



AllianceOne

A Peek Inside Collection Agencies

Strategies for Utilizing PCAs

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AllianceOne
NCDOR Retiree



Agenda



Opening



Pre-Procurement
Strategy



How PCA's
evaluate your
RFP



Managing for
Success

ABOUT ME

- State of North Carolina – Department of Revenue
- Tax Compliance – Collection Division Director for 10 years
 - Used Collection Agencies for approx. 6 years
 - US House Ways and Means Committee: May 18, 2003 on collection agency usage
 - In 2014, unsuccessfully made case to NC General Assembly (NCGA) to resume use of Private Collection Agencies (PCAs)
- Taxpayer Services Director for 1.5 years
 - New Governor put customer service as his top priority was asked to move from Collections to Taxpayer Services
 - I missed collections!!
- Retired with 28.5 service years from – July 31, 2016
- Joined AllianceOne – August 1, 2016
 - Had planned to work as a consultant, but really liked AllianceOne







WHY IS AR MANAGEMENT IMPORTANT?

- In a tax (government) agency, the accounts receivable are a threat to the management. Why is that?
 - It's because even otherwise intelligent people, members of your legislature, the press and your boss believe: That your A/R can be collected in their entirety and spent to solve the problems at hand and;
 - The reason the A/R are not being collected is that *you are lazy, inefficient and ineffective*.

... **Steven Cordi (Retired MD DOR and DC Tax & Revenue Director)**



<http://old.taxadmin.org/fta/meet/12am/pres/cordi.pdf>

Can I Honestly Say I'm Doing Everything I Can To Collect This Debt?

Outsourcing is simply another tool in your
Government Collections tool kit





Effective AR Management is All About Segmentation



WHAT TO OUTSOURCE?

Everything

High volume / low dollar

Extra-jurisdictional (Ex: debtors located out-of-state)

Business debt / Individual debt

“Uncollectible” accounts

Queued accounts waiting for information

All accounts not being actively collected

What debt segments are you outsourcing?

What are you working internally?

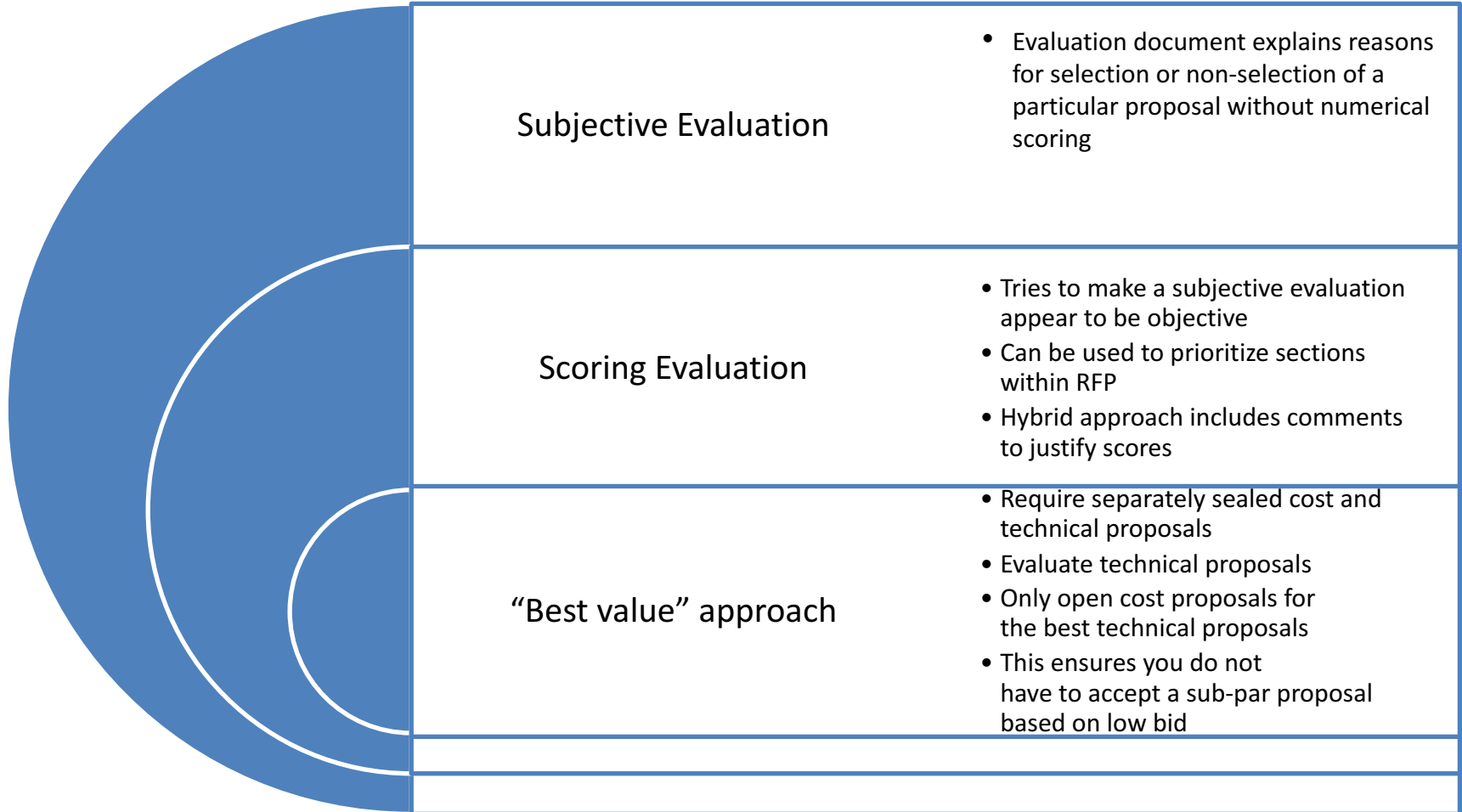
Use PCAs for ...

- Skip tracing
- Call and letter campaigns
- Roughly \$123 Mil in receivables identified for outsourcing as of 12/31/13
 - Out-of-state accounts
 - Accounts deemed uncollectible
 - Small dollar accounts
 - Accounts with no assets identified that are subject to NC levy

CONTRACT APPROACH

- Single Vendor
- Multiple Vendors
- Multiple Vendor “Convenience” Contract
 - Qualify multiple vendors during procurement process
 - Work with 2 or 3 after procurement ends to establish a contract
 - Maximum flexibility for hiring/firing agencies
- Types
 - First Party (Agency identifies itself as the State Agency)
 - Third Party (Agency identifies as a collection agency, provides company name)
 - Primes
 - Secondary
 - Tertiary
 - Recommend allowing different rates for “primes” and “seconds”

CONSIDER EVALUATION STRATEGY



INTERESTING IDEAS

Requirement of on-site collection agency staff

- As an interface with government staff
- Perform face-to-face customer service

Fixed price –
Contingency rate set in
the RFP

Bonus or higher
contingency rates based
on performance

One government
agency included hosting
their computer system
as a part of their
collection agency bid

PRE-PROCUREMENT CONFERENCE

Generally held a couple weeks after the RFP is issued

- Vendor questions deadline should expire before the conference
- Answers due date should be after the conference
- Discuss the questions and your planned answers and use attendees follow-up questions during conference to hone responses



Generally better held in person at your office



Advantages

- Allows you gauge vendor interest
- Set tone for relationship – be prepared to talk about what you are trying to achieve with the procurement and expectations you have for your contractors
- Better understand questions asked in written form and hone written responses

OTHER PRE-BID CONSIDERATIONS

- How will you handle the following?
 - Fees for tax offsets?
 - Fees on enforced collection actions? Asset discovered by the Government? Asset discovered by the PCA?
- Due diligence minimums (calls, letters, skip tracing, etc.)
- Provide data layouts and data exchange information
- Security
 - PCI
 - HIPPA
 - IRS Publication 1075 and State Tax Confidentiality laws
- Reporting Requirements
- Contract terms and conditions
 - Are you authorized to waive or modify any standard terms and conditions? If not, state that in your RFP.

How PCAs Evaluate Your RFP



SHOULD WE BID IT?

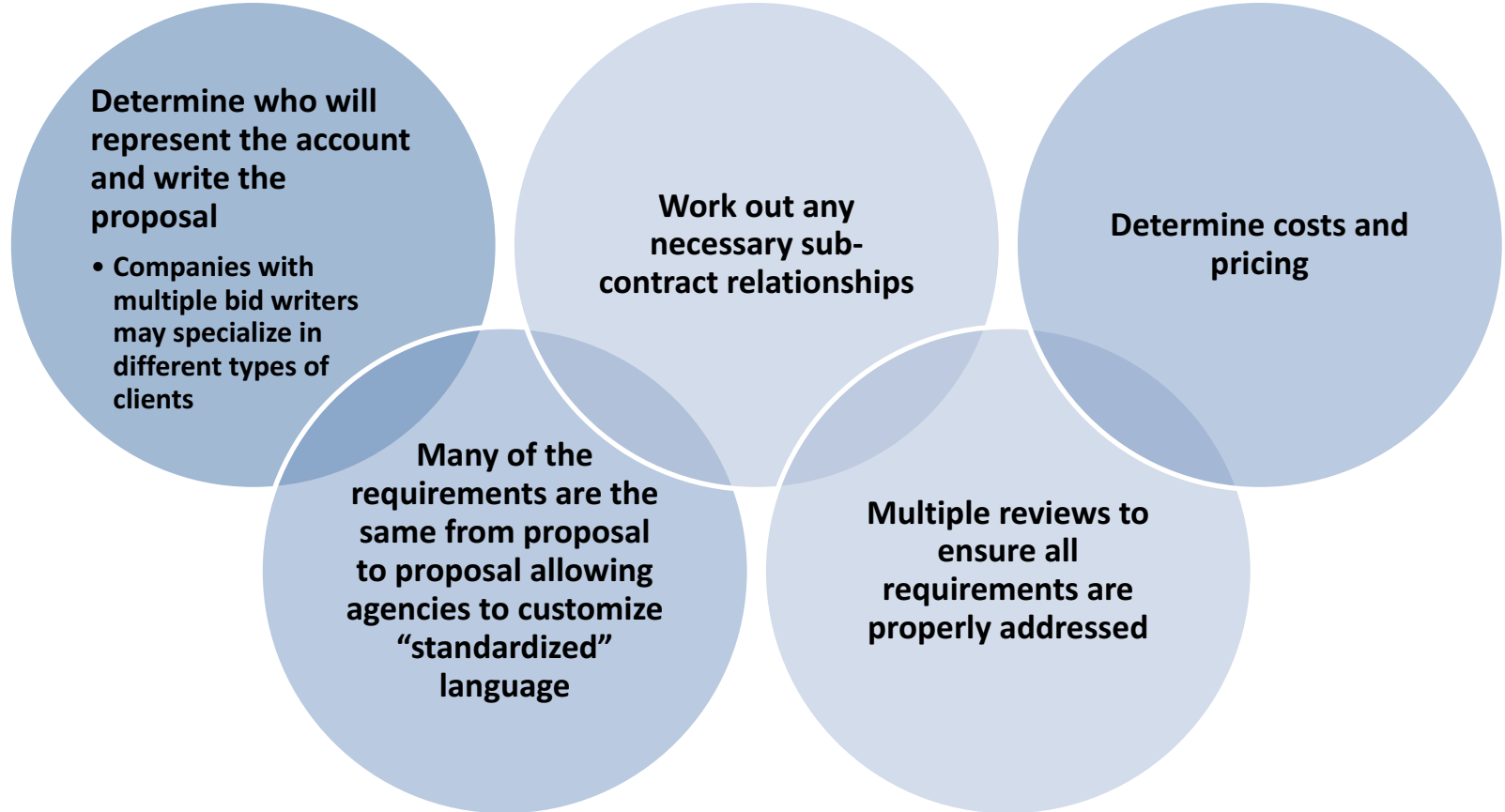
Can we do a great job collecting this debt and servicing this client?

- Experience with debt types, size of receivable being outsourced, add-on requirements, etc.

Will it be profitable business for the company?

Do we have a reasonable chance to successfully win the business?

PROPOSAL COMPOSITION



Cases to be outsourced

- Backlog: Dollar amount and Volume of cases/debtors
- Ongoing placements: Dollar amount and Volume of cases/debtors
- Age of debts
- Internal collection efforts
- Historical or estimated annual Collections
- Liquidity rate of accounts
- Plans for number of collection agencies receiving placements (NC used 2)



Add-ons impacting costs and profitability:

- on-site staffing requirements
- Special technical requirements
- MBE/WBE, Local business subcontracting requirements



Current contract rates

Managing for Success

SUCCESS



MANAGING FOR SUCCESS

- Keep in regular contact with your PCA Team
 - Account manager, Operations, Client Services, Billing/Accounting, etc.
 - Regular conference calls
 - Periodic visits
 - NC Department of Revenue provided basic training on NC Taxes to assigned collection agency staff
- Provide regular feedback on performance
 - Contact your Account Representative if you feel like service is in anyway lacking
 - Score carding

SCORE CARDING

- Formal approach for providing feedback to your PCA(s)
 - Works best when working with multiple firms
- Affix rewards and/or punishment based on scorecard performance
 - Winner gets higher percentage of “prime” placements
 - Winner gets bonus payment
 - With convenience contracts, consistently low performers are replaced with another firm
- Recommend having your account reps meet with you to develop the metrics
 - If you were part of developing the score card, you can't complain about the results

1	Batch Track 1 st Month Percentage of monthly recovery dollars vs 1 st month placement. (weighted by 3)	(4.4% x 3)	(8.02% x 3)
		13	24
2	Batch Track 2 nd Month Percentage of monthly recovery dollars vs 2 nd month placement. (weighted by 2)	(4.9% x 2)	(10.77% x 2)
		10	22
3	Batch Track 3 rd Month Percentage of monthly recovery dollars vs 3 rd month placement. (weighted by 1)	(11.1% x 1)	(12.6% x 1)
		11	13
4	Batch Track 6 th Month Percentage of monthly recovery dollars vs 6 th month placement. (weighted by 2)	(5.5% x 2)	(14.95% x 2)
		11	30
5	Batch Track 12 th Month Percentage of monthly recovery dollars vs 12 th month placement. (weighted by 3)		

Summary



DO THESE THINGS

- Provide accurate and complete numbers for the best pricing
- Provide file layouts and data exchange details
- Communicate, communicate, communicate
 - Provide regular feedback on satisfaction/performance
- Contact your account rep. (sales person) if you feel like your not getting proper service or results
 - They can also help you with extras ... like collection training for your staff or access to resource materials

AVOID ...

- Racing to the bottom with rates
 - Remember that Collection Agencies are for-profit businesses
- Considering your PCAs your enemy or competition
 - Your PCAs are another tool in your government collections tool box

Use All Of Your Tools To Maximize Your Collection Impact!





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Thank you.

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