South Dakota Bureau of Administration

Obligation Recovery Center

FY2018 Annual Report

Obligation Recovery Center

Historical 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. The BOA has contracted with CGI Technologies and Solutions, Inc. to operate the Center.

Significant Events during FY2018

The Center held quarterly multi-agency meetings to establish consistent and uniform information sharing on debt collection.

The Center, through BOA, enters 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 were signed with the following agencies during FY2018:

a. the Department of Social Services,
b. the Department of Education,
c. the Public Utilities Commission, South Dakota One Call, and
d. the Department of Labor and Regulation, Division of Insurance.

The Center was given notice of termination for debt collection services by Progressive Financial Services, Inc. effective March 27, 2018.

The Center held telephonic calls with Harris and Harris and Municipal Services Bureau (MSB) regarding third party collection efforts. Recommendations were made for the Center to conduct quarterly calls with each party to discuss progress and any issues in addition to conducting an annual review call.

Due Process Hearings

Debtors have the option of requesting a due process hearing. The hearing is conducted by the Office of Hearing Examiners, and the agency with whom the debt originates appears and presents evidence regarding the debt.

Hearings Summary

Fiscal Year	# of Debts Referred to the Center	# of Hearings Requested	# of Hearings Dismissed or Withdrawn
2017	63,336	24	12
2018	28,800	20	3

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 or for other good cause, the Center will refer the debt to a third party debt collection agency or agencies for a period of no less than one year.

It should be noted that uncollectible debts will at some point be returned to the agencies for final disposition. Final disposition would be submission to the State Board of Finance for write-off.

Third Party Debt Collection

The BOA has contracts with the following debt collection agencies: Harris and Harris and Gila, LLC d/b/a Municipal Services Bureau.

The term of the contract is one (1) year with four (4) additional one (1) year optional extension periods. The initial contract period began July 1, 2016, and the contracts with the collection agencies were renewed for an additional year effective July 1, 2018.

Due to the Center having the first 180 days to collect debts referred, the debt collection agencies began collecting debt on March 13, 2017.

FY2018 Collection Activities

Collection activities conducted by the Center are summarized in Addendum A. Addendum A illustrates both the collection activities for FY2018 for both the Center and outside collection agencies (OCAs).

A major highlight from FY2018 was increasing collections from $1.8 million to nearly $3.5 million. In addition, 4,347 debtors entered into payment agreements with the Center and the OCAs valued at $11,373,081.

Addendum B is attached and shows a comparison of FY2017 and FY2018 collection activities.

FY2018 Financial Summary of Collection Activities

During FY2018, the Center was able to collect from debtors or establish payment plans as follows:

Category	Description
$2,510,981	Money collected for agencies by the Center
$ 961,712	Money collected for agencies by third party collectors
$3,472,693	**Total money collected for agencies**
$9,985,432	Dollar value of payment plans with the Center
$1,387,649	Dollar value of payment plans with third party collectors
$11,373,081	**Total value of payment plans**
$14,845,774	**Total Financial Impact of Collection Activities**

The money collected by the Center is remitted to the originating state agency. Of the $3,472,693 remitted to state agencies, $831,887 was deposited into the general fund with the remaining monies distributed to various agency funds. In addition, $18,570 was deposited into the general fund from the recovery fee collected by the third party debt collection agencies.

FY2018 Revenues and Expenses

All debts collected and the cost recovery fees are remitted to the State per statute and offset the general fund appropriation. The amount of the collected debt is transferred to the agency that referred it to the Center and the cost recovery fees are deposited into the

general fund.

CGI and the third party debt collection agencies bill the Center for their services in accordance with their contracted rates and supported by documentation.

Of the $770,000 of general funds appropriated for FY2018, $706,220 was paid to CGI and the third party debt collection agencies. The remaining balance was reverted.

Obligation Recovery Center Webpage

The Obligation Recovery Center webpage (http://boa.sd.gov/divisions/obligation/) can be found on the BOA website with links to contact information for the Center and to the self-service payment portal. A number of reports, including the annual reports, are also listed.

ADDENDUM A

South Dakota Obligation Recovery Center
Collection Activity Year to Date FY2018

Recovery Activity	Number	Total Amount	Agency Principal Amount	Agency Interest Amount	Agency Penalty Amount	Cost Recovery Fee	Center OCA Mgt Fees	OCA Recovery Fee	State Share
Agency - Debts Referred	28,800	$ 27,555,167.25	$ 19,527,534.87	$ 3,784,300.03	$ 337,397.54	$ 3,905,934.81			
Agency - Debts Recalled	4,859	$ 5,081,049.07	$ 3,882,415.17	$ 404,970.76	$ 17,208.89	$ 776,454.25			
Agency - Debts Adjusted	1,404	$ (394,429.25)	$ (119,340.90)	$ (252,487.28)	$ (4,762.10)	$ (17,838.97)			
Center - Interest Accrued		$ 366,882.51		$ 366,882.51					
Debts Closed – Deceased	21	$ 208,374.70	$ 151,931.51	$ 24,638.42	$ 1,418.45	$ 30,386.32			
Debts Closed – Bankrupt	68	$ 189,841.89	$ 115,334.48	$ 45,415.89	$ 6,024.53	$ 23,066.99			
Debts Closed – Paid in Full	4,477	$ 2,233,333.32	$ 1,823,897.25	$ 83,683.85	$ 52,695.08	$ 273,057.14			
Payments – Received	23,808	$ 3,146,818.04	$ 2,500,498.14	$ 99,530.85	$ 47,052.38	$ 499,736.67			
Payments - Returned	1,211	$ (161,562.78)	$ (128,150.02)	$ (6,736.87)	$ (1,213.67)	$ (25,462.22)			
Net Payments	22,597	**$ 2,985,255.26**	**$ 2,372,348.12**	**$ 92,793.98**	**$ 45,838.71**	**$ 474,274.45**			
Payment Agreements	3,794	$ 11,992,628.48	$ 9,055,573.84	$ 735,569.47	$ 194,289.28	$ 2,007,195.89			
Enforcement Notification - Hunting/Fishing License	23,638								
Enforcement Notification - Motor Vehicle	4,502								
Enforcement Notification - Drivers License	4,816								
Letters Sent	77,825								
Inbound Calls	39,649								
Outbound Calls	51,050								
OCA – Referred to OCAs	82,196	$ 69,222,521.46	$ 52,702,702.21	$ 4,298,228.55	$ 685,075.39	$ 11,536,515.31			
OCA – Recalled from OCA	3,501	$ 2,790,388.10	$ 2,307,107.69	$ 15,502.65	$ 3,149.85	$ 464,627.91			
OCA – Payments	6,059	$ 1,155,059.81	$ 916,802.62	$ 28,703.23	$ 16,206.11	$ 193,347.85	$ 19,221.80	$ 155,556.55	$ 18,569.57

ADDENDUM B

FY2017 Center Activities

Recovery Activity	Accounts	Principal	Interest	Penalties	Total
Agency Debts Referred	63,336	$ 44,579,371.39	$ 2,391,363.50	$ 518,075.74	$ 47,488,810.63
Net Payments	14,295	$ 1,572,062.10	$ 27,842.78	$ 13,938.46	$ 1,613,843.34
Payment Agreements	4,348	$ 7,005,635.22	$ 156,073.01	$ 66,879.25	$ 7,228,587.48
Enforcement Notifications:					
Hunting/Fishing Licenses	40,655				
Motor Vehicle Registration	4,680				
Drivers License	4,859				
Outside Collection Agencies:					
Net Payments	1,159	$ 193,770.72	$ 1,012.02	$ 795.93	$ 195,578.67
Payment Agreements	299	$ 460,764.39			$ 460,764.39

FY2018 Center Activities

Recovery Activity	Accounts	Principal	Interest	Penalties	Total
Agency Debts Referred	28,800	$ 19,527,535.00	$ 3,784,300.00	$ 337,398.00	$ 23,649,233.00
Net Payments	22,597	$ 2,372,348.00	$ 92,794.00	$ 45,839.00	$ 2,510,981.00
Payment Agreements	3,794	$ 9,055,574.00	$ 735,569.00	$ 194,289.00	$ 9,985,432.00
Enforcement Notifications:					
Hunting/Fishing Licenses	23,638				
Motor Vehicle Registration	4,502				
Drivers License	4,816				
Outside Collection Agencies:					
Net Payments	6,059	$ 916,803.00	$ 28,703.00	$ 16,206.00	$ 961,712.00
Payment Agreements	553	$ 1,387,648.75			$ 1,387,648.75

ADDENDUM C

OBLIGATION RECOVERY CENTER
Agency by Agency Monthly Collections

AGENCY	START DATE	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
UNIFIED JUDICIAL SYSTEM*	July 15, 2016	$ -	$ -	$ -	$ 895,798.54	$ 1,292,073.00
CORRECTIONS	July 15, 2016	$ 44,219.82	$ 30,008.25	$ 22,303.76	$ 464,353.29	$ 451,460.00
GAME, FISH & PARKS/AGRICULTURE	September 1, 2016	$ 6,384.05	$ 3,637.33	$ 68.24	$ 14,075.26	$ 12,781.00
REVENUE	November 1, 2016	$ 64,033.96	$ 33,774.57	$ 4,362.23	$ 153,913.71	$ 380,427.00
BOARD OF REGENTS:						
USD	December 1, 2016	$ 163,471.23	$ 165,242.10	$ 125,209.15	$ 167,056.26	$ 437,481.00
DSU	March 1, 2017	$ 33,433.06	$ 21,002.43	$ 46,789.86	$ 30,633.31	$ 133,918.00
SDSM&T	May 1, 2017	$ 32,872.62	$ 32,546.68	$ 21,363.40	$ 5,319.21	$ 48,897.00
NSU	January 1, 2017	$ 19,312.96	$ 34,068.59	$ 28,534.21	$ 39,453.93	$ 99,388.00
BHSU	May 1, 2017	$ 79,105.37	$ 83,007.42	$ 47,350.01	$ 26,052.97	$ 205,953.00
SDSU	June 1, 2017	$ 131,538.00	$ 168,719.00	$ 111,967.00	$ 1,661.76	$ 376,849.00
TRANSPORTATION	March 1, 2017	$ 8,727.98	$ 5,230.06	$ 9,360.86	$ 11,103.76	$ 28,633.00
HUMAN SERVICES	July 1, 2017				$ -	$ 371.00
SOCIAL SERVICES	December 1, 2017	$ 6,504.00	$ 2,240.00	$ 740.00	$ -	$ 3,062.00
ENVIRONMENT & NATURAL RESOURCES	March 1, 2018				$ -	$ 1,400.00
Total Collections		**$ 589,603.05**	**$ 579,476.43**	**$ 418,048.72**	**$ 1,809,422.00**	**$ 3,472,693.00**

Start Date Column is the first month of collection by the Center for comparative purposes.
FY2015 and FY2016 were not active collection periods for agencies except Board of Regents while setting up the Center.
*Unified Judicial System did not do private collections prior to the Center.