

**South Dakota Bureau of Administration
Obligation Recovery Center**

FY2016 Annual Report

Obligation Recovery Center

Background

House Bill 1228 was passed during the 2015 Legislative Session and created the Obligation Recovery Center (Center) within the Bureau of Administration (BOA). It took effect July 1, 2015. It is codified in SDCL 1-55.

Significant Events during FY2016

The legislation created the obligation recovery center advisory group to provide advice and guidance to the BOA during the establishment of the Center. The advisory group consists of Senator Terri Haverly, Representative Jeff Partridge, Representative Peggy Gibson, Jim Hood, Bureau of Finance and Management (BFM) Commissioner Jason Dilges and BOA Commissioner Jeff Holden.

In June of 2015, BOA issued a Request for Information to determine the availability of companies that could provide the management services and centralized debt collection system that would be needed to operate the Obligation Recovery Center.

In July of 2015, BOA issued a Request for Proposals to select a contractor to provide the required management services and centralized debt collection system for the Center. Representatives from the Unified Judicial System, Board of Regents, Departments of Labor and Regulation, Corrections, Social Services, Revenue, BFM, BOA and Bureau of Information and Telecommunications all participated on the evaluation team. The advisory group provided advice and guidance to the evaluation team along the way, but was not actively involved in evaluating responses.

The two companies that responded to the RFP were CGI Technologies out of Fairfax, Virginia and RevQ out of Vancouver, Washington. Both companies were asked to provide presentations of their proposals to the evaluation team in September. The evaluation team scored the two responses and made recommendations to the advisory group.

After consultation with the advisory group, a contract was awarded to CGI and the contract became effective on November 15, 2015.

BOA and CGI held a multi-agency meeting on December 1, 2015 to discuss implementation processes and gather information from agencies.

BOA and CGI conducted monthly meetings with state agency representatives to review the implementation progress in an effort to stay on track with the timelines. The advisory group was invited to participate in each of these meetings as well.

BOA has established processes for transferring collected funds from the Center to state agencies and to the general fund as required.

The Center, through BOA, will enter into a Memorandum of Understanding (MOU) with each agency that will use the Center to collect debt to ensure that any agency specific requirements are considered.

MOUs signed with agencies during FY2016 were

- a. the Unified Judicial System,
- b. the Secretary of State's office,
- c. the Department of Corrections and
- d. the Department of Game, Fish and Parks

The Center was originally scheduled to begin operations on April 15 but that date was set back to July 15, 2016 due to Wells Fargo not being able to provide the required "lock box" services for payments made to the Center through CGI. Lock box services include establishing a post office box, pickup and processing of checks and scanning of payment coupons, checks and any correspondence to the Center.

Debt Collection Process

State agencies will not refer some debt types to the Center for collection. State agencies will evaluate those types of debt and when appropriate, request that they be written off by the Board of Finance. Those debt types include:

- a. Bankruptcy
- b. Death of Debtor
- c. Undocumented Debt
- d. Statute of Limitations expired
- e. Balance owed is under \$25
- f. Debts Owed by Other Governments

The Center has 180 days to collect debt that has been referred to it for collection. If the Center is unable to collect the debt during that period, the Center will refer the debt to private debt collection companies for a period of up to one year.

Third Party Debt Collection

The Bureau of Administration issued RFP #468 for Third Party Debt Collection Services on December 31, 2015 to select private companies to provide debt collection services for bad debt owed to the State after referral from the Obligation Recovery Center. Proposals were due no later than January 29th, 2016.

Personnel from the Department of Revenue (DOR), the Department of Corrections (DOC), the Bureau of Finance and Management (BFM), the Department of Health (DOH) the Board of Regents (BOR), the Department of Transportation (DOT), the Unified Judicial System (UJS) and the Department of Social Services (DSS) assisted with the RFP development and process.

The evaluation team consisted of employees from the Bureau of Administration, the Department of Revenue, the Bureau of Finance and Management, the Board of Regents and the Department of Social Services. The individual evaluators were knowledgeable in the collection of bad debt for their respective agencies. The Office of Procurement Management provided project oversight and guidance.

Proposals were received from twelve (12) debt collection agencies in response to the RFP.

- a. The evaluation team members evaluated and scored each proposal independently.
- b. All of the proposals were thoroughly reviewed based on the evaluation factors required by SDCL 5-18D-18 and procedures and criteria specified in the RFP.

The Office Procurement Management tabulated all scores to establish the overall rating for each of the proposals.

- a. After the overall rankings were determined the evaluation team met to discuss the evaluation and to see if any additional information was needed before their final recommendation for award.
- b. All of the team members agreed with the overall scores and the final rankings.

The rankings were presented to and discussed with the advisory group.

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- a. The advisory group recommended requesting additional information from each proposer regarding their top three categories of debt collection expertise;
 - b. Procurement Management provided this additional information to the evaluation team to determine if any changes would be made to the original evaluation scoring. No changes were made by any evaluators.

The BOA negotiated the scope of work and contract rates with the top ranked respondents to the RFP. We were able to enter contracts with the three top ranked debt collection agencies. The three selected contractors were Progressive, Harris and Harris and Gila, LLC d/b/a Municipal Services Bureau.

The initial contract period will be one (1) year with four (4) additional one (1) year optional extension periods.

The Bureau will consider soliciting new proposals on an annual basis as needed, providing the opportunity for currently unsuccessful debt collection agencies to be considered for future contracts to provide the third party debt collection services;

FY2016 Revenues and Expenses

No funds were received or have been expended by the Center. No statistical data is available for this reporting period. General funds appropriated for the Center will not be expended until debts have been collected. The \$450,000 of General Funds appropriated for FY2016 were reverted.

- a. All debts collected and the cost recovery fees will be sent to the State, with the collected debt being transferred to the agency that referred it to the Center, and the cost recovery fees being deposited into the General Fund.
- b. CGI and the private debt collection agencies will bill the Center for their services in accordance with their contracted rates.

An Obligation Recovery Center webpage (<http://boa.sd.gov/divisions/obligation/>) has been created on the BOA website with links to contact information for the Center and to the self-service payment portal.

BOA is completing draft rules related to the operations of the Center. We will be reviewing these rules with the advisory group prior to beginning the rulemaking process.

BOA anticipates that the FY2017 report will include a full summary of statistical information based upon the first year of collection activities.
