



Revenue Recovery Program

Developing a Governmental Collections Unit

By Amy Meeker-Berg

The Johnson County, Kansas, Collections Unit emphasizes performance by reducing outstanding account balances, streamlining processes, increasing collaboration, and inspiring a new approach for local government.

Note: The Johnson County, Kansas, Treasurer's Department received the GFOA's 2008 Award for Excellence in the E-Government and Technology category.

At a time when economic situations are rapidly changing, governments are searching for better ways to do business. In Johnson County, Kansas, the Treasurer's Revenue Recovery Program — known as the Collections Unit — emphasizes performance by reducing outstanding account balances, streamlining processes, increasing collaboration, and inspiring a new approach for local government. The program exemplifies government's desire to create “communities of choice” while at the same time maintaining fiscal responsibility.

The collections industry, which recovers revenue for both the public and private sectors, is built on the concept that collecting outstanding accounts allows organizations to avoid raising prices to cover losses. Often, the measures needed to collect a debt are simple: quick action, consistency, and a willingness to work with a customer. The Johnson County Treasurer's Department has a long-standing history of collecting property taxes for the state, county, cities and schools, along with special assessments and wastewater charges. But through automation, new technologies, and improved business processes, the department has been able to refine its techniques and achieve better results.

Organizations often outsource collections to private collection agencies because of insufficient resources or financial constraints. The Johnson County Treasurer's Department took this approach in 2001 and soon began to consider simply taking over the function internally. Staff was spending a considerable amount of time helping the collection agency, researching or providing other assistance because information resided in multiple systems that the outside agency could not connect to. It also became apparent that the tone of a collection agency was geared toward collecting outstanding credit card debt and might not be the best approach for a government entity. In addition, the agency charged between 20 and 50 percent of the amount recovered, based on the type of action taken. Moreover, it seemed likely that the department would have an advantage over an outside agency in collecting delinquent accounts, since a large percentage of customers are reoccurring and will eventually end up at the motor vehicle office or another county department to do business.

As is usually the case, the Treasurer's Department was not the only county agency dealing with outstanding accounts. To create a successful collection effort for all county departments, the Treasurer's Department spearheaded the Collections Unit project in 2005, in conjunction with finance officers from the county's utility billing depart-

ment, along with representatives from legal services, the sheriff's office, budget and financial planning, and the county manager. It was felt that bringing together experts from various departments could alleviate concerns and create synergies. The initial goal was to address outstanding utility accounts, delinquent taxes, and insufficient fund checks. The Board of County Commissioners approved the program and recommended an accelerated implementation date. The concept was well-received, not only because of the revenue recovery aspect, but also because multiple county departments were working together to tackle a problem they were not able to solve individually.

The Johnson County Collections Unit operates much like an outside collection agency. An agreement outlines the services the unit will provide, identifying policies, procedures, and business requirements. County departments turn over accounts that are 90 days or more past due, and once account information is received — on a daily or monthly basis — the Collections Unit begins the process of attempting to collect through mailings, phone calls, and potential legal action. A portion of the amount collected goes toward offsetting the costs incurred by the unit.

THE TECHNOLOGY BEHIND THE SYSTEM

Johnson County's Collections Unit Revenue Recovery System is hosted by the county's Information Technology Systems Department, although the Treasurer's Department maintains and enhances the application software supporting the system. The Collections Unit database is updated each night with account and payment information. A reconciliation report shows differences

between the collections unit and wastewater systems. The nightly process also changes the collection status of affected accounts, resulting in automatically generated correspondence. The collection status is based on the age of the account and the method of collection that can be used at that time. For example, a motor vehicle insufficient fund check goes through the following status changes: electronic "representation" by a vendor, 30 days; department letter, the next 15 days; collections unit letter, the next 15 days; sheriff's office tag removal, the next 45 days; district attorney letter, the next 45 days; cancellation with the State of Kansas, the next 15 days; and, finally, district attorney prosecution, if evidence and witnesses are available.

The Revenue Recovery System is a centralized application designed to automate the collections process using a streamlined, systematic approach. Its architecture allows the county to add departments with different types of collections or collection needs, and system functions include payment processing and balancing. Accounts may have restrictions related to acceptable payment methods, department policies, or even state laws. The system has the ability to generate receipts and enables users to look up accounts. There are different levels of security for users, based on their involvement with the collections process. An automatic status change function allows each depart-

ment to run its daily activity reports, indicating which action needs to take place — for example, the sheriff's office can run a daily report of unpaid motor vehicle accounts that have plates or tags that need to be pulled by officers in the field. The system was also enhanced to automate the legal process of filing outstanding accounts with the clerk of the district court, recording case numbers and court dates, creating certified mailings, preparing summons to appear, and generating requests for the sheriff's office to serve summons by hand. The system tracks court dates and prints the journal entries the attorney will use when appearing in court. Many of the processes were designed and automated to help each department absorb these collection responsibilities with little impact into their current workload.

The Treasurer's Department also created a Web site (at <http://collections.jocogov.org>) and implemented e-commerce initiatives by taking credit card payments over the Internet and by phone. Enabling customers to make payments using a credit card, a service that may not be offered at the department level, increases collections and provides a more secure payment method than checks.

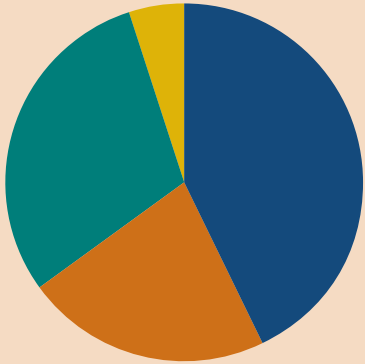
THE COSTS INVOLVED

The costs associated with the Collections Unit comprise personnel, certified

Exhibit I: Collections Unit Expenditures

	2006	2007	2008
Personnel	\$69,900.12	\$71,681.50	\$74,409.77
Certified Mailings	\$0.00	\$14,456.13	\$11,100.34
Other	\$1,261.46	\$1,874.65	\$2,547.92
Total	\$71,161.58	\$88,012.28	\$88,050.03

Exhibit 2: Collections by Payment Method



- 43% Cash and Checks
 - 22% Electronic Representation
 - 30% Credit Cards
 - 5% Department Credits*
- * Payments made directly to the department rather than the Collections Unit.

mailings, and other expenses such as office supplies (see Exhibit 1). Because the system is so efficient, the Treasurer's Department determined we would administer the program with no additional full-time staff, although one sheriff's deputy position was added. The Treasurer's Department incurs costs for existing staff who support the Collections Unit process, including 40 to 60 percent of a programmer/analyst position and 100 percent of an accounting assistant position, for a total estimated personnel cost of less than \$100,000 annually. The programmer/analyst initially spent a large portion of time designing and creating the application, but currently that person deals with only minor enhancements, reporting needs, and adding functions to accommodate departments joining the program. The full-time accounting assistant duties consist of administrative functions such as program management, customer service, payment processing,

balancing, and financial reporting. The Legal Department also incurs costs for existing employees who support the Collections Unit process, including an attorney and a paralegal whose duties include attending court, providing legal advice, reviewing processes, customer service, and tracking legal information. The certified mailing cost is an additional expense the unit chooses to incur in order to reduce the volume of accounts that would require service by the sheriff's office.

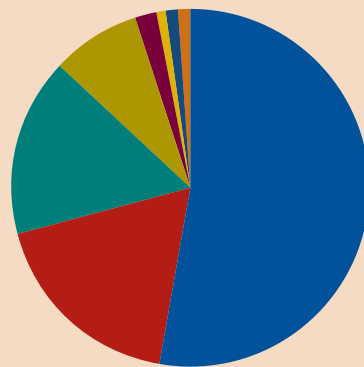
The revenue recovery program receives its funding by charging each department a fee of 22.9 percent of the amount collected for services rendered. The unit's expenditures are paid from the fees, and at year's end, the remaining balance is transferred to the county's general fund. In 2006, the

collections unit transferred \$5,400 back to the general fund; that amount increased to \$85,000 in 2007, and \$60,000 in 2008. The amount the Collections Unit transfers back to the general fund each year is the amount the county saves by not using an outside collection agency.

RESULTS AND REVENUE

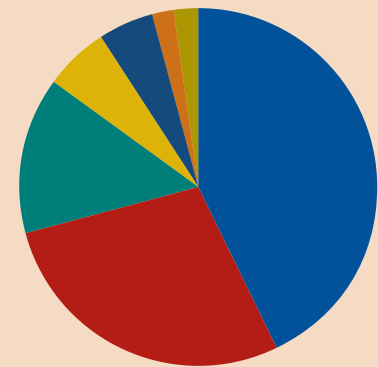
The unit has employed a number of techniques to increase collections. A key element is alternative payment methods (see Exhibit 2), an important component of which is using an electronic "check representation" service. When a paper check is returned due to insufficient funds, the Collections Unit forwards it to a third-party vendor that captures the bank account information from the check and resubmits it elec-

Exhibit 3: Collections by Status



Insufficient Fund Checks

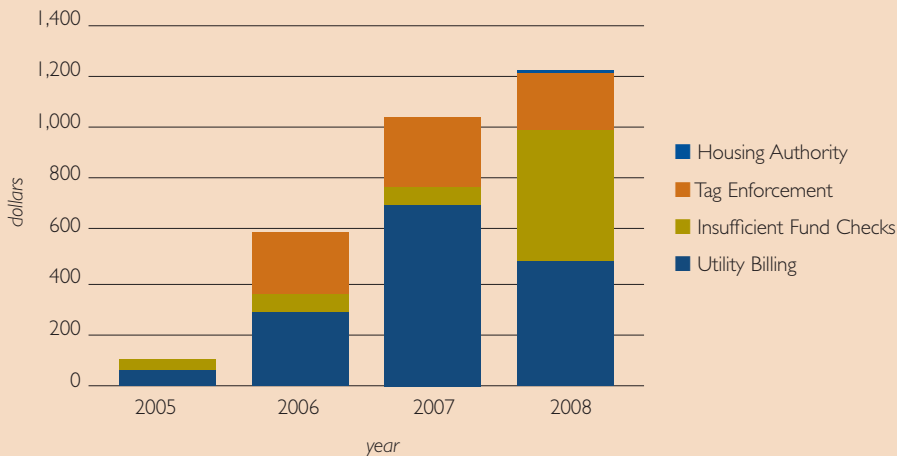
- 53% Electronic Representation
- 18% Sheriff Tag Recovery
- 16% Department Letter
- 8% Collections Unit Letters
- 2% Payment Plan
- 1% District Attorney Letter
- 1% District Attorney Prosecution
- 1% Cancellation



Utility Billing

- 43% Collections Unit Letters
- 28% Legal Letters
- 14% Service by Certified Mail
- 6% Service by Sheriff's Officer
- 5% Judgment
- 2% Clerk of the District Court
- 2% Payment Plan

Exhibit 4: Revenue Recovered by Type



tronically. The check-writer's bank gives the electronic request for payment higher priority and processes it more quickly than it would a conventional re-depositing of the paper check. The Collections Unit charges the check writer a \$30 fee for the returned check, and it pays the vendor a portion of that if it successfully recovers the face value of the check. This method recovers more than half of the checks that are returned for insufficient funds, substantially reducing the number that have to be turned over to the unit for further collection efforts. In addition, the Collections Unit's enhanced reporting capabilities allow it to closely track the status of unpaid accounts. The unit uses this up-to-date, detailed information modify its efforts as needed, which improves efficiency, leading to increased collections. For example, by analyzing the reports, the unit was able to determine that some status changes could be shortened and that partial payments were not working on other types of accounts. Exhibit 3 shows each step of the collection process for both insufficient fund checks and for unpaid wastewater accounts, and the percent-

age of accounts that are paid at each stage. The Collections Unit has also increased efficiency by automating manual processes. It has filed an average of about 242 cases per month with the clerk of the district court for more than \$1.2 million in outstanding utility accounts. Before the process was automated in early 2007, Legal Services was able to file approximately 25 cases per month. Finally, the unit starts working with departments right away and immediately beginning collection activities on accounts, rather than waiting months do address the problem. Moving quickly substantially increases the potential for collecting the debt.

The Johnson County, Kansas, Treasurer's Department has more than 90 employees and includes the following divisions: Treasury Management, Motor Vehicles, Property Tax, Accounts Receivable, and the countywide Collections Unit. Johnson County is the largest county in Kansas, with a population of 500,000 people and an annual tax collection of more than \$1 billion.

The amount of revenue the Collections Unit has recovered has increased significantly since its inception. The unit recovered \$100,000 in November and December of 2005, \$585,000 in 2006, \$1 million in 2007, and \$1.2 million in 2008. These outstanding balances, collected on the behalf of five county departments, would have remained as uncollected accounts for a significant period of time before being submitted to a collection agency, if at all.

CONCLUSION

The Johnson County Revenue Recovery Program has been extremely successful and could be easily tailored to meet the specific needs of any organization. At the fundamental level, the program has achieved its advances by centralizing various types of collections into one efficient unit. At the same time, the Treasurer's Department maintains relationships with third-party vendors for services the Collections Unit cannot perform. Governments have an obligation to pursue collections of outstanding account balances in order to maximize revenues, and it makes sense to do so in the most effective manner possible. ■

AMY MEEKER-BERG is the chief deputy treasurer for Johnson County, Kansas, and has been the driving force behind the progressive changes that have taken place in the Treasurer's Department since 2001. She holds a bachelor's degree in political science from Washburn University in Topeka, Kansas, and a master's degree in business administration from Baker University in Baldwin City, Kansas. Prior to joining Johnson County government, Meeker-Berg worked for the Kansas State Treasurer in the Unclaimed Property Department. She can be reached at 913-715-2601 or by e-mail at amy.meeker@jocogov.org.