

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Finance and Treasury

March 1, 2017

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

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

Re: Office of Finance and Treasury Central Collection Unit 2017 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), please find below the 2017 annual activity report for the Central Collection Unit (CCU). This report reflects activity for fiscal year 2016.

Background Information

The CCU operates within the Office of Finance and Treasury (OFT) of the Office of the Chief Financial Officer (OCFO). CCU's primary responsibility is to collect all delinquent debts owed to the District of Columbia Government, except those excluded by law (taxes, child support, water and sewer debts), and deposit the collections 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, t/a: United Medical Center (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 ten percent (10%) retained as a reserve for the next operating year.

The report outline is as follows:

1. Statistical data, including debt settlements, installment payment agreements, agency transfers of delinquent debt to the CCU, delinquent debt collections, net transfer to the General Fund, and customer service data;
2. Amount of uncollected delinquent debt owed to the District
3. Summary of the efforts made to collect delinquent debt owed to the District, and the action items (challenges) that remain.

1. Statistical Data:

CCU Collections in FY2016:

	Fiscal Year 2016	Fiscal Year 2015
Gross Debt Collected	\$34,006,108.17	\$31,367,170.14
CCU Collection Expenses	(\$5,129,502.43)	(\$ 4,080,721.55)
Net CCU Collections	\$28,876,605.74	\$27,286,448.59
10% Reserve	\$ 2,887,660.57	\$ 2,728,644.86
Funds Returned to UMC / UDC	\$ 348,817.77	\$ 314,229.90
Net Transfer to General Fund	\$25,640,127.40	\$24,243,573.83

Settlement Statistics:

Fiscal Year	Original Balance Due	Settlement Revenue Collected	Percentage of Total Debt Collected	Total Settlement Customers
FY 2016	\$4,363,371.00	\$3,042,323.00	70%	2,299
FY 2015	\$2,030,015.00	\$1,392,040.00	69%	1,050
Comparison	+\$2,333,356.00	+\$1,650,283.00	+ 1%	+1,249

Installment Agreement Statistics:

Fiscal Year	Number of Installment Agreements	Monthly Average
FY 2016	3,227	269
FY 2015	3,569	297
Comparison	(342)	(28)

CCU Customer Service Statistics:

Fiscal Year	Walk-In Customers	Monthly Average	Incoming Telephone Calls	Monthly Average
FY 2016	11,958	997	33,708	2,809
FY 2015	9,180	765	28,815	2,401
Comparison	+2,778	+232	+ 4,893	+ 408

2. Amount of uncollected delinquent debt owed to the District:

The universe of uncollected delinquent debt owed to the District of Columbia government and eligible for CCU collection is \$38,992,634, based on available information from agencies actively participating in CCU collections.

3. Summary of the efforts made to collect delinquent debt owed to the District, and the challenges that remain in collecting it:

A) CCU's System of Record and Outside Collection Agency:

The OCFO, OFT/CCU have determined that the optimal solution for its future debt collection needs should include collection services combined with utilizing a vendor's technological functionality as the CCU system of record.

Our competitive selection process was enhanced to include an outside consultant with collections evaluation experience to the Source Selection Evaluation Board (SSEB) to evaluate the turnkey solution. Other members of the SSEB include a business analyst, and representatives from government agencies including DMV, UMC and UDC, which rely upon the services of the CCU. The SSEB participants will provide a detailed examination of vendor submissions, the RFP, and insight from an agency perspective. The initial SSEB process commenced on February 2, 2017, and consensus on awarding of the contract is tentatively projected to occur in March 2017.

Once the new system is implemented, the CCU will work in a more automated environment and will aggressively commence working with new District agencies. This process will occur in stages, and will bring remaining agencies into compliance with the Delinquent Debt Recovery Act of 2012. It is anticipated that certain agencies will require system interfaces, while other agencies will require information manually or simply report updates.

Implementation of the turnkey operation will provide for a more detailed, but streamlined approach, the ability to generate standard and ad-hoc reports, enhance the ability of the CCU to utilize collection tools afforded through legislation, and consolidate delinquent debtor accounts in order to maximize collection efforts.

B) Customer Service:

The current overall program includes an external collection contractor and an internal team. The internal CCU currently has two fully functional work stations located within the Office of Tax and Revenue (OTR) Customer Operations Center. CCU also has a telephone call center located within the Office of Finance and Treasury.

The external contractor and the internal CCU work to resolve delinquent accounts in the best interest of both the District and its customers. Numerous times, CCU customers visit the office desperate to resolve his/her outstanding account. The CCU weighs the factors of each case, and tries to give deserving customers a fresh start, while working more aggressively with egregious cases. CCU has implemented District employee attachments, voluntary and payroll deduction payment agreements, and case settlements. CCU settlements have resulted in an average of seventy percent (70%) of the total outstanding debt, collected in a lump sum payment. CCU settlements are at minimal cost to the District, and are responsible for collections in excess of \$3,000,000 in FY 2016. Many settlement cases include delinquent debts that have remained on the books for years without being collected.

An example of the CCU customer service work for the District involves the "Building Futures Program", a community services agency located in the District. This program helps young troubled adults with careers in the construction field. Many of these participants have been in and out of prison and unable to secure employment. The CCU has supported this organization numerous times

by assisting participants in resolving delinquent debts within the scope of its policies and procedures. In the absence of CCU's assistance, the promise of employment may have been diminished.

The mission of the CCU is to consistently collect the maximum delinquent debt owed to the District with sensitivity to residents and consumers. While CCU looks to existing and future outside collection agencies to handle normal collection activity, it is important that the CCU also handle appropriate cases in-house. Currently, the majority of all in-house collections are DMV debts and dishonored checks.

CCU has also established an excellent working relationship with the Department of Public Works (DPW) staff located at Blue Plains Impoundment Lot. CCU has provided training to DPW staff, and established a joint process for insuring compliance with the DMV Immobilization Act of 2013. This has resulted in a substantial increase in revenue collected over the past fiscal year, and created an open line of communication between CCU and DPW.

C) CCU Challenges:

The CCU was delayed in its awarding of a contract for an automated system and collection services due to vendor protests. Despite this setback, which has now been addressed through the issuance of our most recent procurement, the CCU was able to collect a gross amount in excess of \$34,000,000 in FY2016.

Once the new system is fully automated post award, the CCU expects to substantially increase collections by closer coordination with DMV Adjudication Services and the Office of Administrative Hearings. We also have other quick hit collection initiatives planned as well as a pursuit of higher value debts, and possibly a full-time presence at Blue Plains Impoundment Lot.

The CCU will also need to interface and coordinate with additional District agencies post award. These efforts will include securing debt documentation, working with agencies that currently operate manually, determining effective collection actions based on agency legislation of the aforementioned District agencies, and other factors.

Sincerely,



Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer