

# IMG Structure for Managing the Modernization of Collections Project

WU Atkinson School

Thursday, June 11, 2015

## IMG-Research/teaching Issues

- Staff Oversight Team & Manage Project
- Research best practices
- Analyze & isolate criteria for outsourcing
- Use "Big Data" analytics for scoring debt
- WU/CPM – Course on Modern Debt Collections
- **Catalog Access & restrictions to data sharing**

## US Treasury & Federal Issues

- Evaluate expand Federal IRS off-set programs
- Create written contract with Feds
- Coordinate local/county gov't Fed Offset
- Run test data on Fed System
- Judicial Debt Legal Changes
- Harvest Fed collection knowledge & demographics

## DAS Internal Adm. Issues

- **With Leg. identify "real/collectable" debt**
- HR Review Staffing & Classifications
- CAFR (State Financial Rpt.) Practices
- IT Systems and technology support
- Revise Accounting Manual/Rules
- Training for Collections staff
- **"Statewide Debt Manager"**
- **Best Practices**

## Legislative Issues

- **Report LFO "Good" vs. "Bad" debt**
- **Catalogue Collections Statutes & Rules**
- Draft Bill to "fix" statutes
- Evaluate "D & L" Debt Reports
- "Collections" debt budgeted as Revenue

## "Big Data" & Debt Scoring

- Inventory State IT Acct Systems & Collection Functionality
- Create Data Map
- "Policy" Restrictions Sharing Data
- Agreement with DOJ for data mining

## Judicial Dept. Issues

- Inventory Statutes
- Feds-data Analysis
- Propose Fed. Statutes
- Expand TOPS
- IT System - Collections

## US Bank & Oregon Treasury Issues

- Explore new collection technology
- Determine Best Practices
- Demonstration projects – Point of sale
- **Expand Debit/ Credit/ACH Use**

## DOR, Other Agency & Local Govt. Issues

- Create Central Lien Database for State Debt
- Determine A/R Collections best practices
- Standardize appropriate Statutes & Rules
- Pool Resources/Centralize Collections
- **Evaluate Staffing**

## Private Collection Contracting Issues

- Liquidity curve
- **Determine decision criteria for outsourcing**
- **Rewrite RFP- with § Oregon's Instate Practice - Procurement Preferences**
- Harvest collection knowledge

## Oversight /ProjectTeam

Sept 2013

- **Oversight & Advocacy**
- **Coordinate Overlapping Topics**
- **Write Plan for Modernization**
- **Draft Bill For Modernization**
- **Coordinate Immediate "Fixes"**
- **Manage Collaboration Technology**

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SB 55

## #1 - Return on Investment - 4 staff annual salaries

### Estimate - ROI Establishing 4 DAS Positions to Implement SB 55

Debt	Collection Rate	Amount Collectible	Staff	Position with OPE	Total Staff \$	\$ROI	% ROI
\$3,200,000,000	1%	<b>\$32,000,000</b>	4	\$150,000	\$600,000	\$31,400,000	<b>5,233</b>
\$3,200,000,000	5%	<b>\$160,000,000</b>	4	\$150,000	\$600,000	\$159,400,000	<b>26,567</b>
\$3,200,000,000	10%	<b>\$320,000,000</b>	4	\$150,000	\$600,000	\$319,400,000	<b>53,233</b>
\$3,200,000,000	20%	<b>\$640,000,000</b>	4	\$150,000	\$600,000	\$639,400,000	<b>106,567</b>
\$3,200,000,000	25%	<b>\$800,000,000</b>	4	\$150,000	\$600,000	\$799,400,000	<b>133,233</b>
\$3,200,000,000	30%	<b>\$960,000,000</b>	4	\$150,000	\$600,000	\$959,400,000	<b>159,900</b>
\$3,200,000,000	40%	<b>\$1,280,000,000</b>	4	\$150,000	\$600,000	\$1,279,400,000	<b>213,233</b>
\$3,200,000,000	45%	<b>\$1,430,857,143</b>	4	\$150,000	\$600,000	\$1,430,257,143	<b>238,376</b>
\$3,200,000,000	50%	<b>\$1,600,000,000</b>	4	\$150,000	\$600,000	\$1,599,400,000	<b>266,567</b>

## #2 - Factors contributing to \$3.2 Billion in Liquidated and Delinquent Accounts:

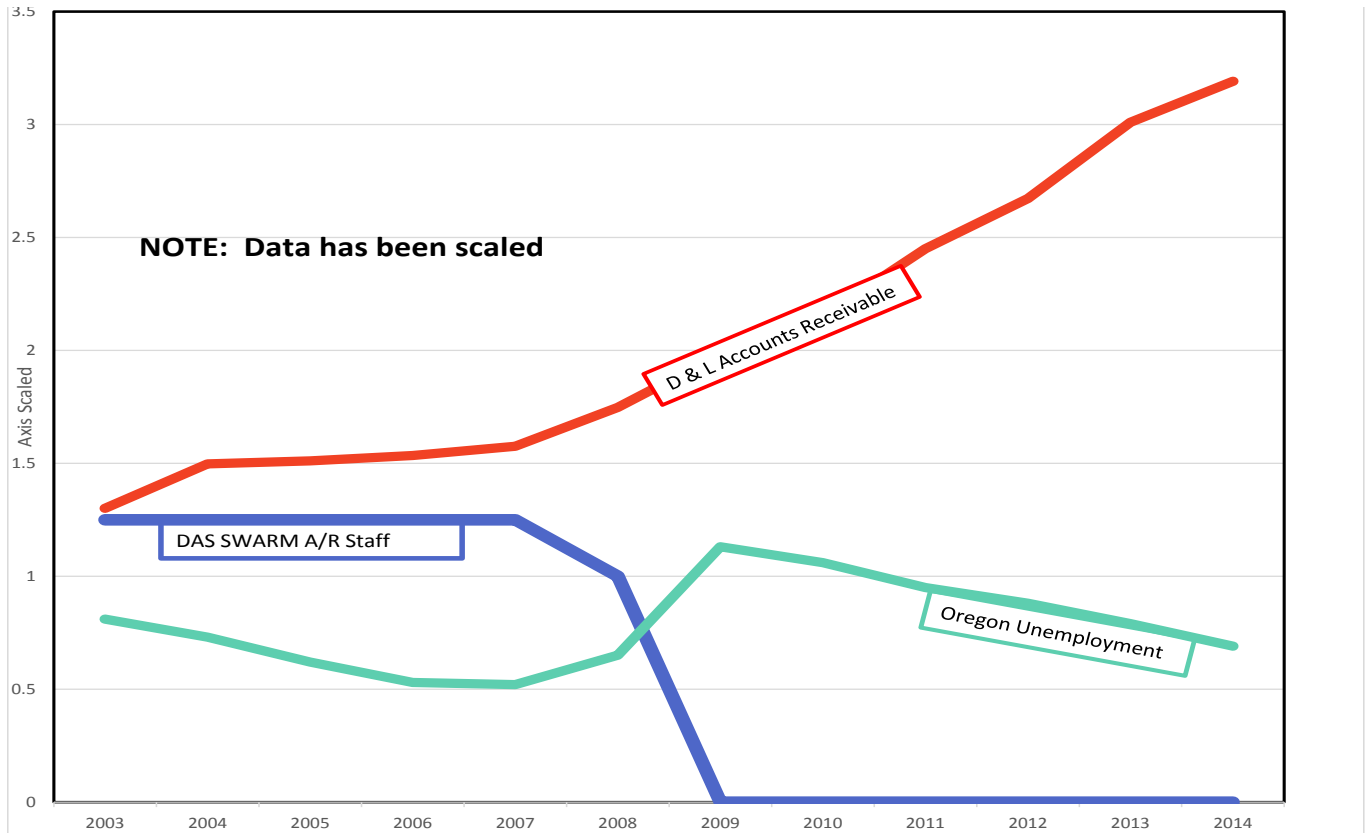
1. Collections is not viewed as a core function of most agencies.
2. Authority and responsibility for collections is diffuse and ambiguous. No particular agency has overall accountability for the function.
3. Agency that does the collection often does not keep the collected amounts and often is not funded or staffed for the collections cost. Agencies then have low motivation to assign their staff to collect for other entities.
4. Collections statutes, rules, and consequently the Oregon Accounting Manual can be confusing and sometimes contradictory. Regular training is no longer provided for A/R functions or on the OAM.
5. The number and classification of staff assigned to collections appears to be inadequate. The state "revenue agent" classification has 3 series. In FY 2014, the state employed 262 staff in this series.

Salaries (does not include Other Payroll Expenses) totaled \$9,799,492. DOR is believed to be reviewing staffing. However, other agencies staffing appears inadequate in numbers and expertise.

6. Technology is outdated and inadequate to support best collections practices. Note: DOR's new computer system should improve certain collections; however, many of the "feeder" agencies have totally inadequate computer and manual systems.
7. Data to populate the LFO Reports often requires significant data abstraction, abstraction time (several months of staff time reported by one agency), manual computation, and analysis.
8. Since 1997, SOS Audits have repeatedly made significant findings and recommendations; however, little change has been made. I believe their testimony at the Public Hearing was that the topic is extraordinary complex, will take some years to fix and that there likely would be a significant ROI from passing and funding SB 55.
9. There is evidence that a significant portion but certainly not all of the state debt is "bad debt" and uncollectible. An unknown portion is collectible.
10. Another state "Legend" is that the recession alone caused the upswing in delinquent debt. Using Oregon Unemployment rates as a proxy for the recession indicates other variables, specifically staffing at DAS and positions eliminate maybe correlated. Staff were also laid off at agencies. The specific effect of Unemployment rates on tax collected as a subset was not researched but was that data is part of the aggregate information.
11. The 1.25 FTE in the State Comptroller's Division Office (SWARM) were eliminated in 2007. The staff cut appears to show some correlation with the increase (no proof of causation) with a significant rise in Liquidated and Delinquent Accounts Receivable. See SWARM Report attached on IMG Website.

### #3 – Graph - Correlations

#### DAS FTE/Staff, Increase in Delinquent & Liquidated Accounts, & Oregon Unemployment Rate



# The Institute for Modern Government

Modernizing Government Debt Collections Conference  
November 1, 2013

## Compilation of Ideas for Improving Collection of Delinquent Accounts

This document presents solutions suggested during the Modernizing Government Debt Collections Conference held at Willamette University on November 1, 2013. The solutions listed vary from proposals of systemic change to focused alterations of current collection practices.

This document makes no attempt to evaluate or prioritize those solutions; instead, the document lists the solutions in the order that they were discussed during the day and it categorizes them in accordance with the schedule of topics listed in the conference agenda.

### Legislative Perspective

- Identify underlying policies and values that guide legislative decisions about debt
- Devise a method for ensuring that agencies apply consistent interest rates to delinquent accounts
- Create a common definition of “past due” accounts
- Create a preference category for Oregon-based, private companies that perform collections
- Develop systematic ways to assess the performance of private collections companies
- Since the private sector can screen who owes debt and the state cannot do so, figure out methods of assessing performance that eliminate this factor that is confounded with performance across sectors
- Commission the Oregon Law Commission and IMG to create inventory and to review Collection statutes for possible comprehensive rewrite of public sector collection related law
- Clarify use of interest for late payments and authority to pass on collection fees
- Determine if use of collected revenue properly rewards those agencies for collection of funds or whether statutes are a disincentive to collect
- Evaluate the LFO yearly “Delinquent and Liquidated Debt Report” to determine how accurate the data is, whether common definitions are used across agencies, whether “date” used to age accounts is used consistently and whether there is opportunity to improve report and data collection instruments

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- Consider overhaul of Human Resource practices and related laws to determine if job classification, job requirements, compensation, and staffing are appropriate for task of reducing debt
- Determine if long term-Revenue (tax, fees, fines and collection) policy still reflects legislative intent
- Examine with DAS the feasibility of centralizing all collections (DAS/DOR/?) activity with enabling technology and staffing

## Collection Law in Oregon

- Successful collection methods rely on creating a culture of financial responsibility and the state should continue to expand its efforts to incorporate this ethic into its efforts to collect outstanding debts
- Multiple methods of communication with debtors should be enlisted to ensure successful collections
- Incorporate statistical analysis into the assessment of delinquent accounts so that non-collectable accounts can be identified and written off or otherwise dealt with to reduce resources wasted on non-collectable debt
- Review Privacy statutes, rules and practices to determine if they are being properly complied with/applied

## Opportunities and Tools from a Federal Perspective

- Treasury offset program
- Centralize state collection activities
- Run test data to determine probable gains from TOPS and Judicial Dept
- Establish follow up “meeting” to negotiate a MOU between Oregon and US Treasury
- Set up online meeting with John, Jon, Mike Green, OUS Staff and the feds to discuss non-student loan, higher education “other” student debt
- Explore Oregon use of analytics and demographic data researched/compiled by Feds

## State of the State – Oregon A/R and Collections Practices

- Establish a vendor offset program

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- Request authority for administrative garnishment
- Use statewide master contract to hire private collections firms; consider amending existing contracts and involving “vendors” in design per new regulations
- Review autodialing methods and determine potential benefits
- Consider creation of Oregon Collections “Czar”

## **Oregon Agency Perspectives**

- Send data file to US Treasury to estimate potential value of new program
- Expand use of point of sale devices to accelerate collections of fines/fees at time of court hearing and avoid debt Engage US Bank (official state bank) to share its industry best practices and create forum/for ongoing relationship
- Conference with lawyer at US Treasury and Judge De Muniz, Phil, and David to craft language or figure out technical change needed with US statutes
- Explore capacity/opportunity of new E-Court system to support collections and calculate interest

## **Department of Administrative Services**

- Authorize/staff the creation of a plan to create a MOU with Feds, Michael Jordan and legislators
- Major changes needed in technology and technology supported tools
- Create new RFP/RFI instrument to re do contracts for private collections
- Evaluate use of private collection agencies and identify best practices for agencies to outsource
- Establish with WU IMG a format/framework for overseeing the modernization of collection practices
- Inventory OAR rules and procedures for best practices and improvement on collections
- Create a statewide inventory of collection staff, classification, duties, retention, etc by agency
- Set up task force or other mechanism to determine best practices in staffing for collections, debt reduction and include job requirements, certifications in collections, and explore use of Professional Collections hiring criteria for staff retention Consider using the HR redesign to prototype/model characteristics and structure for modern government work

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- Review and inventory technology constraints Use existing inventory of system and RRS data from Office of CIO to identify statewide and individual agency financial and collection capacity
- Explore partnering with Md and other states using R\*STARS for help with customization of the Oregon interfaces with US treasury programs
- Explore centralizing collections for agencies with smaller collections issues and non-specialized staff
- Work with Oregon Treasury and US Bank to make payment collection using more modern collections tools (debit, online, Point of sale ACH, Etc )
- Work with AOC and League of Oregon Cities to determine if there is benefit to a central control point for certifying local debt to access federal collection assistance programs
- Work with AOC and partner with AGA and with NC on their demonstration project for using federal programs for county debt collection Note: AOC has legal status as a public entity and maybe eligible for direct interface with US Treasury
- League of Oregon Cities – contact to determine if they share a statewide interest in topic

## **Dept of Revenue**

- Assure any new tasks or responsibilities assigned to DOR are fully resourced DOR is in a very staff critical position as it puts in the new CORE system Do not tax their capability or risk the CORE implementation
- Host writing of a long term plan for statewide management of debt
- Determine if analytics that US Treasury uses are valid and useful for Oregon to collect similar debt

## **Judicial Dept**

- Work with delegation and national association to clarify opportunity for collection of currently prohibited debt categories eligible for US State Reciprocal collection programs
- Send data for U S Treasury to model and determine cost/benefit of program expansions

## **Dept of Justice**

- Follow leadership of DOJ in collections with TOPS and implementation of their new Support Enforcement Computer System Take care to support but not stress agency as it puts up the complex system
- Meet with Fred Boss to establish their capacity and/or commitment for civil enforcement



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-Work with IMG (John and Jon) and State Comptroller to explore alternatives to carrying “bad debt” on books vs “write off” without canceling debt So that a realistic assessment/estimate of “good debt” can be achieved and benchmarked

## **Oregon Treasury**

-Expand marketing of collections tools and join with U S Bank to expand use of electronic payment methods

-Work with U S Treasury to assure information can be transmitted as needed and to set up new interface, if needed

-Determine who has authority to “Certify” local debt

## **Higher Education - OUS**

-Set up online meeting with John Radford, Jon Dufrene, Mike Green, other OUS staff and the US Treasury to discuss MOU with Higher Education debt collection Model data run to forecast collection opportunity

## **Other State Agencies**

- Contact for specifics

## **Where Do We Go From Here?**

-Plan follow-up with Michael Jordan and other major entities

-Utilize John Radford/Jon Dufrene expertise to work with other states and AGA to involve the resource in raising awareness and opportunity for reducing public debt

-CAFR should be a “true” statement of the financial picture of the state Determine if the accounting structure/rules will allow accounting procedures to identifies “Good Debt” and “Bad Debt” and treat it differently Can the state “depreciate” debt? Is the CAFR configurable? Is a debt ledger of “write-offs” kept?

-Conduct “attendance” survey for event organization/planning improvements

-Collect ideas from agencies and participants about follow up actions with us or others

-Explore establishing WU Atkinson program for education on Debt Collections Perhaps as part of the CPM program Discuss with Joe Hawes for possible help, curriculum

-Conduct a visit to PC in Eugene for high level policy staff to observe the physical layout and to observe the operations of a Modern organization

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- Determine if the Transunion has a role to play in the evolution of debt reduction
- Involve union, PC, Markee and others in the development of a model of a modern organization and a model of modern organization worker
- Meet with US Bank to explore use of their tools and agreements
- Also, explore WU/DMV/IMG proposal for DMV use of debit cards, ACH spot transactions and other tools and expand to include US Bank and Oregon Treasury
- Explore with Atkinson School research and student project opportunities with IMG support
- Explore funding opportunities for evolving projects

## List of Agencies/Organizations Attending

Fed	US Treasury
Local	Association of Oregon Counties
Local	City of Salem
Local	City of Sherwood
Local	City of St Helens
Local	Hillsboro School District
Local	Marion County
Local	Chemeketa Community College
Other	Gardner and Gardner
Other	Hawes Financial Group
Other	Turkana County Assembly, Kenya
Other	US Bank
Other	Professional Credit Services
State	DAS, Administration
State	DAS, Budget and Management
State	Department of Education
State	Department of Safety Standards and Training
State	DHS Office of Payment Accuracy and Recovery
State	DHS/OHA
State	Employment Department
State	Judicial Department Financial Services
State	Legislative Fiscal Office
State	Legislature, State of Oregon
State	Department of Consumer and Business Services
State	Department of Forestry

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State	Department of Justice
State	Department of Revenue
State	Department of Transportation
State	Employment Department
State	House of Representatives
State	Judicial Department
State	Legislative Fiscal Office
State	Marine Board
State	Public Employees Retirement System
State	Public Utility Commission
State	Secretary of State
State	Senate
State	State Board of Accountancy
State	State Marine Board
State	State Treasury
State	State University
State	Travel Experience, Das
State	Water Resources Department
State	Youth Authority
WU	Willamette University Law School
WU	Willamette University, AGSM
WU	Willamette University, CLA
WU	Willamette University, Institute for Modern Government