

COLLECTION ADVISOR

**HOURLY PAY
VS. COMMISSION**

**TECHNOLOGY
THAT CANNOT
HELP YOU**

**TESTING SKIP
TRACING SITES**

**MOVING
JUDGEMENTS**

**HOW DO I
RESPOND TO
A DISPUTE?**

**WHEN CAN
I GET A RAISE?**

Government Collections *Expanding Like Wildfire*

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By Chelsea Gamble

Government collections are expanding like wildfire despite the fall of IRS private collection initiative. The American Jobs Creation Act of 2004 authorized the IRS to use private collection agencies (PCAs) to collect \$340 billion in delinquent taxes. Although successful, it was eventually shot down by legislators and intense lobbying from the Taxpayer Advocate Nina Olson, among others.

In the strange world of voodoo economics, the same private collection efforts are growing across most other government entities. In fiscal year 2005, PCAs under contract with the departments of Education, Health and Human Services and Treasury had referrals of \$13.7 billion in delinquent federal debt.

Additionally, 43 states, the majority of federal agencies and thousands of cities and counties have used PCAs for the collection of delinquent taxes and other receivables.

More agencies were added recently by the Department of Education (ED) on its new student loan collection contract expected to be awarded in September. Winning the right to collect student loans eventually changed the status of four small-business collection agencies. The only current contractor to remain eligible for the small business set aside is Collection Technology, Inc.

ED uses The Federal Student Aid unit (FSA) to divide the collection contract into an unrestricted category for larger businesses and a small business set aside for agencies with less than \$6.5 million in annual revenues. Of the 17 unrestricted invitees, Salem, N.H.-based Windham Professionals and Westchester, Ill.-based Enterprise Recovery Systems were added. Four current small business collectors were elevated to the unrestricted category: Account Control Technology, ConServe, Financial Management Systems, and Premiere Credit.

The other collection agencies asked to bid on the new contract in the unrestricted group are: Account Control Technology (ACT), Allied Interstate, The CBE Group, CCA, ConServe, DCS, FAMS, Financial Management Systems (FMS), GC Services Limited Partnership, NCO, Pioneer, Premiere Credit, Progressive Financial Services, Van Ru and West Asset Management.

The other small business agencies are: The Affiliated Group, Bass & Associates, Coast



Government Collections Expanding Like Wildfire

Professional, Credit Adjustments, Delta Management Associates, Harvard Collection Services, Immediate Credit Recovery and National Recoveries.

The collection agencies on the current contract collected \$3.66 billion for Education over the course of 38 months. With all of government searching for revenue, it is a terrific time to look under the hood and see what the leaders of government collection firms are thinking about how they succeed, what technology they use and how they see the future of this growing sector. We started our interview with one of the newest small firms invited to bid on the Education contract, Harvard Collection Services.

Collection Advisor: Tell me what you do for your company and a bit more about your government collections business?

Marc Chibnik: I am the COO of Harvard

Collection Services. I develop goals and action plans to drive growth and profits. I oversee the managers who are responsible for the collection results, purchase technology, stay on top of security issues and work on marketing related activities.

Harvard has been working for a state revenue department for almost 20 years. We collect individual and business taxes. We also work for various state agencies collecting overpayments to benefit recipients, fees for destruction to government property, tuition charges, medical bills and various other items. Harvard works for municipalities collecting parking tickets, fines and ambulance charges. Harvard is also a subcontractor to Financial Asset Management Systems on the Federal Student Loan collection project.

Richard Haass: I am the Chief Technology Officer, for Linebarger Goggan Blair &

Sampson, LLP (Linebarger Goggan), a law firm servicing government clients since 1976 from 47 offices across the country. Our clients include several of the country's most prominent counties, cities, and states, as well as the federal government. With over 1,900 local, state, and federal clients, Linebarger Goggan is a national leader in



Marc Chibnik

collection services for governmental entities. The firm collects delinquent property taxes, state income taxes, municipal taxes, fees, fines, tolls and service charges. Each year Linebarger Goggan collects approximately \$1 billion in delinquent receivables for its government clients. The firm's attorneys, professional collectors and IT staff currently manage more than \$10 billion in delinquent receivables, collecting in all 50 states and U.S. territories and possessions.

As the firm's CTO, I provide leadership in the design and implementation of technology in support of these collection efforts including hardware, software, operating system software, productivity tools, and IT security. I oversee the implementation of the firm's computer and communication technology charter, which defines the goals, directions and strategies for maintaining high customer service levels. I plan for long-range technology architecture and strategy as it is applied to all phases of the firm's technical infrastructure and our delinquent property tax applications development. I would have to say that my most exciting role with the firm is identifying the emerging technologies to be assimilated, integrated, and introduced within our operations giving us a leading edge against our competitors.

Bill Mann: I am a partner and the CFO here at Joseph, Mann & Creed. We focus on Federal, State and municipal projects relating to Workers' Compensation Funds, commercial and personal taxes, fines, fees and student loans.

Collection Advisor: What technology and systems do you use to better service your customers?

Marc Chibnik: Harvard has been using Columbia Ultimate's CUBS Collector System since 1986. We are very familiar with the product and are able to leverage its benefits to service our customers to their expectations. Windows operating systems and applications drive our back office infrastructure. We are able to configure these systems to meet the security requirements of our industry.

Richard Haass: Our software divisions are organized to offer complete turnkey solutions for the collection of government receivables. Both our Current Property Tax Division, "Appraisal and Collection Technologies (ACT)," and our Delinquent Property Tax Division, rely on custom in-house developed collection applications. These applications contain unique modules that facilitate AR, mail, litigation, imaging, contact management, bankruptcy, CRM, phoning, and reporting — just to name a few. The applications are developed using the Oracle 10G database along with Oracle's integrated development tools including Application Server, Portal, Forms and Reports. In addition to the custom code, we have integrated off-the-self products from CODE1, Pervasive and First Logic. These add-ons deal primarily with data, name and address standardization.

Harvard works for municipalities collecting parking tickets, fines and ambulance charges.

Our Delinquent Property Tax application maintains over 30 million delinquent accounts worth roughly \$2.4 billion dollars and assists us in filing tens of thousands of lawsuits each year. The current tax system (ACT) is being used by 34 consolidated tax offices in Texas and processes \$10.8 billion in taxes each year.

Our Fees & Fines Division uses a highly customized version of the CUBS "Collector," integrated with both the CUBS and TouchStar predictive dialing platforms.

Bill Mann: We are heavily using dialer and IVR technologies in our office. Our goal is to provide customers with a wide variety of options to resolve their accounts. Additionally, we're investing in administrative resolution and off-set systems that enable us to provide our clients ease of use and greater integration.

Collection Advisor: Where do you see technology taking the collection industry in 2008?

Marc Chibnik: Software as a service and security will continue to be issues for agencies in the coming year. "SAS" allows for growth without the high upfront capitalization costs and you only pay for what is used. Security is obviously on everyone's agenda and will continue to be until universal standards are set that can easily be tested by all stakeholders.

Richard Haass: We have several major technical projects we are working on this year. Our most significant project will be delivery of our in-house developed Litigation Management System to the last ten of

the law firm's offices — the culmination of a multi-year design, development, and implementation project. This dynamic application facilitates the efficient processing of more than 150,000 pending lawsuits involving delinquent property tax accounts. The second major project involves converting our call centers over to TouchStar's predictive dialing platform and continuing the telecomm upgrade for eight of the firm's offices. We are also undergoing a SAS 70 review of our current property tax application (ACT).

Bill Mann: I believe technologies providing privacy and protection of account holder data to be crucial in 2008.

Collection Advisor: How do you see the role of collections playing into the next couple of years?

Marc Chibnik: I believe the outlook for the industry is good. As agencies become more efficient and fine tune our processes we will have more to offer our customers, creating more demand for our services.

Richard Haass: I see this area becoming more important in the coming years for a couple of reasons. First, it appears that we are in an economic slowdown, which means more people will be facing difficulties handling their financial obligations. While that means there is more to collect, as



Bill Mann

taxpayers, they need to be handled in a particularly respectful and professional manner. As a law firm, we are especially sensitive to this issue and maintain strict oversight of our collection staff to ensure full compliance will all laws and regulations affecting the collection industry.

The public sector will be hit just as hard during this slowdown, and we're already seeing some of the effects of rising gas prices on budget shortfalls nationwide. At the same time, ailing infrastructure and homeland security demands are placing additional burdens on government at all levels. Today, more than ever, they need additional revenue to address these major programs.

Second, governments are constantly faced with the challenge of trying to balance budgets and fund essential government services without raising taxes or fees or in reducing or eliminating critical services for their constituents. That's where the collection industry can help, as there is a largely untapped source of revenue in delinquent receivables.

Security is on Everyone's Agenda

I see this as an opportunity for our industry to shine and demonstrate the vital role we play as partners with government, serving our clients and the communities in which we live.

Bill Mann: As A/R becomes an even more important part of our client's balance sheet, and as regulators continue to classify agencies as service organizations, **privacy and protection of data is increasingly important.** One of our largest roles in collections is to be the protector of our client's data.

Understanding that there are options for all customers and that by collecting amounts due we make it more fair to those that voluntarily pay their obligations when due.

Collection Advisor: What is the most important technology to you?

Marc Chibnik: I have to go back to 1986 when we were working off of file jackets to find the biggest technological impact. That would be a computerized collection system that houses a database of all collection activity. Having the ability to analyze all actions taken across our enterprise to develop strategies to be more efficient is the most important technology to me.

Richard Haass: **The single most important technology is the network. Period.** The network has become such a ubiquitous item that we all tend to take it for granted. But our reliance on the network has grown to the point that standard collection activities such as making a phone call, receiving placements, creating a letter, or filing a lawsuit are dependent on it.

Bill Mann: Telephony tools (i.e. dialers, IVR, voice broadcasting).

Collection Advisor: What innovations would you like to see?

Marc Chibnik: Better tools to allow us to analyze our data more efficiently would give us an edge in developing strategies to improve performance.

Richard Haass: **I would love to see a reliable national directory of cell phone numbers** that we could legally access for collection purposes.

Bill Mann: Greater ability to add and modify regulatory changes within our telephony technologies.



Richard Haass

Collection Advisor: Where do you and your employees give back to the community?

Marc Chibnik: Harvard regularly has fundraisers for AIDS and Breast Cancer Research. Our organization, staff and vendors have contributed to these charities.

Harvard's founder, Gloria Kaiser, is on the Business Board for a local high school and has been a regular volunteer for the student body.

Harvard has invited youngsters for a review of our operations and regularly hires high school students for job mentoring and part time work force.

Richard Haass: Being a strong community partner is a part of Linebarger Goggan's business philosophy. We make it a priority to be very involved in supporting the social, cultural, professional, and educational institutions in the communities in which we work, live and raise our children. We really care about the quality of life and have a vested interest in making our country a better and safer place to live. We also recognize the importance of education and have made it a priority to aid the efforts of local students to continue with their advanced education. Some examples of our community involvement include the following: The American Heart Association, The American Cancer Society, American Diabetes Association, Muscular Dystrophy Association, United Way, Rio Grande Valley Food Bank, Cancer Relay For Life Walk, CASA — Court Appointed Special Advocates, Easter Seals, Susan B. Komen Breast Cancer Foundation, local food banks, Boy Scouts, Girl Scouts and Habitat for Humanity.

Bill Mann: Joseph, Mann & Creed participates in the "Marine for Life" program. This program locates employment for Marines returning to the civilian workforce after their service in the Marine Corps. Additionally, JMC is very active with the Arthritis Foundation. We sponsor teams and gift corporately for the annual Arthritis Walk here in Cleveland, Ohio.

Joseph, Mann & Creed is also a proud patron of various scholarship programs within the various associations that we belong.

Collection Advisor: What constitutes the real heart of a successful government collection business?

Marc Chibnik: It starts with servicing the client. Being responsive to the client's needs is the first step. You also must treat each contact in a professional manner because the account holders are voters.

Richard Haass: The key to Linebarger Goggan's success, and always will be, its human capital, from the attorneys who oversee and manage the various collection programs to the professional collection staff who interface with taxpayers daily and the information technology personnel who process the data and maintain the collection applications and infrastructure. Many of our personnel have worked in the public sector prior to joining the firm. They understand the sensitive nature of collecting in an environment where debtors are quite often the constituents of the officials who hire us.

We work closely with our clients to ensure that our programs are operating the way they expected them to and produce the results they deserve. Regardless of the complexity of the debt portfolio or the client size, we customize our services to meet each client's individual needs. And we take our client relationships a step further. For example, frequently when working on an implementation or in the course of program reporting to a client, we will discover issues or areas that could be improved in order to enhance the overall program. We will propose solutions and with the client's approval, often undertake the work to make those changes and generally at no cost to our clients. You cannot underestimate the importance of providing your clients with "value-added services."

In the end, striving to provide each and every client with the best possible collection program produces the best long term results for our law firm.

Bill Mann: Understanding that there are options for all customers and that by collecting amounts due we make it more fair to those that voluntarily pay their obligations when due. ☺

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