



INTERNATIONAL REGISTRATION PLAN, INC.

**IRP
Clearinghouse
Feasibility Guide
For Your
Jurisdiction**

June 2003

TABLE OF CONTENTS

Introduction	2
Process Description and Cost Elements.....	3
<i>I. Distribution of funds.....</i>	<i>3</i>
I.1 Step 1.1: Distribution Report Request.....	3
I.2 Step 1.2: Report Printing and Collating.....	4
I.3 Step 1.3: Report Checking and Verification.....	4
I.4 Step 1.4: Check Requests	4
I.5 Step 1.5: Check Preparation	4
I.6 Step 1.6: Package and Mail Recaps, Transmittals, Checks, Cover Letter, Receipt Verification.....	5
I.7 Step 1.7: Filing and Archiving	5
I.8 Step 1.8: Tracking and Statistical Reports	5
I.9 Step 1.9: Respond to Foreign Jurisdiction Questions.....	5
Collection of Funds	6
I.10 Step 2.1: Open, Sort, and Match Incoming Recaps, Transmittals and Checks	6
I.11 Step 2.2: Verification of Fees and Totals	6
I.12 Step 2.3: Filing and Archiving	6
I.13 Step 2.4: Retrieve and Summarize Data from Recaps	6
I.14 Step 2.5: Check Deposit Preparation and Data Entry	7
I.15 Step 2.6: Tracking of Incoming Funds	7
I.16 Step 2.7: Reporting.....	7
I.17 Step 2.8: Follow-up with Foreign Jurisdictions	7
<i>II. Audits and Refunds.....</i>	<i>7</i>
Changes in Procedures Resulting from the Clearinghouse.....	8
<i>III. Table 2: Clearinghouse Reduction Estimates and Descriptions.....</i>	<i>9</i>

Introduction

Even though this guide is based on a study completed in 1999, the study concept, process description and cost elements remain the same for jurisdictions not participating in the Clearinghouse today. The potential cost savings cover many areas including personnel costs, administrative costs, supplies (paper, envelopes, etc.), and other service costs (mail, storage).

This document is being made available to the non-participating Clearinghouse jurisdictions as a guide to help assess the cost savings of becoming a Clearinghouse participant. This guide is divided into several parts: Distribution of funds, Collection of funds and Audits and refunds. Each section provides a brief description of the steps required to perform the outlined function. Read each section carefully and complete the Summary of Costs matrix. You will be amazed at the real cost of IRP processing and will see why joining the Clearinghouse is a wise decision, saving staff time and money.

If you would like a copy of the 1999 study or have questions about the this guide contact Joan Kalvaitis at jkalvaitis@aamva.org or at 703-908-5849.

Process Description and Cost Elements

The procedures for transferring funds and related information between jurisdictions are included in two general activity areas: (1) the distribution of funds to foreign jurisdictions; and (2) the collection of funds from the foreign jurisdictions. Funds are also transferred based on refund requests or audit, but for most jurisdictions this is not a major work or cost item. While there is substantial variation in the specifics of how each of the study jurisdictions perform these general activities, there are many common elements in the overall process. This section describes the generalized process, and provides estimates of the labor and other costs that each jurisdiction incurs in performing the tasks.

I. DISTRIBUTION OF FUNDS

This process relates to the distribution to foreign jurisdictions of the registration fees that are collected by the base jurisdiction from commercial vehicle operations. During a particular reporting period (usually a month), the base jurisdiction collects fees from commercial vehicle operations on behalf of foreign jurisdictions. These fees collected for foreign jurisdictions are based on the proportion of the commercial vehicle's distance that are traveled in these various foreign jurisdictions. At the end of the reporting period, the base jurisdiction tabulates all of the fees collected and totals them by the jurisdiction to which they are due. This tabulation is Step 1.1, Distribution Report Request, which can be put in Table 1 for savings calculation. Each of the steps are described in further detail below:

I.1 Step 1.1: Distribution Report Request

In this step, IRP unit staff submits a request for summary reports from the jurisdiction's database. These reports, termed recap and transmittals generally include information on the vehicles registered, distance, the fees assessed, and summaries of the totals due other jurisdictions. The bulkiest of the reports, the recaps, contain detail on the commercial vehicles (account numbers, VINs, weight, distance, etc.) that have traveled in the reporting jurisdiction. Provide the number of labor hours in Table 1, section 1.1.

The other major cost for this step is computer time. It can be difficult for some jurisdictions to quantify computer time separately for the funds transfer process. [In the original study, it was assumed an average of \$100 per month if no computer cost was provided.] This amount will be provided in Table 1, section 1.1 under non-labor costs.

I.2 Step 1.2: Report Printing and Collating

The report request in Step 1.1 are printed and collated. Because of the sheer bulk of these reports this can be a time consuming task. Once the reports are printed, they are sorted by jurisdiction. Just as jurisdictions vary in the types of reports that they print, they also vary in the number of copies of the reports that are printed. Generally, only one copy of the bulkiest reports, the recaps, is printed to send to foreign jurisdiction. Depending on internal requirements, jurisdictions print differing numbers of transmittals and any other summary reports.

The cost associated with this step includes labor for monitoring printers and collating reports, as well as paper costs. Labor costs and paper costs for this step should be entered in Table 1, section 1.2.

I.3 Step 1.3: Report Checking and Verification

Totals from the distribution reports (recaps and transmittals) are checked against total funds collected during the reporting period from commercial vehicle operators. The costs associated with this step include only labor. This step can cover a wide range in the level of effort in this step, which can be due to the size of the jurisdiction and the levels of centralization and automation. Provide the labor hours in Table 1, section 1.3.

I.4 Step 1.4: Check Requests

Based on the total amounts due each jurisdiction, requests for checks to be prepared are produced by the IRP staff, which can be a manual process for most jurisdictions. These requests might typically be sent to the jurisdiction or motor vehicle treasury department. For some jurisdictions, an additional step involves accounting staff verifying the amounts due and then entering the check request into the jurisdiction's treasury system for check preparation. This step includes only labor costs and can be entered on Table 1 in section 1.4. Keep in mind that this step might also involve various levels of coordination between departments depending on who prepares the checks as well as the accounting and verification system.

I.5 Step 1.5: Check Preparation

The base jurisdiction's treasury department, the motor vehicle division's treasury department, revenue department, or comptroller's office prepares the checks to foreign jurisdictions. The costs for check preparation can vary among jurisdictions depending on bank charges, personnel time, computer time, and miscellaneous supplies. The per check charge should be entered in Table 1, section 1.5, keeping in mind that this would be multiplied by the 58 jurisdictions that receive checks monthly.

I.6 Step 1.6: Package and Mail Recaps, Transmittals, Checks, Cover Letter, Receipt Verification

All of the materials to be sent to foreign jurisdictions are packaged and mailed. Some jurisdictions mail the recap and transmittal reports as soon as they are generated, with the corresponding check mailed directly by the treasury department later in the month. Other jurisdictions hold the recaps and transmittals until the checks are prepared, then the reports are packaged by the IRP unit and mailed along with the checks that have been returned for mailing by the treasury department. Most jurisdictions also prepare a cover letter for the materials.

Due to the volume of the reports, this task can be quite time-consuming. The labor costs associated with this task can vary greatly depending on the size of the jurisdiction, number of carriers, level of automation, and the time of year (i.e., renewal months). Enter the labor hours in Table 1, section 1.6 and also enter the postage costs under non-labor costs.

I.7 Step 1.7: Filing and Archiving

Recaps, transmittals, cover letters, and any other forms prepared by the base jurisdictions are stored in paper and/or electronic format. Depending on the jurisdiction, the bulkiest forms, the recaps, are stored in paper form, as an electronic print file, or not stored at all (the recaps can be recreated from the IRP database if necessary). On-site and off-site storage costs can be incurred from 6 months to 4 years. This step includes both labor and storage costs which will be entered in Table 1, section 1.7.

I.8 Step 1.8: Tracking and Statistical Reports

Some jurisdictions may track disbursement of funds to foreign jurisdictions using a computerized spreadsheet and/or with monthly summaries. A department outside the IRP unit might complete this task. This step requires only labor costs and will vary depending on the level of reporting requirements. Enter the labor costs in Table 1, section 1.8.

I.9 Step 1.9: Respond to Foreign Jurisdiction Questions

Foreign jurisdictions may inquire about any number of items related to the transmittal of funds, including when funds are expected, items lost in the mail, errors in calculations, or other concerns. If any labor costs are incurred for this step, enter it in Table 1, section 1.9.

Collection of Funds

This section describes the process used by jurisdictions to receive, track, and deposit funds from foreign jurisdictions. This tabulation is Step 2.1, Collection Process Costs, which can be put in Table 1 for savings calculation. Each of the steps are described in further detail below:

I.10 Step 2.1: Open, Sort, and Match Incoming Recaps, Transmittals and Checks

Incoming materials from foreign jurisdictions come at varying times, with varying frequency, and sometimes include recaps, transmittals, and checks in one package. At other times, these various items come separately. Depending on the jurisdiction, incoming materials come either directly to the IRP unit, or to a separate fiscal or accounting unit. Most jurisdictions have a requirement that incoming checks be deposited within a specific period of time (usually 24 hours), so this task can include the preparation of either a suspense account, or filing of forms indicating a check awaiting recaps and transmittals has been received. Any labor costs incurred in this step should be entered on Table 1, section 2.1.

I.11 Step 2.2: Verification of Fees and Totals

Jurisdictions check to ensure that the check amount matches the amounts shown in the transmittals. In addition, some jurisdictions spot-check incoming recaps and transmittals to ensure that the fees used in the foreign jurisdictions' calculations are correct and are being correctly applied. If any labor costs are incurred for this step, enter it in Table 1, section 2.2.

I.12 Step 2.3: Filing and Archiving

Most jurisdictions file incoming transmittals. As with outgoing materials, these are generally filed for one year on-site, and up to an additional 3 to 5 years off-site. Filing procedures for incoming recaps vary widely between jurisdictions. Because of limited storage space, some jurisdictions discard incoming recaps after any checks are performed. Others store incoming recaps for the same period as transmittals. Any labor costs incurred in this step should be entered on Table 1, section 2.3.

I.13 Step 2.4: Retrieve and Summarize Data from Recaps

Many jurisdictions recognize that the recaps contain data that could be used for jurisdiction transportation uses as well as audits. However, the paper format, as well as the size and volume of data in the recaps, require that substantial personnel resources

be expended to make use of the data. If any labor costs are incurred by the jurisdiction for these processes enter it in Table 1, section 2.4.

I.14 Step 2.5: Check Deposit Preparation and Data Entry

This step involves the preparation of documents necessary for deposit into the jurisdiction's motor vehicle or general accounts. The step includes entry into accounting systems of the IRP unit, motor vehicle financial unit, and/or jurisdiction-wide accounting systems. More than one person generally requires verification of the deposits and amounts. For most jurisdictions, the checks from foreign jurisdictions are included in the general daily deposits by the motor vehicle division. Any labor costs incurred in this step should be entered in Table 1; section 2.5.

I.15 Step 2.6: Tracking of Incoming Funds

Most jurisdictions track the payments from foreign jurisdictions through manual methods or on computerized spreadsheets. Some jurisdictions track payment through their accounting and/or IRP databases. Any labor costs incurred in this step should be entered in Table 1, section 2.6.

I.16 Step 2.7: Reporting

As part of the process of tracking funds, most jurisdictions can prepare reports that summarize the collection of funds from foreign jurisdictions. This process ranges from printing out the tracking spreadsheet to reports from the accounting or IRP system. Any labor costs incurred in this step should be entered in Table 1, section 2.7.

I.17 Step 2.8: Follow-up with Foreign Jurisdictions

This step consists of follow-up with foreign jurisdictions if payments are not received or if there are questions. Some jurisdictions have a formal process for follow-up, while others follow-up on an as needed basis. Any labor costs incurred in this step should be entered in Table 1, section 2.8.

II. AUDITS AND REFUNDS

Funds are transferred between IRP jurisdictions as a result of refund requests and adjustments based on audits. In general, refund procedures are driven by factors such as minimum amounts for cutting a refund check as well as evidence of registration (such as surrendering of the license plate). Any labor costs incurred in this step should be entered in Table 1, Audit Costs.

Changes in Procedures Resulting from the Clearinghouse

The IRP Clearinghouse will automate the process of transmitting recaps, transmittals, and checks. Information will be transmitted electronically, as will funds. Paper recaps will not be necessary and necessary backup information will be transmitted electronically, as developed in the initial definition of the Clearinghouse. Amounts due jurisdictions will be netted with the result being a single electronic fund transfer between the Clearinghouse account and the base jurisdiction on a monthly basis. The nature of this transaction depends on whether a jurisdiction is due a net refund or owes money. The major benefit, therefore, of the Clearinghouse is to reduce the administrative procedures of transferring paper and paper checks between jurisdictions. Those procedures related to tabulating the amounts due other jurisdictions will not be affected by implementing the Clearinghouse.

III. TABLE 2: CLEARINGHOUSE REDUCTION ESTIMATES AND DESCRIPTIONS

Step #	Description	Description of Clearinghouse (CH) Reduction	Percent Reduced
Distribution of Funds			
1.1	Distribution Report Request	Reports will need to be requested to determine amounts due other jurisdictions. CH requires this information and will not reduce effort.	0%
1.2	Report Printing/ Collating	All paper reports, with the exception of some summaries, will not be needed with the CH. Major reduction results from no longer needing to print recaps.	90%
1.3	Report Checking/ verification	Amounts due other jurisdictions will still need to be checked and verified.	0%
1.4	Check Requests	No checks will be requested. With the CH, a single electronic fund transfer replaces the need for checks.	100%
1.5	Check Preparation	No checks are required with the Ch.	100%
1.6	Packaging/Mailing out materials	No recaps, transmittals, checks, or cover letters are required with the CH.	100%
1.7	Filing and archiving	With fewer reports, the CH will reduce filing and archiving requirements.	50%
1.8	Tracking and Statistical reports	The CH should reduce the work effort in tracking funds by at least one-third.	30%
1.9	Responding to a Foreign Jurisdiction Query	The automated transfer of funds should reduce the need to respond to inquiries by at least one-half.	50%

Step #	Description	Description of Clearinghouse (CH) Reduction	Percent Reduced
Collection of Funds			
2.1	Open, Sort, Match Recaps, etc.	The CH eliminates paper recaps, transmittals and checks.	100%
2.2	Verification of Fees & Totals	With no paper checks, check amounts do not need to be checked against transmittal totals.	100%
2.3	Filing and Archiving	Paper materials will not need to be filed with the CH.	100%
2.4	Retrieve/Summarize recap data	Recap data is available in electronic form from the CH, removing the need to manually review data.	90%
2.5	Data Entry	The CH provides amounts due the base jurisdictions in electronic form, providing an opportunity for significant reduction in this work effort.	50%
2.6	Tracking Incoming Funds	Information on incoming funds is provided as part of the CH "netting" process.	80%
2.7	Reporting	The CH provides information on fund transfers to jurisdictions.	100%
2.8	Follow-up with Foreign Jurisdictions	By only distributing to those jurisdictions that participate each month, the CH encourages full participation and reduces the need for follow-up.	50%

Summary of Costs

Distribution Process Costs

Step #	Process Step	Labor Hours	Raw Labor Cost [1]	Total Labor Cost [2]	Non-Labor Costs	Total Costs	CH Reduction	Net Savings
1.1	Distribution Report Request		\$0	\$0	Computer Time	\$0		\$0
1.2	Report Printing/Collating		\$0	\$0	Paper	\$0		\$0
1.3	Report Checking/Verification		\$0	\$0		\$0		\$0
1.4	Check Requests		\$0	\$0		\$0		\$0
1.5	Check Preparation		\$0	\$0	per check cost	\$0		\$0
1.6	Packaging/Mail Out Checks		\$0	\$0	Postage	\$0		\$0
1.7	Filing and Archiving		\$0	\$0	Storage Cost	\$0		\$0
1.8	Tracking and Statistical Reports		\$0	\$0		\$0		\$0
1.9	Responding to Foreign Jurisdiction Queries	0	\$0	\$0		\$0		\$0
TOTALS		0		\$0		\$0		\$0

Collection Process Costs

Step #	Process Step	Labor Hours	Raw Labor Cost [1]	Total Labor Cost [2]	Non-Labor Costs	Total Costs	CH Reduction	Net Savings
	Total Hours		\$0	\$0		\$0		\$0
2.1	Open, Sort, Match Recaps, etc.		\$0	\$0		\$0		\$0
2.2	Verification of Fees & Totals		\$0	\$0		\$0		\$0
2.3	Filing and Archiving		\$0	\$0	Boxes & storage	\$0		\$0
2.4	Retrieve/Summarize Recap Data		\$0	\$0		\$0		\$0
2.5	Data Entry		\$0	\$0		\$0		\$0
2.6	Tracking of Funds (spreadsheet)		\$0	\$0		\$0		\$0
2.7	Tracking and Statistical Reports		\$0	\$0		\$0		\$0
2.8	Follow-Up with Foreign Jurisdictions	0	0	0		\$0		\$0
TOTALS		0		\$0		\$0		\$0

Audit Costs

Step #	Process Step	Labor Hours	Raw Labor Cost [1]	Total Labor Cost [2]	Non-Labor Costs	Total Costs	CH Reduction	Net Savings
3	Audit - Keying of Recap data	?	\$0	\$0		\$0		\$0
TOTALS		0	\$0	\$0		\$0		\$0

OVERALL TOTAL MONTHLY	0		\$0		\$0	\$0		\$0
------------------------------	----------	--	------------	--	------------	------------	--	------------

Notes:

- [1] Raw Labor Cost assumes an average \$XX per hour cost. (part of the formula in distribution process costs)
- [2] Total Labor Cost includes XX percent supervisor cost and XX percent fringe cost. (part of formula in Collection process)