

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Office of Finance and Treasury

March 30, 2015

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, NW – 6th Floor
Washington, DC 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW – Suite 504
Washington, DC 20004

Re: Office of Finance and Treasury Central Collection Unit 2015 Annual Report

Dear Mayor Bowser and Chairman Mendelson:

In accordance with the requirements of Section 11 of the Delinquent Debt Recovery Act of 2012 (D.C. Official Code § 1-350.11), below please find the 2015 annual activity report for the Central Collection Unit (CCU).

Background Information

The CCU operates within the Office of Finance and Treasury (OFT). CCU's primary responsibility is to collect all delinquent debts owed to the District of Columbia, except those excluded by law (taxes, child support, and water and sewer debts) and deposit the amounts collected into the Delinquent Debt Fund (Fund). At the end of each fiscal year, the CCU must make the following transfers from the Fund: (1) to the Not-For-Profit Hospital (UMC), net of costs and fees, all delinquent debt collected for the Not-For-Profit Hospital Corporation; (2) to the University of the District of Columbia (UDC), net of costs and fees, all delinquent debt collected for the University of the District of Columbia; and, (3) to the General Fund of the District of Columbia all remaining delinquent debt collected (including accrued interest), net of all costs and expenses less 10% retained as a reserve for the next operating year.

Administrative Information and Activity

The CCU has made significant progress since the issuance of the last annual report. In accordance with the 2014 Strategic Plan of the Chief Financial Officer (CFO), specifically, Strategic Objective 1, "Improve Customer Service," the CCU opened a customer service walk-in

site in February 2014. When a CCU customer visits the Center, he/she is able to discuss delinquent debt resolution in a professional and private environment.

Additionally, the CCU's telephone system is being enhanced to mirror the current system used by the Office of Tax and Revenue (OTR) call center. This will provide better customer service through expeditious call handling and enhanced managerial involvement. Management will have the ability to monitor all phone activity, including volume and staffing coverage, especially during peak times. The system will be fully implemented in April 2015.

The CCU has both an internet and intranet site to ensure that customers are provided with up-to-date information regarding the CCU.

The CCU continues to monitor and adjust staffing to ensure quality customer service. Current staffing consists of a CCU Manager, Program Analyst, Accountant, Collections Supervisor, and three permanent Collections Representatives. In addition, the CCU will soon have two temporary Collection Representatives under contract, with the intention of making these positions permanent for FY 2016 or before, and creating a Lead Collections Representative position.

The CCU operates under the guidance and leadership of Deputy CFO and Treasurer, Jeffrey Barnette, and Associate Treasurer for Operations and Banking, Clarice Wood. Ms. Wood serves as the senior administrator and primary point of contact for the CCU, and oversees all business operations.

The CCU collection policies incorporate all collection tools afforded through legislation, vetted through the Office of General Counsel (OGC), and the OCFO's senior management. The CCU uses a governmental collection approach, with the goal of handling delinquent debtor cases in a consistent, firm, and fair manner, making case resolution decisions expeditiously based on the individual facts and circumstances. The CCU policies provide for expanded payment options of up to eighteen months for District residents, based on dollar thresholds, thereby allowing the customer to obtain services such as a renewed driver's license and/or registration.

The CCU provided many District and non-District residents with a "fresh start" by settling delinquent debts for less than the full balance due, resulting in collection of a substantial percentage of the total delinquent debt as payment in full. Factors considered prior to settling a delinquent debt include, but are not limited to, the age of the debt; prior collection efforts and success; and customer impact, such as removing an obstacle to obtain employment, incarceration, medical condition, and family hardship. There have been numerous instances where the CCU resolved outstanding delinquent debts through expanded payment options, second-chance payment agreements and settlements, resulting in the collection of aged delinquent debts owed to the District of Columbia. CCU settlements are at little administrative cost to the District and have resulted in the collection of thousands of dollars not being collected through other means.

Statistical results are provided later in this report

CCU Outside Collection Agencies and Automation

The CCU continues to coordinate with the Office of Contracts and the OCIO to award two outside collection contracts and to implement its automated collection system. While this coordinated effort has not progressed as initially anticipated, the process is moving in a positive direction.

The CCU has recommended the awarding of contracts to two collection agencies. The Office of Contracts anticipates awarding contracts in April 2015, with a 90-day implementation period.

On February 5, 2013, Rev-Q, a Columbia Ultimate company, was awarded the contract to implement the “Ajility” automated collection system. Ajility will be the system of record for the CCU. With this system, the CCU will be able to operate at full capacity, and more importantly, will be able to aggressively work with the remaining District agencies and with the Office of Financial Operations and Systems (OFOS) to assign delinquent debts to the CCU.

The unanticipated delays in system implementation have occurred for several reasons, both internal and external. OCIO and the CCU determined that the initial data flow utilizing Ajility as the “hub” was problematic for configuration and data processing purposes. The CCU and OCIO revised the initial data flow process to place additional responsibilities on the collection agencies, since these agencies have the investment in systems and technical expertise to take on the added responsibility.

Externally, Columbia Ultimate encountered various personnel changes, primarily in the area of project management, and encountered difficulties providing a completed project plan acceptable to OCIO and to the CCU.

The implementation process has greatly improved. Columbia Ultimate, OCIO and the CCU are progressing in a positive mode, making decisions on remaining business requirements and system configurations. Based on the current progress and the percentage of completion of the project plan, Ajility is projected to be fully functional by December 2015.

Once operational, the CCU will be able to generate reports, including ad-hoc reports needed for analytics around collection results, and to be nimble in making policy and procedural adjustments. Additionally, the CCU will have the ability to work various account types internally, better manage payment agreements, settlements, payroll deduction agreements, District employee attachments, civil suits, lien filings, and offsets.

Next Steps

The CCU has a clear understanding of its mission. Upon implementation of the Ajility system and the collection agency contracts, existing District agency collections: Department of Motor Vehicles (DMV), UMC, UDC and OFT dishonored checks, are expected to increase substantially. In addition, the CCU will aggressively work with other District agencies to assign delinquent debt for collection. The CCU will work with the collection agencies to identify special projects to increase collections, such as identifying District employees not in compliance with “clean hands.” The CCU will coordinate with OAG to initiate civil suits and pursue judgments, when appropriate.

The CCU has the ability to substantially reduce the delinquent debts owed to the various District agencies. Realizing the added value of a CCU, other jurisdictions around the country have passed legislation to form a CCU, while other jurisdictions such as the State of Maryland have recognized the value and added revenue for several years.

CCU Statistical Data

In FY2014, District agencies transferred delinquent debts to the General Ledger as follows:

Office of Finance and Treasury	\$15,224,258
Metropolitan Police Department	\$301,911
Fire and Emergency Medical Services	\$7,175
Department of Correction	\$177,358
Department of Education	\$374,726
Department of Motor Vehicles	\$70,014,466

CCU collections in FY2014 and (YTD) through February for FY2015:

FY2014:

Gross Revenue Collected:	\$31,474,356
CCU Collection Expenses	(\$4,027,366)
Net CCU Collections	\$27,446,990

FY 2015 (YTD) through February:

Gross Revenue Collected	\$15,682,161
CCU Collection Expenses	(\$2,018,327)
Net CCU Collections	\$13,663,834

CCU Debt Settlements:

FY2014:

- 281 customer accounts settled, resulting in \$435,275 revenue collected

FY2015 (YTD) through February:

- 153 customer accounts settled, resulting in \$220,293 revenue collected

CCU Payment Agreements for FY2014 and FY 2015 (YTD) through February:

The CCU payment agreement statistics for FY2014 begin in March 2014. Prior to March 2014, the payment agreements were handled by the OFT Cashiers assigned to DMV.

FY2014: Total CCU Payment Agreements: 2,156

FY2015 (YTD) through February: 1,505

CCU FY2014 and FY2015 (YTD) through February collection activity:

FY2014:

	Gross Collections	Expenses	Net Collections
DMV	\$29,938,038	\$3,943,454	\$25,994,584
UMC	\$221,288	\$49,314	\$171,974
UDC	\$147,909	\$34,598	\$113,311
Office of Pay and Retirement Services (OPRS)	\$22,382	\$0	\$22,382
Dept. of Corrections	\$8,637	\$0	\$8,637
Miscellaneous	\$1,136,102	\$0	\$1,136,102
Totals	\$31,474,356	\$4,027,366	\$27,446,990

FY2015 (YTD) through February:

	Gross Collections	Expenses	Net Collections
DMV	\$15,403,910	\$1,976,779	\$13,427,131
UMC	\$94,224	\$20,914	\$73,310
UDC	\$87,351	\$20,634	\$66,717
OPRS	\$9,637	\$0	\$9,637
Other Agencies	\$2,718	\$0	\$2,718
Miscellaneous	\$84,321	\$0	\$84,321
Totals	\$15,682,161	\$2,018,327	\$13,663,834

If you have questions regarding this report, please contact either Clarice Wood (202) 727-0760 or myself at (202) 727-6288.

Sincerely,



Jeffrey Barnette
D.C. Deputy Chief Financial Officer and Treasurer