

Local, State, and Federal Government Debt Collection

An Industry Primer from insideARM.com

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Introduction

This report, drawn from selected news archives, nearly a dozen primary research studies and state and federal financial reports, and interviews with experts in the field, provides an estimate of the total market for government debt collection at all levels including local, state and federal agencies -- to my knowledge this is the first estimate of its kind -- and also offers detail about the major sources of government receivables at all levels, and how they are currently addressed.

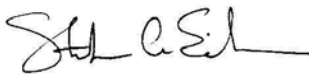
If you are thinking about getting into -- or expanding within -- the government collections sector, this report will give you a comprehensive overview of the landscape, the size of the market, the challenges, and opportunities. To start, you'll get 10 tips for prospering as a private collection agency (PCA) with government clients, as well as a sense of the opportunities associated with this challenging but significant collections market.

To the extent you want to dive into the background, you'll find overviews of the major news events and trends in the government sector from the past several years, where things stand today, and lessons we can learn from these significant stories. Some of the relevant news stories we published on insideARM.com in the past are reprinted here for perspective, and they now include comments made by professionals in the industry.

The report incorporates about two dozen examples of local and state governments entering into the world of proactive debt collection, and their use of private collection agencies (PCAs). You'll also learn about the many unique aspects of the government "creditor" as a client.

Note that the student loan/Dept of ED collections market is included in the market size discussion, but not other sections of this report. We felt it deserved its own separate report, which will be published at a later date.

My sincere thanks go to Kendall Tierney, President of the Government Revenue Collection Association (formerly collection supervisor for the City of Boise), and Walter Steele, COO of F.H. Cann & Associates, for their time and feedback in preparation of this report.



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Getting Started: 10 Tips to Prosper in Collecting for Government Clients

The delinquencies market for government receivables ranges from a low estimate of \$15 billion to a high of more than \$200 billion. By any measure, this is a significant market segment. The big three drivers of delinquency volume — unemployment rates, foreclosures, and bankruptcies — remain at high levels as the national economy stagnates and is expected to worsen. The pairing of high delinquency volume with government budget cutbacks and a resulting reduction in accounts receivable staff adds up to an opportunity for savvy collection firms.

Some public bodies have already established flexible relationships with vetted collections firms, contracting out larger volumes of delinquencies and wage garnishment programs. Whether you're a government AR veteran or considering bidding on some potentially lucrative contracts, here's advice from those who've already successfully won and administered government collection bids.

1. **Start local, start small**, advises Mike Vallandingham, Partner, Linebarger, Googan Blair & Sampson. Firms just adding government clients might choose to concentrate on municipal utility and healthcare (hospital, clinic, ambulance, and fire department) efforts, since they most closely resemble the more familiar private enterprise sector.

Other places to find opportunities for municipal collections include local/regional tax collectors or revenue adjusters associations (attend their meetings, offer to speak, exhibit), Chambers of Commerce, or even the local papers; government agencies are often required to run ads in multiple papers announcing their interest/intention to contract for services. Keep an eye out for these opportunities.

2. **Target judicial, justice, and revenue agencies** for the largest share of the public delinquencies market. In some jurisdictions, these three areas account for about 90% of delinquencies. In order to be competitive when bidding on government contracts, you should be able to demonstrate expertise in legal areas such as wage garnishment.
3. **Hone your political skills**. When government agencies use outside groups to go after debtors, there's sometimes backlash. Elected officials may initially be more likely to side with their constituents rather than an outside collections firm. To avoid being caught in the middle, take a proactive stance by creating a strong relationship with your governmental agency contact(s) and by educating law makers on collections-related activities.
4. **Don't underestimate the power of word of mouth**, advises Walter Steele, COO of F.H. Cann & Associates. If you are serious about getting into local government collections work, your time would

be well spent participating in your Chamber of Commerce (offer to speak, and educate attendees on collection matters), United Way, food bank, and other important local community organizations. Relationships made through this type of activity help to support your bids for work, as decision makers get to know you and your team as credible and dependable people.

5. **Fill unmet (or underfunded) needs.** In-house government collections operations are being decimated by budgetary cutbacks. Take advantage of opportunities by shouldering services that used to be delivered by government workers.
6. **Know the government client's organization,** says Nancy Parrish, who formerly headed a collections program offered by the National Association of Counties. Centralized management of ARs will prove more successful, generally, than government agencies that run their own programs, she says. However, research shows that economic pressures are forcing even centralized operations to push collections out to individual government agencies.

Walter Steele notes that there is significant opportunity in collections programs run by local jurisdictions, out of the purview of the Department of Revenue. In New England, this includes personal property taxes, for instance. While there may be benefits to a larger, centralized account, some local government agencies don't trust the central organization; they may not like the chosen vendors, they may feel there has been favoritism, or there may be other politics at work. Steele's advice: don't assume the local agency is talking to the Department of Revenue. Look for the opportunities at all levels.

7. **Know the demographics within a jurisdiction before determining how to bid on a contract.** Demographics (unemployment levels and trends, income levels, level of transience) have a direct impact on collections processes and results, say officials from local and state controllers' offices. For instance, Arlington, VA has a high population of transients (even by metropolitan- D.C. standards) so the city takes a more hard-line tone in its collections activities. In California, local jurisdictions tracking deadbeat dads have experienced an inability to follow debtors across jurisdictions even within the state, making skip tracing more difficult and more costly. Such demographics should and will affect how you price your services when bidding on a contract.
8. **Understand the laws on fee structure in each jurisdiction.** In many cases, local law dictates whether or not collection fees can be added to a delinquent account. Some clients may not know the rules, so you would do them a great service by knowing what's allowed.
9. **Know the government client's operations.** Make sure that government clients disclose amnesty and other programs that affect your operations and profit margins. If your ability to perform a contract

may be compromised by such programs, this could be a government proposal to walk away from.

10. **Submit regular collections reports.** Where appropriate, especially with the more centralized agencies, be prepared to submit regular reports, including daily activity logs. Invite government clients on regular site visits so you can show how you're incurring risk and costs on their behalf. These types of relationship-building efforts provide reassurance if elected officials call regarding constituent collection complaints. Some clients won't understand what they are looking at, in which case you may not need to provide such frequent reports. On the other hand, says Walter Steele, if you are willing to teach those who aren't experienced, the goodwill you develop will likely come back to you through positive word of mouth.

What is the Size of the Market for Government Collections?

It is clear to many that the market for government collections is significant, and relatively untapped when compared to other collections segments such as credit cards or telecom. In just the last year a wide range of estimates have been made of outstanding government debt available to be collected. No doubt, the estimates are based on a variety of assumptions which include or exclude agencies at the town, city, court, county, state, and federal levels. There doesn't seem to be a definitive and centralized list of all agencies at all levels of government that hold past due receivables.

So as a first step to identifying the full size of this market, we felt it useful to begin by highlighting the anecdotal data points we've seen recently, before moving to a more comprehensive approach. What follows are a few of the estimates that have been made, as represented through a series of articles posted on insideARM.com. For ease of identification, the estimates have been underlined and highlighted; they range from \$15 billion to \$200 billion.

State and Local Focus to Drive Government ARM Expansion

by Cynthia Wilson – insideARM.com – November 24, 2010

Mike Pelone estimates the market for government receivables to be about \$15 billion, and as Portfolio Recovery Associate's new President of Government Services, he wants a larger part of it.

Accounts receivable management firm Portfolio Recovery Associates, Inc. (Nasdaq: [PRAA](#)), which makes the bulk of its money in consumer debt purchasing, entered the government services sector in 2005 with the acquisition of Alabama-based RDS/Alatax, and has expanded the unit by purchasing two more companies since then. Today, PRA's government services unit has 760 clients nationwide. In addition to recovering hundreds of millions of dollars in bad debt for clients, PRA's government services unit has billed and collected \$750 million through its tax administration services.

While impressive, the money still accounts for less than 10 percent of a multi-billion dollar market, Pelone noted. With so many governments grappling with falling revenues due to decreases in housing values, retail sales and income taxes, the government sector offers a lot of untapped opportunity. Governments, he said, are in disparate need of revenue but they do not want to raise taxes to get it. So PRA's message is that they don't have to. Instead governments can and should leverage their existing tax laws to collect money already owed to them.

"Every town, city, and county in the country has the need for our services," Pelone told insideARM.com. "Why create new taxes and regulations when there are plenty of existing laws and rules to help governments better collect existing revenues?"

Pelone is the first person to lead PRA's combined government services subsidiaries. When he joined PRA earlier this month Pelone brought with him more than 30 years of corporate and consulting experience in building successful national sales, business development, and account management organizations. He last served as senior vice president, Sales and Business Development for Affiliated Computer Services (ACS) in Raleigh, N.C. He also held senior sales executive, executive management and management positions with UnitedHealth Group in Eden Prairie, Minn.; Unisys Corporation in Blue Bell, Pa.; Electronic Data Systems in Plano, Texas; and Burroughs Corporation in Detroit.

Kaulkin Ginsberg Director Mark Russell said Pelone's appointment is a sign that PRA is moving aggressively to grow the government side of the business.

"They are looking for him to take it to the next level and are prepared to financially back him," Russell said.

Russell said the company has been enamored with government services since Kaulkin helped it put together the deal for RDS in 2005. Not only is government services a good source of recurring income for ARM firms that can win government contracts, the niche doesn't require large outlays of capital that's necessary in debt buying.

"The thing about most types of government debt is that they never go away even if you file bankruptcy. (Governments) also are first in line when liquidation of assets occurs in the bankruptcy process. It's very stable," Russell said.

Pelone said PRA has a good client retention rate and the company is positioned well to bring on new government clients because it can leverage its technology and administration operations to help government clients. For example, the technology PRA uses to help auto loan originators locate vehicle owners can be used to locate vehicles with unpaid tickets and property taxes for municipalities, he said. By sharing administrative services costs with PRA's other business, the government services business also can introduce its services at competitive prices, Pelone said.

Pelone said PRA does aspire to have clients at the federal level, but its immediate focus remains with town, city, county and state governments.

"We're helping governments identify unreported taxes and collect both taxes owed and plan for the next wave of taxation; as it is our mission to help government fairly and equitably administer their existing sources of revenue," he said.

Nick Bernardo says

"With so many governments grappling with falling revenues due to decreases in housing values, retail sales and income taxes, the government sector offers a lot of untapped opportunity."

This is spot on. Data we have at <http://www.mygovwatch.com> shows that less than 10%, and possibly less than 5%, of all municipalities in the U.S. currently outsource collections.

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/state-and-local-focus-to-drive-government-arm-expansion/>

Government Collections Sector Evolving into Full Service Market

by Mark Russell – Kaulkin Ginsberg – August 5, 2010

For those of you who saw the insideARM.com daily news yesterday, you may have noticed the headline article that discussed Gila Corp's recent acquisition by a private equity firm ("[ARM Firm Gila Corp. Acquired by Private Equity Group](#)," Aug. 4). I read this announcement with great interest, as the transaction reflects a trend that I have seen unfolding over the past year.

We typically see a significant increase in buyer interest within the ARM government sector during the first year or so after the selected debt collection vendors begin to receive accounts from a new Department of Education contract. Well, we are still in the midst of this time period for the current contract, as I'm sure most if not all of the vendors can attest. So we've seen that interest.

But over the past several months we have also experienced a growing number of strategic and financial buyers who are actively seeking ARM companies with local and state government clients. Why? For several reasons:

- The government market is large and growing – **there is currently close to \$200 billion of outstanding government receivables at all levels** (not including government sponsored student loans originated through guarantors or IRS debt)
- The internal government collection operations are less sophisticated – Outsourcing is producing better and faster liquidation results in many instances
- A growing number of local and state governments need to find additional ways to reduce their budgets – Reducing staff by outsourcing functions such as receivables management is becoming a necessity, not an option
- Acquiring a platform is faster than building one organically, and offers the buyer instant market credibility

There is another reason why certain strategic and financial buyers are excited about acquiring a government receivables management company. They, like me, see the early signs of a revenue cycle management industry forming within this market, a trend that is likely to evolve similarly to the revenue cycle management industry within the healthcare sector.

In the healthcare sector, it began with hospitals and large physician groups outsourcing specific functions (patient eligibility, billing, claims management, etc.), but over time it evolved into contractors managing the entire receivables management process for their clients. This evolution was necessary because of a need among certain healthcare companies to reduce their internal costs in order to survive, a trend we see unfolding with certain government entities as well.

The formation of a revenue cycle management industry within the government sector is being driven by one simple reality: the acceleration of the federal deficit has significantly reduced the amount of funding available for state governments, which in turn has impacted the funding available for local governments. As a result, many local and state government entities have been required to substantially reduce their budgets, forcing some of them to cut their staff and find other cheaper solutions for their needs.

We are already aware of certain government contractors performing as master servicers for some of their government clients, and it is only a matter of time before these and other service providers end up managing the entire receivables management process. I believe this is a necessary step for certain government entities, and one that offers tremendous opportunities for those companies who have the knowledge and ability to more efficiently manage these operations.

Mark Russell manages M&A transactions for [Kaulkin Ginsberg](#). To confidentially discuss your business interests, please contact Mark Russell at 240-499-3804, or by [email](#).

<http://www.insidearm.com/daily/debt-buying-topics/debt-buying/government-collections-sector-evolving-into-full-service-market/>

In April 2010 LexisNexis and the Government Revenue Collection Association published the **2010 Tax & Revenue Recovery Market Assessment Study**, which reported the **average outstanding debt per agency at the Federal (\$282 million), state (\$166 million) and local (\$29 million) levels**. However no estimate is made of the total debt outstanding.

<http://solutions.lexisnexis.com/forms/GV10RRGRCAConf13901?source=GRCA>

In 2009 the National Association of Counties reported that local governments had more than \$40 billion in uncollected taxes and fees for which they were using third party debt collection firms to recover. Based on data from the LexisNexis-GRCA study of 2010 that says most governments only outsource about half their collections, **the true total outstanding local debt is at least \$80 billion**.

Third Party Debt Collectors an Important Partner in the Recovery of Government-Owed Debt

Press Release – October 28, 2010

MINNEAPOLIS – ACA International, the leading voice for the debt collection industry, is pleased to learn of the September 2010 Government Accounting Office (GAO) report reinforcing the value debt collectors provide American taxpayers in the collection of unpaid taxes to the Internal Revenue Services (IRS).

In 2009, when the IRS moved to stop using private debt collectors, ACA vehemently opposed the move based on the same findings as the GAO: “IRS’s comparative study of the PDC program (private debt collection) was not soundly designed to support its decision on whether to continue contracting out debt collection.”

“Debt collectors provide a very important public service to taxpayers by returning billions of uncollected fines, fees and taxes to federal, state and local government,” said ACA International CEO Rozanne M. Andersen, Esq. “Collecting these government-owed tax dollars reduces the need for future tax increases, keeping more money in the pocket of hard working America consumers.”

In 2009, third party debt collectors recovered \$788 million of the reported \$30.9 billion owed to the federal government, not including the Internal Revenue Service. From 2006-2009, the last year the IRS used third party debt collectors, \$80 million in unpaid taxes was returned to taxpayers.

More than 43 states currently use third party debt collectors to help recover delinquent receivables. In 2009 the National Association of Counties reported that local governments had more than \$40 billion in uncollected taxes and fees for which they were using third party debt collection firms to recover. Typically, third party debt collectors recover an estimated 15 percent of government debt; or approximately \$6 billion to local government taxpayers.

“We applaud the support Senator Charles Grassley has shown regarding private debt collectors working on behalf of the IRS. We hope he continues his efforts and look forward to working with him and other Members of Congress to renew this important initiative that once allowed \$80 million to be returned to the federal government,” said ACA International President Martin Sher.

If a consumer is contacted, talk with the debt collector to verify or dispute the debt; never allow yourself to be threatened or harassed; and visit www.askdoctordebt.com to find reliable information about debt collection and consumer rights.

ACA International, the Association of Credit and Collection Professionals, is the comprehensive, knowledge-based resource for success in the credit and collection industry. Founded in 1939, ACA

brings together more than 5,000 members worldwide, including third-party collection agencies, asset buyers, attorneys, creditors and vendor affiliates. ACA International establishes ethical standards, produces a wide variety of products, services and publications, and articulates the value of the credit and collection industry to businesses, policymakers and consumers. For more information about ACA International, visit www.acainternational.org.

<http://www.insidearm.com/daily/govt-receivables/government-receivables/third-party-debt-collectors-an-important-partner-in-the-recovery-of-government-owed-debt/>

The Calculation

The above is all anecdotal, and individuals have surely used varying definitions for determining what is/is not included in the market. To date, we have not found an attempt to combine the various data points in order to determine an estimate of all past-due government debt combined, at all levels.

To attempt such an estimate, we began with findings in the LexisNexis/GRCA report mentioned above, and then attempted to quantify how many agencies there are at each of those levels.

The Federal government level is especially difficult to pin down this way. [According to a list on Wikipedia, there are over 400 agencies/divisions/departments; it's difficult to determine which or how many of those would have receivables.] So for this estimate we turned to the Department of the Treasury's March 2011 Report to Congress: Receivables and Debt Collection Activities of Federal Agencies, which counts total outstanding delinquent debt at **\$103 billion**.

State and local governments are easier to pin down. According to a U.S. Census Bureau chart from 2007 (see Appendix), there are just over **3,000 counties, 19,000 municipalities, and 16,000 towns**.

The LexisNexis/GRCA study, with 476 respondents, tells us there is an average of **\$166 million in overdue revenue at the state level, and \$29 million at the local level**. We've used the \$29 million figure for the county level, but make the assumption that a significant number of those not included in the study were from much smaller agencies (towns/municipalities), and the **average outstanding revenue at that level is closer to \$5 million**.

As illustrated in the chart below, this exercise yields an estimated **\$180 billion in total outstanding receivables** among all levels of government, including Department of Education loans.

Total Government Revenue Outstanding At All Levels

Government Level	Number of Agencies	Outstanding Revenue (in millions)	Total Revenue outstanding (in billions)
State	50	\$166	\$8
County	3,033	\$29	\$89
Municipality	19,492	\$5	\$97
Town	16,519	\$5	\$82
Federal	n/a	n/a	\$103
Total			\$180

Digging into Federal Receivables

(Source for all information in this section: Department of Treasury Report to Congress: Receivables and Debt Collection Activities of Federal Agencies, except where noted.)

FY 2010 total Federal receivables were \$625.8 billion, with delinquencies of \$103.6 billion. Federal loan programs (direct and guaranteed) comprised 88 percent of total receivables, and 83 percent of total delinquencies.

Top five Federal receivables categories

Program	Receivables (billions)
Federal Direct Student Loans	\$ 230.2
Defaulted Guaranteed Student Loans	\$ 35.9
Rural Electric & Telephone Revolving Fund	\$ 27.4
Rural Development Insurance Fund	\$ 14.7
Commodity Credit Corporation	\$ 13.1
Farm Service Agency	\$ 8.1
Total	\$ 329.4

The Largest Increases in Receivables for 2010

Education's direct student loan portfolio has grown significantly over the last several years, and this trend will undoubtedly continue, with the effective elimination of the private student loan market ([Direct Student Lending Program May Lead to Steady Growth for ED Collection Contractors](#) -- April 9, 2010). That portfolio has increased from \$71.8 billion at the end of FY 2001 to \$230.2 billion at the end of FY 2010, and by \$73.4 billion in FY 2010 alone.

Note: The Department of Education Student Loan program, and the broader student loan market, could be the source of a full report on its own; we do not cover it fully here. Of note is that in early 2010 private lenders lost the ability to originate federally guaranteed loans on the government's behalf through what was known as the Federal Family Education Loan Program. Banks are now much more reluctant to issue private loans, as the ability to securitize these loans has been eliminated. While the government's action in the IRS collections matter was a huge blow to those that had won contracts, this action in the student loan arena will prove to be a boon to those nearly two dozen agencies approved for Dept. of ED work. It was no small investment required by these collection agencies, as it took many of them two years to implement the required systems and security upgrades.

Receivables at the Department of Housing and Urban Development (HUD) increased by \$7.4 billion due in part to the rise in defaults on mortgages contained in securities guaranteed by the Government National Mortgage Association (Ginnie Mae).

The two agencies with the largest total receivables at the end of FY 2010 were Education, with \$370.7 billion and the Department of Agriculture (USDA) with \$112 billion.

Aging of Government-wide Delinquencies

	2006	2007	2008	2009	2010
> 10 years	\$9.2	\$9.6	\$11.4	\$9.2	\$11.3
6-10 years	\$4.7	\$5.0	\$6.1	\$4.5	\$5.6
2-6 years	\$12.3	\$12.0	\$12.7	\$20.5	\$22.9
181 days-2 years	\$18.1	\$18.6	\$23.2	\$24.1	\$29.7
1-180 days	\$20.6	\$19.6	\$21.1	\$48.9	\$34.3
Total	\$64.9	\$64.8	\$74.5	\$107.2	\$103.8

At the end of FY 2010, 88 percent of the Federal Government's delinquent debts were distributed among five agencies: Education, the Small Business Administration (SBA), the Department of Defense (DOD), the Social Security Administration (SSA), and USDA.

Agency	Delinquencies (in billions)	
	FY 2010	% Change from FY 2009
Education	\$71.5	+29%
SBA	\$5.9	+42%
DOD	\$5.2	+10%
SSA	\$4.2	+5%
USDA	\$3.7	+5%
Total of above	\$90.5	+26%
Total Federal	\$103.6	-4%

Overview of Government-wide Debt Collection Initiatives

There are six primary government-wide debt collection initiatives. These include the Treasury Offset Program (TOP), Treasury Cross-Servicing, the use of private collection agencies (PCAs), the HHS Debt Collection Center, litigation through the Department of Justice, and the Education Student Loan collection program.

The DCIA (Debt Collection Improvement Act of 1996) mandates that Federal agencies refer non-tax debts more than 180 days delinquent to Treasury's Financial Management Service (FMS) for collection through its Treasury Offset (TOP) and/or Cross-Servicing programs -- except for certain debts which are not eligible (20.3% of the total in FY 2010). Debts that are ineligible include those under appeal or in forbearance, litigation, foreclosure, or bankruptcy.

The DCIA centralized the collection of delinquent non-tax debt at Treasury in two significant ways. One of the tools used by FMS to collect Federal non-tax debt, child support payments, or State debt, is its Treasury Offset Program (TOP), initially established under the DCIA. The TOP compares the names and taxpayer identifying numbers (TINs) of debtors with the names and TINs of recipients of federal payments. If there is a match, the federal payment is reduced, or "offset," to satisfy the overdue debt. The DCIA requires federal agencies to refer delinquent non-tax debts to FMS for purposes of collection by offset of non-tax payments. Non-tax payments include vendor, federal retirement, federal salary, and Social Security benefits. Currently, all OPM retirement, vendor, SSA benefit payments and some Federal salary payments are being offset.

TOP has been expanded to incorporate other offset processes, particularly: (1) the tax refund offset program, formerly operated by the Internal Revenue Service, was merged into TOP in January 1999; (2) levies served by the IRS for the collection of delinquent tax debt in accordance with the Taxpayer Relief Act of 1997; and (3) collection of state income tax debts by offset of federal income tax refunds as mandated by the 1998 Internal Revenue Service Restructuring and Reform Act. Different statutory requirements have made implementation of the entire TOP program very complex.

The other primary debt collection tool operated by FMS is "cross-servicing." Federal agencies are required to refer eligible delinquent (over 180 days) non-tax debts to Treasury for debt collection action, if they have not been successful at collecting those debts. The types of debts referred to FMS include unpaid loans, overpayments or duplicate payments made to federal salary or benefit payment recipients, misused grant funds, and fines, penalties or fees assessed by federal agencies. Treasury uses a variety of collection tools to encourage debtors to repay the federal government, including demand letters, phone calls to debtors, referral of debts to TOP, credit bureau reporting, use of Private Collection Agencies (PCAs), referral of debts to DOJ for litigation, and administrative wage garnishment. The total referred in FY 2010 was \$17.7 billion. The total collected was \$202,590,191, approximately 45% of which was collected by PCAs.

The Program Support Center (PSC), Debt Collection Center, established in 1995, is a component within HHS that collects debts on a fee-for-service basis for 11 agencies within HHS, and several outside agencies. The PSC serves as the HHS conduit for referrals to Treasury for TOP and Cross-Servicing. In FY 2010 \$1.42 billion was referred to PSC; \$401 million was collected.

HHS PSC	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Referrals (billions)	\$1.8	\$1.79	\$1.81	\$1.60	\$1.42
Collections (millions)	\$463.2	\$351.4	\$291.5	\$353.2	\$401.0

When a Federal agency is unsuccessful in collecting a debt using the tools available under the DCIA, the agency may refer the debt to DOJ to pursue collection through the courts. In FY 2010 11,531 new referrals were made, totaling \$7.6 billion; \$4.8 billion was collected.

DOJ	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Referrals (billions)	\$6.1	\$5.0	\$3.8	\$5.2	\$7.6
Collections (billions)	\$3.6	\$3.0	\$2.8	\$2.9	\$4.8

Since the end of 1998 Treasury has exempted student loan debts owed to the Department of Education from mandatory transfer to Treasury, based on Education's demonstrated expertise in collecting those debts. More detail on Department of Education collections will be covered in a separate insideARM.com report, dedicated to the student loan sector.

ED	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Referrals (billions)	\$32.9	n/a	n/a	n/a	\$57.9
Collections (billions)	\$6.29	\$6.92	\$8.57	\$8.75	\$10.24

Education, FMS, and HHS have each established contracts with PCAs to collect non-tax debts owed to the Federal Government. They establish repayment agreements, and also resolve debts administratively by determining that a debtor is deceased, disabled, bankrupt, or out of business.

PCAs	Referrals (millions)			Collections (millions)*		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
HHS	\$35	\$51	\$17	\$3.8	\$2.2	\$1.7
FMS	\$4,454	\$6,379	\$6,984	\$82.8	\$132.1	\$90.3
ED	\$23,863	\$24,470	\$28,845	\$2,291	\$2,416	\$2,354
Total	\$28,352	\$30,900	\$35,846	\$2,377	\$2,550	\$2,446

* Includes Education's consolidations and rehabilitations, as well as collections by administrative wage garnishment (AWG)

Total write-offs in FY 2010 were \$11.4 billion; a 19% increase over FY 2009. Office of Management & Budget guidance generally requires write-off when debts are two years delinquent, however agencies do not write off debts when material collections can be documented to occur after two years. The largest increases in write-offs were at the Department of the Treasury, up \$1.6 billion, primarily in its Automotive Industry Financing Program, and the Federal Trade Commission, up \$1.1 billion.

Federal Receivables and Delinquent Debt as of September 30, 2010 (in millions)						
Agency	Ending Balance	Collections	Write-offs	Total Delinquencies	Delinquencies > 180*	Currently Not Collectible
Education	\$ 370,742	\$ 52,729	\$ 1,357	\$ 71,494	\$ 43,608	\$ 584
USDA	\$ 112,030	\$ 25,196	\$ 910	\$ 3,721	\$ 3,128	\$ 1,451
Treasury	\$ 17,946	\$ 11,408	\$ 1,603	\$ 14	\$ 5	\$ 6
SBA	\$ 16,626	\$ 1,925	\$ 2,741	\$ 5,913	\$ 5,236	\$ 6,376
HUD	\$ 16,479	\$ 7,604	\$ 31	\$ 1,724	\$ 1,351	\$ 329
SSA	\$ 15,213	\$ 3,650	\$ 986	\$ 4,157	\$ 3,026	\$ 214
HHS	\$ 11,171	\$ 34,392	\$ 630	\$ 1,966	\$ 1,304	\$ 11,410
DOD	\$ 10,996	\$ 9,335	\$ 453	\$ 5,191	\$ 4,616	\$ 476
NCUA	\$ 10,202	\$ 4,120	\$ -	\$ 0	\$ -	\$ -
EX/IM	\$ 8,872	\$ 1,324	\$ 202	\$ 2,109	\$ 1,883	\$ -
Energy	\$ 7,066	\$ 5,364	\$ 1	\$ 116	\$ 105	\$ 2,085
All Other	\$ 156,942	\$ 66,353	\$ 2,443	\$ 7,150	\$ 5,005	\$ 5,511
Total	\$ 754,285	\$ 223,400	\$11,357	\$ 103,555	\$ 69,267	\$ 28,442

State & Local Receivables

Receivables at the state and local level include tax (income, property sales, use), general, court (victim restitutions, parking and traffic violations, and fines/fees), and utilities collections.

In April 2010, LexisNexis and the Government Revenue Collection Association released the 2010 Tax & Revenue Recovery Market Assessment Study. 476 respondents who met the following criteria completed the survey:

1. Must work for a government agency or department
2. Must work in collections at least 50% of their time
3. Must be involved in collections of tax, court, utilities, or general revenues

With nearly 500 respondents, clearly there is interest among government agencies in understanding where they stand on this initiative. A little less than half of public agencies report outsourcing some types of collections.

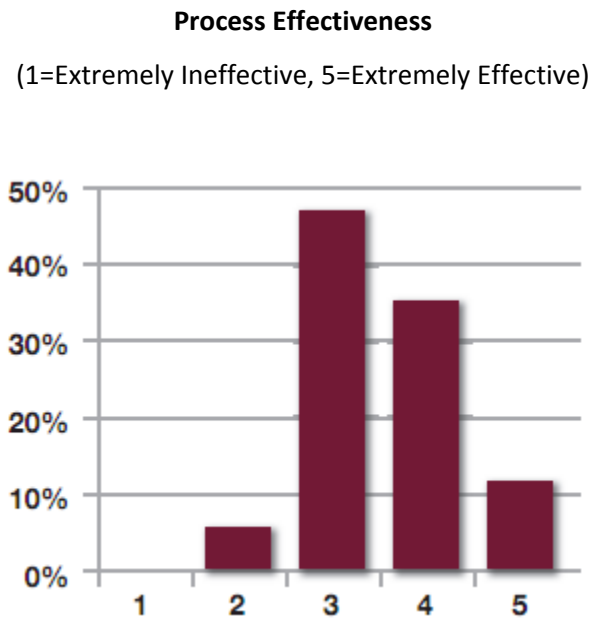
According to the LexisNexis/GRCA study, tax collections are more likely to be handled “in-house” while in the neighborhood of half of other types of collections are likely to be outsourced to PCAs. Rates of recovery for each type of collections are listed in the report, as are number of accounts handled per collector (much higher at the state and local levels than at the Federal level), performance methods used, and types of process automation.

The study reveals generally that in-house collection efforts are more successful than outsourced. It’s important to note however that the calculation is not based on an “apples-to-apples” comparison; agencies at the state level wait an average of nearly 80 days to outsource (more than 90 days at the local level), whereas in-house collectors work on much newer debt.

The National Association of State Auditors, Comptrollers & Treasurers (NASACT), in conjunction with CGI Group Inc., published the results of a survey of its members conducted in spring 2010 called *Government Debt Collection: an Untapped Source for Increased Revenue and Sustained Fiscal Fitness*. The report incorporates responses of members from 21 states and covers current business models and processes used, use of automation and other support tools, authority to initiate involuntary collection actions, program effectiveness and evaluation criteria, perceived constraints, and opportunities for improvement.

One of the major findings is that respondents who reported the highest level of effectiveness in their collections were those that centralized their program. 17% of states have a centralized function for multiple agencies; 33% of responding states’ agencies manage their own collections activity, and 50%

use a combination of models. All respondents reported at least some use of private collection agencies (PCAs). Here is how the respondents rated their own effectiveness:



Source: *Government Debt Collection,
An Untapped Source for Increased Revenue and Sustained Fiscal Fitness*

Respondents were also asked to offer their most effective strategies for debt collection. The following rank-ordered list represents a collected summary of their response. While the most effective strategy reported was the ability to offset state and federal tax refunds, the majority of approaches involve better use of technology.

1. Offsetting state and federal tax refunds
2. Liens, levies, garnishments, and license holds (if available)
3. Automated notices and correspondence
4. Centralized collections
5. Better use of private collection agencies
6. Automated collection software
7. Electronic payments
8. Imposition of penalties and interest
9. Increased staffing

One of the biggest differentiators (though certainly not the only one) between collection departments at the state and local level and third party PCAs is their access to technology. The clear conclusion of the CGI/NASACT report is that the centralized State collection structure is more effective, as it receives more focus, more funding, and has the greater scale necessary to pursue material process improvements. Among the benefits of this increased funding and scale naturally is better access to technology which is necessary to automate many collection activities such as notices and correspondence, enable the gathering of data on addresses, phone numbers, and assets available for involuntary collections in a coordinated manner, consolidate debts and capture critical data in a single location, and process electronic payments.

Indeed, when asked to report on constraints to improving collection processes, survey respondents noted the following, the majority of which are related to technology limitations:

- Limitations of legacy applications
- Limited access to third-party data
- Insufficient accounts receivable data
- Too many manual processes
- Limited collection resources
- Legislative constraints on authority to collect delinquent debts

This is especially challenging for decentralized agencies, few (none?) of which alone have the time, money, or expertise to evaluate and implement collection-related automation.

Opportunity for Private Collection Agencies?

Finally, NASACT members reported the following list of enhancement initiatives that were either completed in the last two years or were planned for the next 1-2 years.

- Enhancing statewide reporting of collection program operations
- Enacting additional collection fees
- Establishing online payment capabilities
- Improving capabilities for tracking of statutes of limitations to collection
- Implementing a statewide centralized offset process
- Enacting statewide receivable policies
- Improving vendor offset programs
- Centralizing debt collections
- Better managing of private collection agencies
- Implementing new collection software
- Garnishing state employee wages
- Establishing an enterprise accounts receivable system
- Centralizing monitoring of collection activities and results
- Providing for holds on professional licensing

Some of these initiatives are things best done by government, like enacting rules, garnishing wages, and providing for holds on licensing. Most, however, fall under the expertise purview of collection agencies. What if PCAs were to think outside of their current box to redefine what it means for them to provide services to government agencies? Could they start a consulting division to provide expert assistance with implementing the activities above? Could they leverage their payment systems or skip tracing services to provide pieces of the process to government entities not ready for full outsourcing?

It seems the best of all worlds, from the perspective of both government agencies and PCAs, would include a centralized state collection structure, combined with effective partnership with PCAs. Those private collection agencies that are able to begin building these partnerships by offering creative solutions now, will likely be beneficiaries of increased opportunity in the future.

States That Currently Centralize Debt Collection

The following states have centralized debt collection programs. There may very well be similar programs in other locations, but we were not aware of them at the time of publication of this report.

- Michigan – centralizes within the Michigan Department of Treasury
- Ohio – centralizes with their Attorney General’s office
- California – centralizes selected debt types at the Franchise Tax Board
- Colorado – centralizes within their Department of Personnel and Administration
- North Carolina

Worth noting is an opposite trend, represented for example within Idaho and Oregon, to actually decentralize mandated collections work. In this case, new rules are returning more flexibility to various government agencies (see “Model Collections Program Expands Services State Will Buy,” under the section *Trends Unfolding in Government Collections* in this report).

Who is Better Equipped to Collect – Government Employees or Private Collectors?

The LexisNexis/GRCA study shows that there is opportunity for private collectors in the government sector at all levels. But who is best equipped to collect this revenue – government employees or private debt collectors? The answer is not simple.

A newly released 71 page study by the Yale Law & Policy Review broaches an interesting public “can of worms” regarding the lack of incentives for government employees to do collections work. The study cites four root causes of under-collection, including:

- insufficient resources
- individual incentives
- institutional incentives
- confusion and blame-shifting

Insufficient resources

The Yale study cites a variety of statistics at both the federal and state level that show a significant increase in outstanding debt over the last decade, while staffing increased by only a small amount, or even decreased. The authors noted a direct correlation between high caseloads and low collections.

Individual incentives

According to the study, individuals in [government] agency staff roles tend to seek promotions, approval from peers, praise from supervisors, and internal satisfaction; they also seek to avoid undesirable responsibilities. This is all consistent with standard organizational behavior theory; it turns out that few of these motivating factors support vigorous pursuit of collections.

Many whose job is not exclusively collections-related view the role as administrative, not prestigious, and not as intellectually rewarding as other activities such as rule-making. In fact, if they were to develop a reputation for successful debt collection, they might be assigned greater responsibility for it!

Note: Kendall Tierney, Executive Director of the Government Revenue Collectors Association (GRCA) says that this is why they advocate hiring collection professionals rather than grabbing the nearest warm body to perform collection functions.

Unlike the structure in private firms, those who are dedicated to collections in government are unlikely to have a personal stake in their own success. They are most likely salaried, and their compensation is not affected by how much they collect. In fact, incentives may even be in place to effectively minimize

collections, as many agencies focus on easily calculated metrics such as the number of cases closed vs. “percentage of collectible debt,” which is far more complicated (and time consuming) to determine.

Institutional incentives

This category focuses on the lack of incentive for agency management to prioritize collections. Of course it follows that if management does not make something a priority, those who report to them will not have a reason to either. *Tierney notes that pressure due to the state of many budgets may begin to provide this incentive!* The Yale researchers raise some very interesting dynamics here, as they focus on three types of leaders – careerists, politicians, and professionals -- and how they would each view the activity of debt collection. What’s the conclusion? None of them have much incentive to take an active interest in it.

Careerists, whose goal is to remain with their agency, are motivated to “lay low and not do anything that attracts attention.” So unless the media or others draw attention to the huge problem of under-collection, they have little incentive to address it.

Politicians will try to generate attention by taking action that attracts the press. The study cites, however, that “good press achieved by announcing the *imposition* of large fines; collecting them simply does not make for big headlines.” (Author’s note: this is an interesting corollary to the reality that bad actions by collectors are quite headline worthy; good actions tend to fall flat in the media.)

Note: Tierney says the media can help change this. If taxpayers are given the choice between higher taxes or increased collection of overdue money, she believes we’d see support for officials who want to collect what’s already owed. The exception would be the collection of fees people believe are unfair or usurious in nature.

Professionals – agency heads hired for their industry knowledge or connections – likely come from the organizations they now regulate, and therefore have more incentive to “look the other way” than to vigorously enforce collections.

While this particular study focuses on the collection of corporate and white-collar fines and penalties, the same barriers are likely to be in place in local agencies. One can imagine how popular a local government collector would be with their neighbors.

Confusion and blame-shifting

The Yale study found many instances, both at the federal and state level, where responsibility for collections was unclear and therefore shifted from department to department, often with no action being taken. A number of examples are cited, including one instance in which a fine of over \$7 million was not referred to Treasury's Financial Management Services for collections for more than two years because of poor communication between by the CFTC's Division of Trading and Markets and its Division of Enforcement.

The researchers in fact found evidence of a sort of reverse turf-war, specifically in the area of federal criminal fine collections, in which agencies try to give up as much responsibility as possible. They conclude that this may be due to the fact that personnel will naturally not want to be associated with an area that is more likely to draw blame than praise.

Recommendations

Options described for fixing the collections problem include adding resources, locating responsibility for collections exclusively with in-house specialists, and restructuring incentives for government collectors.

The Yale study also identifies more drastic possible changes that would replace the current system, including outsourcing collections to private or public interest firms, and selling collections rights through debt auctions. The authors come down on the side of trying the in-house reforms first, but say that the clear next best option is to increase the use of private collection agencies.

[A note here regarding judgment of in-house vs. outsourced collectors: It's often very difficult to compare "apples to apples" when deciding whether in-house or outsourced collections are more effective. In the LexisNexis/GRCA study mentioned earlier, findings show that the rate of in-house collections is higher than it is with outsourced collections. But what is often not made clear is that the data does not reflect performance on the same accounts at the same age. Agencies typically give accounts to outside collectors at a much later stage than that at which in-house efforts are made. So by definition, private collectors are working older, more difficult to collect accounts than their in-house government counterparts. For this reason, existing comparisons are at a minimum problematic.]

These are the ideas listed for internal improvements:

- Increase resources, primarily for manpower
- Improve the use of tools already available, such as setting up payment plans
- Establish more concrete guidelines and instructions for when and how to establish payment plans

- Establish specialized, collections-only positions

There are pros and cons to all of these reforms. In most cases, the Yale researchers find that the “cons” outweigh the “pros” except for the concept of specialization. They describe two approaches to this initiative:

- Create special units within each agency
- Create a centralized collections agency

The idea of a centralized agency is interesting, and would certainly resolve issues of responsibility; however the conclusion is that this approach faces more significant barriers to implementation than intra-agency units (the politics of creating a new, free-standing entity, for instance) especially given that there are some examples of success with the agency by agency collections model.

Note: Tierney says the GRCA advocates centralization for a number of reasons, and that it seems to work particularly well at the local levels.

But specialization is not a solution by itself. It needs to happen in conjunction with a restructuring of the system of underlying incentives (or lack thereof):

- Clear performance standards need to be established – designed to minimize “gaming the system” – and monitored.
- The results of the monitoring must be tied directly to consequences.
- Competition should be encouraged by disclosing performance, among staff as well as between agencies, or possibly even publicly.
- Performance must be rewarded in the form of commissions, bonuses or promotions.

Note: The GRCA covered the topic of commissions at its fall 2011 conference. The research of one of their speakers, Snowfly, has shown that 1.5% of salary should be set aside for incentive. Anything over that amount fails to net a corresponding increase in performance. Many governments have statutorily forbid commissions and incentives. While commissions are standard in the agency world, they become problematic in government, for obvious reasons.

In the event that outsourcing to private collection firms becomes the chosen path, the researchers make an interesting suggestion which offsets the objection by many that private firms’ commissions are both unseemly to the public, and cut into performance gains for the agency. The idea is to build the collector’s fee into the fine itself as a “surcharge.” The concept is that if an offender violates a law, the offender, not the government, should pay for the costs of enforcement against that offender. Evidently this strategy is in use in at least one local agency; Lawrence County, Ohio.

Note: Per Tierney, the GRCA is seeing this in the court collections arena; it's almost become standard legislation now. However they are not seeing other debt types following suit, with the possibility of a few stray exceptions. Her opinion – No one has trouble assessing additional penalties to “criminals” but if property owners were subjected to a like “surcharge” there would be significant outcry.

As with all possible approaches to The Collection Gap, no suggestion stands on its own but must be implemented in combination with multiple initiatives; and each idea carries both pros and cons that could make an easily discouraged person throw up their arms at the whole concept. Truly improving government collections appears to be a “can of worms” few want to open.

Recent News Events in Government Collections, and their Status Today

In looking back at the government collections-related news over the past two years, we identified two significant events worth highlighting as part of a comprehensive look at the space.

First is the fall of the IRS debt collection program. In addition to documenting some of the major milestones in this saga, we've looked into where the IRS stands today on its pledge to hire 1,000 new in-house collectors.

Second is the Outsourcing Solutions Inc. scandal around overbilling and providing "illegal gifts" to government officials. The OSI case was actually settled by the company in 2007, but indictments against five individuals – two from OSI, and three from the state of New Jersey, remain open and five of the six await a trial date as this report is written in July 2011. One OSI employee has pleaded guilty and has been sentenced in the case.

News Event: The Fall of the IRS Private Debt Collection Program

In early 2009, following six years of battle over a controversial program to use private debt collectors, this was the so-called “last word” on the matter:

“After a thorough review of this program, I have decided not to renew the contracts,” IRS Commissioner Doug Shulman said in a statement. “I believe this work is best done by IRS employees, and I believe we have strong support from the Administration and the Congress for increased IRS enforcement resources going forward.”

CBE Group, based in Waterloo, Iowa, and Pioneer Credit Recovery of Arcade, N.Y. were the two collection agencies that were working on the contract.

The IRS anticipated hiring over 1,000 new collection personnel in the current fiscal year to fill the void. These new employees would give the IRS the flexibility to make assignments based on the areas of greatest need rather than filtering which cases can be worked using contractor resources.

What’s happened since?

A report released in October 2010 from the Government Accountability Office (GAO) said that the IRS may have used flawed study methodology when it decided to stop outsourcing some delinquent tax collection work to private debt collection agencies. Read more about this in ***IRS Wrong to End Private Debt Collection Program: GAO Report*** by Patrick Lunsford – insideARM.com – October 27, 2010 (later in this section).

And what about the IRS in-house plans? Did the IRS hire 1,000 collectors? Have they collected the billions owed to the government?

The following excerpt from the Treasury Inspector General for Tax Administration’s report (TIGTA), ***Trends in Compliance Activities through Fiscal Year 2010***, reveals mixed results. The number of Collection Field function (Cff) revenue officers working delinquent cases increased by almost 4 percent in FY 2009, and by more than 8 percent (to 4,068) in FY 2010. The implied two year total increase is approximately 450 of the pledged 1,000. However, the TIGTA also recently reported that revenue officer hiring in the Small Business/Self-Employed Division during FY 2009 and FY 2010 continues to face the challenge of keeping pace with attrition and workload. So it’s unclear exactly how big the net increase in collections resources has been since cancellation of the private collection agency program.

During FY 2010, the IRS collected the most revenue on Taxpayer Delinquent Accounts (TDA) by the Automated Collection System (ACS) and Collection Field function (Cff) in 5 years, and also increased its use of collection enforcement tools. However, there were also increases in the

number of cases that may never be worked because they were shelved or surveyed and in accounts receivable. In addition, new TDA receipts continued to outpace closures.

Specifically, the number of TDAs closed (excluding shelved accounts) increased by more than 5 percent, and the number closed by full payment increased by almost 6 percent since FY 2009.

Similarly, dollars collected on TDAs by ACS and Cff employees increased more than 15 percent over FY 2009 amounts. The FY 2010 amount matched the 5-year high (FY 2007) of approximately \$6.3 billion. The average amount collected per Cff staff year on TDAs increased by approximately 4 percent from FY 2009 (to \$462,368), although FY 2010 represents a 19 percent decrease from a 5-year high in FY 2007 of \$567,733.

During FY 2010, the IRS received more new TDAs than it closed, with the gap between TDA receipts and TDA closures increasing to 2,211,046 accounts (an increase of nearly 50 percent from FY 2009's gap).

This is the first time in 3 years that the gap has increased, surpassing a high of 1,914,508 accounts during FY 2007. The amount of gross accounts receivable increased more than 9 percent (to \$359 billion) in FY 2010, after increasing by 5 percent and 8 percent during FY 2008 and FY 2009, respectively.

The FY 2010 amount represents the 5-year high, and data indicate that the amount has increased by no less than approximately 5 percent each year since FY 2006. It should be noted that this year's increase occurred with no material change in gross collections.

The number of taxpayers with TDAs in the Queue decreased during FY 2010 to 949,201 accounts, which is approximately 14 percent less than FY 2009 numbers. However, the amount owed in the Queue increased less than 1 percent, to \$46.2 billion, which is the smallest increase over the past 5 years. The number of taxpayers with TDIs in the Queue decreased to 710,759, which is 20 percent lower than FY 2009 and 29 percent less than the 5-year high, in FY 2007, of 998,287. Although many of the cases in the Queue may be assigned to be worked, a significant number might never receive additional contact to resolve the delinquency.

Before accounts get assigned to the Queue, the IRS has already sent notices to the taxpayer about the delinquency. After the notice process, some cases go directly to the Queue, while others are worked in the ACS and may have received enforcement action such as a lien or levy.

Although the number of taxpayers with TDIs and TDAs in the Queue decreased, large increases in the shelved and surveyed cases during FY 2010 indicate that the decreases may not be due to cases being worked and closed. During FY 2010, the number of TDI tax periods shelved or

surveyed increased by 98 percent, and the number of TDAs shelved or surveyed increased by 59 percent. Since FY 2006, the IRS has removed more than 4.8 million TDAs, with balance due amounts totaling \$26 billion.

The IRS increased the overall use of enforcement tools (liens, levies, and seizures) over the past year. The use of liens has increased by 74 percent since FY 2006. During FY 2010, the number of liens issued by the Cff and ACS increased by 14 and 13 percent, respectively. This represents the largest increase since FY 2007 for the Cff, but alternatively the smallest increase for the ACS since the same year.

The number of Cff revenue officers (RO) working delinquent cases increased by almost 4 percent in FY 2009 and increased by more than 8 percent (to 4,068) in FY 2010. However, the TIGTA recently reported that RO hiring in the Small Business/Self-Employed Division during FY 2009 and FY 2010 continues to face the challenge of keeping pace with attrition and workload.

Planned hiring in FY 2011 and FY 2012 will barely cover the IRS's estimated attrition losses. With expected attrition losses of 584 and 600 ROs in FY 2011 and FY 2012, respectively, a net gain of 127 ROs is forecasted for the end of FY 2012.

Also, the Collection function is unable to work all of the existing accounts in the Queue with current staffing, and the number of TDA receipts is outpacing closures. If changes do not occur, a significant number of cases will continue to not receive additional contact to resolve the delinquency. This reinforces the need for additional resources to work the cases.

The following series of articles, plus comments posted by a variety of insideARM.com readers from around the industry, documents the trail of events leading to the cancellation of the IRS Private Debt Collection Program.

Senator Defends IRS Private Debt Collection in Letter to Colleagues

April 26, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, is urging his fellow senators to reject inaccurate claims about the Internal Revenue Service's program to collect taxes using private contractors. In a "Dear Colleague" letter, Grassley points out that the IRS' own collection infrastructure is better set up for placing liens and garnishing wages than making initial phone calls to delinquent taxpayers to set up a payment plan. Grassley writes that the private debt collection program consists of having contractors making basic phone calls to taxpayers, contrary to the images of thuggish collection agents conjured by opponents.

The text of Grassley's "Dear Colleague" letter follows here:

April 23, 2007

REALITY CHECK ON IRS DEBT COLLECTION PROGRAM

Dear Colleague:

The opponents of the IRS program to collect uncontested taxes owed to the U.S. Treasury have put forth an amazing campaign of misinformation. Every year, over \$20 billion of unpaid taxes are lost due to the tolling of the 10-year statute of limitations. There are currently over 7 million cases representing over \$90 billion languishing at the agency that could be collected. Some of this money is best collected by the tough cops of the IRS, fully empowered to seize property, garnish wages, freeze bank accounts and sell the family home or business. But, a large percentage – typically the smaller, newer debts – is best obtained by a modern outbound call system, empowered only to find, call and convince.

The IRS does not have such a system and building the infrastructure and training IRS employees on how to work such a program would take years if not decades. Keep in mind that the IRS has been working to rebuild its core computer systems for 10 years and has spent hundreds of billions of taxpayer dollars and yet it is scheduled to handle only 20 million returns this filing season. After 20 years of oversight, I have come to the conclusion that building infrastructure and creating new business practices internally is an almost impossible task for the IRS. Calls by opponents to simply retrain GS 4 service center personnel and hand them a telephone demonstrates a complete misunderstanding of how a sophisticated, modern outbound calling program works, and what it takes to build one.

It is almost a foregone conclusion that the U.S. Senate will be debating the future of this program over the next few months. When that time comes, please keep in mind the following facts:

First, the customers have spoken and they prefer the private program over IRS employees. Little known to policymakers and the public, the IRS Restructuring and Reform Act requires the IRS to perform customer satisfaction surveys on its employees, including collection personnel. The IRS required the survey as a part of all debt collection program contracts as well. How do they compare? Employees of the debt collection program received an astounding 94 percent customer service rating by taxpayers contacted by the program in the first 3 months of its implementation. This compares to 63 percent for IRS collection personnel. Additionally, the employees of the debt collection program received a 97 percent rating from the IRS for regulatory and procedural accuracy and a 100 percent rating for professionalism. Clearly, the IRS has put together a winning partnership with the private sector.

Second, the opponents of the program paint a dire picture of psychological harassment and abuse. In reality, as few as 36 inquiries have been registered out of more than 24,000 cases. And, it is unclear how many of these were real complaints and how many were merely questions about the program. The numbers just do not merit the silly and offensive images of gangsters bandied about by opponents of the program. The tax gap is a serious matter and taxpayers deserve and expect a serious discussion of the facts.

Third, there has been a great deal of discussion on how IRS employees can do this work cheaper. Before you nod and accept this as fact, please keep in mind that the average fully trained field function collection officer costs the government approximately \$154,000 a year. This includes salary, bonus, benefits, taxes, and a portion of direct overhead cost like supervision and administrative services, rent, travel, technology, telecommunications, postage, training, recruitment and other costs of business (not including a percentage of the Washington bureaucracy). The Treasury Inspector General for Tax Administration found that in 2005, these folks collected on average \$577,000 each. Now, that is an excellent return on investment, but simple math shows that for every dollar collected by these important IRS collection personnel, it cost the government conservatively 26 cents.

Some argue that the IRS can do it cheaper by hiring more personnel, but it is important to remember that the IRS Restructuring Commission found that the IRS does not perform, nor do they particularly understand, cost analysis as required and used by the private sector. Last year the agency collected over \$43 billion total enforcement dollars. In their budget justification for OMB, they listed their costs for enforcement at \$1.8 billion — thus, the existence of the almost magical 3 cents on the dollar number used by the opponents of the program. Don't be fooled, however, by a number which includes computer matching notices, drug seizure and refund offset programs. These programs make the IRS look extremely efficient but would not be affected by the

addition of a single additional IRS employee. In fact, the actual number brought in by collection personnel last year was only \$5.8 billion.

Does the IRS need more collection personnel? Most certainly they do. However, it is important to keep in mind that tax administration systems from around the world and in 42 states have concluded that best practices for tax collection includes a combination of people able to effect strong governmental actions (liens, levies, seizures) with a more humane private program of outbound calling.

Finally, many thoughtful people conclude that tax collection is an inherently governmental function. They would be correct when we talk about collection powers such as issuing liens, seizing property, and contacting third parties such as employers and vendors for payment of government debt. The private debt collection program has none of these fundamental governmental powers. The private collection agencies are only empowered to find the taxpayer, contact the taxpayer directly, and enter into either an immediate payment or short-term installment agreement. Any questions or problems are directed immediately back the IRS. If the taxpayer still refuses to pay, the updated data on his or her whereabouts will only strengthen and improve IRS's ability to take more drastic measures.

In short, the private debt collection program is working. Killing it now would mean billions of dollars of uncontested taxes would not be available for the war on terrorism, education, and caring for the elderly – to name just a few. Please join with me in support of this important program making a serious contribution to closing the tax gap.

Sincerely,

Chuck Grassley
Ranking Member
Committee on Finance

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/senator-defends-irs-private-debt-collection-in-letter-to-colleagues/>

House Votes to Kill IRS Collection Program; Veto Threatened

by Patrick Lunsford – insideARM.com – October 11, 2007

The U.S. House of Representatives late Wednesday passed a bill that kills the IRS's use of private debt collectors after a lively, and at some times acrimonious, debate on the floor of the Capitol. Supporters of the program say that the bill faces much tougher opposition in the Senate and even the President's office has weighed in and threatened the use of a veto.

Introduced by Democrat Charles Rangel of New York, Chairman of the House Weighs and Means Committee, H.R. 3056 passed by a vote of 232-173. The vote count was mostly along party lines, with 22 Republicans crossing over to vote in favor of passage and 9 Democrats voting against. The bill expressly nullifies the authority Congress granted the IRS in 2004 to enter into contracts with private collection agencies to collect old, uncontested, and low-dollar amount debt.

Although the ban on private collection agencies would take effect immediately under the bill, the two companies that are currently collecting on the contract — Waterloo, Iowa-based CBE Group and Arcade, N.Y.-based Pioneer Credit Recovery — would be allowed to work until their contracts expire in March. The program is currently slated to expand in March of next year to around 10 collection agencies.

The vote capped more than an hour of vigorous debate which saw both sides hurling wild accusations and comically divergent numbers in support of their side. Both sides were given equal time with Rangel controlling the "For" time and Republican Jim McCrery (La.), ranking member of the Weighs and Means Committee, controlling the "Against" time.

After pedestrian opening remarks from both Rangel and McCrery, Rep. Earl Pomeroy (D-N.D.) began the battle of words with an opening salvo for the ages. "If you are happy with Blackwater in Iraq, then I expect you are perfectly fine with contracting the debt collection of IRS debt to private bill collectors," said Pomeroy, referring to the embattled security contractor currently under investigation by both the U.S. and Iraqi governments.

Pomeroy's statement underscored the framing of the issue for the Democrats. On Tuesday, Dam Drummond, spokesman for a group representing the collection agencies currently working the contract, told insideARM.com that opposition to the program is being buttressed by a larger debate on the government's use of private contractors. "This program has been lumped in with other programs in the government outsourcing debate, and we feel that is unfortunate," said Drummond.

Once the bill was passed, the White House Office of Management and Budget issued a surprisingly strong statement of opposition to H.R. 3056. "The bill is not consistent with the administration's commitment to a balanced approach toward improving taxpayer compliance and collecting outstanding

tax liabilities,” the statement said. The office said they would recommend that the President veto the bill if it passes the Senate.

Everyone close to the bill agrees that it faces a much tougher challenge in the Senate. In fact, Senator Chuck Grassley (R-Iowa) declared the bill “dead on arrival in the Senate” in a statement yesterday. Grassley, the ranking Republican on the Senate Finance Committee, also intimated that a few key Democratic Senators may not be in favor of killing the program.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/house-votes-to-kill-irs-collection-program-veto-threatened/>

Senators Send Letter Supporting IRS Private Debt Collectors

by Patrick Lunsford – insideARM.com – March 2, 2009

Three key U.S. Senators Friday circulated a letter of support for the private debt collection agencies currently working on behalf of the Internal Revenue Service to bring in overdue taxes. The letter was in response to language that would kill the program inserted into a House omnibus spending package last week.

Addressed to Treasury Secretary Timothy Geithner and IRS Commissioner Douglas Shulman, the letter from Senators Charles Grassley (R-Iowa), Charles Schumer (D-N.Y.) and Tom Harkin (D-Iowa) urged the two to continue the program, allowing more time for evaluation before making a final decision.

The two companies currently collecting on behalf of the IRS, [CBE Group](#) and [Pioneer Credit Recovery](#), are located in Iowa and New York.

"We remain cautiously optimistic that a PDC (private debt collection) program could be successful in helping to close the tax gap, but only if it is allowed to operate at full capacity," the Senators wrote.

The IRS is administered through the Treasury Department. Grassley is ranking member and Schumer is a member of the Committee on Finance, with jurisdiction over tax policy and the IRS.

The spending bill containing a provision that would strip the IRS private debt collection program of funding passed the House Thursday. It now goes to the Senate for consideration. Grassley said he was drafting an amendment Friday to cut the language from the bill that would eliminate the collection program. However, it was unclear whether the Democratic Senate leadership would allow amendments when the bill comes to the floor next week.

A group representing the two collection agencies currently working on the IRS debt collection contract, the Tax Fairness Coalition, said in a statement Friday, "We commend Congress for their efforts to address current market conditions and an exploding deficit but limiting funding for the self-funded IRS Private Debt Collection Program makes little sense. In fact, the IRS has confirmed that because this program is self-funded, it can continue without any appropriated funding."

Earlier last week, the National Treasury Employees Union, the main opposition group for the IRS program, said, "Some of our most vulnerable taxpayers, including low income taxpayers, those with language barriers, the elderly and the less educated will continue to be disadvantaged as a result of the IRS's continuing use of private collection agencies to pursue tax debts. In a bleak economic landscape, with skyrocketing job losses, home foreclosures and rising credit delinquencies, the last step we should be taking is disadvantaging people who are among our most vulnerable taxpayers."

The NTEU's primary argument for ending the program has been that IRS employees can do the same work for less investment. But proponents of the private debt collection initiative point out that the cases currently being referred to private collectors would not get worked by government employees.

"Even if the IRS enforcement budget were significantly increased, the accounts turned over to PDC are those that would still likely be ignored by IRS collection agents," the Senators wrote in their letter Friday.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/senators-send-letter-supporting-irs-private-debt-collectors/>

Coalition Calls for End to Private Tax Collection by the IRS

Press Release – March 5, 2009

Washington, D.C. — A coalition of 16 federal unions, consumer rights organizations and public interest groups, led by the National Treasury Employees Union (NTEU), today called on the Senate to retain in the House-passed fiscal 2009 Omnibus Appropriations bill a provision to prevent the Internal Revenue Service (IRS) from spending any appropriated funds this fiscal year to pay for its much-maligned use of private companies to collect taxes. Separate pending legislation would revoke the agency's authority for the program.

In a letter to senators, who are taking up the appropriations measure this week, the coalition cited several of the multiple reasons there is so much congressional bipartisan support for ending the program.

"I am pleased to see this broad-based statement of support for ending this misguided and costly program," said NTEU President Colleen M. Kelley, who has been leading the fight against not only the privatization of tax collection but the entire range of runaway federal contracting activities.

The first matter cited by the coalition is the critical issue of fairness. Taxpayers contracted by the private companies, known as PCAs, "are subject to an unacceptable double standard," since the IRS is able to offer struggling taxpayers an array of options to help them with their tax debt.

Moreover, the coalition wrote, is the issue of cost. It noted that despite assurances the use of private tax collectors would be self-funded, the IRS has thus far spent more than \$80 million in setting up and administering the two-year-old program—which has yet to break-even, much less return net revenue to the Treasury. Up through 2008, the IRS received only \$60 million in net revenue from the program after paying private companies \$13 million in commissions.

These include an offer-in-compromise, under which some of the tax debt can be forgiven; extended installment agreements; and agreements that permit some installments to be skipped or delayed. The private collection companies, they wrote, have no authority to do anything other than demand immediate payment or enter into an installment agreement of less than five years.

"Most taxpayers contacted by PCAs are low income, and are completely unaware that they could receive more favorable terms from the IRS," the coalition letter said. "In these extremely challenging economic times, it is wrong to have two sets of standards for taxpayers, especially when the outcome is that low-income taxpayers face harsher treatment than others."

Finally, the coalition wrote, “there in unanimity in the view that IRS employees can do the core mission of the agency, tax collection, more cost-effectively than PCAs,” a matter that has been attested to in congressional testimony by the independent National Taxpayer Advocate, as well as several former IRS commissioners.

The return on investment of IRS employees performing the same work is between 13 and 20 to 1, according to figures provided to Congress by the IRS and the National Taxpayer Advocate respectively, compared to the return on investment of the PCAs of only three to one.

And, the letter noted, PCAs under the IRS program continue to receive commissions of up to 24 percent, even though Congress last year capped commissions at 16 percent under the federal student loan program.

President Kelley noted that under the House version of the Appropriations bill, the IRS would receive additional funding, and would be in a position to hire new employees to perform this work. “This IRS can and should do this work,” she said. “Taxpayers deserve a system in which the person collecting their taxes does not stand to gain personally from this payment.”

In addition to NTEU, the signers of the letter include the American Federation of State, County and Municipal Employees, American Federation of Government Employees, OMB Watch, Citizens for Tax Justice, Consumer Federation of America, Federal Managers Association, International Federation of Professional and Technical Engineers, National Association of Postmasters of the U.S., National Active and Retired Federal Employees, National Consumer Law Center, Professional Aviation Safety Specialists, Public Citizen, National Federation of Federal Employees, United for a Fair Economy, and National Association of Government Employees.

NTEU is the largest independent federal union, representing 150,000 employees in 31 agencies and departments.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/coalition-calls-for-end-to-private-tax-collection-by-the-irs/>

IRS Kills Private Debt Collection Program

by Patrick Lunsford – insideARM.com – March 6, 2009

The Internal Revenue Service said Thursday that it has decided against renewing the contracts of two debt collection agencies that had been recovering back taxes for the government for three years.

“After a thorough review of this program, I have decided not to renew the contracts,” IRS Commissioner Doug Shulman said in a statement. “I believe this work is best done by IRS employees, and I believe we have strong support from the Administration and the Congress for increased IRS enforcement resources going forward.”

Shulman said that the decision was in no way based on concerns over the performance of the two contractors affected, who performed according to the terms of the contract throughout. “I have asked IRS officials to ensure that the ramp down is orderly, and that the IRS perform targeted outreach to any displaced contractor employees that would consider applying for positions at the IRS,” Shulman said.

CBE Group, based in Waterloo, Iowa, and Pioneer Credit Recovery of Arcade, N.Y. were the two collection agencies that were working on the contract. The current contract expires Friday.

The IRS anticipates hiring over 1,000 new collection personnel in the current fiscal year to fill the void. These new employees would give the IRS the flexibility to make assignments based on the areas of greatest need rather than filtering which cases can be worked using contractor resources.

The announcement marks the end of a battle that has raged ever since the program was announced in 2003.

Both critics and proponents of the program have been very vocal over the past several years. Several high-ranking Senators from both sides of the aisle, business groups, and even the IRS at one point championed the private debt collection initiative as a program that helped to reduce the tax gap – the difference in what Americans owe and what they pay – and provide jobs. Opponents, including the National Treasury Employees Union and the National Taxpayer Advocate, have argued that the IRS can do the work themselves and protect Americans’ sensitive personal information more effectively.

And the war of words did not end after the announcement.

“After spending nearly a trillion dollars in the stimulus bill to keep people working across the country, they are going to cut a program that provides jobs to hundreds of people during the middle of a recession, including 60 in Iowa,” Sen. Chuck Grassley (R-Iowa) said in a statement. “It’s hard to believe that after worrying so much about keeping people employed, the administration has chosen this route.”

Sen. Richard Durbin (D-Ill.), praised the announcement, saying tax collection was a core government function. "Until private debt collectors can prove they can do the job better, do it more efficiently and do it at a lower cost than the IRS, there is no reason we should continue this program," he said.

Amy Hall says

I thought they did prove they could work it better with outside agencies?

Larry Steller says

Dear Senator Durbin,

The Department of Defense is a core government function. Are they going to start building their own tanks and jets now? The collection industry has already proven that they can collect money more effectively and efficiently. We do not have to justify our existence when every large corporation in the country finds an important place for our industry in their accounts receivable. As long as the government tries to do this job without us, the deficit between what is owed and what is collected will continue it's astronomical growth. Always has, always will. But, hey, if what you have always done has never worked, that is surely no reason to actually institute a change. Politics is such a sad business...

Rich Hughes says

I believe this is the first of future actions that the current administration will try to enact against our industry.

Casey Middleman says

Why does Washington think that they need to pander to the approximately ten percent of the population that that doesn't pay their bills instead of the roughly ninety percent who do? Hey Washington, stop pandering to deadbeats. As a member the ninety percent I am offended.

Adam Bury says

This is yet another farce to imply that the stimulus plan is working. The Obama administration will announce 1,000 new jobs. What they will fail to announce is those who worked at CBE and Pioneer who lost them because the government choose to use a higher cost, less efficient solution.

Kent Green says

I have seen this happen many times. Big business or government will outsource what they cannot efficiently handle. They learn how to do it themselves from the source that is doing the work. They also learn who the key persons are in the organizations.

With the knowledge in hand and the well trained employees on board, they take the business back. This is sad, however it is a fact!

Nathan Meehling says

We as a nation have become soft. Core values have withered; the fabric of our society is unraveling. It is time we ALL accept responsibility ... government, businesses and consumers. We accept responsibility for our and our kids' education. We accept responsibility for our actions, conduct. And we accept responsibility for our commitments, debts. We as a nation need to become strong again .. each of us needs to step up .. and ALL should be held accountable. Public sentiment excusing some, many from accountability in all areas is a slippery slope and we are in free fall. Many have become reliant on the government to provide money, housing, insurance, debt relief, and much, much more. It is time accountability is restored, and reliance on government be abolished. We have lost our way. ALL need accept the mantra "The buck stops here" ... own up or get out of the way. Step up people!

Mark Neeb says

Just another example of misguided judgment and ridiculous government growth. The new administration is turning America into a European-type government and economy. After just a few weeks I'm sickened by what is happening to our country. There is rapidly becoming less and less of a reason to be an entrepreneur.

Randall Kamm says

Why are we debating "virtual union jobs" that will never be funded at the expense of REAL jobs for real people? The IRS "automated collection system" was built in the 70's and doesn't come close to being functional for collecting bills and IRS will never put people on these small balance accounts, contrary to their claims and rationale for replacing PCAs.

Steve Miller says

What Larry said is dead on the money. This is nothing more a leftist administration and congress trying to swell the roles of government employees and hey, if they can punish small business at the same time, then all the better, right?

Pamela Davis says

We don't need politicians in Washington, we need business professionals – and we all know the politicians are not business professionals. They've all got their own pet projects and/or a lobbyist in their back pocket. Seems like every politician is focused on what's best for their state or them personally, they don't consider the big picture. Until we, the voters, stop putting these individuals in positions of power, we've only ourselves to blame and nothing will change. Nancy Pelosi flies on private planes every weekend and WE pay for it – our auto execs get crucified for one trip to Washington. What's wrong with this picture?

Casey Middleman says

Most people in this country are honorable hard working stand up citizens who are dragged down by a small percentage of loafers, scammers, and deadbeats. Washington, stop pandering to them most of them are to selfish and lazy to vote anyway.

Jewel Vu says

Another example of the current administration's goals for creating bigger government! Lower cost and greater efficiency does not seem to carry much weight in this decision process! Those current on their taxes will pay the price...but higher cost of operation is such a drop in the bucket compared to the spending spree this administration is on!

Terry Bangasser says

I wonder how many "lawmakers" in Washington, are actual debtors on these collection agencies books? Is this another way to keep quiet about how many have not paid their taxes?

James Karnath says

1,000 new jobs at the IRS = 1,000 new members of National Treasury Employees Union sounds like political paybacks to me.

Fran Niper says

Will the government announce its liquidation rates before and after taking this work back?

Vernita Dickerson says

Okay listen the only thing will happen it that they will collect for awhile and realize they cannot handle then outsource to a foreign country like India, Philippines, and those countries with call

centers. My husband worked for Wells Fargo Bank call center they sent 9 people to the Philippines to train at the call center for a month kept telling employees jobs were safe they were expanding after they open the center they waited for about 30 days laid off the trainers and let the other portion of call center go. He then got a job with Blue Cross and they did the same identical thing so he went back teaching now layoffs this shows government cares nothing about us at all then you bail out banks that use cheap out of country labor,

Michael Paquette says

Others have said it perfectly; the government needs to have business professionals not politicians. They're going to hire 1000 people to do the same job 150 were doing between the 2 agencies, cannot wait to see what kind of liqs they produce!

Mike Moses says

Makes me wonder about the future of the US Department of Education contract.

Kenneth Flook says

1000 new IRS collectors, earning \$15-21 hr with all the government perks of the job. I too doubt they are going to spend that much to collect outstanding taxes, they would have already. Visit their career site, they are only hiring collectors in Washington state at this time, \$15-21 hr.

Kenneth Flook says

Maybe they should open satellite IRS collection agencies in every state. That would be one way to collect taxes and ad jobs to more than just Washington. Not that we need another collection agency in NY, but it wouldn't hurt everywhere else.

Ron Rugen says

Providing 1,000 more jobs is a good thing. My concern is not how many more jobs the IRS is providing; rather if they are literate enough on the laws pertaining to debt collection to train the new personnel effectively.

We in the collections industry have invested a substantial amount of our time and money on keeping up with the ever changing laws that allow us to follow the laws to the letter.

How is it that the IRS is going to hire, pay salaries and benefits, pay in-house expenses related to covering their new personnel in such areas as workman's compensation, and provide ongoing

training more efficiently than outsourcing to agencies that have a proven track record of maintaining compliance?

Donald Daly says

Doug Shulman has confirmed that this administration will grow government even though it flies in the face of common sense and fiscal responsibility. He wants 1,000 this year but that will only be the tip of the iceberg. Just another form of welfare (government employees) for the middle class of this country to carry. It will be done because they can get away with it. Sad!

Roger Starliper says

If this is what we can expect from the Obama administration, then I do not foresee a recovery plan in the near or distant future....really SAD!!

ATaxMan says

I assist people with tax problems. The IRS is making the correct move here by dumping private collection in favor of adding IRS personnel. The collection agencies were hamstrung and I regularly advised people to tell the collector to refer the case back to IRS which they had to do. The REAL problem is not enough collectors at the IRS where a case often reaches 8 years of age before serious collection efforts take place. There is no better collection person on the planet than an IRS Revenue Officer as thousands of taxpayers can affirm. We should double the size of the IRS Collection Staff and collect what is due.

Larry Steller says

Sorry, ATaxMan, but the rule was stupid that allowed you to delay the collection process. An IRS agent collects less than one third of the dollars per hour of the AVERAGE professional collector. You would have to triple the force of the IRS to get similar results but, you would see almost no results for the first 6 months while this new staff was trained. By the way, think about that average for a minute. First party collection, including ALL voluntary payment to the IRS, and their agents collect 1/3 of an average professional collector per hour. "There is no better collection person on the planet than an IRS Revenue Officer..." Sorry, the evidence indicates that their results rank at the very bottom. Sorry, literally billions of dollars in uncollected taxes are mounting due to their utter lack of skill. Amazingly, ATaxMan, you prove the point better than I can, since you "regularly advise people to tell the collector to refer the case back to the IRS." If, your client was going to be able to stall the professionals easier than they can stall the IRS Revenue Officer, this would not be your approach.

Brandon Wilson says

The contract was flawed by allowing consumers to opt out of the collection agency. That is why the IRS is canceling because they ended up doing all the work and the agencies were getting paid anyway. The agency should have been granted all the powers afforded the IRS collector and then on a level playing field the private collector would have dominated. the thing I find funny is the government has all the tools available when it comes to their money, but when it comes to the consumer owing anyone else they are on the side of the consumer, if collection laws had the teeth the IRS had we would not be in the financial mess we are in because people would pay their bills.

John Morgan says

Next step: THE PUBLIC OPTION offered to businesses nationwide to outsource their collections work to the government. I guarantee they can beat the prices of every agency in the nation. Why? No profit and Loss statement. The Fed Reserve can print them money when they need it. You know, like the post office, Amtrak, and any other government run "business."

The OPTION would put all agencies out of business based on it being "cheaper." Recovery Rate and efficiency? Well, why worry about such things...but boy is it cheap.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/irs-kills-private-debt-collection-program/>

Tax Fairness Coalition Responds to IRS Debt Collection Decision

Press Release – March 9, 2009

WASHINGTON, D.C. — The Tax Fairness Coalition, a group representing private collection agencies — including the two companies working on the IRS Private Debt Collection program — Friday issued the following statement in response to the IRS' decision to end the private debt collection program:

“It’s unfortunate that partisan politics and heavy handed special interest lobbying has killed a successful, common sense and well run public-private partnership.

It appears that Treasury Secretary Geithner and the Administration based their decision more on ideology than good policy.

“The IRS Private Debt Collection Program returned more than \$80 million to the U.S. Treasury that— regardless of additional funding or employees—would otherwise never be collected by the IRS. We are proud of our employees who continually demonstrated the highest levels of professionalism and respect for taxpayer rights and protection of taxpayer information.

“The issue here has never been whether the IRS or private debt collection agencies can do this work more efficiently or better, it’s whether these delinquent taxes are collected at all. Plain and simple, without this program, the IRS will not collect these taxes. Billions of dollars will simply roll off the books, adding to our nation’s ever growing tax gap and leaving the American taxpayer footing the bill.”

“Today’s decision also puts quality jobs in local communities at risk and eliminates the potential for the thousands of additional private sector jobs that would have been created nationwide if the program was fully implemented. Sadly, the American taxpayer will never realize the true potential of this program and in the current economic environment, that’s something we simply cannot afford.

“Tax Fairness Coalition stands ready to bring all of our resources to the table to work with the Administration should they decide to revisit their decision on this important initiative.”

About the Tax Fairness Coalition

The Tax Fairness Coalition represents a group of private collection agencies committed to helping the IRS close the tax gap, and returning those funds to the U.S. Treasury so they can pay for critical investments in areas such as education and health care. The Coalition believes the collection of overdue taxes is about fundamental fairness to the vast majority of Americans who pay their taxes on time and as required by law, as much as it is about dollars and cents.

Jennie Hertz says

I am saddened by this decision. It is too bad the honest people among us have to foot the bill for the less than honest. I think that hiring private collection agencies who are experts in this area is an excellent and sensible solution. They should be allowed to lend their skills at this time when we as a country need it the most.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/tax-fairness-coalition-responds-to-irs-debt-collection-decision/>

IRS Wrong to End Private Debt Collection Program: GAO Report

by Patrick Lunsford – insideARM.com – October 27, 2010

A report released Tuesday from the Government Accountability Office (GAO) said that the IRS may have used flawed study methodology when it decided to stop outsourcing some delinquent tax collection work to private debt collection agencies.

The IRS started using private debt collectors in September 2006, when it first forwarded accounts to three selected vendors. The tax group killed the program in March 2009, citing a study that indicated the IRS could do the same work at a lower cost ("[IRS Kills Private Debt Collection Program](#)," March 6, 2009). That study was put under the GAO microscope, leading to this week's report.

"IRS's comparative study of the PDC [private debt collection] program was not soundly designed to support its decision on whether to continue contracting out debt collection," the report said, adding that the "study was not originally intended or designed as primary support for the decision."

The GAO said the sample size of the IRS study was too small to be the basis for the decision to terminate the program. The study also did not take into account taxpayers' compliance cost.

Senate Finance Committee ranking member Chuck Grassley (R-Iowa), who initially called for the GAO to investigate the IRS study, criticized the IRS for not following the guidance it was provided by the GAO and Office of Management and Budget (OMB).

"According to this report, the IRS used a flawed study to justify ending its contracts with private agencies to collect owed taxes that the IRS wasn't collecting on its own," Grassley said in a statement. "The IRS knows the study was flawed because the GAO told the IRS how to do the study. But the IRS didn't implement the GAO's recommendations to fix the study even though it agreed with them. The IRS used the results from the defective cost-effectiveness study to defend its decision to terminate the use of private collection agencies, even though that wasn't the primary purpose of the study."

Grassley has supported the IRS use of private debt collection agencies since the program was conceived. One of the companies on the initial collection contract, The CBE Group, has its headquarters in the state he represents. Grassley noted the involvement of unions in the IRS decision; the most vocal opponent of the private debt collection program was the National Treasury Employees Union, which represents IRS workers.

Grassley said that union advocates told the public that IRS employees could collect tax debt cheaper while the pilot program that tested the effectiveness of private collectors showed money was being collected with private employees garnering higher quality ratings than that of IRS employees.

The GAO recommended that the IRS establish guidance on analyses to support program decisions; establish a policy requiring documentation of program studies; and ensure that PCA-type cases results are considered for IRSs new case selection model. The IRS agreed with the first two recommendations and agreed in principle with the third. But the agency said that while it recognized the limitations of their study, it stood behind the decision to terminate the program.

The GAO's full report is available at <http://www.gao.gov/new.items/d10963.pdf>.

Michael Ginsberg says

We cannot forget the time and real cost spent by the agencies that were initially involved in this flawed program. Maybe the Federal government will realize the benefits of the US ED contract being outsourced to the experts and will follow suit properly down the road. The IRS could be one of the largest, if not the largest single source of new business to ARM companies. Worth getting it right.

<http://www.insidearm.com/daily/govt-receivables/government-receivables/irs-wrong-to-end-private-debt-collection-program-gao-report/>

Summary

While this story may appear to be a cautionary tale about the risk of servicing government contracts at the whim of politicians, readers should know that this isn't always the case. It is important to know the risks associated with any new client. The IRS contract required significant risk, but also the potential for big reward. Some government agencies have a mandatory re-bid policy every three or five years. Many PCAs are experienced in the champion-challenger experience in order to maintain a contract; this is a similar principle, but not always judged solely on performance. Working with governments may seem illogical, bureaucratic, and political, but that perception may not be as persistent as you think. The government sector is rich with opportunity, if you can understand the market clearly.

News Event: OSI Employees and State Officials Indicted in Overbilling and Bribery Scandal

In 2009 the attorney general in New Jersey announced that a former sales director at Outsourcing Solutions, Inc. had been charged with various crimes stemming from her role in overbilling the state for collection services and subsequently covering up the actions and undermining a government investigation.

New Jersey Attorney General Anne Milgram and Criminal Justice Director Deborah L. Gramiccione said in a press release that Sandra Bielanski was being charged with theft by deception, misconduct by a corporate official, and five counts of making false contract payment claims. The office noted that all charges represented second-degree crimes.

The indictments were the latest in a series of actions resulting from a lengthy investigation of OSI billing practices between January 1999 and May 2005. The state claimed that OSI overbilled for collection services by more than \$1 million in the period. In addition, OSI employees provided gifts to New Jersey officials to ensure the contract would continue.

In February 2007, OSI agreed to pay the state nearly \$2 million to resolve issues of overbilling and provision of illegal gifts to state employees. But legal action against individual OSI employees and state officials had been ongoing.

The press release noted that Bielanski would be ordered to appear at a later date to answer the charges and that second degree crimes in New Jersey carry a maximum sentence of 10 years in state prison and a \$150,000 fine.

What's happened since?

On March 8, 2010 Sandra Bielanski, 43, of Hillsborough, pleaded guilty to a charge of offering an unlawful benefit to a public servant for official behavior before state Superior Court Judge Robert C. Billmeier, state Criminal Justice Director Stephen J. Taylor said.

That charge was contained in an Aug. 10, 2006 state grand jury indictment obtained by the state Division of Criminal Justice Corruption Bureau. She also pleaded guilty to an accusation charging her with tampering with public records or information. Both are third-degree crimes.

Under the plea agreement, the state will recommend that Bielanski be sentenced to 364 days in the county jail as a condition of a term of probation to be set by the judge. She must agree to a consent

order barring her from doing business with any public agency for five years, and may face a criminal fine of up to \$30,000. Billmeier scheduled sentencing for Sept. 8.

The online article below (“Sandra Bielanski of Hillsborough Pleads Guilty...”) was followed by a number of reader comments, all on the side of Bielanski as a mere employee who was following orders. They highlighted their frustration that nobody at the top was held accountable.

So what about the others?

There were five others indicted in the scam: From OSI, Enos Blake, an OSI vice president responsible for managing state projects, and Carol Labbe, his de facto second in command, according to state prosecutors; and three officials at New Jersey’s State Division of Taxation: Former division director Robert K. Thompson and two deputy directors, David M. Gavin and Harold E. Fox.

As of July 13, 2011, according to the New Jersey Office of the Attorney General, none of the five plan to plead guilty and all are awaiting trial dates.

Related stories:

Sandra Bielanski of Hillsborough Pleads Guilty in 1.1 Million Overbilling Bribery Scam

March 8, 2010 (Article appeared on the New Jersey Newsroom website. It is not reproduced here due to copyright limitations.)

<http://www.newjerseynewsroom.com/state/sandra-bielanski-of-hillsborough-pleads-guilty-in-11-million-overbilling-bribery-scam>

Former OSI Exec Indicted by NJ Attorney General in Long-Running Overbilling Case

by Patrick Lunsford – insideARM.com – January 12, 2009

The attorney general in New Jersey announced last week that a former sales director at [Outsourcing Solutions, Inc.](#) had been charged with various crimes stemming from her role in overbilling the state for collection services and subsequently covering up the actions and undermining a government investigation.

New Jersey Attorney General Anne Milgram and Criminal Justice Director Deborah L. Gramiccione said in a press release that Sandra Bielanski was being charged with theft by deception, misconduct by a corporate official, and five counts of making false contract payment claims. The office noted that all charges represented second-degree crimes.

The indictments are the latest in a series of actions resulting from a lengthy investigation of OSI billing practices between January 1999 and May 2005. The state claims that OSI overbilled for collection services by more than \$1 million in the period. In addition, OSI employees provided gifts to New Jersey officials to ensure the contract would continue.

In February 2007, OSI agreed to pay the state nearly \$2 million to resolve issues of overbilling and provision of illegal gifts to state employees (“[OSI to Pay Nearly \\$2 million to Settle New Jersey Collection Contract Dispute](#),” Feb. 7, 2007). But legal action against individual OSI employees and state officials has been ongoing.

OSI noted at the time that all employees involved in the indiscretions were dismissed.

Bielanski was charged last week primarily for her role in covering up the overbilling. The indictment alleges that, as sales director, she became aware of the overbilling and conspired to conceal the false billing from the state.

“We now have indicted three employees of this vendor for deliberately overbilling the state by more than \$1 million,” said Attorney General Milgram. “In today’s indictment, we charge that Ms. Bielanski learned of the unlawful billing and was complicit in efforts to cover it up.”

The state had already charged two other former OSI employees as “ring leaders” in the case: Enos Blake, an OSI vice president responsible for managing state projects, and Carol Labbe, his de facto second in command, according to state prosecutors. The AG’s office said that the two deliberately overcharged the state for debt collection work for more than six years, resulting in overpayments of \$1,184,662 over that time.

In addition to the former company employee, three officials at New Jersey’s State Division of Taxation were charged with crimes in connection with the case. The former division director, Robert K. Thompson and two deputy directors, David M. Gavin and Harold E. Fox, were charged with making discretionary decisions while under undisclosed conflicts of interest caused by their receipt of meals, entertainment, golf outings and other gifts from OSI. Thompson and Gavin are charged with official misconduct and engaging in a pattern of official misconduct, and Fox is charged with official misconduct, all second-degree offenses.

The press release noted that Bielanski will be ordered to appear at a later date to answer the charges and that second degree crimes in New Jersey carry a maximum sentence of 10 years in state prison and a \$150,000 fine.

Michelle Gatewood says

One should take a moment to read F. Scott Fitzgerald’s “The Great Gatsby” which attempts to tell us that greed is the root of all evil which is a good point that all of us should keep in mind especially in today’s economic climate.

Donald Daly says

What about the state employees who were accepting the gifts and allowed this to continue for six years. The state doubled their money. Our industry gets another black eye.

Curt Briggs says

Possibly they should investigate the officers that approved these expenses. These people were the scapegoats.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/former-osi-exec-indicted-by-nj-attorney-general-in-long-running-overbilling-case/>

OSI to Pay Nearly \$2 million to Settle New Jersey Collection Contract Dispute

February 7, 2007

New Jersey Attorney General Stuart Rabner announced late Monday that OSI Collection Services Inc. has agreed to pay the state nearly \$2 million to resolve issues of overbilling and provision of illegal gifts to state employees. The Attorney General also announced a new indictment charging two former employees of OSI with purposely submitting improper bills to the state.

The seven-count state grand jury indictment obtained by the Division of Criminal Justice charges Enos "George" Blake and Carol Labbe with theft by deception, misconduct by a corporate official, and five counts of false contract payment claims, all second-degree offenses. The indictment also alleges that Blake, as the OSI vice president responsible for managing state projects, and Labbe, as his de facto second in command, purposely submitted improper bills between January 1999 and May 2005 that caused the state to overpay OSI by \$1,184,662.

Under the agreement announced by Attorney General Rabner:

- OSI must pay the state nearly \$1.5 million in restitution for overbilling New Jersey for tax collection services. OSI will pay \$1,184,662 for the improper bills that are the subject of the new indictment, and an additional \$315,000 to resolve a separate billing issue.
- OSI must pay \$500,000 to reimburse the state for the costs of its investigation and prosecution of the alleged overbilling as well as the provision of improper gifts to state employees by OSI employees. Six Treasury employees and two OSI sales managers were indicted in August on charges related to such gifts.
- OSI must make all payments within 10 days.
- Former New Jersey Attorney General John J. Farmer Jr. will be appointed as an independent monitor to review and make recommendations about OSI's policies and practices.

"This agreement provides full restitution to the state for all overbilling," said Attorney General Rabner. "In addition to being excluded from bidding on state contracts for five years, OSI must appoint an independent monitor to guard against the alleged abuses for which its employees have been indicted."

In return for the payments from OSI and other provisions, the state has agreed not to bring any criminal action against the corporation for the alleged misconduct of its officers or employees.

Under the non-prosecution agreement, OSI, among other things, will retain an independent monitor to review and make recommendations about OSI's policies and practices on billing government agencies and prohibiting gifts to governmental employees. Attorney General Rabner has agreed to former Attorney General Farmer serving as the monitor.

The Division of Criminal Justice can insist on implementation of the monitor's recommendations, and the monitor will file quarterly reports with the division on OSI's compliance with the agreement and implementation of recommended controls.

The state agreed that OSI's five-year exclusion from performing work for the state extends from Jan. 17, 2006, when the state suspended OSI from bidding on contracts, to Jan. 17, 2011. The agreement does not prohibit OSI and an affiliated company from completing work on five existing state contracts. They end on various dates between Feb. 28, 2007 and July 1, 2008.

According to Division of Criminal Justice Director Gregory A. Paw, Blake and Labbe were responsible for signing off on payment vouchers submitted to the state under three contracts to collect delinquent and deficient taxes. It is alleged that Blake and Labbe purposely submitted improper bills in connection with nine OSI employees that resulted in the state making payments totaling \$1,184,662 that were not authorized under the contracts.

The contracts provided for OSI to bill the state on an hourly basis for work performed in connection with the state contracts by employees who fit five defined job titles. It is alleged that Blake and Labbe signed off on bills they knew were improper. In some cases, employees were identified with incorrect job titles that resulted in them being billed at a higher rate of pay, while in other cases employees were billed who should not have been billed, either because they provided clerical or managerial support to OSI as a whole or because they were working for another client of OSI. For example, the state was billed for the work of OSI's recruiting manager as well as a trainer who trained all new OSI employees, even though their work was not specific to the state contracts.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/osi-to-pay-nearly-2-million-to-settle-new-jersey-collection-contract-dispute/>

Summary

This shouldn't have to be said, but since the above incident occurred within a major professional collection agency, we felt it worth bringing to readers' attention. Watch how you do business with the government. Practices that may be common between private firms may not be acceptable when dealing with the public sector; employees at all levels must be specially trained in the nuances of any client segment.

Trend: Local Governments Hire ARM Companies at Rapid Pace

In the years following the cancellation of the IRS private collections program, a slew of stories began to appear about local and state governments turning to private debt collectors to assist with past due debt collection, as well as with broader services like administration of sales taxes. It's not that this work hadn't existed at the local level before 2009-2010; we've just seen a material uptick in the level of interest and activity in the last 18-24 months.

This increased level of government collection activity is no surprise. Local and state governments have seen their revenue – and subsequently their payroll – bases slashed in the past several years. There is no longer the ability to raise taxes, so revenue must come from somewhere, including more effective recovery of what's already owed.

The following is a litany of related insideARM.com news (beginning with the most recent at time of publication) stories that tell the tale.

Model Collections Program Expands Services State Will Buy

by insideARM.com staff – October 21, 2011

In a likely sign of things to come, collections firms in Oregon's model program are providing additional services to the revenue-strapped state.

Oregon is one state that is leading the trend to decentralize mandated collections work. Oregon officials say they are partially modeling their approach on Idaho. While Oregon initiated its new strategy five years ago, the 2008 recession expedited the adoption process.

Where Oregon's state departments used to have to pay state's attorneys for services such as garnishment and offset, the various agencies now have the option of contracting with prequalified collections firms to provide the same services. It's an important part of Oregon's statewide strategy to push debt collections out to the various government agencies, including the Departments of Judicial, Justice, and Revenue, which account for nearly 90% of delinquencies in the state.

Pushed by the stagnant economy, other states are pursuing similar strategies of making government agencies solely responsible for managing delinquent collections. This new decentralized strategy offers direct opportunities for private sector collection firms to win contracts with various government entities, and opens the door for collections firms establishing broader and more lucrative relationships with any existing state clients.

Under old rules, only debts above the \$8,000 to \$10,000 range used to be referred to Oregon's state's attorneys. That was the threshold state agencies used to economically justify the fees charged back for the services of state's attorneys. Now, state agencies are free to negotiate added services such as garnishment and offset, including fees. Collections of small debts are typically pursued for a negotiated flat fee of about \$200.

Contingency fees are generally applied to larger debts. For instance, government agencies typically pay a contingency fee of 17%. However, legally contentious fees earn as much as 50%. Contracting with a collections firm for added services typically adds 10% to a base contingency range of 16%-23%.

As a way to manage the higher contingency costs, it's conceivable that state agencies will push for flat fees even on larger debt amounts. Private collections agencies with a firm grasp on their flat fee profit margins will find themselves in a better position to intelligently bid against competitors.

When considering whether to bid on a contract, collections firms should also look for access to state data banks that can be helpful in tracking debtors across jurisdictional boundaries. Some states,

California for instance, have difficulty communicating data within government agencies across boundaries, making skip tracing more difficult.

Oregon's model collections program also makes it possible to develop stronger relationships with a government partners. Once a collections firm has established itself as the go-to provider for a government agency, it can craft bids that bundle multiple services with varying profit margins, as opposed to being locked into a single contract.

Earn qualified bidder status demonstrating basics and beyond

All collections firms qualified to bid on contracts in Oregon are first screened on ability to deliver service basics. Firms had to demonstrate they conducted coordinated letter and call campaigns with good results in compliance with FDCPA, and complied with debtor protections extended by the [Pintos ruling \(article explaining the Pintos ruling\)](#). Additionally, bidders had to show experience in executing legal action in the pursuit of debts (wage garnishments and offsets especially).

Bidders can even differentiate themselves by outstanding performance of services common to collections firms, say Oregon state officials. Skip tracing — either in-house or through a business partner — that demonstrates the ability to track difficult-to-locate debtors will earn special consideration for state agencies tracking court debts older than 20 years, or for locating deadbeat dads.

Twelve of 18 firms made the cut and were ultimately approved to contract with Oregon's government agencies. The Oregon experience also has opened the door to increased competition. Of the firms qualified to do business with the state, only two are from within the state. Other qualified firms are located in New England, the southwest, Rocky Mountains, and neighboring California.

Given the expanded authority for the state to contract with third parties to execute legal action, it may be surprising that Linebarger, Goggan, Blair & Sampson, a Texas-based law firm, is the only attorney group to qualify. LGB&S had a prior relationship with the Justice Department. State officials reported that no other law firms submitted bids. However, other qualified collections firms can execute garnishments and offsets using in-house capabilities or through alliance agreements.

A Snapshot of Oregon's Delinquency Data

Any firm considering getting into delinquency collections for state clients would be well advised to spend some time with [Oregon's Strategic Plan: Liquidated and Delinquent Accounts](#), which provides an analysis of that state's delinquency collection program.

If nothing else, the Oregon strategic plan provides a guide for data to seek while estimating the market posed by any state's program.

In contrast to states like Georgia, which recently was unable to provide basic data on its statewide delinquency collections, Oregon defines the collections market and shares state trends of interest to outside collections firms. For instance, Oregon reports:

- The number of new accounts assigned to private collectors since 2007 has increased 86%, an indication that the state's effort to push delinquencies out to governmental agencies is increasing the volume of work for outside collections firms.
- New accounts from the Department of Revenues (delinquent taxes and fees), which can be worked longer than some other delinquencies, have increased 34% over the same period.
- In contrast, older (and tougher to collect) inventory pushed to outside collections firms has shrunk to 19% of accounts receivable, largely a reflection of state agencies doing a better job of collecting debts before turning them over to outside groups.
- The dollar volume collected by firms for the state of Oregon shrunk to \$9 million in fiscal year 2009-2010, a decline of 25% over the previous year, and the lowest level since 2003.

Download Oregon's full strategic plan for liquidated and delinquent accounts here:

<http://www.oregon.gov/DAS/SCD/ASP/docs/SWARM/ARCC/ARCCStrategicPlan2008.pdf?ga=t>

State Government, Collection Agency Agree to Increase Oversight on Contract

by Mike Bevel – insideARM.com – August 25, 2011

In 2009, Minnesota-based [The Affiliated Group](#) started working with the state of South Dakota, helping the government recoup bad-debt losses. South Dakota was looking at at least \$19 million in previously uncollected debt.

“We do work for several different departments within the state,” The Affiliated Group’s president (and current president of ACA International), Mark Neeb, told insideARM.com. “Each department worked with us separately, creating its own reporting requirements.”

It’s the reporting requirements, or the perceived lack of them, that caused a South Dakota newspaper, [The Aberdeen News](#), to make some inquiries into the kind of oversight the state was providing to The Affiliated Group.

“I’m not even convinced that there’s been poor oversight on the part of South Dakota,” Neeb said. “I just think the transparency wasn’t there. The thing they haven’t done was to put all the work we do under one set of reporting requirements.”

That’s the next step that the South Dakota government is planning on doing. The Affiliated Group will now provide quarterly reports on its collections activities to the Office of the Commissioner of Administration, currently headed by Paul Kinsman. The reporting schedule begins 1 October.

The reports will make it clear to both the government and its constituents that the state government is being treated fairly in its contract with The Affiliated Group. “I personally have no doubt we are,” Kinsman was quoted as saying in a Committee meeting.

“The citizens of South Dakota deserve this kind of transparency in all the contracts that the state enters into on their behalf,” Neeb told insideARM.com. “We’re working for the citizens of south Dakota. This kind of reporting that lets citizens know that their tax dollars are being spent wisely is a good thing.”

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/state-government-collection-agency-agree-to-increase-oversight-on-contract/>

Will Government Debt Collectors Get Paid in a Federal Debt Default?

by Cynthia Wilson – insideARM.com – August 1, 2011

Thousands of businesses that contract with the government are at risk of seeing their business operations come to a halt if federal lawmakers don't raise the debt ceiling by the August 2 deadline. But private debt collection agencies likely would fare better if the government had to choose which firms to keep doing business with because collection agencies are net revenue generators.

Though much of the nation doesn't like the eleventh hour deal announced Sunday that President Obama reached with House and Senate leaders to raise the debt ceiling, many are hopeful it will garner enough votes to lift the debt ceiling so that the nation can borrow what it needs to pay its bills.

If lawmakers reject the deal, no one knows who the U.S. Department of Treasury will choose to pay and continue doing business with in the short term. The same would be true of state and local municipalities, which also will have to prioritize payments.

But Bruce Cummings, CEO of government-focused collection agency Gila Corp., expects that government agencies that contract with private debt collectors will continue their contracts because they will need the revenue that the agencies collect.

"They will want to keep in place anyone collecting revenue because they want to continue to receive the revenues," said Cummings, whose firm contracts mostly with state and local municipal government agencies.

Of course debt collection will be even harder if the money the government pumps into the economy is cut by more than 50 percent. But some revenue is better than no revenue during an economic crisis.

One thing that's not so certain is whether payments to private collection agencies would change if the government has to prioritize its payments. Cummings said net fee contractors are better positioned to receive uninterrupted payments because they collect the revenue and deduct their fees before sending the balance to government agencies. However, gross fee contractors typically submit an invoice for payment.

Cummings said he thinks that collection agencies working under gross term contracts could experience some delay in getting paid.

“If it’s a gross contract, typically a delay may extend out 60 days or longer,” he said. But Cummings added that collection agencies are such an important component to revenue generation when dealing with an economic slowdown that government agencies would want to pay them as quickly as possible.

The private debt collection agencies under contract with the U.S. Department of Education work under a gross fee contract. Payments towards student loans are sent to the government, which pays the 22 agencies after it tallies how much has been collected.

A spokesman for the education department told insideARM.com that he did not know how the agencies’ payments for service would be affected if the Treasury Department had to prioritize payments.

“Unfortunately, we just don’t have answers at this point in time,” he said. “We continue to coordinate with the Department of the Treasury and remain hopeful that Congress will reach a deal.”

Even though government-contracted collection agencies will likely continue to work, some may still be at risk of financial catastrophe. Some, if not all, of the collection agencies that contract with the education department [invested in government mandated security and software systems](#) before they began collecting on the current ED contract, which started in October 2009. At the time, one contractor estimated it would take ED contractors as much as 24 months to break even on the five year contract. That makes what’s happening with federal lawmakers and the debt ceiling a bit daunting for them.

“It’s a new path for us,” said Chris Van Dellen, president of Collection Technology Inc., one of the education department’s small business contractors. “I’ve never seen this happen before and I don’t know the outcome.”

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/will-government-debt-collectors-get-paid-in-a-federal-debt-default/>

Governments Aren't Collecting their Commercial Debt

by Cynthia Wilson – insideARM.com – July 15, 2011

Debt collection professionals trying to convince government agencies that private agencies are better suited to collect unpaid fines and penalties have some new ammunition.

A new study published in the [Yale Law & Policy Review](#) details how government collection systems at all levels are failing to collect what is owed, giving more governments revenue to help balance their budgets and better serve their constituents. The report's researchers recommend governments sell the debt or outsource it to private collection agencies, among other things.

But the biggest missed opportunities lie not with unemployed consumers who haven't paid back taxes or unpaid parking fines. The report found that billions are owed to federal, state, and local government agencies from corporations and businesses penalized for criminal or regulatory violations.

The U.S. Department Justice, for example, has collected less than 4 percent of the penalties it has imposed, the study found. State and local governments aren't doing much better.

"These findings have significant theoretical implications," the researchers wrote. "They undermine the 'assumption of collection' underlying much of the discussion about administrative fines and penalties. They also challenge accepted notions about how administrative agencies understand their enforcement mission."

The report, "The Collection Gap: Underenforcement of Corporate and White-Collar Fines and Penalties," was researched and written by Martin H. Pritikin of Whittier Law School and Ezra Ross of the UCLA School of Law.

Bruce Cummings, CEO of government-focused collection agency Gila Corp., told insideARM that the number of government commercial bad debt accounts his firm has received more than doubled from 2009 to 2010. And based on the content of current 2011 portfolios, he expects the number of commercial accounts will double again this year.

"It's everything – fines, fees, taxes, and utilities," Cummings said, adding that the average balance of those accounts is about twice the size of consumer accounts.

Bad debt commercial accounts with government agencies are increasing partly because more businesses have filed for bankruptcy protection. Those accounts may be harder to collect if some businesses have liquidated and not reopened as another entity.

But Cummings said he also believes that governments are finally starting to get that they are not experts at collecting debt and are missing opportunities to collect the debt owed them from companies that are still viable, have restructured, or reopened as new businesses. The problem, Cummings said, is that many government agencies don't have the resources to pursue outsourcing.

"They don't have time to review RFPs (requests for proposals). In a lot of cases it takes a long time for the debt to be outsourced," Cummings said.

Cummings said the key to dealing with government entities is the ability to interface with their management systems.

"If you have that ability to limit the amount of work put back on the government agencies, (outsourcing debt collections) can get up and running faster," he said.

<http://www.insidearm.com/daily/commercial-b2b-receivables/commercial-debt-collection/governments-arent-collecting-their-commercial-debt-study/>

Indiana County Just Realizing it Needs to Collect \$1m in Child Support Docket Fees

by Mike Bevel – insideARM.com – July 14, 2011

Today in Almost No One Wins news, we turn to Jackson County, Indiana. The county has hired a collection agency, [Eagle Accounts Group](#), to collect unpaid child support docket fees.

When newly elected County Clerk Amanda Lowery took office back in January, an audit revealed [close to \\$1 million in unpaid child support docket fees](#) dating back to 1999. The charges, according to Lowery, were assessed to pay for processing child support payments.

So, Lowery is not a winner because she's left looking like the bad guy since she's the one responsible for the push to collect these over due fees.

Around 3,800 residents are responsible for the \$978,000 bill. None of those folks win, either, since according to Lowery, "There's no obligation on the clerk's part to notify people that a fee is due." So relying on the "I honestly didn't know about this" excuse is worth about \$0.00 in this scenario. Regardless of if they knew or didn't, they're still responsible for those fees.

What isn't working in those residents' favor is the fact that some child support payers seemed to have it together enough to pay the fee. If *everyone* in Jackson County had not paid the child support docket fee, things might have turned out differently for the county.

Eagle Accounts Group, interestingly enough, may be the closest thing we have to a winner — unusual in these kinds of stories. In the news piece linked to above (from Indiana's WAVE-3, "*Working for You*") is just doing what it was hired to do. If you watch the video (and you should watch the video, if only for the moment where Lowery looks out into the middle distance before saying, "I don't think you can hold Jackson County responsible" for late fees that have gone uncollected *for over a decade**) no one, from Troubleshooter Eric Flack to the two men interviewed who had received collections letters, seems to hold the collection agency responsible at all. Any ire is directed squarely at a county infrastructure that seems in need of a serious overhaul.

As one of the men says, "I hate to say I just think there is a lot of incompetence in our county government."

The assumed collections rate on these past due accounts is roughly 10 percent. This means that, for the amount of ill-will generated by Jackson County's move, they'll only pull in at most around \$120,000. Yet, with a county budget of only \$9 million, it's not like \$120,000 is pocket change.

My other favorite moments in the video are all Troubleshooter Eric Flack-related. From his title to his first appearance chilling on a park bench like it's Mayberry — like, maybe he could just sit there all day talking with other townspeople like Schmitt or Duke about the cost of a shave and a haircut or he could get the Troubleshooter Signal and race off to...troubleshoot? I guess? This fantasy about the private life of Eric Flack sort of got away from me, but the point is: he's awesome and on his way to being the Bob Woodward of Child Support Docket Fees.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/indiana-county-just-realizing-it-needs-to-collect-1m-in-child-support-docket-fees/>

Media Taking Note of Need for Government Debt Collection

by Patrick Lunsford – insideARM.com – July 5, 2011

It might sound like a tired cliché to ARM professionals, but the debt collection industry can be a big help to governments looking for increased revenue. But now that all governments in the U.S. are facing dire straits, the media is starting to get it.

On July 4th, *The New York Times* ran an article in its print edition titled “[Debt Collections Elude Uncle Sam](#).” The piece opens simply: “Uncle Sam could use better debt collectors.”

The article notes that some \$65 billion is owed to the U.S. government’s agencies for various fines, fees and other charges incurred by businesses and wealthy Americans. The total does not include taxes owed by individuals to the IRS.

It notes that often, large fines levied against companies are intended as deterrents rather than actual penalties. Many of the companies that receive fines immediately file for bankruptcy protection, or go out of business altogether. The article suggests that private companies that purchase bankruptcy debt could be used to fill the gaps.

Another piece that also ran over the holiday weekend took a state to task for lax debt collection procedures.

An editorial in the *Aberdeen News* (“[In Our Opinion: State’s debt-collection blind spot is unacceptable](#)”) noted that the state of South Dakota is owed some \$127 million. Fortunately, the state has contracted with a private debt collection agency to chip away at the total.

But the paper’s editorial board took issue with the debt collection contract itself, noting that no state agency was overseeing the performance of the firm. There is also some slight moaning that an in-state collection agency was not chosen as the vendor. But the underlying conceit of the piece is clear: the state desperately needs help from the private sector debt collection industry to help manage its unpaid debts.

As Kaulkin Ginsberg President Mike Ginsberg [recently noted in a blog](#), “Local governments across the country continue to feel the financial impact of the most severe economic downturn since the Great Depression.” It seems that many people in positions of influence are waking up to the fact that there is a mature, professional industry that can help with that.

[See results of a flash poll base on this article.](#)

In Our Opinion: State's Debt-Collection Blind Spot is Unacceptable

July 2, 2011 (Article appeared on the Aberdeen News website. It is not reproduced here due to copyright limitations.)

<http://www.aberdeennews.com/opinion/aan-in-our-opinion-south-dakotas-debtcollection-blind-spot-is-unacceptable-20110702,0,4659234.story>

Texas Collection Agency Riles Up the Hawai'ians

by Mike Bevel – insideARM.com – June 28, 2011

Poor Hawai'i. Or, actually, poor Hawai'ian speeders.

In a [super whiney online article](#), there is a lot of *sturm und drang* over a Texas collection agency collecting Hawai'ian municipal debt.

In a bidding process, the state of Hawai'i chose Texas collection agency [Municipal Services](#) over other, local collection agencies like [RCM Hawaii](#) — presumably because Municipal Services was willing to take on the account at a lower cost.

But the “buy local” angle is only one of the irons this article has in the fire.

The reporter is also worried about privacy issues — because maybe Texas is somehow less trustworthy than Hawai'i? “Once the collection agency is involved, they will be provided with your social security number, your date of birth, your drivers license number, all your phone numbers, including unlisted numbers.” Of course, this would still be the case if the account went to a Hawai'ian collection agency.

Oh! And adding a collection agency to the mix makes getting a ticket even more of a hassle? Maybe? Though it's not like a random selection of Hawai'ian citizens are being sent tickets, just 'cause. Speeding tickets are given to people who speed (sorry for breaking it down, remedial-style, for you; I've watched a lot of *Cagney & Lacey* though and have a thorough understanding of most of the law and even though Cagney et. al. dealt with homicides, I fail to see how that makes me any less of an expert in traffic law), and it's not like speed limits are a guessing game where you might or might not guess it wrong.

I guess what I'm saying is: I'm sorry you got a speeding ticket — but I'm not *really* sorry you got a speeding ticket.

Things, however, aren't looking great for Municipal Services. They currently have a multi-year contract, but this quote from Hawai'ian governor Neil Abercrombie has a ominous, not-for-long quality to it: “I'm aware of this, and we'll get rid of them (Municipal Services).”

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/texas-collection-agency-riles-up-the-hawaiians/>

Vermont to Use Collection Agency for Past Due Fines

by insideARM.com – June 27, 2011

Vermont is the latest state to turn to a collection agency as a cost-saving measure in pursuing past-due fines.

As [reported in the Bennington Banner](#), starting next Tuesday, July 5, “All collections not fully paid within 60 days from the date the fine/fee was imposed will be handled by the [AllianceOne collection agency](#).”

Previously, Vermont would waste resources sending scofflaws to trial, not to mention any arrest or transportation.

The move costs the state nothing. AllianceOne will make its fee off of surcharges attached to existing fines.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/vermont-to-use-collection-agency-for-past-due-fines/>

Local Governments in Peril; ARM Industry Could Help

by Mike Ginsberg – Kaulkin Ginsberg – June 21, 2011

Local governments across the country continue to feel the financial impact of the most severe economic downturn since the Great Depression. Plummeting property tax receipts, shrinking budgets and rising pension and health-care costs have pushed many municipalities to the brink of financial collapse.

The Wall Street Journal [recently ran an article](#) about some state governors taking matters into their own hands. In Michigan, for example — a state with 1,773 municipalities, 609 school districts, 1,071 fire departments and 608 police departments — the governor is taking steps to bring about the consolidation of municipal services, even whole municipalities, in order to cut budgets and eliminate redundant local bureaucracies.

Various state legislatures are moving toward consolidation. The idea is that local governments can operate with fewer workers and smaller budgets if they do things like combine fire departments, create regional waste authorities and fold towns and cities into counties.

New Jersey, which has 566 municipalities, recently made it easier for communities to pursue mergers, and several states are contemplating similar rules. In New York, which has more than 1,547 overlapping local governments, the Senate passed a bill in 2009 that gave voters the power to consolidate local municipalities and services. In Indiana, which has 1,008 townships, a legislative panel earlier this year unanimously backed offering financial incentives to local governments that seek efficiencies through consolidation.

The concept of consolidation is not new; 27 such mergers have passed since 1902, according to the *Wall Street Journal*. The most recent was in 2000, when Louisville, Ky., merged into Jefferson County. In March, Memphis voters approved a merger of the city and county school systems, over strong suburban opposition. The county board of education has sued to block the merger.

While I applaud the efforts to find creative ways to cut costs and improve efficiency, researchers have raised questions about whether such consolidation actually delivers the results they are seeking. Typically, they say, only a few administrative positions overlap between jurisdictions, and further savings can't be realized without compromising service. Instead of combining forces, some local governments are forced to increase taxes.

Earlier this year, half a dozen struggling communities in Oakland County, Mich. held votes on property-tax increases to avoid consolidation of services with neighboring towns or the county. All but one of the increases passed comfortably. In Hazel Park, one of the county's poorest communities, residents voted

overwhelmingly for a five-year tax increase to avert deep cuts to the police and fire departments whose costs, including retiree benefits, account for 64 percent of the city's \$13.7 million budget.

All of this talk about consolidation and tax increases got me thinking if any of the counties cited in the article outsource their collection needs to third party specialists. I called my friend and expert on government outsourcing initiatives Nick Bernardo (visit his site www.mygovwatch.com) and found out that some do and some don't.

His records indicate that from 2008 to 2010, the states of NY and NJ have outsourced collections. The cities of Louisville, Memphis, and the counties of Shelby County TN, Duval County FL, Miami-Dade County FL, and Oakland County also outsourced collections.

What about the others? Why haven't they turned to the experts to handle their collection needs instead of raising taxes, cutting spending and/or consolidating with other jurisdictions? Seems like a no-brainer to me.

<http://www.insidearm.com/opinion/local-governments-in-peril-arm-industry-could-help/>

City of Semmes Partners With Revenue Discovery Systems to Administer Local Sales Tax

by insideARM.com – June 21, 2011

The newly incorporated City of Semmes, Ala. is contracting with Revenue Discovery Systems (RDS) to provide a comprehensive sales/use, rental/lease, and lodging tax administration program for the City, RDS announced today.

RDS is a division of PRA Government Services, LLC, a wholly owned subsidiary of Portfolio Recovery Associates, Inc. (NASDAQ: PRAA). For more information, please visit www.revds.com.

Under the agreement, RDS will begin administering local taxes as of Aug. 1, 2011, with a due date of Sept. 20, 2011. RDS also will ensure compliance of local taxes, including auditing of taxpayers deemed non-compliant under state law. The city council voted and announced the decision during the June 16 council meeting.

“With the addition of Semmes, RDS presently works with nine municipalities in Mobile County,” said Stephen Morris, vice president of Client Services, RDS. “We look forward to continuing our relationship with the taxpayers of Mobile County as we begin this partnership with the City of Semmes.”

RDS will mail notifications to taxpayers on July 1. Forms and information concerning the remittance of taxes and due dates will be included in this mailing. There is also a toll-free number (800.556.7274) for taxpayers to call with any questions concerning tax remittance and a complete Frequently Asked Questions section under the Taxpayer area of the RDS website (www.revds.com). RDS will also conduct a Taxpayer Education Day in July to educate taxpayers on online filing and assist in taxpayer registration.

“We are looking forward to working with RDS as we begin this process,” said Mayor Judy Hale. “There are a lot of jurisdictions that work with RDS in this part of Alabama, and we feel that this is the best decision concerning the administration of our tax revenues.”

Taxpayers will have the opportunity to remit their taxes online through the RDS online payment portal at www.salestaxonline.com.

RDS developed the Smart Government Awards to recognize innovative governments and efficient programs in Alabama. The Approval Committee evaluates nominees based on efforts to enhance growth and reduce waste in spending, time and resources, particularly in regards to the environment.

Based in Birmingham, Ala., RDS is a government services company providing revenue enhancement support services to state and local government in the areas of tax administration, revenue discovery and

recovery, and compliance audit examination. Each year, RDS processes billions of dollars in business taxes, licenses and fees and has simultaneously discovered and recovered millions in unpaid revenues. For more than 30 years, RDS has been committed to delivering government solutions based on outstanding value, competitive pricing, exceptional customer service and compliance with the highest professional standards. RDS currently provides tax administration services for more than 450 state and local government clients and manages 700+ professional service contracts.

[Portfolio Recovery Associates, Inc.](#) (NASDAQ: PRAA), a specialized financial services company, is a market leader in the consumer debt purchase and collection industry. The Company, which has purchased more than \$56 billion of defaulted consumer debt since its inception, has operations in 10 states, approximately 25 million customer accounts and more than 2,500 employees. Portfolio Recovery Associates also provides a broad range of fee-based services through its subsidiaries: PRA Government Services, LLC; MuniServices, LLC; PRA Location Services, LLC; and Claims Compensation Bureau, LLC.

<http://www.insidearm.com/daily/debt-buying-topics/debt-buying/city-of-semmes-partners-with-revenue-discovery-systems-to-administer-local-sales-tax/>

Collection Agency Recovers \$350,000 for County in Two Years

by insideARM.com – June 7, 2011

A collection agency recently hired by Adams County, Miss. to pursue court and sanitation fees and fines has brought in \$350,000 in the past 18 months for the government.

The owner of Receivable Solutions Specialists, Inc. told the county's Board of Directors that its pace of collection has increased in the first five months of 2011, according to the Natchez Democrat. But he wasn't merely presenting results to the Board this week; the county leader had a specific request of the collection agency.

District 5 Supervisor S.E. "Spanky" Felter asked Bruce Brice, owner of Receivable Solutions, if his firm could help recover money still owed from their previous collection agency. It seems that the old collector got payments from some debtors but never forwarded the money to the county.

The previous company left town years ago.

Brice recommended consulting with a lawyer on the matter. So the board voted to authorize the county's attorney to pursue a lawsuit against the company.

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/collection-agency-recovers-350000-for-county-in-two-years/>

Chicagoland County Hires Collection Agency to Go After Traffic Fine Debt

by insideARM.com – April 22, 2011

Kendall County (Ill.) recently sent the first batch of unpaid traffic tickets to Harris & Harris, a collection agency that is now working with the county to track down fees and fines that were left unpaid after the driver was convicted, [according to a story in *The Beacon-News*](#).

Harris & Harris was hired in March after Kendall officials noted that neighboring counties had experienced success in using private debt collectors to go after their debt. A similar program in Kane County collected \$1.2 million in unpaid fees and fines in 2009. The Illinois Legislature gave counties statutory authority to hire debt collection agencies in 2008.

“These unpaid fines, costs and fees put an additional burden on the criminal court system,” said Kendall State’s Attorney Eric Weis. “The county uses the fines, costs and fees it collects to support the judicial system and other programs. When these amounts are not collected, the taxpayers have to pick up the difference or services have to be reduced.”

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/chicagoland-county-hires-collection-agency-to-go-after-traffic-fine-debt/>

Rewards and Incentives for Government Debt Collectors?

Press Release – March 3, 2011

Orchards, Wash. – Rewarding collectors through incentives and commissions is standard in the private sector. Governments, however, have been challenged by this practice because of budgets, public perception, and a variety of other reasons.

At its 3rd Annual Conference, the Government Revenue Collection Association (GRCA) has partnered with Snowfly, an industry leading employee incentive company to discuss the development of reward and incentive programs within government collection offices.

“Snowfly acknowledges the obstacles governments face when developing collector incentive programs. We are excited to provide some real-world solutions for GRCA and its membership,” said Bob Cowen, a Snowfly advisor. “Working with GRCA gives Snowfly the opportunity to demonstrate that even with limited resources, collector performance can be substantially improved and sustained.”

This conference session will teach attendees:

- The 4 keys to maximizing the effectiveness of incentives.
- How incentives and rewards are directly related to collections, employee attrition, attendance, schedule adherence, quality and morale.
- How to define and operate the best incentive program: short vs. long term, monetary vs. non-monetary rewards, individual vs. team rewards.
- What “rewarding the daily homework” means in every-day, practical terms.
- Metrics that should be closely monitored and those that will self-cure.
- Rewards that are highly prized and those that are not.
- How to differentiate cash rewards from cash rewards (no, that’s not a typo).

The Government Revenue Collection Association 3rd Annual Conference will be held May 4-6, 2011 in St. Louis, Missouri. Conference details including attendee registration, hotel information, agenda, and vendor materials are available on the GRCA website www.govcollect.org.

About Government Revenue Collection Association

Founded in October 2008, Government Revenue Collection Association is a non-profit association dedicated to promoting the advancement of government collections. Founded by collection industry leaders, the Association serves as a resource for the latest industry information, technology innovation and compliance programs to help government entities improve and enhance revenue recovery initiatives in today’s collection environment.

For more information about GRCA or the Annual Conference, please visit www.govcollect.org, call 1-877-724-4722 or E-mail info@govcollect.org.

About Snowfly

Snowfly is the leading provider of Internet based employee incentive and loyalty programs. Snowfly's incentive system allows contact centers to harness the enormous motivational power of immediate positive reinforcement to focus employee behavior on company objectives. Compared with home-grown programs, Snowfly improves KPI's by at least 20% (sales, availability/adherence, attendance, call quality), reduces a huge administrative burden and reduces costs. The results are easily seen within weeks and there is no long term obligation. Snowfly customers include multiple Blue Cross/Blue Shield providers, Hyatt Hotels, Time Warner Cable, Avis/Budget, financial institutions, utility companies, cable/satellite providers, various BPO companies (business process outsourcers), and collection departments/agencies.

Snowfly's web site: www.Snowfly.com.

www.insidearm.com/...receivables/government-receivables/rewards-and-incentives-for-government-debt-collectors/

Government Collection Professionals Invited to St. Louis

Press Release – February 22, 2011

Orchards, Wash. – The Government Revenue Collections Association (GRCA) invites those working in government debt collection to its 3rd Annual Conference, May 4-6, 2011 at the Hilton at the Ballpark in St. Louis, MO.

Government collectors are relentlessly pursuing excellence in their everyday processes and customer interactions. The agenda for this year's event, "Gateway to Excellence", will include sessions that help you achieve the highest standards for your government and your customers.

Featured sessions include:

- Legal Issues Facing Government Collectors,
- Analytics, Account Scoring, and Segmentation,
- Skip Tracing,
- Negotiating and Overcoming Objections,
- Implementing Process Improvement,
- Court and Tax Collection,
- Focus Groups,
- And more

Participants from 23 states came together for the 2010 conference in San Diego, sharing their ideas and experiences during two days of classes and networking. One attendee remarked, "The speakers were extremely informative and helpful in the information that was presented. I really liked the fact that I had a choice in which track I wanted to attend, the variety was vast and helpful in tailoring the conference to my specific needs. Thank you very much for the opportunity to attend such a wonderful and informative conference."

Conference details including attendee registration, hotel information, agenda, and vendor materials will be forthcoming on the GRCA website www.govcollect.org.

The Government Revenue Collection Association is committed to providing you the best professional experience you can receive while educating you about collecting your own government debt. We look forward to seeing you there.

For more information about GRCA or the Annual Conference, please visit www.govcollect.org, call 1-877-724-4722 or E-mail info@govcollect.org.

About Government Revenue Collection Association

Founded in October 2008, Government Revenue Collection Association is a non-profit association dedicated to promoting the advancement of government collections. Founded by collection industry leaders, the Association serves as a resource for the latest industry information, technology innovation and compliance programs to help government entities improve and enhance revenue recovery initiatives in today's collection environment. For more information, visit www.govcollect.org.

<http://www.insidearm.com/daily/govt-receivables/government-receivables/government-collection-professionals-invited-to-st-louis/>

The City of Guntersville Receives Smart Government Honor from Revenue Discovery Systems

Press Release – January 19, 2011

BIRMINGHAM, Ala. — Revenue Discovery Systems (RDS) announced today that its final 2010 Smart Government Award (SGA) recipient in the Small Municipality category is the City of Guntersville, Ala. Under the leadership and direction of Mayor Robert L. Hembree, Jr., the city expanded recycling collection efforts, implemented “paperless” practices in the police department, and motivated community members to contribute to litter prevention among other cleanup efforts.

RDS is a division of PRA Government Services, LLC, a wholly owned subsidiary of Portfolio Recovery Associates, Inc. (NASDAQ: PRAA). For more information, please visit www.revds.com.

Smart Government Awards, sponsored by RDS since 2009, recognize municipalities, counties, and state agencies that are taking innovative steps to enhance growth, create cost savings and provide environmental benefits. The Small Municipality category is for municipalities with a population of 15,000 or less.

City of Guntersville officials made recycling and waste reduction a priority, RDS noted. Existing environmental efforts were further enhanced in a cost effective manner through revised procedures and practices. Many recycling programs have been in place for some time, including the collection of paper, beverage glass, aluminum cans, tin/steel cans, plastics, cardboard, motor oil, and scrap metal. Supporting organizations have partnered with the city, including the Guntersville City Tree Commission, City Horticulturist, the Tennessee Valley Authority, and Marshall County People Against a Littered State.

The city also stepped up efforts with the “Recycling Away From Home” program by incorporating recycling containers into the Downtown Streetscape Renovation and placing containers along 10 miles of walking trails, recreation venues, senior centers, and near Town Hall. The community is proud to be one of the first cities in north Alabama to establish “litter-free events” in city venues. This effort has dramatically lowered the amount of city overtime through community volunteers who serve as the “Litter Patrol” during these events.

“These efforts are the living work of the Smart Government Awards mission,” said Kennon Walthall, group chief operating officer and senior vice president, Operations, PRA Government Services, LLC. “They are touching so many areas of environmental stewardship, cost reduction, and strong leadership. It’s an honor to present the Smart Government Award to the City of Guntersville and its officials.”

Keep America Beautiful and the Philip Morris Corporation awarded the City of Guntersville grant money to implement the “No Ifs, Cans or Butts” campaign for the Cigarette Litter Prevention Program. The program focuses on reducing cigarette litter at the entrances of city buildings and park and recreation areas of the community. Since the program’s start, there is a visible decrease in cigarettes seen throughout the city.

Before a paperless initiative was established, all police department citations and reports were handwritten and later, completed electronically by data entry personnel. The city received a grant from the Alabama Department of Economic and Community Affairs for laptops and supporting software, allowing the officers more time to patrol, less time entering data and less cost for paper storage. The department has transitioned from 100 percent paper to 100 percent paperless.

The nominations for several categories were approved and awarded by a committee comprised of educators, a policy researcher, an environmental conservationist, and a retired municipal employee. Those committee members included: Dr. Don-Terry Veal, executive director of the Center for Governmental Services, Auburn University; Tommy Pow, program manager at the University of Alabama College of Continuing Studies; Jim Williams, executive director of the Public Affairs Research Council of Alabama; Mike Moore, former revenue officer for the City of Opelika; and Adam Snyder, executive director for Conservation Alabama.

About the Smart Government Awards

The Smart Government Awards were developed by RDS to recognize innovative governments and efficient programs in Alabama. The Approval Committee evaluated nominees based on efforts to enhance growth and reduce waste in spending, time and resources, particularly in regards to the environment.

About RDS

Based in Birmingham, Ala., RDS is a government services company providing revenue enhancement support services to state and local government in the areas of tax administration, revenue discovery & recovery, and compliance audit examination.

Each year, RDS processes billions of dollars in business taxes, licenses and fees and has simultaneously discovered and recovered millions in unpaid revenues. RDS currently provides tax administration services for more than 450 state and local government clients and manages 760 professional service contracts.

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/the-city-of-guntersville-receives-smart-government-honor-from-revenue-discovery-systems/>

State and Local Focus to Drive Government ARM Expansion

by Cynthia Wilson – insideARM.com – November 24, 2010

Mike Pelone estimates the market for government receivables to be about \$15 billion, and as Portfolio Recovery Associate's new President of Government Services, he wants a larger part of it.

Accounts receivable management firm Portfolio Recovery Associates, Inc. (Nasdaq: [PRAA](#)), which makes the bulk of its money in consumer debt purchasing, entered the government services sector in 2005 with the acquisition of Alabama-based RDS/Alatax, and has expanded the unit by purchasing two more companies since then. Today, PRA's government services unit has 760 clients nationwide. In addition to recovering hundreds of millions of dollars in bad debt for clients, PRA's government services unit has billed and collected \$750 million through its tax administration services.

While impressive, the money still accounts for less than 10 percent of a multi-billion dollar market, Pelone noted. With so many governments grappling with falling revenues due to decreases in housing values, retail sales and income taxes, the government sector offers a lot of untapped opportunity. Governments, he said, are in disparate need of revenue but they do not want to raise taxes to get it. So PRA's message is that they don't have to. Instead governments can and should leverage their existing tax laws to collect money already owed to them.

"Every town, city, and county in the country has the need for our services," Pelone told insideARM.com. "Why create new taxes and regulations when there are plenty of existing laws and rules to help governments better collect existing revenues?"

Pelone is the first person to lead PRA's combined government services subsidiaries. When he joined PRA earlier this month Pelone brought with him more than 30 years of corporate and consulting experience in building successful national sales, business development, and account management organizations. He last served as senior vice president, Sales and Business Development for Affiliated Computer Services (ACS) in Raleigh, N.C. He also held senior sales executive, executive management and management positions with UnitedHealth Group in Eden Prairie, Minn.; Unisys Corporation in Blue Bell, Pa.; Electronic Data Systems in Plano, Texas; and Burroughs Corporation in Detroit.

Kaulkin Ginsberg Director Mark Russell said Pelone's appointment is a sign that PRA is moving aggressively to grow the government side of the business.

"They are looking for him to take it to the next level and are prepared to financially back him," Russell said.

Russell said the company has been enamored with government services since Kaulkin helped it put together the deal for RDS in 2005. Not only is government services a good source of recurring income for ARM firms that can win government contracts, the niche doesn't require large outlays of capital that's necessary in debt buying.

"The great thing about government debt is that it never goes away even if you file bankruptcy. You cannot absolve yourself of any form of government debt. (Governments) also are first in line when liquidation of assets occurs in the bankruptcy process. It's very stable," Russell said.

Pelone said PRA has a good client retention rate and the company is positioned well to bring on new government clients because it can leverage its technology and administration operations to help government clients. For example, the technology PRA uses to help auto loan originators locate vehicle owners can be used to locate vehicles with unpaid tickets and property taxes for municipalities, he said. By sharing administrative services costs with PRA's other business, the government services business also can introduce its services at competitive prices, Pelone said.

Pelone said PRA does aspire to have clients at the federal level, but its immediate focus remains with town, city, county and state governments.

"We're helping governments identify unreported taxes and collect both taxes owed and plan for the next wave of taxation; as it is our mission to help government fairly and equitably administer their existing sources of revenue," he said.

Nick Bernardo says:

"With so many governments grappling with falling revenues due to decreases in housing values, retail sales and income taxes, the government sector offers a lot of untapped opportunity."

This is spot on. Data we have at <http://www.mygovwatch.com> shows that less than 10%, and possibly less than 5%, of all municipalities in the U.S. currently outsource collections.

<http://www.insidearm.com/daily/govt-receivables/municipal-receivables/state-and-local-focus-to-drive-government-arm-expansion/>

Third Party Debt Collectors an Important Partner in the Recovery of Government-Owned Debt

Press Release – October 28, 2010

MINNEAPOLIS – ACA International, the leading voice for the debt collection industry, is pleased to learn of the September 2010 Government Accounting Office (GAO) report reinforcing the value debt collectors provide American taxpayers in the collection of unpaid taxes to the Internal Revenue Services (IRS).

In 2009, when the IRS moved to stop using private debt collectors, ACA vehemently opposed the move based on the same findings as the GAO: “IRS’s comparative study of the PDC program (private debt collection) was not soundly designed to support its decision on whether to continue contracting out debt collection.”

“Debt collectors provide a very important public service to taxpayers by returning billions of uncollected fines, fees and taxes to federal, state and local government,” said ACA International CEO Rozanne M. Andersen, Esq. “Collecting these government-owned tax dollars reduces the need for future tax increases, keeping more money in the pocket of hard working America consumers.”

In 2009, third party debt collectors recovered \$788 million of the reported \$30.9 billion owed to the federal government, not including the Internal Revenue Service. From 2006-2009, the last year the IRS used third party debt collectors, \$80 million in unpaid taxes was returned to taxpayers.

More than 43 states currently use third party debt collectors to help recover delinquent receivables. In 2009 the National Association of Counties reported that local governments had more than \$40 billion in uncollected taxes and fees for which they were using third party debt collection firms to recover. Typically, third party debt collectors recover an estimated 15 percent of government debt; or approximately \$6 billion to local government taxpayers.

“We applaud the support Senator Charles Grassley has shown regarding private debt collectors working on behalf of the IRS. We hope he continues his efforts and look forward to working with him and other Members of Congress to renew this important initiative that once allowed \$80 million to be returned to the federal government,” said ACA International President Martin Sher.

If a consumer is contacted, talk with the debt collector to verify or dispute the debt; never allow yourself to be threatened or harassed; and visit www.askdoctordebt.com to find reliable information about debt collection and consumer rights.

ACA International, the Association of Credit and Collection Professionals, is the comprehensive, knowledge-based resource for success in the credit and collection industry. Founded in 1939, ACA brings together more than 5,000 members worldwide, including third-party collection agencies, asset buyers, attorneys, creditors and vendor affiliates. ACA International establishes ethical standards, produces a wide variety of products, services and publications, and articulates the value of the credit and collection industry to businesses, policymakers and consumers. For more information about ACA International, visit www.acainternational.org.

<http://www.insidearm.com/daily/govt-receivables/government-receivables/third-party-debt-collectors-an-important-partner-in-the-recovery-of-government-owed-debt/>

Albany, NY Issues RFP for Debt Collection Services

Press Release – September 7, 2010

ALBANY, N.Y., Sept. 2 — The Albany Water Board and the City of Albany Department of Water and Water Supply hereby requests proposals from qualified firms to provide collection services applicable to unpaid and delinquent accounts.

The Albany Water Board, a New York State Public Authority, operates and maintains the City of Albany water, sanitary, stormwater and combined sewer collection systems. Minority Business Enterprises and Women's Business Enterprises are encouraged to submit proposals.

***ORIGINAL DEADLINE TO SUBMIT PROPOSALS HAS BEEN EXTENDED FROM SEPTEMBER 7, 2010 TO OCTOBER 1, 2010 BY 2:00 P.M. Further, an addendum to the RFP will be posted on the City of Albany website on or before September 10, 2010. The addendum will answer all vendor questions submitted to date.

To download a copy of the RFP, please click here:

<http://www.albanyny.org/Files/RFPCollectionAgencyServices2010.pdf>.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/albany-ny-issues-rfp-for-debt-collection-services/>

Budget Cuts Expanding Government ARM Sector

by [Cynthia Wilson](#) – insideARM.com – August 20, 2010

The government debt collection sector may be the next big growth sector for the accounts receivables management industry. Experts in government receivables management tell insideARM.com that they are seeing a definite uptick in business as local and state governments look to them to provide revenue cycle management functions formerly handled in-house.

“Over the past 18 months we have experienced a surge in new business,” said Mike Vallandingham, Partner & Chief Marketing Officer at Linebarger Goggan Blair & Sampson, LLP. The Austin, Tex.-based firm collects delinquent taxes, fees, fines, tolls, service charges and other local and state, and federal receivables for approximately 2,000 public sector clients. Vallandingham said the company expects to recover close to \$1billion in delinquent accounts receivable this year.

“I’m not sure that (the business growth) is due to staffing and budget cuts as much as it is an effort to make sure that these governments are doing everything they can to recover their outstanding revenue,” Vallandingham said.

Whatever the reason, Gila Corp. CEO Bruce Cummings told insideARM.com that he doesn’t foresee a return to government employees bearing the bulk of the receivable management work when the economy improves.

“Given the reduced budgets that the federal government is forcing on states, the trend is here to stay,” said Cummings, whose Municipal Services Bureau business unit focuses on state and local ARM services. “In addition, governments and the courts exist to serve justice; they are not expert collectors and can receive much greater economies by outsourcing to firms that specialize in government collections exclusively.”

Vallandingham agreed. He said that by outsourcing to collection agencies the governments often are able to avoid making cuts to the core services their constituents expect their local and state governments to provide.

“This economic downturn has been so deep that governments everywhere are looking for relief and they are looking to our industry for help,” he said.

If the government receivables sector takes off the way the health care sector did, the industry is likely to see a slew of new competitors enter the market. But unlike the health care sector, which newcomers — and established firms such as Encore Capital Group and Asset Acceptance Corp. — abandon after a few short years because of the unique business challenges health care revenue cycle management present,

newcomers to government receivables could have a much greater chance of succeeding. After all, collectors of utility bills, fines and delinquent taxes aren't deprived of important information about the debt that collectors of health care debt often are.

Cummings, however, is not worried about the new competition.

"In any industry the cream rises to the top. This is especially important in government collections, where the jurisdictions have conflicting objectives, between collecting debts and not upsetting their constituent base. The best firms collect debts in a manner that minimizes complaints and disputes so the constituent base feels satisfied," he said.

A more competitive environment, however, could affect the fees and margins established by more seasoned companies that specialize in managing government receivables.

"The new entrants to the market always try and break into the market based on price. However I can definitively show that higher fees, like those MSB charges, results in higher returns to our clients."

While government collections may not face as many regulatory and liquidation challenges as health care receivables, governments are just as sensitive as health care providers about any potential bad publicity from outsourcing their revenue collections, noted Kaulkin Ginsberg Director Mark Russell. He warned that newcomers to the sector shouldn't take it for granted that governments will be so eager to have the extra revenue that they will adapt to the change easily or tolerate aggressive collection practices.

Like health care providers, Russell said government agencies have relationships with the people who owe them money and they want to preserve those relationships.

<http://www.insidearm.com/daily/commercial-b2b-receivables/commercial-debt-collection/budget-cuts-expanding-government-arm-sector/>

MSB Signs Statewide Collection Agreement with Colorado Judicial Branch

Press Release – August 9, 2010

Gila Corp., through its business unit, Municipal Services Bureau (MSB), is pleased to announce it has been named an approved vendor to provide outsourced collections and payment processing services to the State of Colorado Judicial Branch.

“We are delighted by the opportunity to work with the State of Colorado. MSB has proven its ability to recover more revenue for hundreds of courts all over the nation, and we intend to deliver exceptional results throughout the State as well,” said Bruce Cummings, CEO of MSB. MSB collects delinquent court fines, fees and debts for more than 550 governmental entities nationwide.

“MSB works exclusively with government agencies, and our unique experience enables us to find solutions to improve recovery rates and generate revenue for our clients,” Cummings added. MSB is currently under contract with the 10th and 17th Judicial Districts of Colorado and is in the process of securing additional jurisdictions.

About Municipal Services Bureau

Founded in 1991, Municipal Services Bureau offers outsourced collections, payment processing and call center services to governmental entities nationwide. Headquartered in Austin, Texas, MSB empowers talented employees with advanced technology, data management tools and leading edge business practices to exceed the expectations of its clients. MSB currently works with more than 550 clients in 34 states and is licensed to collect throughout the United States.

MSB distinguishes itself based on its brand: Experience, Execution and Ethics. The Company has achieved the Professional Practices Management System (PPMS) certification from the Association of Credit and Collections Professionals (ACA International). Additionally, the Company is a SAS 70 (Type II) certified service organization and maintains an A+ rating with the Better Business Bureau. MSB is also a sustaining member of the National Association for Court Management (NACM). For more information, please visit www.MuniServ.com or call # 1-800-568-7004.

<http://www.insidearm.com/daily/commercial-b2b-receivables/commercial-debt-collection/msb-signs-statewide-collection-agreement-with-colorado-judicial-branch/>

City of Fairhope Partners With Revenue Discovery Systems (RDS) to Administer Local Sales Tax

Press Release – July 21, 2010

BIRMINGHAM, Ala. – The City of Fairhope, Alabama has contracted with Revenue Discovery Systems (RDS) to provide a comprehensive sales/use tax administration program for the City.

RDS is a wholly owned subsidiary of [Portfolio Recovery Associates, Inc.](#) (NASDAQ: [PRAA](#)). For more information, please visit www.revds.com.

Under the agreement, RDS will begin administering local taxes as of Aug. 1, 2010, with a due date of Sept. 20, 2010. RDS also will be charged with the compliance of local sales/use taxes, including auditing of taxpayers deemed non-compliant under state law.

“For the past 14 years, RDS has performed tax administration services for several hundred municipalities,” said Kennon Walthall, president of RDS. “We look forward to continuing our relationship as we begin this partnership with the City of Fairhope.”

RDS will mail notifications to taxpayers at the end of July. There is also a toll-free number (800.556.7274) for taxpayers to call with any questions concerning tax remittance and a complete Frequently Asked Questions section under the Taxpayer area of the RDS Web site.

“The City Council felt this change in tax collection agencies will give us a quicker turnaround in revenue collection at a definite cost-savings for the City,” said Gregg Mims, city administrator of the City of Fairhope. “The local presence of RDS will, hopefully, ensure better compliance and bring with it a stronger tax base.”

Taxpayers still will have the opportunity to remit their taxes online through the RDS online payment portal at www.click2file.net.

About the Smart Government Awards

RDS developed the Smart Government Awards to recognize innovative governments and efficient programs in Alabama. The Approval Committee evaluates nominees based on efforts to enhance growth and reduce waste in spending, time and resources, particularly in regards to the environment.

About RDS

Based in Birmingham, Ala., RDS is a government services company providing revenue enhancement support services to state and local government in the areas of tax administration, revenue discovery and recovery, and compliance audit examination.

Each year, RDS processes billions of dollars in business taxes, licenses and fees and has simultaneously discovered and recovered millions in unpaid revenues. For 30 years, RDS has been committed to delivering government solutions based on outstanding value, competitive pricing, exceptional customer service and compliance with the highest professional standards. RDS currently provides tax administration services for more than 450 state and local government clients and manages 700+ professional service contracts.

<http://www.insidearm.com/daily/debt-buying-topics/debt-buying/city-of-fairhope-partners-with-revenue-discovery-systems-rds-to-administer-local-sales-tax/>

District Court Awards Collection Contract to Capital Recovery Systems

Press Release – June 17, 2010

The Judges of the 33rd District Court, Chief Judge James Kersten, Judge Michael K. McNally, and Judge Edward Nykiel, announced today that the Court has entered into an agreement with Capital Recovery Systems, Inc. to collect outstanding fines, costs and fees on cases that date back to 2003.

The company, based in Columbus, Ohio, is a full service receivables management and debt collection agency, specializing in court collections. While the company has contracts with over 350 courts in Ohio, Illinois, Indiana, Pennsylvania, Florida and West Virginia, this is the first contract entered into with a State of Michigan court.

The 33rd District Court serves the Townships of Brownstown and Grosse Ile, and the Cities of Flat Rock, Gibraltar, Rockwood, Trenton and Woodhaven. With the I-75 Detroit to Toledo corridor bisecting the jurisdiction, many of the outstanding cases were issued to people who reside outside the State of Michigan.

This arrangement is the most recent in the Court's increased efforts to collect from those defendants who have ignored their obligations.

"The Court has been very successful in efforts to collect outstanding fines and costs from Michigan residents. We are now turning to collection experts to track down the residents of other states who are indebted to the 33rd District Court," Chief Judge James K. Kersten stated.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/district-court-awards-collection-contract-to-capital-recovery-systems/>

Town Goes with MSB for its One Stop Solution for Collections and Payment Processing

Press Release – April 16, 2010

AUSTIN, Texas – Gila Corporation, through its business unit, Municipal Services Bureau (MSB), is pleased to announce it has been selected by the City of Gregory, TX, to provide outsourced court and debt collections, as well as payment processing services.

“MSB exists to provide collection and payment processing services exclusively to government agencies, and we look forward to helping the City of Gregory resolve its outstanding cases,” said Bruce Cummings, MSB’s Chief Executive Officer. MSB collects delinquent court fines, fees and debts for a wide variety of governmental entities nationwide.

“Like most government entities, the City has a need to raise additional revenue to cover budget shortfalls, and we believe MSB is the answer to bringing these delinquent cases to closure,” said Lori Lopez, City Secretary for Gregory. “MSB’s proven collection ability coupled with its payment processing services, made it a one stop solution for the City,” Lopez added. The City will utilize MSB for credit, debit, and check processing services, as well as collections when accounts go into arrears.

About Municipal Services Bureau

Founded in 1991, Municipal Services Bureau offers outsourced collections, payment processing and call center services to governmental entities nationwide. Headquartered in Austin, Texas, MSB empowers talented employees with advanced technology, data management tools and leading edge business practices to exceed the expectations of its clients. MSB currently works with more than 550 clients in 25 states and is licensed to collect throughout the United States.

MSB distinguishes itself based on its brand: Experience, Execution and Ethics. The Company has achieved the Professional Practices Management System (PPMS) certification from the Association of Credit and Collections Professionals (ACA International). Additionally, the Company is a SAS 70 (Type II) certified service organization and has an A+ rating with the Better Business Bureau. MSB is also a sustaining member of the National Association for Court Management (NACM). For more information, please visit www.muniserv.com or call # 1-800-568-7004.

<http://www.insidearm.com/daily/commercial-b2b-receivables/commercial-debt-collection/town-goes-with-msb-for-its-one-stop-solution-for-collections-and-payment-processing/>

Courts Today and Government Revenue Collection Association Team Up to Improve Government Collections

Press Release – March 19, 2010

Orchards, Wash. – *Courts Today* magazine and the Government Revenue Collections Association (GRCA) are joining together to provide additional resources to government collectors.

Government Revenue Collection Association, a training and education association for government collection professionals, is focused on providing top-notch resources and information on government revenue. GRCA has been impressed with the variety and quality of the articles in *Courts Today* and is excited to endorse *Courts Today*.

“Developing relationships within our industry is a vital component of growing the Government Revenue Collection Association,” says Kendall Tierney, president of GRCA. “Our members from courts across the country find *Courts Today* an invaluable publication. As a publisher, they recognize the importance of revenue collection in the court system and go out of their way to include collection topics in their article selections.”

Jennifer Kapinos from *Courts Today* agrees stating, “GRCA has taken an active role in promoting the collection of court revenue, a vital part of court operations. It seemed a natural fit that we would support each other in our common goal of educating court officers and staff.”

For more information about GRCA, please visit www.govcollect.org, call 1-877-724-4722 or E-mail info@govcollect.org.

Subscriptions to *Courts Today* can be obtained by visiting their website at <http://www.courtstoday.com/>.

About Government Revenue Collection Association

Founded in October 2008, Government Revenue Collection Association is a non-profit association dedicated to promoting the advancement of government collections. Founded by collection industry leaders, the Association serves as a resource for the latest industry information, technology innovation and compliance programs to help government entities improve and enhance revenue recovery initiatives in today’s collection environment. For more information, visit www.govcollect.org.

About Courts Today

COURTS TODAY is a publication designed specifically for municipal, county, state and federal court management professionals, presenting, promoting and detailing the latest developments in the court system. It serves as an informational and technological "clearinghouse" to provide court professionals with the information required to make informed decisions. *COURTS TODAY*:

- Provides the news and features professionals need
- Profiles leaders and innovators in the court system
- Showcases information/products readers need and want
- Highlights case studies of successful projects/solutions
- Analyzes technological trends and developments
- Presents, in an understandable way, vital technological information.

<http://www.insidearm.com/daily/debt-collection-news/debt-collection/courts-today-and-government-revenue-collection-association-team-up-to-improve-government-collections/>

MSB Jumps in to Help Governments Reduce Costs

Press Release – March 12, 2010

AUSTIN, Texas — Municipal Services Bureau (MSB) is pleased to announce their full service payment processing solution, available exclusively to government agencies nationwide.

"Most agencies are facing severe resource constraints, and we can help simplify their payment and collection operation. MSB's full service solution guarantees 100% security of all entrusted funds, accurate posting to the penny daily, and payments are accepted according to client specifications," said Bruce Cummings, MSB's Chief Executive Officer. MSB's service can be provided at no cost to the agency.

Power and Cooling Capacity Management for Data Centers [Learn more](#), [download free white paper](#).

Deploying High-Density Zones in a Low-Density Data Center [Learn more](#), [download free white paper](#).

Selecting an Industry-Standard Metric for Data Center Efficiency [Learn more](#), [download free white paper](#).

Preventing Data Corruption in the Event of an Extended Power Outage [Learn more](#), [download free white paper](#).

Guidance for calculation of efficiency (PUE) in real data centers [Learn more](#), [download free white paper](#).

Implementing Energy Efficient Data Centers [Learn more](#), [download free white paper](#).

Cooling Strategies for Ultra-High Density Racks and Blade Servers [Learn more](#), [download free white paper](#).

MSB accepts payments online and by phone (24 hours a day, 7 days a week), and via mail during regular business hours. "We create customized website portals, provide automated IVR phone lines, and give clients the ability to generate custom posting reports for their convenience," said Cummings. Payments can be made by check, credit card, signature debit card, money order, and Money Gram.

"A key differentiator of our solution is MSB can host all of a client's data. This allows delinquent accounts to seamlessly transition into MSB's collection process, so more revenue is recovered faster," Cummings added. MSB specializes in outsourced collection services exclusively for government agencies nationwide.

Find Solutions for Enterprises, SMBs & Service Providers at the INTERNET TELEPHONY Conference and EXPO West, October 4-6, 2010. Los Angeles, CA.

MSB will conduct a product demo via Webinar on Wednesday, March 24th, at 11:00 AM CDT. Please contact Cami.Gueguen@GilaCorp.com for free registration.

About Municipal Services Bureau

Founded in 1991, Municipal Services Bureau (MSB) offers outsourced collections, payment processing and call center services to governmental entities nationwide. Headquartered in Austin, Texas, the Company empowers talented employees with advanced technology, data management tools, and leading edge business practices to exceed the expectations of its clients. MSB currently works with more than 600 clients in 23 states and is licensed to collect throughout the United States.

MSB distinguishes itself based on its Experience, Execution and Ethics. The firm has achieved the Professional Practices Management System (PPMS) certification from the Association of Credit and Collections Professionals (ACA International). Additionally, the Company is a SAS 70 (Type II) certified service organization and has an A+ rating with the Better Business Bureau. MSB is also a sustaining member of the National Association for Court Management (NACM). For more information, please visit www.MuniServ.com or call # 1-800-568-7004.

<http://www.insidearm.com/daily/commercial-b2b-receivables/commercial-debt-collection/msb-jumps-in-to-help-governments-reduce-costs/>

Government Collections Look to Rise: Execs

by Phil Britt – insideARM.com – July 7, 2008

The first half of 2008 marked the continuation of the credit crunch, increasing delinquencies and charge offs and a weakening economy. How does the second half of the year look? insideARM.com spoke with several industry executives to get their take on the economy and the receivables business. In this article in the series, we asked several executives at firms specializing in government collections to offer their outlook for the rest of the year.

“Collections slowed somewhat during the first half of 2008, but I expect to see things pick up in the last two quarters of the year as the economy begins to stabilize,” said Mike Vallandingham, partner and chief marketing officer, for [Linebarger Goggan Blair & Sampson, LLP](#), Austin, Tex. “For the foreseeable future I anticipate that our clients will be referring more and more work to us, and as a result (we) will continue to hire new employees and expand operations. Nothing shines a light on the importance of our industry like an economic slowdown or a recession.”

Other company executives agree that a bad economy is generally good for government collections. “We deal in an industry that has relatively fixed budgets – state and municipal government entities,” said Bruce Cummings, chief marketing officer for [Municipal Services Bureau](#), Austin. “Given the fact that the economy continues to head south, governments have to figure out a way to offset the rising cost of fuel and everything associated with it.

“In addition, all governmental entities are looking for ways to increase their revenue, as the pressure to provide more services to their constituents builds,” Cummings said. “For the second half of 2008, we would expect additional jurisdictions to reach out to professional collection agencies ... for assistance with revenue recovery efforts to cover budget shortfalls.”

Small firms also foresee increases in government collection needs in the second half of the year. “We are seeing an increased interest from government agencies in Montana,” said Jefferey L. Koch, vice president of [Collection Bureau Services](#), Inc., in Missoula, Mont. “Our outlook for the second half of 2008 is for increased placements; in fact we are in the final document exchange process with another major educational institution to begin collection work on student accounts receivables.

“The collection end itself remains problematic, and I don’t see that changing in 2008,” said Koch. “While housing prices are relatively stable in Montana, gas and food prices are certainly depressing consumers’ ability to pay on collection accounts.”

www.insidearm.com/...receivables/...receivables/government-collections-look-to-rise-execs/

Trend: White-Collar Debt; a New Specialty?

An article published in the New York Times on July 3, 2011 (Debt Collections Elude Uncle Sam) says \$65 billion in fines is owed to the U.S. government (not including amounts owed to the IRS) by “fraudsters, polluters and other corporate and white-collar miscreants”.

Yet even with billions at stake, the feds are bad at dunning deadbeats. The article quotes “a just-released study” (Yale’s The Collection Gap: Under-enforcement of Corporate and White-Collar Fines and Penalties, summarized in this report) found that courts scatter responsibility for collecting criminal judgments across the nation’s 94 United States attorneys’ offices. The result has been a 4 percent payment rate. Other agencies have been similarly inefficient. The chief mining regulator has collected about 5 percent of fines.

Agencies have little incentive to go after fines because they don’t actually keep the money. The Environmental Protection Agency has taken the position that announcing big fines deters wrongdoing more than collecting them would.

The article suggests that there may be a better way. Banks and hedge funds make big bucks buying bankruptcy and other claims at a discount and then pursuing debtors. Firms like Contrarian Capital and Silver Point Capital have bid for claims on the potential recovery from Bernard Madoff’s Ponzi scheme and the Lehman Brothers bankruptcy. Why not federal claims against corporate wrongdoers?

Will this turn into a trend; White-collar debt: a new category of debt purchasing and collections specialty? Stay tuned.

Related articles:

http://hosted.ap.org/dynamic/stories/U/US_EDWARDS_CAMPAIGN_MONEY?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT&CTIME=2011-07-21-10-46-03

Debt Collections Elude Uncle Sam – July 4, 2011

http://www.nytimes.com/2011/07/04/business/04views.htm?_r=1

The Collection Gap: Under-enforcement of Corporate and White-Collar Fines and Penalties (Yale Law & Policy Review) – June 10, 2011

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1857643

A third, anticipated trend worth mentioning (though not expanded upon in this report) is the implementation of consumer protection legislation at the state level. Kendall Tierney, Executive Director of the Government Revenue Collections Association, says they've seen several pieces of legislation that mirror the FDCPA, but are applied at the state level. She anticipates that as new rules are written by the Consumer Financial Protection Bureau, or laws such as the FDCPA are updated, we'll begin to see more and more interpretation at the state level with respect to things like emailing, texting and use of cell phones to contact debtors. Tierney says they've also seen licensing legislation designed to control the behavior of PCAs. This activity puts greater strain on collection agency technology and resources to ensure dotted I's and crossed T's wherever business is conducted.

Appendix

Background Resources for Government Collections

2010 Tax & Revenue Recovery Market Assessment Study, April 2010 (Government Revenue Collection Association and LexisNexis)

<http://solutions.lexisnexis.com/forms/GV10RRGRCAConf13901?source=GRCA>

The Collection Gap: Underenforcement of Corporate and White-Collar Fines and Penalties (Yale Law & Policy Review)

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1857643

State and Local Government Finances Summary: 2008

<http://www2.census.gov/govs/estimate/08statesummaryreport.pdf>

Department of the Treasury March 2011 Report to Congress: Receivables and Debt Collection Activities of Federal Agencies

<http://www.fms.treas.gov/news/reports/debt10.pdf>

Government Debt Collection: An Untapped Source for Increased Revenue and Sustained Fiscal Fitness

http://www.nasact.org/downloads/CGI-NASACT_Debt_Collection_Survey_August_2010.pdf

Department of Commerce List of United States Federal Agencies

http://en.wikipedia.org/wiki/List_of_United_States_federal_agencies#United_States_Department_of_Commerce

The Debt Collection Improvement Act of 1996

<http://www.fms.treas.gov/news/factsheets/dcia.html>

Oregon State Controller's Division Statewide Accounts Receivable Management Strategic Plan. Liquidated and Delinquent Accounts 2009-2010

<http://www.oregon.gov/DAS/SCD/ASP/docs/SWARM/ARCC/ARCCStrategicPlan2008.pdf?ga=t>

Maria E. Pintos v. Pacific Creditors Association; Experian Information Solutions, Inc.

<http://www.ca9.uscourts.gov/datastore/opinions/2009/04/30/0417485.pdf>

Treasury Inspector General for Tax Administration's report (TIGTA), *Trends in Compliance Activities through Fiscal Year 2010* -- July 18, 2011

<http://www.treasury.gov/tigta/auditreports/2011reports/201130071fr.pdf>

Government Revenue Collectors Association -- Kendall Tierney, President

<http://www.govcollect.org/>

Number of Local Governments by State and Type: 2007

Name (Abbr.)	County	Municipality	Town or Township	Special District	School District	State Total
Alabama (AL)	67	458	-	529	131	1,185
Alaska (AK)	14	148	-	15	-	117
Arizona (AZ)	15	90	-	301	239	645
Arkansas (AR)	75	502	-	724	247	1,548
California (CA)	57	478	-	2,765	1,044	4,344
Colorado (CO)	62	270	-	1,904	180	2,416
Connecticut (CT)	-	30	149	453	17	649
Delaware (DE)	3	57	-	259	19	338
Dist. of Columbia (DC)	-	1	-	1	-	2
Florida (FL)	66	411	-	1,051	95	1,623
Georgia (GA)	154	535	-	570	180	1,439
Hawaii (HI)	3	1	-	15	-	19
Idaho (ID)	44	200	-	880	116	1,240
Illinois (IL)	102	1,299	1,432	3,249	912	6,994
Indiana (IN)	91	567	1,008	1,272	293	3,231
Iowa (IA)	99	947	-	528	380	1,954
Kansas (KS)	104	627	1,353	1,531	316	3,931
Kentucky (KY)	118	419	-	634	175	1,346
Louisiana (LA)	60	303	-	95	68	526
Maine (ME)	16	22	466	248	98	850
Maryland (MD)	23	157	-	76	-	256
Massachusetts (MA)	5	45	306	423	82	861
Michigan (MI)	83	533	1,242	456	579	2,893
Minnesota (MN)	87	854	1,788	456	341	3,526
Mississippi (MS)	82	296	-	458	164	1,000
Missouri (MO)	114	952	312	1,809	536	3,723
Montana (MT)	54	129	-	758	332	1,273
Nebraska (NE)	93	530	454	1,294	288	2,659
Nevada (NV)	16	19	-	146	17	198
New Hampshire (NH)	10	13	221	137	164	545
New Jersey (NJ)	21	324	242	247	549	1,383
New Mexico (NM)	33	101	-	633	96	863
New York (NY)	57	618	929	1,119	660	3,403
North Carolina (NC)	100	548	-	315	-	963
North Dakota (ND)	53	357	1,320	771	198	2,699
Ohio (OH)	88	938	1,308	700	668	3,702
Oklahoma (OK)	77	594	-	642	567	1,880
Oregon (OR)	36	242	-	1,034	234	1,546
Pennsylvania (PA)	66	1,016	1,546	1,728	515	4,871
Rhode Island (RI)	-	8	31	91	4	134
South Carolina (SC)	46	268	-	299	85	698
South Dakota (SD)	66	309	916	526	166	1,983
Tennessee (TN)	92	347	-	475	14	928
Texas (TX)	254	1,209	-	2,291	1,081	4,835
Utah (UT)	29	242	-	288	40	599
Vermont (VT)	14	45	237	144	293	733
Virginia (VA)	95	229	-	188	1	511
Washington (WA)	39	281	-	1,229	296	1,845
West Virginia (WV)	55	232	-	321	55	663
Wisconsin (WI)	72	592	1,259	756	441	3,120
Wyoming (WY)	23	99	-	549	55	726
United States Total	3,033	19,492	16,519	37,381	13,051	89,476

A dash (-) represents zero.
The counts shown in the table reflect active, independent, functioning governments as classified by type for the Census of Governments and may be different from the numbers and classifications used in the Decennial, Economic, and other censuses and surveys.

Source: U.S. Census Bureau 2007 http://www2.census.gov/govs/cog/2007/2007_cog_map.pdf