along with CCD+ standard ACH detail. Fifth Third shows up to five lines of additional detail text containing up to 80 characters per line.

Figures IV.B.2.7-2, IV.B.2.7-3, and IV.B.2.7-4 illustrate some of the features of Fifth Third Direct.

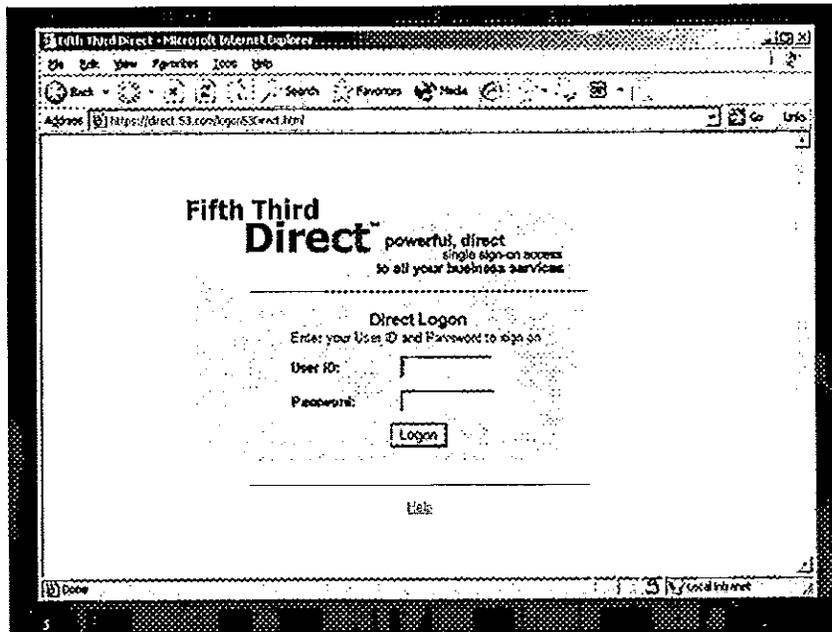


Figure IV.B.2.7-2. Fifth Third Direct provides secured access to online banking services requiring a valid user ID and password.

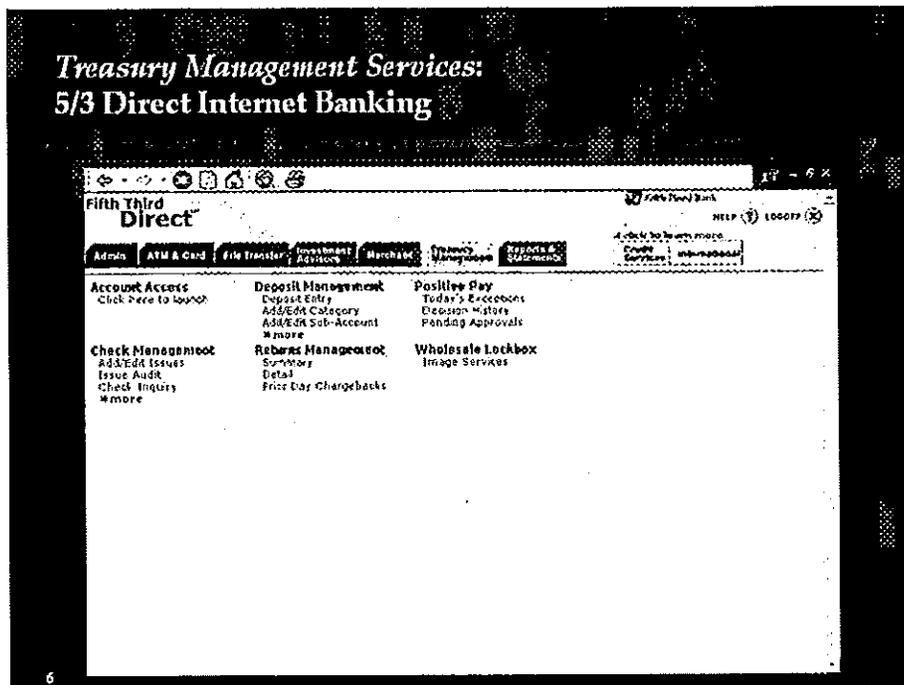


Figure IV.B.2.7-3. The Treasury Management section of Fifth Third Direct provides access to a wide variety of account information and transaction services.

Welcome
Announcements

Balance Reporting
Prior Day
Intra-day

ACIL

Who Transfers
Wire Entry
Approval
Status and Reports
Template Summary

Account Transfers
Status and Reports

Check Services
Stop Payments
Cancel Stops
Status and Reports

Administration
Audit
User Profiles

Help

Exit



Prior Day Account List

Fifth Third Bank - Northern Kentucky | Citibank Multi-Currency

Balances as of close of business: 07/02/2001

Review summary of Prior Day account information...

Fifth Third Bank-Northern Kentucky						
Account Description (Currency)	Link To	Closing Ledger	Opening Available	Closing Available	Total Credits	Total Debits
000111222 General Account (USD)	Detail Report Statement	2,499,400.34	1,840,801.76	1,661,324.03	229,349.06	1,358,415.23
222111000 Payable Account (USD)	Detail Report Statement	-532,698.07	-532,698.07	-532,698.07	500,000.00	

...including Multi-Bank balances and transactions

[Combined Report](#) | [Summary Report](#) | [Detail Report](#) | [History Report](#)

Citibank Multi-Currency						
Account Description (Currency)	Link To	Closing Ledger	Opening Available	Closing Available	Total Credits	Total Debits
999888777 Euro Account (EUR)	Detail Report Statement	58,801.57		58,801.57	0.00	89,785.26

[Combined Report](#) | [Summary Report](#) | [Detail Report](#) | [History Report](#)

Figure IV.B.2.7-4. Account balance and summary transaction information is accessible for all associated SDU bank accounts.

Customer-defined account descriptions facilitate improved account recognition. Links to more detailed information are provided for all accounts (see Figures IV.B.2.7-5, IV.B.2.7-6, and IV.B.2.7-7).

Welcome
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ACH

Wire Transfers
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Status and Reports
Template Summary

Account Transfers
Status and Reports

Check Services
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Cancel Stops
Status and Reports

Administration
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Help

Exit

Prior Day Account Detail

[Account List](#) | [Export](#) | [Help](#)

Fifth Third Bank-Northern Kentucky
General Account
Account # 000111222
As of close of business: 07/02/2001

Balance Summary				
Closing Ledger	Opening Available	Closing Available	Total Credits	Total Debits
2,499,400.34	1,840,801.76	1,661,384.03	229,349.06	1,338,415.23
One Day Flow: Two or More Day Flow: Repurchase Sweep Balance				
179,416.00	58,598.00	1,611,386.34		

[Combined Report](#) | [Summary Report](#) | [Detail Report](#) | [History](#)

Debits				
Date	Type	Number	Amount	Detail
07/02/2001	Individual Controlled Disbursing Debit		1,480.68	[Detail]
07/02/2001	Outgoing Money Transfer		1,358,380.00	[Detail]
07/02/2001	Check Paid	5560		[Detail]
Total Debits:				

Credits				
Date	Type	Number	Amount	Detail
07/02/2001	ACH Credit Received		226,258.16	[Detail]

Review all Prior Day Debit information

Review all Prior Day Credit information

To view the Detail of any item, click the Detail button

Figure IV.B.2.7-5. Account detail provides transaction information at the level required for daily reconciliation. Clicking on the detail button for any transactions brings up additional information for the selected transaction.

- Welcome
- [Announcements](#)
- Balance Reporting
 - [Prior Day](#)
 - [Intra-day](#)
- ACH
- Wire Transfers
 - [Wire Entry](#)
 - [Approval](#)
 - [Status and Reports](#)
 - [Template Summary](#)
- Account Transfers
 - [Status and Reports](#)
- Check Services
 - [Stop Payments](#)
 - [Cancel Stops](#)
 - [Status and Reports](#)
- Administration
 - [Audit](#)
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- [Help](#)
- [Exit](#)



Prior Day Transaction Detail

[Account List](#) | [Account Detail](#) | [Export](#) | [Help](#)

Account: FTNK - 00011222
General Account

As of Date: 07/02/2001

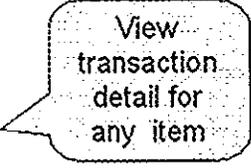
Transaction Type: ACH Credit Received

Currency: USD

Amount: 229,349.06

Reference One:

Reference Two:



Additional Information

ABC COMPANY DAILY TRANSFER ACH XFER
OFFSET TRANSACTION 070201

[Back](#)

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Figure IV.B.2.7-6. Transaction detail provides additional information for transactions.

Figure IV.B.2.7-7. Transaction export capabilities provide a simple method for extracting detail information in BAI2 or CSV format.

Establishing the best method for accessing information will depend on the final requirements of each account and the banking services supporting those accounts. Accounts requiring direct transmissions will follow the well established banking procedures for setting up and testing connectivity. For those accounts tied to Internet access, the set-up simply requires establishing the account in the banking system and then providing the authorized users with access IDs and passwords.

Fifth Third Bank offers two levels of user authentication security with single sign-on to the Fifth Third Direct portal:

- ◆ Company-wide user-ID/password security
- ◆ Individual operator-level oper-ID/password security

The Fifth Third Direct Internet portal offers secure socket layers (SSL) and Triple Data Encryption Standard (DES) and Secure Host Access sessions. The data that are transmitted for daily transmission of electronic positive pay files to the bank and the transmission of cleared check redemption files using the Host Access (Menu ADJ, Menu EFT) function under Fifth Third Direct is also secured using encryption technology and prevents unauthorized user access.

Tier will not disburse electronic disbursements prior to the issue date contained in the MiCSES file. It will clarify and document this business rule so both parties are clear as to the interpretation.

Earnings derived from the balance of SDU funds belong to the State and may be used to offset certain program expenses. Tier provides the option for the State to sweep uncommitted funds for purposes of obtaining a better earnings return. A 'soft-dollar credit', or earnings credit allowance will be applied to the average monthly positive collected balances net of the required Federal 10% reserve requirement (investable balance) held by the State-owned MiSDU accounts. The earnings credit applied to the State's investable balance may be used to offset the cost for services rendered. Please reference Section IV.B.2.1 of this proposal for further information on how earnings credit is calculated for the State.

Fifth Third Bank offers multiple investment sweep services including: repurchase agreement sweeps, NOW Account sweeps, and mutual fund sweeps comprised of treasuries, agencies, commercial paper, bank deposits, and other fixed income investments that would comply with the State's Investment Policy. Fifth Third Bank's investment sweep services provide the State with options to maximize the value of excess funds and eliminate the need to make daily investment decisions, while still maintaining balances to offset banking service costs.

In addition, Fifth Third Securities, Inc., a fully owned subsidiary of Fifth Third Bank, can offer multiple investment products that comply with

the State's requirements for investment. Fifth Third offers for purchase new issue fixed income securities as well as competitive secondary market fixed income securities. If there is a liquidity need (sell), Fifth Third will discuss and determine together the right security(s) to sell. There are no management fees associated with Fifth Third Securities, Inc. All offerings are quoted on a net yield basis (net of fees) and MiSDU will not incur any wire costs or management fees with our products. In addition, Fifth Third offers free safekeeping and custodial arrangements for securities purchased through Fifth Third Securities, Inc. Currently, Fifth Third has over \$12 billion in assets under management.

The State can maximize its earnings on float without the risk of lost capital and without additional management effort by using a controlled disbursement account. Use of a controlled disbursement account, however, carries one potential negative. Some banks may not provide available funds for deposited checks for up to 5 business days if they are drawn on a remote bank account. For this reason, Tier has not included the use of a controlled disbursement account for these two reasons but will include that offering at the State's request.

Tier proposes to coordinate the transfer of the existing State owned MiSDU accounts. In collaboration with the State and its current vendor, funds for items in suspense shall be transferred to the new bank account. Funds to cover outstanding checks and outstanding direct deposit transactions (originated and not yet effective) will remain in the current bank account. Funds for voids and stop payments will be transferred to the new account from the previous account daily as they occur. When all pre-transition checks have cleared or stale dated, the remaining funds will be transferred to the new account.

As previously stated Tier will take advantage of Check 21 legislation to convert all check deposits to ACH transactions. Additionally, Tier utilizes "returned check" (RCK) for re-presentment of eligible checks returned

marked as NSF. Taking advantage of the fact that ACH debits clear before paper checks and by using ACH timing, Tier is able to maximize recovery of NSF checks on the State's behalf.

Vendor Provides for Daily and Monthly Reconciliation and Resolution of All Banking Transactions and Activity [ITB II.C.2.f.2]

Daily and monthly reconciliation of MiSDU information with MiCSES information and bank information is an essential part of Tier's MiSDU operation in support of generally accepted accounting procedures (GAAP). Tier's SDU accounting practices employ daily and monthly reconciliation to achieve three primary objectives.

1. Provide accountability for all funds within the guardianship of the SDU.
2. Prevent and immediately detect fraud or any impropriety in the management of those funds.
3. Detect and identify any software or data problem with MiCSES, Kids1st, and any other application supporting the MiSDU. Child support financial applications are complex and regularly undergo maintenance and enhancement. It is important to recognize the potential for applications to become out-of-balance due to inadvertent or even intentional deviation from their intended functioning.

Tier recognizes and takes very seriously its fiduciary responsibility as the guardian of assets belonging to Michigan families. In support of the three objectives cited above, Tier employs a balance sheet accounting system. The MiSDU balance sheet demonstrates that SDU assets, primarily cash and make whole receivables, reconcile precisely to liabilities as reported by MiCSES and Kids1st (see Figure IV.B.2.7-8). Liabilities are reported on MiCSES accounts payable aging reports and on Kids1st unidentified payment aging and tracking reports.



Balance Sheet Accounting

<ul style="list-style-type: none"> • Suspense Fund Balance 	<ul style="list-style-type: none"> • Unidentified Payments • Distributed but not Disbursed • Disbursed but not Cleared • ACH Originated not yet Effective • Pending State Makes Whole • Pending Vendor Makes Whole • Funds Received, Awaiting Data
--	--

Assets = Liabilities

Figure IV.B.2.7-8. Tier's SDU accounting practices, including Balance Sheet Accounting, employ daily and monthly reconciliation to achieve the State's objectives.

Tier performs its daily and monthly reconciliation within the context of a double-entry accounting system developed specifically for the MiSDU. General ledger accounts are divided into asset and liability accounts consistent with the SDU charter. Accounting staff responsible for reconciliation have no cash handling or case maintenance responsibilities. Moreover, this staff is security-restricted from performing any functions inconsistent with accounting functions. This separation of duties is imposed in strict compliance with SDU audit guidelines and generally accepted accounting principles.

Daily accounting practices record financial activities as double-entry line items within a set of general ledger accounts. Accounting entries tie directly to bank, Kids1st, and MiCSES summary reports. Summary reports tie back to supporting detail reports for auditability and problem diagnosis. Tier employs Excel worksheets as an audit-accessible tool to

support its daily accounting procedures. Daily ledger entries are recorded within month-to-date worksheets. Each day, a copy of the month-to-date ledger is saved to preserve account balance information as of end of day. Files are stored as password-protected files and follow a naming standard that incorporates date such as "19950301 MiSDU Balance Sheet.xls". Each month, account balances are rolled forward into a new monthly worksheet.

Figure IV.B.2.7-9 demonstrates a set of daily accounting transactions within the context of the Balance Sheet. The first detail line shows the account balances rolled forward from the previous month. A series of financial transactions is then presented representing the activity for 03/01/05. Subsequent days' financial activity is added to the end of the worksheet generating month-to-date account balances. Once ledger activity has been recorded, specific reconciliation tasks are completed. Supporting documents are imaged as a group so that a complete audit trail for the daily reconciliation exercise is permanently captured. Having established the background for Tier's accounting and reconciliation methodology, specific reconciliation requirements of the State's ITB can now be addressed.

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1. System balance report that shows that all money received was transmitted to MiCSES or sent for Additional Research

In order to understand how this reconciliation works it is important to understand the basic Kids1st workflow. Kids1st incorporates three main workflow steps.

- ◆ Perform mail opening and image capture
- ◆ Perform financial instrument verification
- ◆ Perform payment transaction posting

The first step establishes batches and “logical” envelopes. Logical envelopes may include a financial instrument. The second step establishes a dollar value for each financial instrument. The third step establishes payment transactions that must balance, in total, to the dollar amount associated with the financial instrument. Exception items can be created at the envelope or payment transaction level. Generally speaking, there is some question as to whether or not to deposit an envelope-level exception. Transaction-level exceptions are typically unidentified payments.

In order to prove that all money received was sent to MiCSES or retained on Kids1st for additional research, it is first necessary to show that all items opened and scanned have been through all three required workflow steps or have been designated as exception transactions within the database. Since dollar values are not associated with financial instruments until the financial instrument verification step, reconciling scanned financial instruments to processed financial instruments is performed on an item count. Kids1st processing summary reports provide the necessary item counts. The Kids1st Balance Utility Report identifies scanned but unprocessed items in its list of unbalanced transactions.

The second step in this reconciliation proves that items processed are represented on the MiCSES payment file or are contained within the Kids1st exception management module. The number of checks scanned must reconcile to the number of financial instrument-level exceptions cre-

ated plus the number of financial instrument transactions created. The dollar value of the financial instruments created must reconcile to the dollar value for payment transactions created plus the dollar value of payment-level exceptions created. The beginning balance of Kids1st suspense plus the suspense items added, minus suspense items resolved must equal the ending suspense balance for Kids1st suspense. The item count and dollar value for the MiCSES payment file must reconcile to identified payments received plus resolved exceptions from previous days. The Balance Utility Report and the Daily Unidentified Report provide supporting detail for this reconciliation.

2. Receipts reconciliation showing the receipts received at the MiSDU

In addition to verifying that the MiCSES file is successfully transmitted each day, a subsequent reconciliation verifies the item count and dollar amount from Kids1st equals the item count and dollar value from MiCSES allocation and distribution plus any items excepted from the allocation and distribution process. The Balance Utility Report provides the Kids1st totals to be compared against a MiCSES daily distribution report.

3. Reconcile Receipts Received

On-line bank statements are used to record banking activity on the Balance Sheet Worksheet. Screen prints are captured to provide audit trail. Cash deposits, ACH credits received, and ACH debits effective are reconciled against the Kids1st processing totals for the day. The bank deposit activity dollar total is also reconciled against the file transmitted to MiCSES (deposited funds = transactions on MiCSES file - resolved exceptions on the file from previous days + unidentified payments received and retained on Kids1st for research and resolution.)

4. Daily Bank Reconciliation

The Balance Sheet Worksheet is designed to accomplish the reconciliation. Bank account balances per the bank statement are reconciled against bank account balances computed on the Balance Sheet Worksheet. Assets

are then compared to liabilities to ensure that MiCSES and Kids1st are in balance with the bank account.

5. Receipts/Disbursement Breakdown

Kids1st provides statistical reporting by both payment source and payment method. Transaction counts and dollar values are provided at the financial instrument and payment transaction level. Kids1st also reports exception items sent to research and identified payments sent to MiCSES.

6. Disbursement Reconciliation

The outstanding direct deposits account within the balance sheet shows ACH credit originations as credit transactions and ACH credits effective as debit transactions. The account balance shows the dollar value for outstanding items. Tier proposes using a 2-day origination window for ACH credit originations. Therefore, the outstanding balance on the direct deposit account equals current day's originations plus prior day's originations.

7. Receipts and Disbursements in the Cash Concentration Account

The Balance Sheet Worksheet tracks both receipts and disbursements at the summary level. Supporting detail reports from Kids1st and MiCSES provide audit information to support outstanding item summary totals.

8. Contractor Work and Resolution on all Bank Adjustments

As bank adjustments are received they are posted to the "make whole pending" account within the Balance Sheet Worksheet. As ownership of the liability is determined the pending liability is moved to the "state make whole" or "vendor make whole" account as appropriate. As funds are transferred from the appropriate make whole account, the cash account is debited and the make whole account is credited. Bank adjustment details are recorded and tracked within the Kids1st adjustments module.

9. Mail Items Opened and Not Deposited at the End of Each Day

Mail opened but not reaching final disposition in terms of being sent to MiCSES or being committed to Kids1st research is reported on the Kids1st Balance Utility Report. Items not opened are tracked manually until they are opened and scanned at which time the prior mail received date is committed to the database as a permanent record. Kids1st then reports items where the mail date differs from the process date and the difference does not result from weekends and holidays.

10. Ad hoc Reports

Using Crystal Reports and its Kids1st SQL Server database, Tier provides ad hoc reports as requested for financial information. Data can be extracted to ACCESS databases or to EXCEL worksheets as well if requested.

Kids1st is capable of producing a wide range of reports, and Tier will work with the State on identifying which ones will be appropriate. Additional Michigan-specific reports are included as part of the Kids1st installation plan. Figure IV.B.2.7-10 summarizes Tier's approach to daily and monthly reconciliation and resolution of all banking transactions and activity.

Paperless Deposits	Taking full advantage of recent Check 21 legislation, Tier is able to make paperless bank deposits sending images and data to its banking partner and eliminating the transport of live checks. Check 21 enables banks to clear items electronically. Progressive banks have developed innovative solutions applying Check 21 to enable fully electronic deposits. This Check 21 approach overcomes the eligibility, notice and opt-out hurdles imposed by Accounts Receivable Conversion (ARC). Michigan will be the most highly automated SDU in the nation once Tier and Fifth Third Bank leverage SDU imaging within the constructs of Check 21.
Payee Name on Positive Pay	Adding payee name to check number and dollar amount validation within positive pay affords the State the highest level of fraud protection.
Balance Sheet Accounting	Tier introduces a Balance Sheet approach toward balancing SDU funds against liabilities. The Balance Sheet provides auditable proof that SDU funds are properly accounted for. It provides assurance that discrepancies, regardless of the underlying cause, are detected immediately and resolved. Many SDU operations reconcile only deposits and disbursements and make no attempt to reconcile funds against liabilities accounted for on the host MiCSES. Tier's Balance Sheet provides integrated end-to-end accounting.
Protection Against Duplication	Duplicating transactions has been a recurring problem in some SDU operations. Tier prevents duplicating transactions by maintaining focus on accounting controls, employing redundant validations by independent sources on vulnerable operations and by including system detection at the file, record and sub-record levels.

Figure IV.B.2.7-10. Tier's approach to daily and monthly reconciliation and resolution of all banking transactions and activity incorporates the most up-to-date, best-in-class banking services available.

Vendor-Banking Seamless Services Requirements [ITB II.C.2.f.3]

In an effort to incorporate best-in-class banking services as part of its offering to Michigan, Tier has actually selected two partner banks and will separate banking services between the two. Tier selected U.S. Bank as its partner for electronic card disbursements. U.S. Bank has been highly successful in providing electronic card services for child support through its ReliaCard VISA product. With a proven solution for child support electronic card services in Colorado, Iowa, Minnesota, and Washington, and with the recent award for a four-state consortium, U.S. Bank is the best

choice for Michigan. Furthermore, its support of a consortium project is consistent with Michigan's long-term vision to provide regional SDU services to multiple states.

While U.S. Bank provides a strong and proven solution for electronic card disbursements, Fifth Third Bank provides an equally strong solution for bank deposits and other local bank services. It embraces and leverages Check 21 legislation to offer a new and exciting solution for paperless bank deposits. Check 21 legislation enables banks to overcoming the eligibility, notice, and opt-out hurdles imposed by ARC. Only the most progressive banks fully recognize the potential for Check 21 and plan to take advantage of it: Fifth Third Bank is one of them.

Tier's incorporation of this strong banking duo, combined with its plan for transitioning EFT payments to the new account and its plan to gracefully age out the current SDU check issuance account, solidify its solution for seamless vendor-banking services. Moreover, its experience and capability to translate existing MiCSES interface file formats to standard banking interface formats used by its banking partners eliminates the need for special programming on the part of the banks.

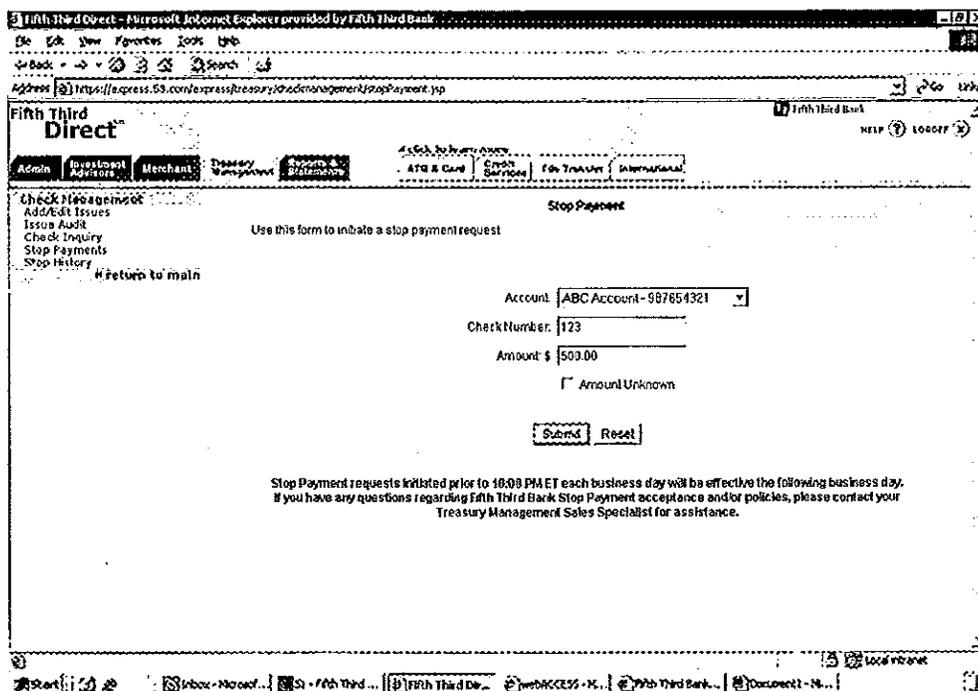
1. Identify/Resolve Out-of-Balance Conditions

Two cornerstones for Tier's implementation and operations strategy for MiSDU enable it to identify and resolve out-of-balance conditions related to the four conditions cited above as well as any other causes for out-of-balance conditions. First, Tier's process breakdown methodology and tool for thoroughly defining all necessary business processes ensures that all business case scenarios are accounted for and planned for. Analyzing current procedures, establishing "to be" processes, documenting policies and procedures by process, and relating duties within job descriptions to operational processes within its process breakdown structure tool ensures proper definition and staffing for business procedures. Second, Tier's in-

corporation of balance sheet accounting practices imposes a daily accounting routine that immediately identifies any out-of-balance conditions.

2. Stop-pay Requests

With online access to initiate bank stop payments, Tier accounting staff are responsible for both the MiCSES and banking entry of stop payments. Procedures dictate that stop payments are first placed on the banking system and, immediately thereafter, MiCSES actions are recorded. A daily reconciliation confirms that all stop payments recorded at the bank are accurately reflected in MiCSES as well.



The screenshot shows a web browser window titled "Fifth Third Direct" with the URL "http://express.53.com/express/treasury/stopmanagement/stoppayment.jsp". The page header includes navigation links for Admin, Investment Advisors, Merchant, Treasury, and Business. The main content area is titled "Stop Payment" and contains the following form fields:

- Account: ABC Account - 987654321
- Check Number: 123
- Amount \$: 503.00
- Amount Unknown

Buttons for "Submit" and "Reset" are located below the form. A note at the bottom of the form states: "Stop Payment requests initiated prior to 18:00 PM ET each business day will be effective the following business day. If you have any questions regarding Fifth Third Bank Stop Payment acceptance and/or policies, please contact your Treasury Management Sales Specialist for assistance."

Figure IV.B.2.7-11. Tier utilizes Fifth Third Direct to initiate stop payments.

A two-step process for submitting and then confirming stop payments using the web-based Fifth Third Direct software helps to ensure stop payments are accurately recorded within the banking system. Moreover, with tight integration between the stop payment and positive pay systems through the bank's ARP system, the bank will detect and notify Tier if a user attempts to enter a stop payment providing a check number and dollar

amount inconsistent with positive pay information recorded at the bank, as illustrated in Figure IV.B.2.7-12.

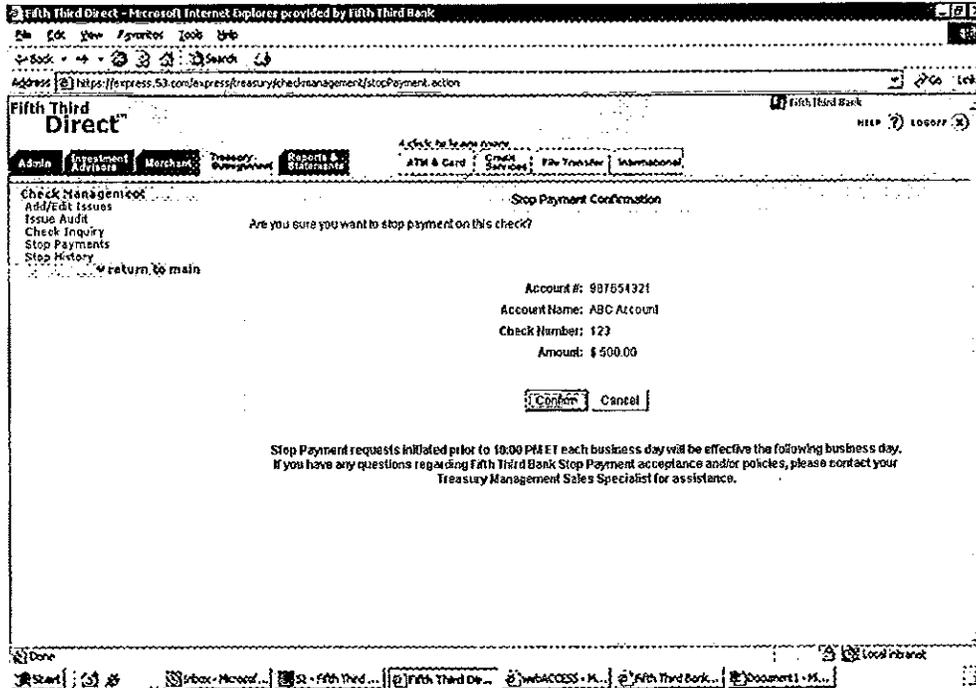


Figure IV.B.2.7-12. Fifth Third will detect and notify Tier if a user attempts to enter a stop payment providing a check number and dollar amount inconsistent with positive pay information recorded at the bank.

3. Stolen Check Reporting

This requirement perfectly illustrates the value of Tier’s process breakdown methodology for defining business processes within its MiSDU operation. Resolving reported stolen checks is an operational process that clearly requires established State policy. As part of its implementation services, Tier obtains and clarifies current policy and procedure related to this task. It then develops its own operating procedures to support the policy. Both are documented and made available for State/audit review. Written procedures include affidavit procedures, research and verification procedures, bank resolution procedures, MiCSES accounting procedures and culminate with procedures for disbursement to the client or third party.

When a stolen check is reported, the first order of business is to determine the status of the check to verify whether or not it has been cashed. If it has been cashed, Tier is able to provide an image of the front and back of the check. Tier staff, as well as State staff, has immediate access to images for all cleared checks because they are stored on Tier's image archive system. This makes it easy to compare the signature on the item in question as well as any previous checks issued and paid. If the signatures appear to be the same, a copy of the image is provided to the payee, often resolving the issue. If the check has been cashed and the signature appears different from previous signatures or if there is no history for comparison, Tier will follow documented procedures for check fraud situations. It will work with its disbursement banking partner, Fifth Third Bank, to recover monies from the bank accepting the fraudulent item.

If the check has not been cashed and prerequisite actions have been completed, Tier places a stop payment on the check using a web-based bank interface. Tier then records the stop payment on MiCSES causing the disbursement to revert back to an undisbursed status while removing the original item from the positive pay file.

Part of Tier's outreach plan for electronic disbursement is to strongly suggest the use of direct deposit or electronic disbursement card in each stolen check situation. The inconvenience and delay associated with a stolen check provides a strong incentive for payees to reconsider the benefits of electronic disbursement.

4. Present NSF Checks

Tier employs a proven approach for maximizing collection on eligible NSF checks that do not clear upon first presentment. Instead of simply representing the check for deposit a second time, Tier immediately converts the item to an RCK ACH transaction. Doing so accomplishes two things. It increases the likelihood of successful collection upon first re-presentment since, within banking systems, ACH debits post before

checks are paid. Second, immediate conversion to ACH provides Tier with an opportunity for a third presentment, should the second presentment fail. This is not an option if the second presentment is done the conventional way by representing the check itself. When required, the third presentment is carefully timed based on industry trends to increase the probability that funds will be in the account. For items not eligible for RCK re-presentment, Tier times the re-presentment to occur based on established payer deposit cycles.

Using Fifth Third Bank for re-presentments rather than some other third-party service enables Tier to see a complete history of the item within Fifth Third Direct. The following series of screens (Figure IV.B.2.7-13, Figure IV.B.2.7-14, and Figure IV.B.2.7-15 below) demonstrate how Fifth Third Direct supports searches for returned items, provides complete reporting for the return item status and reason for return and provides access to the image of the returned item.

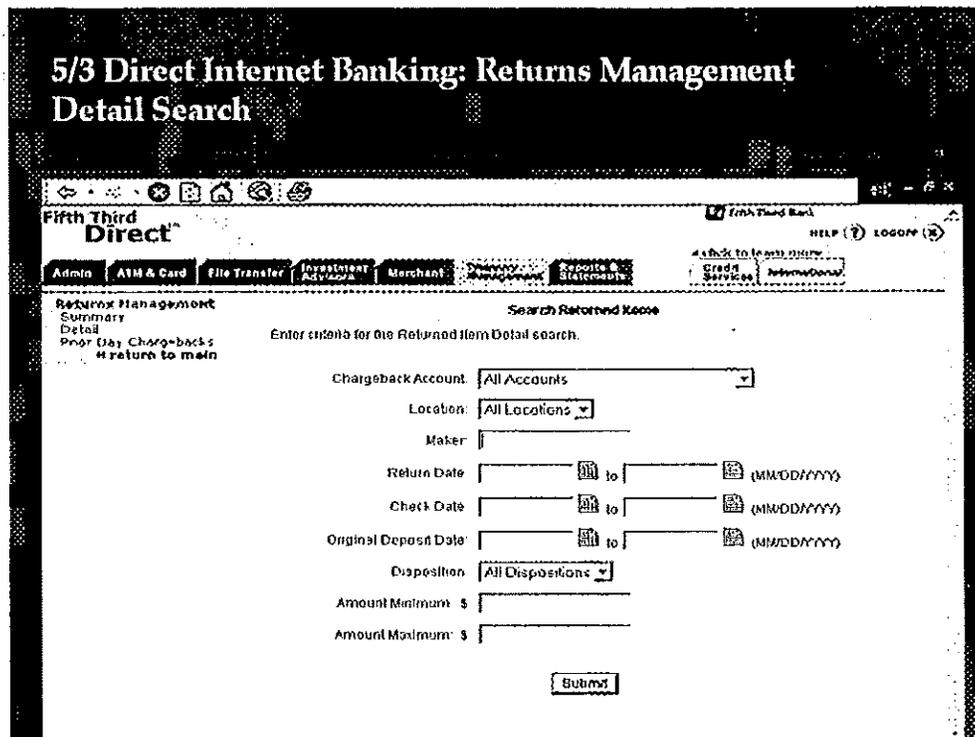


Figure IV.B.2.7-13. Fifth Third Direct supports Returned Item searches.

5/3 Direct Internet Banking: Returns Management Detail Search Results

Returned Item Detail

Search Criteria: Chargeback Account: All Accounts Disposition: All Dispositions
 Location: All Locations Return Date Range: 05/01/2003 to 06/05/2003

ABC Company - Depository Account - 212-33333

Return Date	Maker I/T	Maker Account	Maker	Check Number	Reason	Amount	Check Date	Deposit Date	Disposition	Location Number	Sequence Number	Image
05/14/2003	042000314	40040000	JC	95104	NSF	110.00	07/06/2002	07/03/2002	1st RCK	1	1234567893	
05/14/2003	042000314	06412345	Jon Miller	601	NSF	104.67	07/07/2002	07/05/2002	3rd RCK	2	1234567894	
05/14/2003	042000314	12345678	Chris Jones	1234	Closed Account	1,250.00	07/01/2002	07/02/2002	Chargeback	2	1234567895	
Returns Totals		Items: 3	Amount: 1,364.67									

ABC Company - Operating Account - 111-22222

Return Date	Maker I/T	Maker Account	Maker	Check Number	Reason	Amount	Check Date	Deposit Date	Disposition	Location Number	Sequence Number	Image
05/14/2003	042000314	56743210	Steve Black	2458	NSF	9,143.21	07/06/2002	07/05/2002	Paper	1	1234567890	
05/14/2003	042000314	13567890	John Brown	456	NSF	22.50	07/02/2002	07/03/2002	1st RCK	1	1234567891	
05/14/2003	042000314	05709123	Bob Smith	6789	Closed Account	579.41	07/05/2002	07/06/2002	Chargeback	2	1234567892	
Returns Totals		Items: 3	Amount: 9,745.12									

Figure IV.B.2.7-14. Fifth Third Direct provides the entire history of Return and Re-representation.

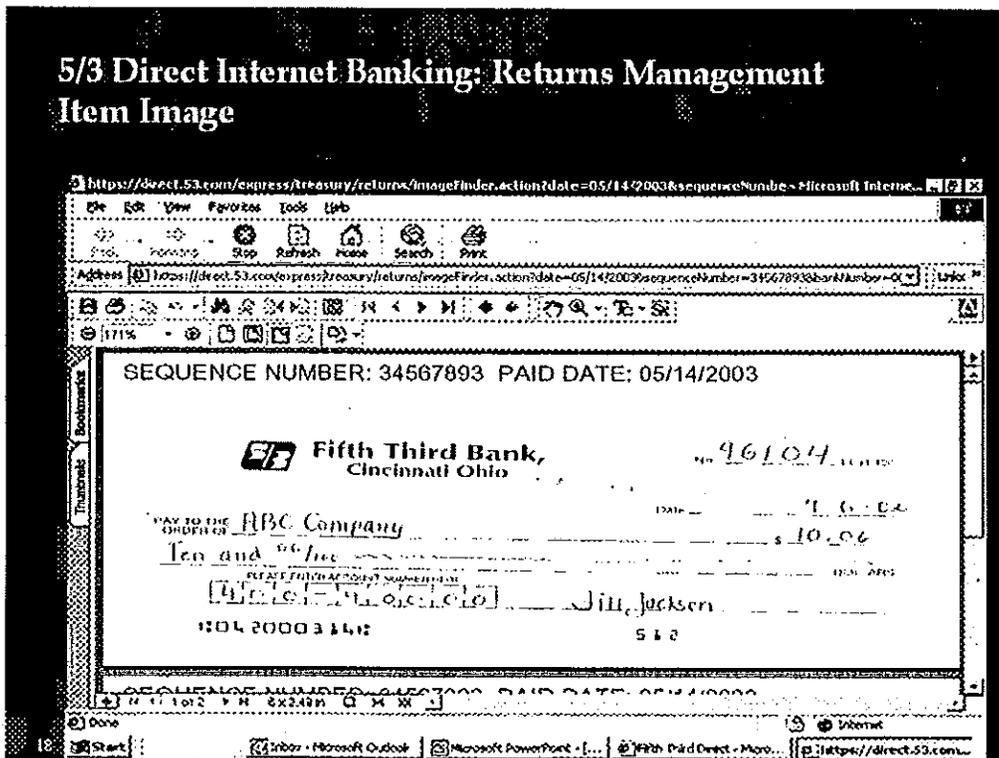


Figure IV.B.2.7-15. Fifth Third Direct provides image access for Returned Items.

5. Research and Resolution of Rejected Checks

Whenever a zero balance account or controlled disbursement account (CDA) is employed for SDU check issuance, there is some risk that tellers will perform a balance check, see that no funds are in the account, and refuse the item. Fifth Third Bank mitigates this potential problem since accounts are clearly distinguishable as CDAs with identified funding accounts on Fifth Third Bank system for tellers to view.

If MiSDU checks are rejected by Bank One or another bank, Tier contacts that bank directly and resolves the issue. Tier also recognizes this as an opportunity to promote the benefits of electronic disbursement and will contact the payee in an attempt to authorize direct deposit or disbursement to an electronic card.

6. Request/Respond to Image Requests

Tier is able to expedite handling of image requests from the FOCs and law enforcement agencies by maintaining images for all paid checks in its image archive system. Just as Tier staff has access to the image for a check being investigated and all previous checks for the same payee, FOC staff has the same, web-based direct access to the images. Law enforcement agencies are able to obtain copies of images immediately by requesting them from Tier SDU staff or from the FOC.

7. Reconciling and Clearing of Cleared Check Differences

Tier, on a daily basis, makes decisions with respect to whether or not to pay positive pay file exceptions. Using the Fifth Third Bank-provided web application, Fifth Third Direct, Tier accounting staff is able to review each positive pay exception and decide whether to honor the item or reject it (see Figure IV.B.2.7-16). Positive pay exceptions in the current Michigan environment are determined based on check number and dollar amount. The check number for the item being paid must match a check number on the positive pay file and the associated dollar amount must equal the dollar amount on the positive pay file for the corresponding

item. Application of positive pay in this fashion detects encoding errors made by depositing banks and detects fraud situations where dollar amount has been altered or a counterfeit check drafted using a non-existent check number.

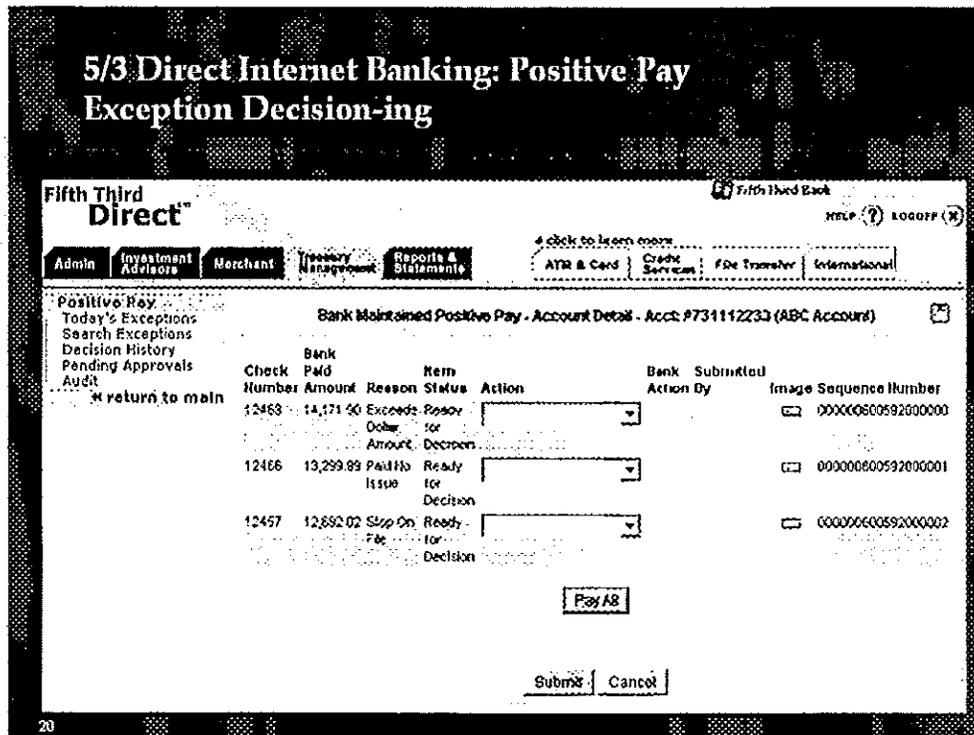


Figure IV.B.2.7-16. Using Fifth Third's web application, Tier accounting staff is able to review each positive pay exception and decide whether to honor the item or reject it.

Protection not afforded under the current positive pay system is protection against a counterfeit check using a valid check number and dollar amount but with a different payee name. As check stock, MICR toner, and check printing software are now readily available and affordable on the consumer market, check fraud is becoming more sophisticated. Stolen checks are quickly and easily reproduced with a payee name to match a fake ID. For this reason, Tier sought out a banking partner providing an enhanced level of positive pay capabilities. By the end of first quarter 2005, Fifth Third Bank will add payee name to its positive pay capabilities. Tier provides a plan to incorporate this new feature for Michigan. If

the MiCSES-produced positive pay file can be changed to incorporate payee name, Tier passes the file as-is to Fifth Third bank. Without MiCSES changes, Tier extracts payee name from the disbursement file and integrates it into the positive pay file for Fifth Third Bank. Either way, the State of Michigan is afforded the latest and greatest in positive pay protection.

Fifth Third Bank also offers Teller Line Positive Pay (TLPP) services as an enhancement to Positive Pay. TLPP is included as part of the standard Positive Pay Service. TLPP is an enhancement designed to better protect both the customer and the bank. TLPP detects check fraud prior to encashment by providing a teller with an interface that compares the MICR line information against check issue information housed in the bank's account reconciliation system. This comparison enables quick identification of check fraud.

8. Checks Not Completely Cleared

Within Tier's MiSDU solution checks not completely cleared but still in some type of pending condition within the bank are not applied against the account and do not appear on statements. Positive pay exceptions are items potentially falling into this classification, but only intra-day. Positive pay exceptions are paid only upon explicit confirmation by Tier accounting staff. If explicit confirmation is not received by the daily cutoff time, items are returned not paid.

9. Reconciling and Maintaining Positive Pay File

Tier performs a daily reconciliation matching the information from the MiCSES check print file against information on the MiCSES positive pay file. Only if record counts and dollar totals from the two files balance are checks released for printing and mailing. This is one of several controls in-place to provide 100% protection against issuance of duplicate disbursements. Many SDUs have experienced problems with duplicate issuance of checks and/or direct deposit originations. Duplication prevention

must be incorporated at the file, record and, in the case of EFT transactions, at the DED segment level. Tier incorporates these necessary protections and others knowing that duplication can sometimes be disguised due to factors such as file concatenation and data restoration from backup. Reconciliation and maintenance of the positive pay file is one way Tier assures disbursement accuracy.

Tier also makes provisions for extenuating circumstances. If, for example, the State issues a manual check, the information related to the manual check is entered directly onto the positive pay file at the bank as a special exception update. Likewise, voided check status for items on the MiCSES positive pay file result in removal of items from the positive pay file at Fifth Third Bank. Tier performs all necessary maintenance to ensure the bank positive file is in synchronization with MiCSES.

10. Requesting Make-wholes

Fifth Third bank provides MiSDU and Tier with a Returns Management product via Fifth Third Direct, the bank's online Internet portal. Returns Management via Fifth Third Direct offers next-day detail on all Return Deposit Items (RDI) activity, including images of the RDIs, via the Returns Management module in Fifth Third Direct. Tier employs a "derog" or negative file within Kids1st to ensure that all subsequent checks are returned after an NSF is received. Tier clarifies the State's policy and business rules to clearly define three critical decision criteria with respect to this process.

1. Once an NSF is received are all subsequent payments returned or only those not received via certified funds?
2. Is there a time limit for this restriction or does the restriction remain in effect permanently or until the State explicitly rescinds the restriction?
3. Is the restriction imposed at the remitter, bank account, member, or case level?

Tier then develops written procedures and documents system logic with respect to this requirement to ensure compliance with State intent. This process occurs as part of Tier's process breakdown methodology for defining its MiSDU operation. Using the process breakdown tool and information catalogue the State can easily ascertain that Tier meets not only the ITB requirements but also the underlying intent.

In support of this requirement Tier also establishes State-approved procedures for maintaining the appropriate flags on MiCSES and Kids1st. It's possible the State will want to use this same capability to flag items other than NSF checks. If, for example, an employer places a stop payment on a check issued to the SDU or if the Governor's office needs to know the moment a check is received for a particular case, the same system capabilities can be employed. Protocol for submitting and authenticating requests must be established, however.

If Tier accepts a subsequent NSF check after receiving notice of a first NSF check, it assumes responsibility to make whole on the subsequent item and to perform all necessary accounting to ensure that the Balance Sheet remains in balance.

- ◆ Vendor sends letter to payer with notification of NSF condition and requests payer make-whole. Assures if the payer makes whole, the monies are applied to the debt recovery and not applied as current support.

Tier generates NSF recovery letters notifying payers of NSF conditions and requesting payer make whole. As part of its process breakdown methodology for defining its MiSDU operation, Tier performs the following tasks during implementation.

1. Record the process for generating NSF recovery letters on its process breakdown structure.
2. Establish business rule regarding the address to which the letter should be sent. Should this be the address of record contained on the MiCSES validation file, the address on printed on the check

itself, the return address on the envelope containing the check, or some hierarchy of rules depending on which addresses are present?

3. Validates proper staff allocation to the process.
4. Obtains and catalogues current NSF letter used.
5. Discusses any potential letter improvements with State.
6. Designs updated letter and seeks State's approval.
7. Catalogues the new letter within the process breakdown tool.
8. Documents and catalogues procedures for this process.

Tier assures that payer make whole payments are applied to debt recovery and not applied as current support. Once again it's imperative to clarify and document State policy regarding recovery of debt recovery payments. Tier provides the tools to accurately enforce the State's policy once its clearly defined. Procedurally, Tier uses its Kids1st "derog" file to identify all cases where debt recovery is an issue. As a payment is received for one of these cases, the "derog" message is displayed, actions are taken consistent with State policy and a QA review flag is set to prioritize the payment for subsequent, targeted QA review.

- ◆ Refers to Michigan Treasury Department for collections after 30 days.

Tier refers uncollected debt recovery items to Michigan Treasury Department after 30 days in accordance with documented State policy and procedure and in accordance with SDU-established procedure as approved by the State.

- ◆ Responds to information requests from Michigan Treasury Department Collections Unit, and if adjustment request, submits to the State for approval.

Tier responds to information requests from Michigan Treasury Department Collections Unit and submits adjustment requests to the State for approval. Moreover, images for bank return items are

committed to Tier's image archive providing direct access to Michigan Treasury Department Collections Unit staff.

- ◆ Makes whole on any checks identified as replacement that were processed.

Tier will make whole any identified replacement checks improperly processed as support collections. Failure to process according to documented, State-approved policy and procedure constitutes improper processing for these items.

- ◆ Receipts payer and Treasury collections make-whole and applies against State or vendor recovery accounts in MiCSES to avoid payer receiving credit for additional support payments or applies for employer accounts receivable.

Following defined, documented and approved policies and procedures and utilizing the tools within Kids1st, Tier accurately receipts payer and Treasury collections make-whole and applies against State or vendor recovery accounts in MiCSES. Payer-level flags causing informational messages to display to payment processors when debt recovery accounts exist, promote extra scrutiny when payments are posted in association with these cases. The same flags place QA priority on these items causing a second-level review by an independent QA staff person.

- ◆ Backs out receipts in MiCSES for NSF and Stop Payment Checks.

Tier backs out receipts in MiCSES for NSF checks, stop payment checks, and other bank returns in accordance with documented procedures for these situations.

- ◆ Maintains NSF indicators for payers in vendor-provided systems and MiCSES.

Tier maintains NSF indicators for payers in its Kids1st system and on MiCSES. Other necessary indicators shall be maintained as well. At

the State's request Tier will develop an automated interface to or from Kids1st to better ensure that indicators remain in synchronization between the two systems. Tier has implemented similar interfaces in other states and has even incorporated bi-directional caseworker communication into its indicator system. In Minnesota, for example, caseworkers are able to establish indicators on Kids1st and request written responses when payments are posted on special circumstance cases.

- ◆ Vendor tracks NSF and Stop Pay checks and must be able to report outstanding amounts at the detail and summary levels.

Within Kids1st, NSF checks and other bank return items including stop payments are tracked. Outstanding amounts are reported at the detail and summary levels.

Figure IV.B.2.7-17 summarizes five important differentiators discussed in this section that provide significant value to the State of Michigan.

Process Breakdown Methodology	<p>Tier's implementation methodology decomposes the MISDU operation using a process breakdown structure (tree diagram) that becomes the basis for cataloging and navigating information within its database tool. Information catalogued by business process includes: ITB requirements, State policy, State business rules, SDU operational procedures, training materials, and much more. This methodology imposes a formal and structured approach to defining the SDU operation. It promotes better communication with business partners and stakeholders. It provides and imposes a clear mutual understanding of requirements, intentions, and expectations. Information is recorded in a single repository and can be located very easily by navigating the SDU process tree.</p> <p>The result is a consciously defined, thoroughly documented, well-organized, and well-understood MISDU operation.</p>
Paperless Deposits	<p>Taking full advantage of recent Check 21 legislation, Tier is able to make paperless bank deposits sending images and data to its banking partner and eliminating the transport of live checks. Check 21 enables banks to clear items electronically. Progressive banks have developed innovative solutions applying Check 21 to enable fully electronic deposits. This Check 21 approach overcomes the eligibility, notice, and opt-out hurdles imposed by ARC (Accounts Receivable Conversion). Michigan will be the most highly automated SDU in the nation once Tier and Fifth Third Bank leverage SDU imaging within the constructs of Check 21.</p>
Payee Name on Positive Pay	<p>Adding payee name to check number and dollar amount validation within positive pay affords the State the highest level of fraud protection.</p>
Balance Sheet Accounting	<p>Tier introduces a Balance Sheet approach toward balancing SDU funds against liabilities. The Balance Sheet provides auditable proof that SDU funds are properly accounted for. It provides assurance that discrepancies, regardless of the underlying cause, are detected immediately and resolved. Many SDU operations reconcile only deposits and disbursements and make no attempt to reconcile funds against liabilities accounted for on the host (MiCSES) system. Tier's Balance Sheet provides integrated end-to-end accounting.</p>
Protection Against Duplication	<p>Duplicating transactions has been a recurring problem in some SDU operations. Tier prevents duplicating transactions by maintaining focus on accounting controls, employing redundant validations by independent sources on vulnerable operations and by including system detection at the file, record, and sub-record levels.</p>

Figure IV.B.2.7-17. These five features of the Tier solution will provide significant value to the State of Michigan.

EFT/EDI Outreach and Certification and Credit Card Promotion [ITB II.C.2.g]

Tier is well aware of the advantages of using the ACH network to process child support payments through the use of Electronic Funds Transfer (EFT). EFT offers an efficient and highly automated alternative to paper checks. This translates into savings for both the State of Michigan and the employer or state IV-D agency utilizing this method. Because of the great advantages associated with EFT/EDI, Tier has made EFT/EDI a cornerstone of its payment processing technology at no charge to the employer or other states.

A successful EFT/EDI implementation must be supported by an effective and proactive outreach program. Tier has successfully utilized outreach in more than 25 states with our SDU and FIDM operations. Our experience will assist us in tailoring the program to be the *right program* for MiSDU.

We have been successfully providing EFT/EDI Outreach in four of our seven current SDU operations. For instance, in the State of Alabama, Tier's employer outreach efforts have resulted in a 5% increase in EFT/EDI submittals for the calendar year 2003.

Tier's goal is to achieve 100% EFT/EDI participation with the other IV-D Agencies that are capable of sending and/or receiving payments EFT/EDI within the first 12 months of operation. Our goal for employers is 100% of Michigan's 100 largest employers that are capable of sending payments EFT/EDI. It is our plan to convert employers and others states from paper checks to EFT/EDI in increments of 25% quarterly until we attain our goal of 100% enrollment. Employers who are not capable or not willing to remit payments EFT/EDI will be encouraged to utilize our Michigan Child Support Payment Website, where employers can either have the ACH file created for them or have their bank account automatically debited. See Section IV.B.2.5, Customer Services, for more information on the website and its use to increase employer EFT participation.

We realize that some states, such as California and South Carolina, have unique problems in submitting or receiving child support payments electronically because they are not yet centralized. In such situations, Tier will work the individual jurisdictions to enroll as much of that state as possible in our EFT/EDI program. Other states have special requirements for processing EFT/EDI, such as the state of New York, which requires their jurisdiction FIPS codes on the addendum records. Tier will work with the state of New York to make their enrollment possible. All efforts to motivate employers and other states to participate in EFT/EDI will be well documented and progress reports made available to the Office of Child Support Enforcement. Tier will work with the state to gain participation of every employer, large and small. A detailed discussion of Tier's Outreach methodology is included following this EFT/EDI section.

Certification/Pre-Note Testing

Tier has a complete and comprehensive EFT/EDI enrollment and certification process. The process begins with the initial contact and follows the payer through to a successful conversion from paper payments to EFT/EDI Transmittals.

One of the largest obstacles to soliciting other states to participate in EFT/EDI is Case Data Matching. Tier brings to the table the experience of working on federal work groups dedicated to the effort of establishing uniform rules for transmitting payments via EFT/EDI. Tier will assist other states with Case/NCP data cleansing during the Data Validation and Testing process. This first phase will ensure other states share correct case information with MiSDU by taking part in the (ICR) Interstate Case Reconciliation process. The ICR process will automatically download data such as Foreign Case Number, Foreign Case Member ID Numbers, and the other state's FIPS code(s) to MiCSES. The ICR process will provide the other states with MiCSES data as well, giving them the same opportunity to make the needed corrections in their system. This process also

identifies cases not found in MiCSES as well as Michigan cases missing from the other states. Any data not captured in the ICR process will be identified in the Pre-note test and corrected manually.

Tier will work aggressively with employers to prepare their employee records for EFT/EDI transmittal by using similar data cleansing process. Employers submit Case/NCP data files for review and correction. MiSDU will determine what data needs an edit and return the file to the employer for correction of their records. An example and excellent benefit of Case/NCP data cleansing is the NCP SSN and Case Number clean up. Tier will provide the corrected case number to the employer, verify the accuracy of the SSN provided by the employer and update MiCSES. Any changes needed in MiCSES can be done at this time while we are reviewing the case and are in MiCSES setting up the employer for EFT/EDI transmittal.

Employers are provided with addendum templates to ensure accurate data is transmitted in the correct format for NACHA CCD+ OR CTX. Each new EFT/EDI remitter will be required to submit a Pre-note test to ensure their format is correct before payment transmission is allowed. All Pre-note transmission tests that do not meet certification will be edited and returned to the sender for correction. Each new EFT/EDI remitter will go through this same strict process to ensure Case/NCP data, EFT/EDI format and banking information are correct. Tier will work with each employer and every state individually to ensure accuracy and uniformity in all transmissions. Once all the certification criteria have been satisfactorily met, employers and others states are notified and the first payment transmittal is scheduled.

The entire process is tracked in Tier's EFT/EDI Outreach database, available for State review. Summary update reports are provided to the state at any interval requested.

Tier's Customer Service Representatives (CSR) will direct employers to a toll-free MiSDU Employer Assistance line as the point of contact for resolution of any payment issues that cannot be handled on first contact with Tier.

All existing EFT/EDI payers will be maintained throughout the entire process. The transfer of functions from State to Tier will be seamless to those already transmitting payments via EFT/EDI.

Tier will launch a statewide outreach program to encourage the transition from paper check disbursement to direct deposit.

Employer Relations Website

Tier will provide employers with the opportunity to utilize EFT/EDI to transmit both financial and non-financial data. Tier's Employer Relations web site provides employers with the information necessary to establish EFT as a way to complete the employer's required payment submissions. Tier's CSR will discuss this with employers over the phone and the information will be included on the Employer Relations web site and selected mailings.

These outreach efforts, together with our EFT submittal and processing solution, will ensure an increase in the number of EFT submittals for the State of Michigan. Tier's payment processing application, Kids1st, was designed from the very beginning with the ability to process all EFT transactions, whether they be from employers, individuals, or out-of-state IV-D agencies using various on-line, bill-pay systems, commonly referred to as bank drafts. We can accommodate both CTX and CCD+ formats with the child support addenda record, but these individual items must balance to the total credit being sent by the employer. Our system can accommodate the recognition of fees charged by interstate agencies.

The web site we have developed was designed specifically to enable employers to submit payments electronically by eliminating the difficult technical requirements of generating the ACH file. Our solution is not in-

tended to take control away from employers but to simplify and ease the process of submitting EFT payments. Employers will provide the required information to generate the ACH file on the secured area of the web site. Tier will then use this information to generate the ACH file. The employer will then download the file from the secured web site and send it to their bank.

Three of our current seven SDU operations process EFT payments using Kids1st. Figure IV.B.2.7-18 depicts the number of EFT transactions and dollar amounts for each of these operations.

SDU Operation	No. of EFT Transactions Processed in 2003	Amount collect in EFT Transactions for 2003	2003 Average % of Payments Received
Alabama	310,220	\$33,887,136.99	13%
Kansas	243,439	\$33,321,680.94	12%
Tennessee	344,734	\$37,024,540.45	11%

Figure IV.B.2.7-18. In 2003, three Tier SDUs processed EFT payments using Kids1st.

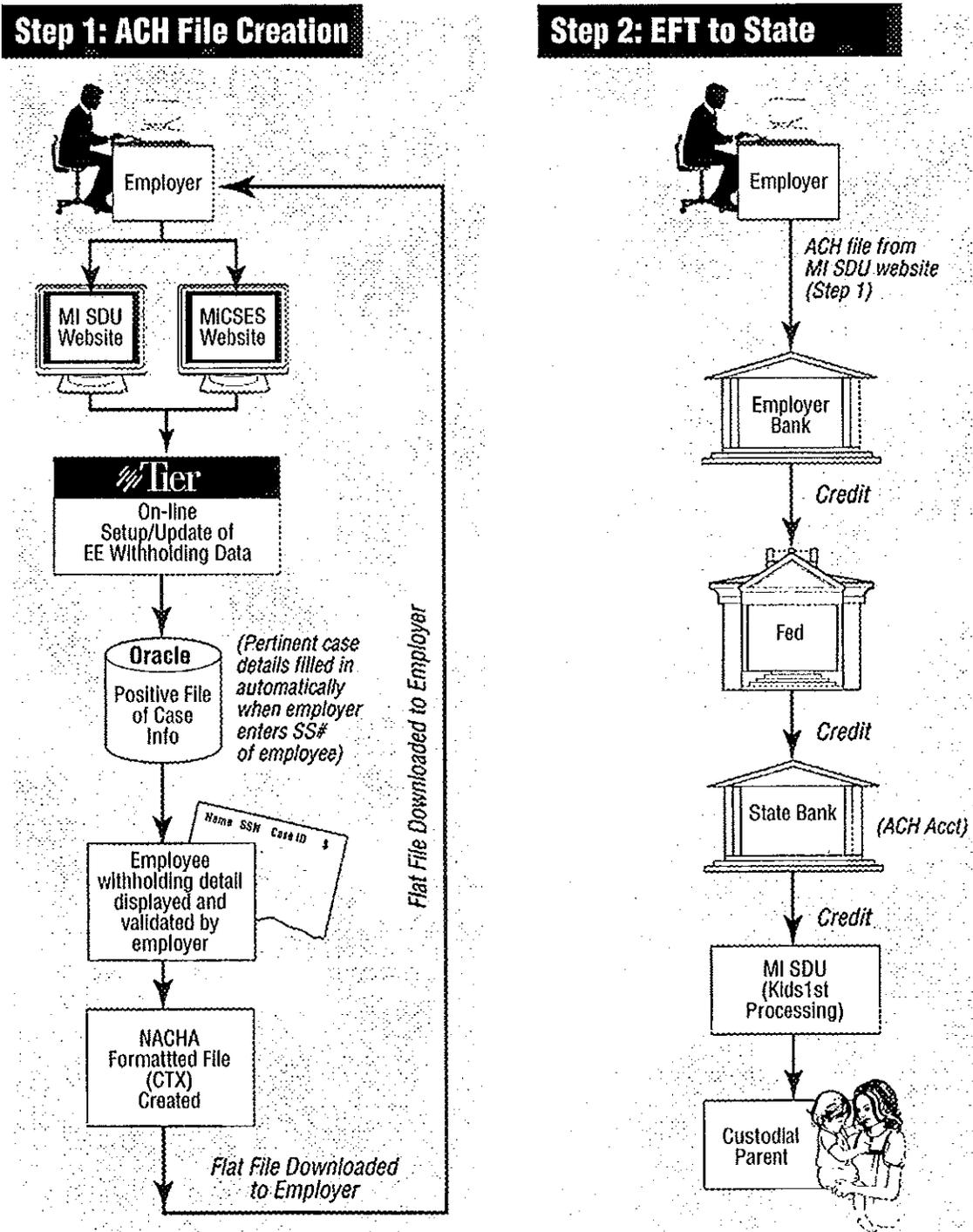
Each of the above operations experienced an increase in the number of EFT submissions received from January to December of 2003.

Employer & Out-Of-State IV-D Agency EFT Solutions

To better enable employers to utilize the ACH network, Tier has developed an online Internet-based system that takes the guesswork out of ACH setup for employers. Our objective in offering this service to employers is two-fold:

1. We want to simplify the process of generating an ACH file
2. We want the employers to maintain control over their payment submissions.

By accessing our system, employers can submit income withholdings via ACH and maintain their pay files online via the web. This system is currently being finalized for our New Jersey SDU operation, with plans to roll the system out to our other sites shortly after implementation. A graphical overview of the system is included in Figure IV.B.2.7-19.



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Figure IV.B.2.7-19. Tier's EFT Solution can be enhanced by the use of the Employer Relations website to generate the ACH file.

While many employers may express interest in submitting their payments to MiSDU through EFT, most do not have the technical skills or resources to create the required ACH file. The file format for submitting child support payments through the ACH network is very complex and, upon seeing the requirements, most employers are unwilling to invest the time or money to send their child support income withholding via EFT. Tier has resolved this issue by allowing employers to log onto a website where the pertinent child support case ID, bank data and email address are stored on a secured area of the site. The website itself generates the ACH file in the NACHA required format (either CCD+ or CTX) when prompted to do so by the user. Tier's web-based solution will finally enable any employer, regardless of size, to enjoy the benefits of EFT without the complexities associated with its set-up.

Employers will sign up for access to the website, and will create a unique user ID and password, allowing them to control access to their child support submission and bank data. (See Figure IV.B.2.7-20 for a depiction of the New Jersey site's Employer Registration Screen.) For each pay period, employers will access the secure website and enter their income withholding details for members of their work force who owe child support payments in the State of Michigan. An advantage of Tier's EFT solution is that the system is designed to interface with Kids1st to verify pertinent employee case records from the Kids1st database. The information will then be loaded into the SQL Server database and made available to the application server associated with the secure website.

it retrieved from the Kids1st database. This will assist the employer and the State in obtaining an accurate entry for a specific employee.

◆ Display the current employee withholding data

The employee's list of the current withholdings will be displayed, showing case number, SSN, name and amount of deduction.

◆ Update Information

The user will be able to access the list and add new employees and their relevant case information. They will also be able to change amounts and delete employees who have left their employment.

◆ Request the creation of the ACH file

The system will generate the necessary ACH file to enable the employer to submit the file to the employer's bank for automatic payment to the SDU.

◆ Request Download of the file

The final step will be to actually download the ACH file to the employer's network. This will be a secure encrypted transfer of the file in the correct ACH format, acceptable to the employer's bank.

At this point, employers must simply send this file to their bank in whatever medium they have agreed upon. Their bank will put the file into the ACH network, creating a credit transaction with all associated addenda records that will be sent through the Federal Reserve System to the designated State of Michigan bank.

As an enhancement to this initial design, Tier's system will automatically create the ACH file for employers on a predetermined schedule. Employers are then notified via email when their ACH files are ready to be downloaded. This enhancement can help increase the number of timely EFT transmissions from employers because the system will automatically remind them when they need to send their next payment.

Kids 1st EFT Processing

The Kids1st portion of the EFT transaction starts when the State of Michigan's bank receives an ACH credit file from an employer's bank or inter-state agency's bank. Tier recommends that the State of Michigan establish a bank account specifically for the receipt of ACH transactions. This account can then have a debit-block put on it allowing only credits to be posted to it. This serves to add security to the State's bank accounts, as well as to introduce simplicity in the reconciling process. Because only ACH Credit transactions for child support can flow through this account, it is a very simple matter to track and reconcile them, and it eliminates the risk of a credit being misposted as a debit.

Upon receiving the file of ACH credits each morning, the bank will forward or allow Tier to retrieve the National Automated Clearinghouse Association (NACHA) CCD+ or CTX files received since the last transmittal using the prescribed EDI protocols. Kids1st was specifically designed with the capability to parse the NACHA file directly, without the need to have the bank re-format it to fit our needs. This eliminates the risk of data being lost in re-formatting. The Tier EFT processor will retrieve and review this data for obvious errors before importing the day's EFT files into Kids1st.

Kids1st logic will then read the NACHA records and separate the data necessary for processing the payment, and will populate the EFT Import table in Kids1st by moving the corresponding lines to the appropriate record (see Figure IV.B.2.7-21), from which it will be processed.

EFT File	EFT Import Table
File Header Record (1)	EFT BatchHeader
Company/Batch Header Record (5)	EFT Envelope
Entry Detail Record (6)	EFT Credit (CCD+ and/or CTX)
Child Support "DED" Addenda Record (7)	EFT Remit
Company/Batch Control Record (8)	EFT EnvelopeEnd
File Control Record (9)	EFT BatchEnd

Figure IV.B.2.7-21. Kids1st will populate the EFT Import table by moving the corresponding lines from the NACHA records to the appropriate record.

The individual payment instruction lines in the addenda record will be organized into one line of instructions for each child support case, and each line of those instructions will then be connected in the EFT Remit record with the ACH credit it is associated with. This process is designed to take an ACH credit with its associated data stream of addenda records, and re-organize them in a format that looks, feels and functions in Kids1st exactly as a paper remittance list from an employer.

If an error occurs, the record will not be written and the associated EFT Envelope record will be flagged indicating an error status and an error log file will be written with the data in question. This log file will be used to present to the operator with the "data in error" for correction or other determination. If there are too many errors, the operator can exit the process and go directly to the EFT Raw data file to make a determination whether to correct and proceed to the next EFT Remittance file from the bank. In any case the associated data already captured and inserted into the database is considered "dirty" and will be removed from the database in preparation for re-processing.

Once the data have been screened for errors, the Kids1st system will validate that each remit record can be positively identified in the Kids1st database. It will then check for any financial instrument (FI)/Remit-level or case-level derog. If an item cannot be positively identified, or if an item has a derog associated with it, it will be removed from automatic

processing and placed in the grid processing queue, to be processed just as if it were a paper check. To accommodate the lack of a paper image, during the import process Tier creates an electronic report to display the child support payment information from the child support addenda record on the EFT file as an image. This image has the look and feel of a check stub but is watermarked with EFT behind the text. If the ACH addenda record of the EFT item has all of the case data that is needed to positively identify and apply it, and it does not have a derog associated with it, Kids1st will automatically apply the item with no manual intervention needed. This process is identical for employer credits with multiple items in the addenda record.

Outreach

Outreach is the foundation of a successful SDU. It is vital to the implementation and ongoing success of an operation that emphasizes ease of access for all parties interacting with the SDU. Outreach is a means for modifying payment behavior of NCPs and employers, as well as utilizing strategies for encouraging custodial parents (CPs) to utilize direct deposit.

A well-designed outreach campaign informs child support payers and employers of new payment addresses and new (electronic) payment methods available. In addition, recipients are informed and encouraged to utilize the new (electronic) methods available to receive their payments. Other state agencies are also notified of new payment addresses and encouraged to utilize EFT methods. The Family Independence Agency (FIA), OCS, MiCSES and any other stakeholders the state identifies are in integral part of Tier's successful outreach program. Tier will ensure that designated stakeholders sign off on all program objectives and milestones.

Most importantly we know the customers:

- ◆ Employers and payroll agencies, payor and payees
- ◆ Financial institutions
- ◆ Court clerks, judges magistrates, City Council members, and attorneys

- ◆ Mortgage companies, automobile dealers, realtors, financial institutions, and title searchers
- ◆ And, of course, OCS.

Tier's Outreach Plan includes notification of CPs, NCPs, employers, other states, and all recipients of the new SDU. Outreach efforts will consist of the initial campaign, ongoing outreach efforts, and special initiatives (ad hoc notices).

Initial Campaign

The initial task, and perhaps the most important to a successful transition, is reaching out to CPs, NCPs, and employers. To notify CPs of any changes, a message can be placed on the check stub for a period of 45 days after implementation. We also realize it is important that CPs receiving a check understand why they are receiving a different type of check, and any pertinent information about the check that may be different. NCPs, employers, and other state or county SDUs will be notified by letter within an appropriate number of days prior to the transfer of the payment operations.

Tier's Outreach Campaign will be used to disseminate information about new remittance procedures, assist employers with the transition, and offer encouragement to use electronic banking. Other states will also be notified by mail during the transition period, alerting them to impending changes in the address to which payments will be mailed, or EFT payments to be submitted. Pre-notification materials announcing new and changed processes will be targeted to employer needs, addressing their potential questions. A special toll-free line will be established for employers to reach customer service representatives if they have questions or problems as payments are converted to the new SDU.

A new Internet website will be developed for use by CPs, NCPs, and employers to provide information on the child support enforcement program and the available forms and methods for paying and receiving pay-

ments electronically. *It is Tier's belief that the Internet website is key to the success of meeting the increased EFT participation goals and objectives for Tier and the State of Michigan.* Tier's expert web developers will create an attractive and easy-to-use website that encourages employers and other states to utilize EFT/EDI by making the process easy and efficient. A large part of our outreach effort will be the dissemination of the web address to all stakeholders, assuring all parties are familiar with how to access the website and conduct their business faster and easier than in the past. Tier will work very hard to get each and every stakeholder to our new MiSDU website, because we believe that once they are "there", we are on the road to success in significantly increasing the EFT participation across the board. The website is our most effective communication tool.

In addition, Tier will work with OCS to develop outreach materials to be distributed to employers, CPs, NCPs, and other states both initially and on an ongoing basis. We have developed aids, such as Quick Reference cards, rolodex cards, communication/problem reporting notepads, etc. for distribution to OCS offices, employers and any other stakeholders identified. Materials will be developed that both motivate the target audience to respond as desired and create a general awareness that leads to support of the mission of the SDU to more efficiently process and disburse child support payments. Figure IV.B.2.7-22 lists Tier's recommended notification schedule for transitional outreach.