

Private Collection Agency Contract Overview

Debt Management Services
Annual 2008 Conference
May 21-22, 2008

Crystal Gateway Marriott
Arlington, VA





Treasury's Private Collection Agency Contracts

- Debt Collection Improvement Act of 1996
 - one requirement is to utilize services of private sector companies
- Treasury's private collection agency (PCA) contracts
 - First established in 1997
 - Second PCA contract expired in June 2007
 - Awarded third PCA contract in March 2007



Treasury's PCA Contracts

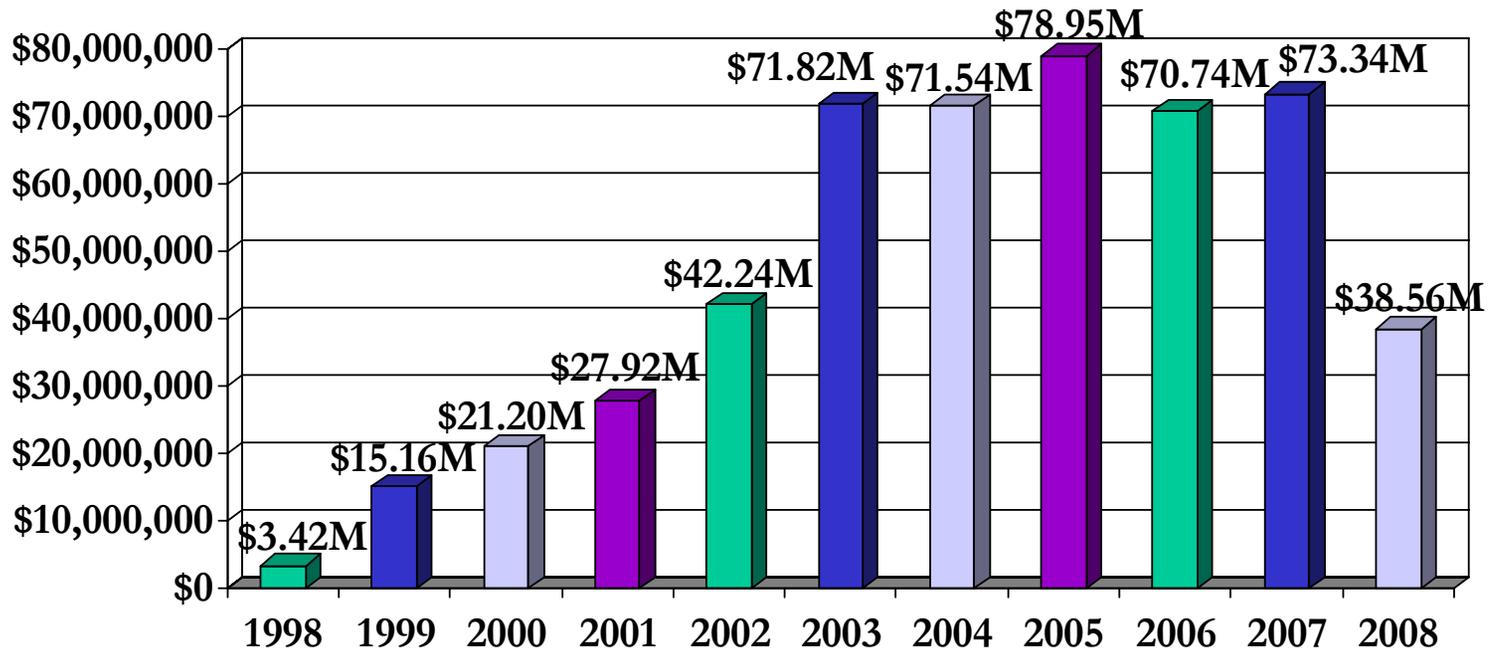
- **Contract Goals**
 - Collect debt
 - Resolve debt
 - Competitive environment
- **Performanced based contract**
 - More collections = more money and more accounts (\$ wise) in next performance period for PCA
 - More administrative resolutions = more bonus money
- **Accomplishments**
 - Collected over \$514 million
 - Resolved nearly \$2 billion





PCA Collections

PCA Contract Collections by Fiscal Year



Total PCA Program Collections = \$514.89M

Collections for FY '08 through Mar 31

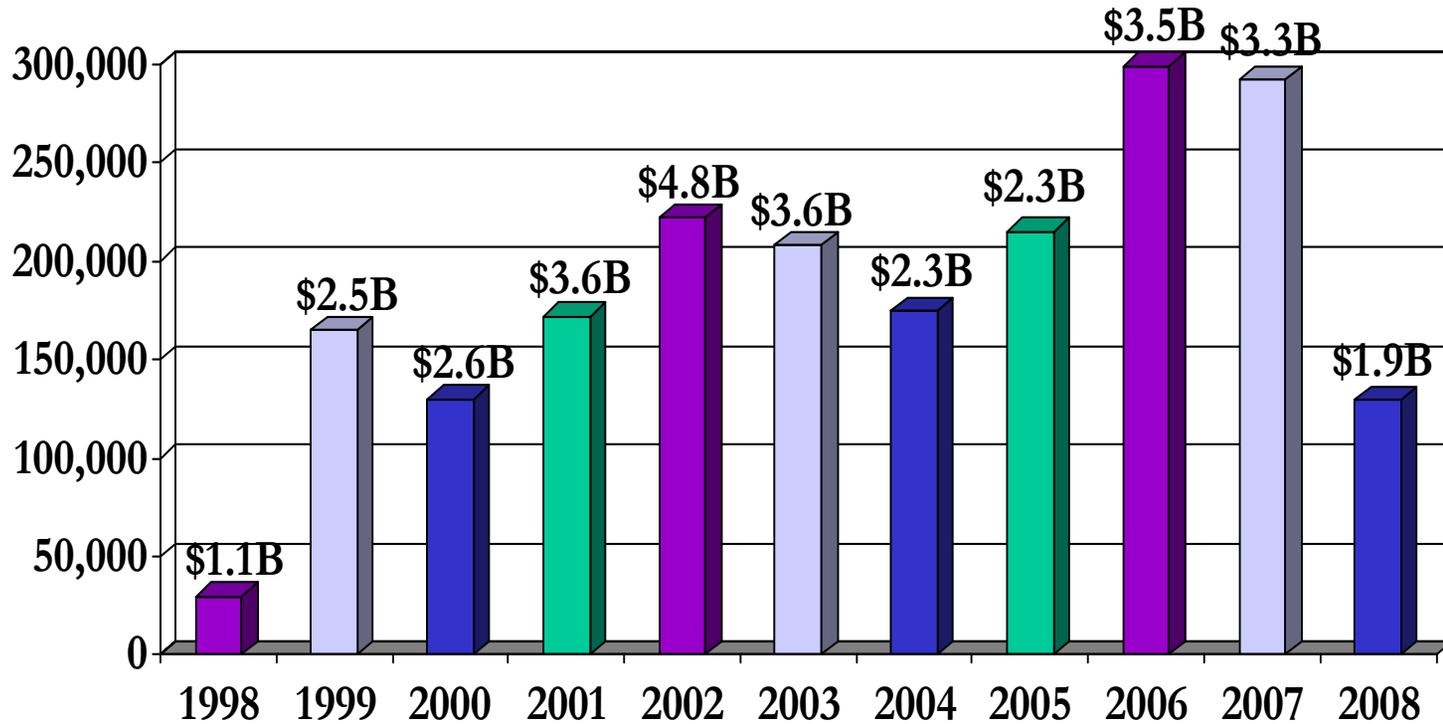
May 21, 2008



Debt Referrals to PCAs

PCA Debt Referrals by Fiscal Year

Number of Debts



Total Referrals = 2.0 M debts valued at \$32B

Referrals for FY '08 through Mar 31

May 21, 2008



Treasury's PCA Contracts

- 1997 – 2001
 - Awarded to 13 contractors through full and open competition
 - Policies & procedures grew throughout contract
 - Started collecting thousands per month, grew to nearly \$4M per month
 - Determined that fewer contractors better for next effort
- 2001 – 2007+
 - Awarded to 5 contractors through GSA Schedule
 - Collections growing, the program was maturing
 - Highest collection month to date - \$10.7M in Feb '05'

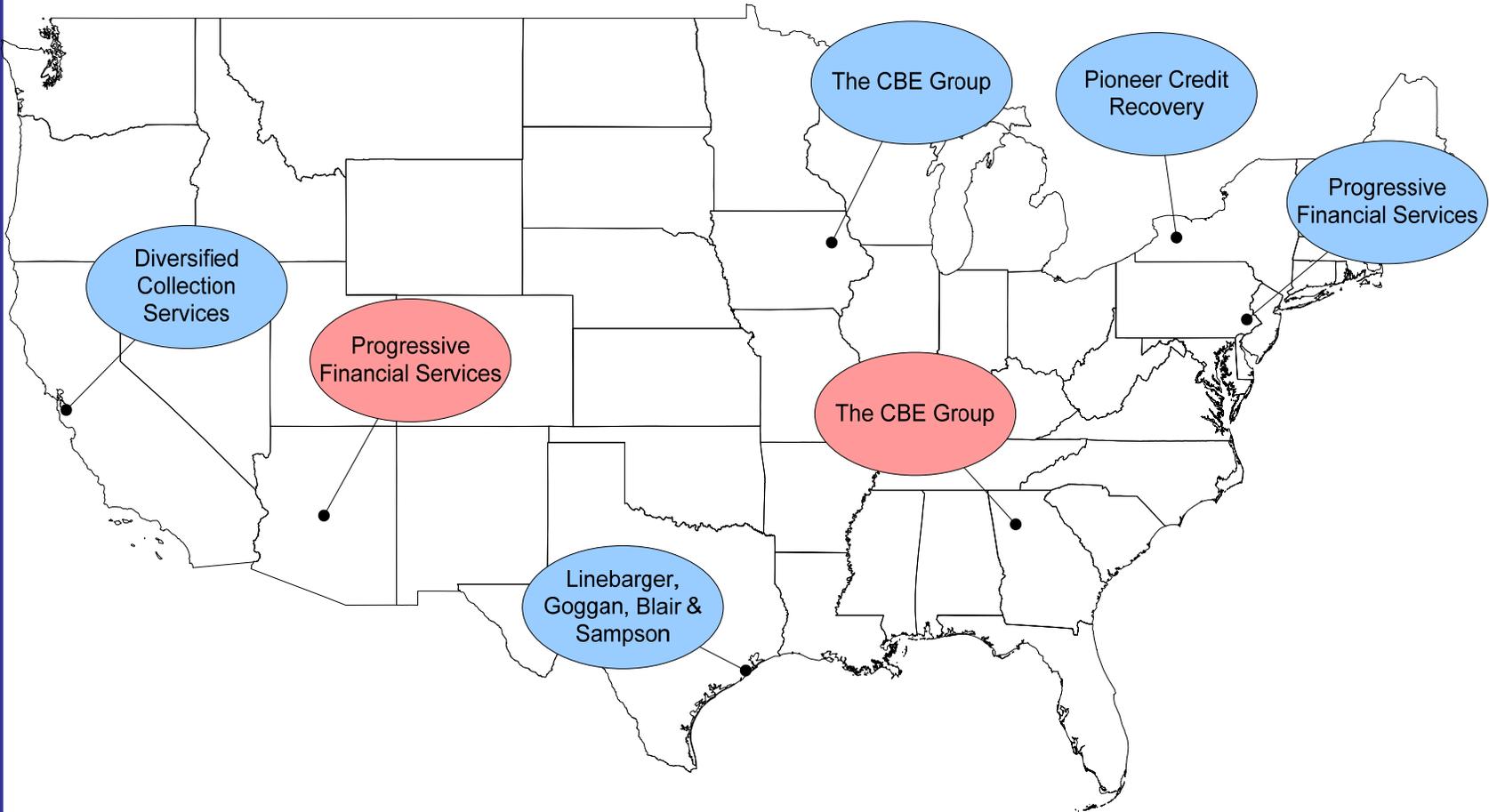


Treasury's PCA Contracts

- 2007 – 2012
 - Awarded to 5 contractors through GSA Schedule
 - Anticipating good competition with new contract and new PCAs
 - Looking forward to increased collections and increased use of administrative wage garnishment
 - AWG collections nearly 10% of total FY collections
 - Goal is to have program collect \$10M+ per month consistently



Contractor Locations



May 21, 2008



PCA Collection Process

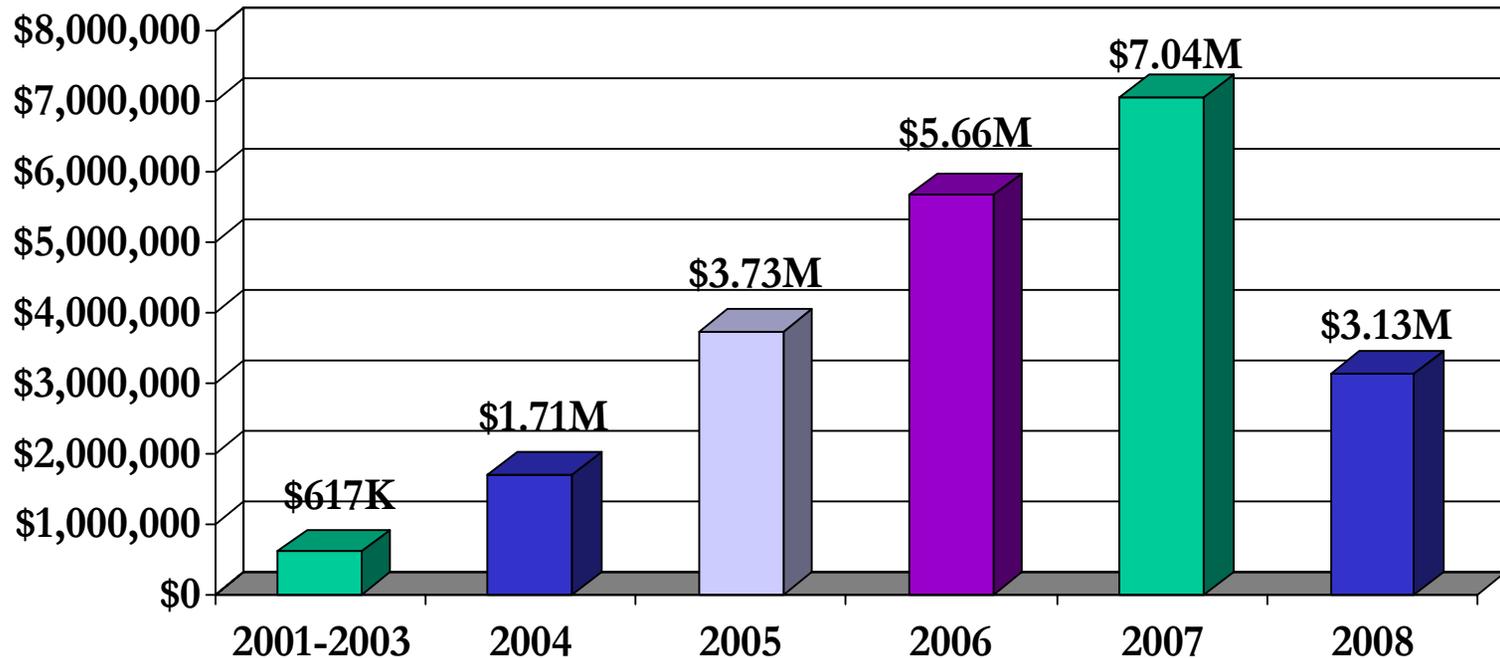
- Pre-approved collection letters
- Credit bureau reports
- Skiptracing – locating the debtor
- Receive and answer disputes
- Payment agreements – payment in full, repayment agreement, partial payment agreement, compromise
- Administrative Wage Garnishment
- Administrative Resolution – death, disability, bankruptcy, entity out of business





PCA AWG Collections

AWG Collections by PCAs by Fiscal Year



Total AWG Collections = \$21.9M

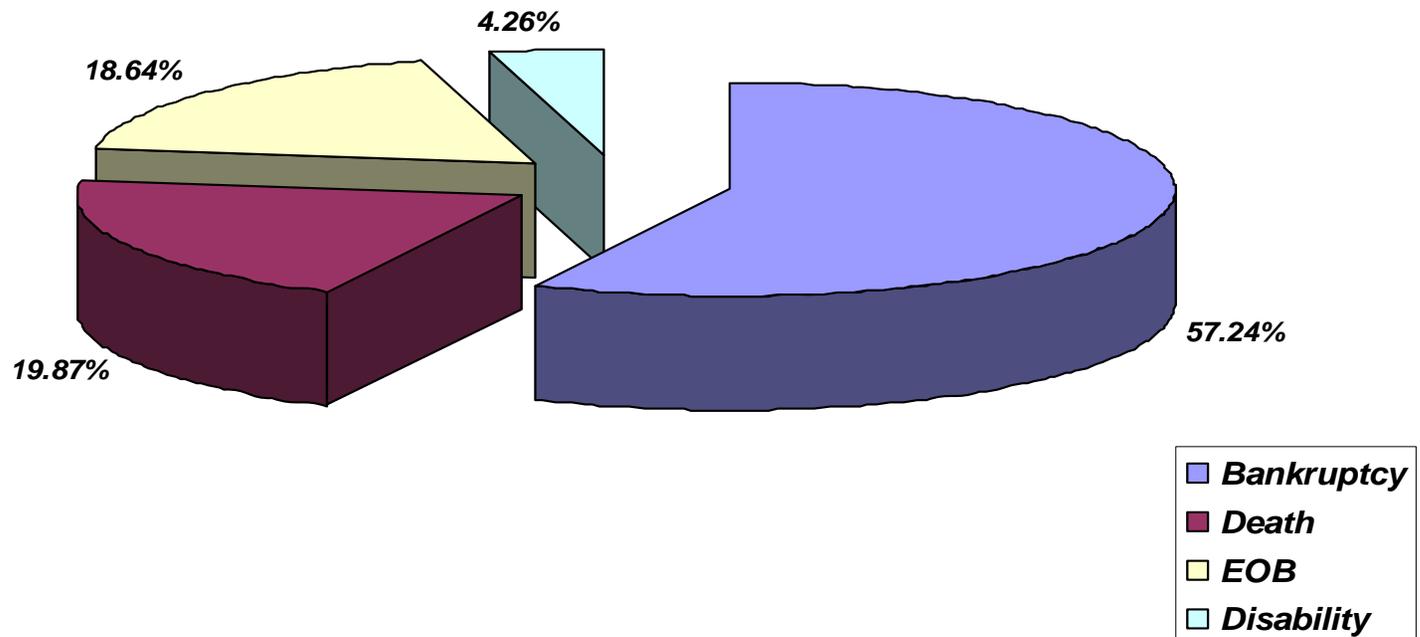
Collections for FY '08 through Mar 31

May 21, 2008



PCA Administrative Resolutions

2007 PCA Administrative Resolution Statistics Breakdown by Number Approved FY 2008 - As of March 31, 2008





Basic Contract Requirements

- Monitoring/safeguards
 - Adherence to collection laws and regulations
 - Treasury's accounts in segregated collection area
 - Personnel security clearances required
 - Physical security
 - Treasury-operated lockboxes (no direct receipt of funds by contractor)
 - Compliance reviews
 - IT Security reviews





Contract Changes for '07 PCAs

- Two-tiered fee for collections based upon age of debt when referred to the PCA
- Monetary Bonus – reward for top performers based on collections *and* all PCAs paid for processing administrative resolutions
- Penalty clause for accepting repayment or compromise agreement that is not justified or adequately documented
- Removal of collector when multiple complaints arise against the collector
- DMS using a new lockbox bank - Wachovia



Contract Closeout for '01 PCAs

- DMS began operationally closing out the 2001 contract in March 2008
 - PCAs keep debts in payment agreements and AWG
 - DMS removed other accounts from PCAs
 - Debts move back into Cross-Servicing workflow and may be redistributed to new PCAs
- A full operational closeout will be performed when negotiated with the PCA(s)
 - Treasury to service accounts in payment agreements and AWG
 - Debtors will be notified of change in servicing location





Upcoming PCA Projects

- 2008 Annual Compliance Reviews
- Access to National Directory of New Hires database
- Assisting in marketing administrative wage garnishment
- PCA Third Referral Project



Questions?

Richard Burnham, Director
Private Collection Division
Debt Management Services
Phone: 202-874-8700



TOP Updates

May 2008



DMS Common Client for TOP

- Web-based Client is a rewrite of existing TOP Client
- Similar look and feel to the Cross Servicing Client
- Agencies will access through the internet
- Implementation September 2008



DMS Common Client for TOP



- PKI Level 3 Application
- New Standardized User ID
- Two Factor Authentication
 - SecurID Card
 - Password
- HSPD-12



DMS Common Client for TOP

- Training begins in June 2008
 - Hands-on training in Washington, DC
- Computer Based Training (CBT)
- User Guide
- Support Team
 - Katrina Gonzalez (202) 874-7626
 - Horace Tate (202) 874-7081



Economic Stimulus Payments



- Started April 29th
- Eligible for Offset
- If Injured Spouse Claim was filed with original return, funds will be split 50/50





New Payment Types/Systems

- US Army Corps of Engineers contractor payments were implemented into TOP/FPLP in July 2007.
 - As of March 12, there have been 260 offsets for \$889,599.26
- In December 2007, offset and levy began for Corporate Trade Exchange (CTX) payments.
 - As of April 3, \$2.9 million has been collected through offset.
- US Postal Service contractor payments are scheduled for the end of 2008.





State Reciprocal Program

- In July 2007, FMS implemented a pilot program with the states of Maryland and New Jersey which allows the states to refer debts to TOP for offset against federal vendor payments. In return, state payments are matched against federal non-tax debts.
- Other states such as New York and Virginia have expressed interest in the program.
- Since inception, \$27 million has been collected for the states and \$3.6 million has been collected for Federal agencies.



Debt Priority

Current Priority	New Priority as of October 1, 2008
1 - IRS Income Tax Debts	1 - IRS Income Tax Debts
2 - Child Support Debts (TANF)	2 - All Child Support Debts (TANF and Non-TANF)
3 - Federal Non-Tax Debts	3 - Federal Non-Tax Debts
4 - Child Support Debts (Non-TANF)	4 - State Income Tax Debts
5 - State Income Tax Debts	



Status of Debts in TOP



	# of Active Debts	# of Active Debtors	# of Inactive/Closed Debts	# of Inactive/Closed Debtors
April 2007	25,635,545	27,174,856	36,355,702	37,854,492
April 2008	27,548,894	29,201,930	42,115,324	44,363,855



CCR Federal Debt Flag



- GSA, FMS and IRS are developing a regulatory, programming and operational process to add a Federal debt indicator or “flag” on the Central Contractor Registration.
- This “flag” will indicate that the contractor/vendor will require an alternative method of payment instead of the Purchase Card program. The alternative payment method will need to be subject to the FMS Treasury Offset Program and FPLP.
- The FAR council is currently reviewing the public comments on this FAR change (FAR 2006-026).
- Recently, legislation (S680) has been proposed making the purchase card payments subject to the FPLP. The Administration has voiced concern over implementation.



FY 2007 Collections



Administrative Offsets	\$186.8 Million
Tax Refund Offset – Child Support	\$1.7 Billion
Tax Refund Offset – Federal Nontax Debt	\$1.2 Billion
Tax Refund Offset – State Income Tax Debt	\$241.7 Million
Tax Levy	\$343.4 Million
FY TOTAL	\$3.66 Billion



FY 2008 Collections

as of April 2, 2008



Administrative Offsets	\$123.4 Million
Tax Refund Offset – Child Support	\$1.3 Billion
Tax Refund Offset – Federal Nontax Debt	\$1.0 Billion
Tax Refund Offset – State Income Tax Debt	\$183.4 Million
Tax Levy	\$198.8 Million
FY TOTAL	\$2.8 Billion



CROSS-SERVICING

**U
P
D
A
T
E
S**



Fed Debt Creditor Agency Profiles

- Significance
- Who can update
- Upcoming updates to profile





TOP Referrals

- How to improve the process when referring debts to cross servicing



FedDebt Reports

- Available to FedDebt Users
- User training available
- Value of information

Financial Concerns



- Manual Adjustments vs File Adjustments
- - Increases
- + Decreases
- 1099 Processing



Technology Updates

- TOP Architecture
- Questions