



North Carolina Department of Revenue Improvement Study

Utilizing Public Private
Partnerships to Improve
DOR Operations

Agenda

- NC's Benefits Funding
- Fast Tracked Collection Initiatives
- Results
- Ongoing Improvement Projects

Why Implement Changes Now?

- A method of funding TIMS Project
 - Multi-year project to update NCDOR's computer systems and technical infrastructure
- Typical Project Funding Approaches
 - Appropriations
 - Traditional method
 - Fees
 - Fees for “services”
 - Fee assessed at point in collection process
 - Benefits based funding
 - Typically used for large IT projects

TIMS Funding Sources

Funding Source	Amount
Appropriation from NC General Fund:	\$ 5.0 Mil
Collection Assistance Fee:	\$ 40.0 Mil
Revenue Benefits:	\$ 45.5 Mil
Revenue Benefits for internal costs:	\$ 6.6 Mil
Total:	\$ 97.0 Mil

Total Vendor Portion: \$79 Mil

Total DOR Internal Portion(mostly infrastructure): \$18 Mil



Measuring and Reporting

1. Contract signed / Initiative development & implementation begins
2. Develop an RBMD for each initiative
 - Rev enu e Bene fits Measu reme nts Doc ume nts
 - Describes how benefits will be measured
 - Agreed to by both CGI and NCDOR
3. Personnel selected to be responsible for calculating benefits for
 - NCDOR and CGI both select personnel and calculate benefits

Measuring and Reporting

4. Monthly Internal Steering Committee meeting
 - CGI, NCDOR, and measurements staff met monthly
 - Reviewed stats and approved reports
 - Discussed initiatives to determine if modifications are necessary
 - Money transferred to special account after approval
5. Quarterly Private Public Partnership (P3) meeting
 - P3 was established by statute
 - Included appointees of the Governor, Legislative Leaders, CGI and the Secretary of Revenue
 - DOR Secretary reported out results / took questions
 - P3 approved contact amendments funded by benefits

Thoughts on Measurements

1. It is still a fixed price contract with all of the normal requirements, payment benchmarks, etc ...
benefits funding is just a means of paying the bill
2. How you set baselines and the methods used to measure benefits has a huge impact on outcome
3. It is a team effort between vendor and customer to fill the “benefits bucket”

Projects funded using benefits

- CACS-G and associated collection case scoring
- Enhancements to DTax, including audit case scoring
- Website redesign and applications integration with new systems
- Various system upgrades and change requests
- NCDOR internal costs associated with the project (servers, FTP appliance, time-limited project managers, etc.)

The “Fast Tracked 5”

- Returned Mail Automation
- Automated Attachment Process
- Write-off Review and Reversal
- Vendor Attachment
- Collection Case Management and Decision Analytics

Returned Mail Automation

- Originally, 14,000 notices worth \$20 million in potential revenue were suppressed because they were returned by the USPS with incorrect addresses
- Research was manual, time consuming and expensive
- Partnered with LexisNexis to secure better addresses (Accurint for Government)
- After due diligence research, all cases were released for collection action
- Implemented May, 2010 – Ongoing process
- Gross Recoveries: \$21 Mil, CGI Fund: \$3.8mil

Automated Attachment Process

- NC's Statutes (NCGS 105-242) gives NCDOR administrative authority to attach and garnish wages, bank accounts and other intangible property
- In ALL of CY 2009, the entire Department issued 190K attachments and garnishments (A&G's)
- Between implementation in Sept 2010 and Feb 28, 2011, the AA Process alone issued a whopping **566K** A&G's
- Annually producing about 500K A&G's
- Priority Process



Levy Source Priority

Search

From Balance To Balance Entity Type

Levy Source Code Levy Source Type

Search Results

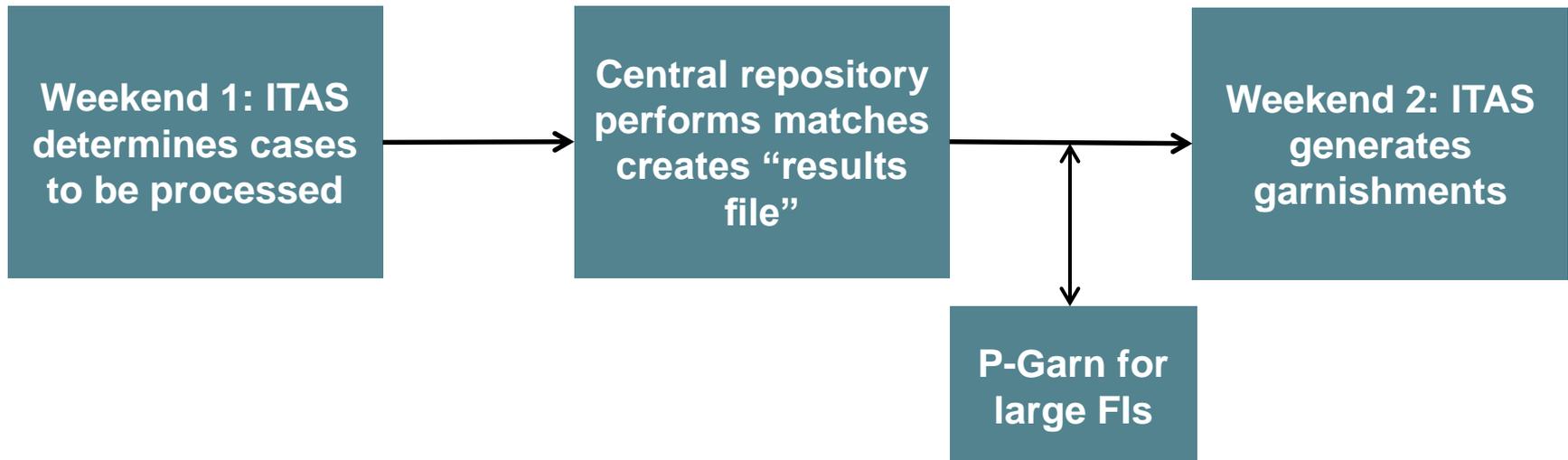
	From Balance	To Balance	Entity Type	Levy Source Code	Levy Source Type	Levy Source Priority	Min Liability Amt	Min Levy Source Amt	Min Abatement Days
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<input type="radio"/>	10	2499.99	I	DHHS	W	3	10	0	60
<input type="radio"/>	10	2499.99	I	ESC2	W	4	10	0	60
<input type="radio"/>	10	2499.99	I	1099MISC	W	6	10	5000	15
<input type="radio"/>	2500	6999.99	I	ESC1	W	1	2500	5000	60
<input type="radio"/>	2500	6999.99	I	DHHS	W	3	2500	0	60
<input type="radio"/>	2500	6999.99	I	1099MISC	W	6	2500	5000	15
<input type="radio"/>	2500	6999.99	I	ESC2	W	5	2500	1500	60

Enter Data

From Balance*	To Balance*	Entity Type*	Levy Source Code*	Levy Source Priority*	Min Liability Amt*	Min Levy Source Amt*	ESC Multi Qtr Wage %	Max ESC Qtr Months	Max DHHS New Hire Days	Max DD Refund Tax Year Months	Min Abate Days*
<input type="text"/>	<input type="text"/>	<input type="text" value="Ind"/>	<input type="text" value="1099DIV"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Automated Attachment Process

- Process takes 2 weekends to complete
- All volume control is limited on front end to number of cases processed
- P-Garn file for financial institutions



Auto Attachment Process

- July 1, 2012 Thru June 30, 2013
 - Moved 720K cases (value \$1.1B) through the process
 - Issued 175K bank garnishments (value \$528M)
 - Issued 228K wage garnishments (value \$240M)
- Gross Recoveries: \$141 Mil, CGI Fund: \$28 Mil since September 2010

Write-off Review and Reversal Process

- Continuous review of accounts previously deemed uncollectible and written off using AA process
- Allows more aggressive write-off program
 - 23K taxpayers reviewed (value \$61 Mil)
 - 10K bank garnishments (value \$37 Mil)
 - 64K wage garnishments (value \$10 Mil)
 - \$768 Mil placed back into collection process
- Gross Recoveries: \$30 Mil, CGI Fund: \$6 Mil since October 2010

Vendor Attachment Process

- Joint project between NCDOR and the NC Office of State Controller
 - Most agencies process vendor payments using the Controller's North Carolina Accounting System (NCAS)
 - Nightly process matches NCAS payments with tax debts and offsets any payments
 - Additional non-NCAS agencies to be added as a part of TIMS project
- Implemented November 2011
- Gross Recoveries: \$4 Mil, CGI Fund: \$1.3 Mil

Projects Summary

Initiative	Gross Collection To-Date	Net Collection To-Date	CGI Fund To-Date
IRMF	\$74,479,616	\$55,837,924	\$5,205,044
Desk Audit (existing & new)	\$0	\$0	\$0
RAR Automation	\$0	\$0	\$0
Refund Review and Fraud Prevention	\$11,853,671	\$11,853,671	\$1,694,603
<i>Automated Attachment</i>	\$141,002,821	\$107,462,863	\$27,792,489
Collections Case Management with Decision Analytics	\$0	\$0	\$0
Write-off Reversal Automation	\$29,801,261	\$20,891,610	\$5,644,881
Returned Mail Automation	\$28,220,909	\$20,607,039	\$3,817,176
Corporate Delinquency	\$0	\$0	\$0
Vendor Attachment	\$6,724,462	\$4,140,524	\$1,332,930
TOTAL	\$292,082,739	\$220,793,631	\$45,487,124

FTA – 2013 Compliance Award Honorable Mention



FIRM Data

- Implemented January 2012
- NCDOR currently has records of possible banking relationships with **72.35%** of debtor taxpayers
- Average Weekly Bank Attachments
 - Pre-FIRM: 1,400
 - Post-FIRM: 4,600
 - Currently: 3,500 (After changing asset priorities)
- Additional 20K payment plans
- Working on expansion to additional FIs likely using a 3rd party to work with the banks



Lessons Learned

1. Gain executive support before starting project
2. Form a cohesive team (partnership) of the best people you can find ... State staff and contractor staff should be indistinguishable
3. Full involvement by sponsor with a willingness to make take risks and make quick decisions
4. Balance implementation speed with “quality” of product
 - Don’t get too hung-up on “what-if’s”
 - Use exception reports to handle 80/20 decisions

Lessons Learned (Cont.)

5. Make sure you are prepared for impact when you turn on new compliance programs
 - Phone systems
 - Adequate staffing
 - Policy, procedures, and training
6. **Caution:** More automation does not necessarily translate to less staff. *Our experience ... exactly the opposite!*
7. Be flexible and look for new opportunities as you implement

Projects In Progress

- FIRM (Financial Institutions Records Match)
- CACS-G (and total TIMS) Implementation
- E-Garnishment



E-garnishment

- Banks are requesting this because of increased volumes due to Auto-Attachment and FIRM
- Pilot project with 1 bank ... another major bank plans to join the pilot this year.
- Developing fully automated e-garnishment process in CACS-G
- States need to consider adopting a common file format for e-garnishments

A Few CACS Extensions Highlights

- Automated Legal Actions
 - Enhanced volume controls
 - System ALWAYS monitoring for assets and will issue actions regardless of assignment if case is eligible
- Automated bankruptcy processing
 - Suppression of collection actions,
 - creation of most claims,
 - processing of dismissals and discharges
- E-Garnishment and FIRM
- PC based case management application for field use
- Web based Employer (garnishee) Portal
- Payment plans – Financial statement calculator
 - Oregon's original idea

Questions??



- Charlie Helms
 - Charlie.helms@dornc.com
 - (919) 754-2537
 - NCDOR Collection Division
PO Box 27431
Raleigh, NC 27611