



MINUTES
CASH MANAGEMENT REVIEW BOARD
SPECIAL MEETING OF JULY 24, 2014
HOUSE COMMITTEE ROOM 2
STATE CAPITOL BUILDING

The items listed on the Agenda are incorporated and considered to be a part of the minutes herein.

Treasurer John N. Kennedy called the meeting to order. Marella Houghton called the roll.

MEMBERS PRESENT:

John Kennedy, State Treasurer

Ben Huxen, Chief Advisor to the Commissioner of Administration, designee for Commissioner Kristy Nichols

Tom Cole, designee for Legislative Auditor Daryl Purpera (Non-voting member)

OTHER PERSONS PRESENT:

Representative Chris Broadwater

Tim Barfield, Secretary, Louisiana Department of Revenue

Jarrold Coniglio, Deputy Secretary, Louisiana Department of Revenue

B.J. Meche, Director, Office of Debt Recovery

Kathleen Allen, Administrator, Louisiana Board of Ethics

Rick McGimsey, Assistant Attorney General

Byron Henderson, Collection Section Chief, Department of Justice

Ron Henson, First Assistant State Treasurer

Jim Napper, Executive Counsel, State Treasurer

Marella Houghton, State Treasury Fiscal Control Manager

Lindsay Schexnayder, State Treasury Fiscal Control Manager

Ben Huxen moved for approval of the minutes for the February 27, 2014 meeting, seconded by Tom Cole, and without objection, the minutes were approved.

Treasurer Kennedy requested the Louisiana Department of Revenue (LDR) and the Attorney General's (AG's) Office report on the status of Act 399 of the 2013 Regular Legislative Session and the Office of Debt Recovery (ODR). Treasurer Kennedy turned the meeting over to Secretary Barfield.

Secretary Barfield opened with an update on the progress of ODR. ODR is envisioned to be a highly automated and efficient centralized debt collection agency for all state agencies in Louisiana. Unique debt collection tools have become available to government agencies, which allows these agencies to do things outside debt collection agencies cannot and allows all tools to be consolidated in one place. Contemplation has certainly arose over the idea of allowing the AG's Office and an outside debt collection agency to do the traditional collection work. It is focused on final debt where the debtor no longer has due process rights. The schedule is still on operation to be fully operational within three years.

To be fully operational means:

- Contemplated collection tools are in place and fully functional
- Electronic debt registry is fully operational and linked to all of the agencies participating in the centralized effort
- Automated case management system is fully functional and available to collect debt on a day-to-day basis for all debt types in the program
- The outside collection agencies are contracted and fully engaged
- Operations and systems are fully scalable to handle all anticipated needs of state agencies



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Secretary Barfield stated that since the last meeting, the project has made major progress in some key areas. There are two unique tools for collection in place: (1) the Financial Institutions Data Match (FIDM) has had its first data run, in which results exceeded expectations; and (2) there has been significant progress in the number of participating banks. ODR can now realistically close in on its 100% goal.

Representative Broadwater asked if there were any matches on the first data run with the banks to determine if there is anything collectable. Secretary Barfield said that there were over 13,000 matches on the first data run. ODR has collected over \$800,000 from a small percentage of those matches. There are millions of dollars in potential debt; however, the entire amount of the debt is not always collected due to the fact that insufficient funds are in the account to satisfy those debts. Also, there are priorities and preferences that must be considered every time a match is made, such as bankruptcy and matches at other agencies that take higher preference.

Representative Broadwater pointed out that this process has made the collection process more efficient. Secretary Barfield agreed but pointed out that the Department of Children and Family Services (DCFS) is the only other agency that has been using the FIDM tool. ODR is collaborating with DCFS. ODR is using levies so there are some redundancies; however, the collection process is quicker resulting in the collection of more money. 82% of the banks in the state have signed up, which is 95%+ of the market share of deposit accounts in Louisiana. ODR is expecting to have increases in the amount recovered. LDR was seeing \$1.2 million levied annually on individual tax payers. ODR has collected \$800,000 from the first data run of FIDM matches. ODR will run this process once every quarter. The AG is now linked in to the FIDM process and will be included in the second run. A vast majority of the first run was tax debt; the second run will include other agencies.

Representative Broadwater asked about the debt registry, which allows all agencies to centralize the location of their debt in one place for evaluation. He asked what tools or assistance are needed to complete the debt registry. Secretary Barfield said they have a bare-bones debt registry due to cost and expediency. Depending on the responses of the Case Management System RFP, it should cover the needs of the debt registry long-term. Agencies have multiple types of tax debt in different formats has made it difficult to collect the information to put into the registry. ODR has been working with the 6 agencies that make up over 90% of the state's debt to consolidate the information in a uniform format. Several agencies have hired consultants to make debt information uniform. Secretary Barfield needs teams from each agency to work together on solving these problems and making the information uniform.

ODR has begun talking to the Phase 2 agencies. They are trying to accommodate agencies that would like to be put higher in the queue. Secretary Barfield reports they are about 30 days behind schedule on agency participation agreements. This will not impact critical path timeline. All Phase 1 agencies, except DCFS, will be signed up by July 31, 2014. DCFS is largely exempt and has a very good debt collection agency operation internally. ODR is learning a lot from DCFS' operation. They helped ODR get FIDM up quicker and collaborating with ODR on gaming offsets.

Secretary Barfield said the area in which ODR is behind on are the two major RFPs. The Outside Collection RFP will be released on Friday, July 25, 2014. The Integrated Case Management System (Centralized Collection System) RFP should be released by mid-August, in which the delay was due to ODR focusing on technical modifications and enlarging the scope. After input from potential vendors and local businesses, ODR decided to make modifications to give more flexibility. Secretary Barfield wanted to set it up where the vendor would pay the up-front cost and get paid either from the collections or on a performance basis. ODR focused heavily on schedule mitigation but it will not impact the overall schedule to be fully functional and



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scalable. A lot of the work done with processes, procedures, priorities, and preferences had to be programmed into the system anyway to be the back-bone for the system. However, the biggest risk of doing this is about a 3-4 month delay in completing and implementing this system.

Representative Broadwater has reviewed the Accounts Receivable Reports for 2013. Included in this report is the number of accounts transferred to the AG's Office, which is fairly low. Representative Broadwater expressed the need for the agencies to cooperate because without them this project will be all for nothing. Agencies need to make it a first priority to get these accounts to ODR and the AG's Office. If agencies need assistance, they need to come to the Legislators; otherwise, it is assumed that they have what they need to get the job done. Secretary Barfield feels comfortable with the Priority agencies. He anticipates to have some enhancements after the 3-year implementation period that was not anticipated. For example, ODR is working with DPS on license suspensions and how DPS can collect those fines. Once ODR begins to start collecting debts for some agencies, other agencies will see how it is good for them.

Representative Broadwater asked for an update on the utilization of offsets for gaming and the timeline for getting agreements in place. Secretary Barfield stated this is still in its infancy. The biggest challenge is the collaboration of the system architecture between DCFS and the Gaming Industry. Because of federal regulations, the two systems cannot be co-mingled. There is no firm schedule for when this will happen, but ODR will continue to work on it during the first quarter of Fiscal Year 2014-15.

Mr. Cole pointed out that the Legislative Auditor's Office can help with some of the problems that agencies have in turning over debt because of the audit performed and questions asked by his office. Secretary Barfield stated that his main goal is not only to push this project along and meet the implementation schedule but also to manage expectations. There is still a lot of work to get unique tools for collections available to government agencies fully implemented. Secretary Barfield believes that we will begin to see the new revenue part of this process soon. We are slowly starting to see it with the first FIDM match, but it is hard to estimate the total number. LDR has seen 20% more participation in the State Tax Refund Offset than previous years because of the press and internal conversations with agencies. ODR will still have to figure out what is "new" money versus "old" money; however, Secretary Barfield believes that as we look back at Fiscal Year 2014-15, we will see the fruits of this effort. To see long-term progress, it will take about three years. The states that had the best model for centralized debt collection were Kentucky and Wisconsin. Secretary Barfield believes we will be fully operational and scalable one year before Kentucky and three years before Wisconsin. The whole process is not where it should be but it should not impact our critical path.

Treasurer Kennedy asked of the 13,000 matches from the FIDM data run if there were bank accounts with money in them potentially available for seizure. Secretary Barfield stated that it was found that these individuals had active bank accounts in which the name and social security matched. A levy is filed by ODR against these individuals; however, DCFS is doing the same thing at the same time. All these mechanics must be worked through. This tool is more efficient than any other tool used by LDR.

Treasurer Kennedy asked who drafted the two RFPs. Secretary Barfield stated that ODR prepared the first drafts and sent to the Office of Contractual Review (OCR). ODR asked for the RFPs to be returned in order to make the technical amendments and scope changes discussed previously. After returning the drafts to OCR, one of the RFPs had to be sent to the Procurement Services Team (PST), which is an inter-agencies team including representatives from the AG's Office. PST has legislative oversight participation. PST made several recommendations. ODR has been working on multiple iterations of the RFP with OCR. OCR has final approval of the RFP. All comments and concerns of PST have to be satisfied before OCR can release the RFP. The Outside Collection RFP will be released tomorrow. There are a few word-smithing issues that



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need to be corrected before OCR will sign off on the Integrated Case Management System (Centralized Collection System) RFP. It should be released by mid-August. Mr. Huxen stated that he will speed up the process if needed.

Treasurer Kennedy thanked Secretary Barfield and his staff for all their hard work. Secretary Barfield stated that ODR has hired 6 dedicated employees. They will continue to ramp this up. The responses from the RFPs will be varied and offer attractive options to the State. ODR will return before the Board to discuss the specifics and tradeoffs once the RFPs are received. Mr. McGimsey asked if the evaluation team had been decided yet. Secretary Barfield stated that the evaluation team representatives, not names, and their roles had been chosen.

Treasurer Kennedy turned the meeting over to Ms. Kathleen Allen, Louisiana Board of Ethics Administrator. The bulk of the Board of Ethics' debt is in connection with late fees, fines and penalties for individuals and entities that have not filed reports timely. The bulk of their debt is with Campaign Finance late fees. Since 2008, the Board of Ethics now have Personal Finance Disclosure Reports. Legislation was passed in the 2014 Regular Legislative Session that will speed up the collection of Personal Finance Disclosure Report late fees.

In the 2012 Regular Legislative Session, legislation was enacted to allow final orders to turn Campaign Finance late fees over to the AG's Office. The Board of Ethics used to go to the 19th Judicial District Court before this legislation was passed. It is a much faster turnaround time now.

Treasurer Kennedy asked why the Board of Ethics could not use the FIDM process once the judgment was final for Campaign Finance late fees. One of the biggest obstacles is the lack of social security numbers. The Board of Ethics does not have the ability to collect social security numbers from filers. The AG's Office obtains this information once the file is turned over to them for collection from the Board of Ethics. One option is to add to the Election Code the option for candidates to provide the last four digits of their social security number. Representative Broadwater stated that he needs to know what information is needed, so he can file the bill next session to make this process easier.

Representative Broadwater asked if the Board of Ethics works with Secretary of State and/or the Clerks of Court. What tools are in place to ensure there is an immediate match where someone is allowed to qualify and run for office; however, they haven't honored their obligation to the Board of Ethics for an outstanding fine? Ms. Allen stated that the Election code amended some years ago allows the Board of Ethics to object to someone's candidacy if they have an outstanding debt that is final and over \$250 assessed under the Campaign Financial Law or the Code of Governmental Ethics. Seven days after qualifying, someone at the Board of Ethics manually goes through the list from the Secretary of State and the Board of Ethics database. In respect to Personal Finance Disclosure Reports, the Board of Ethics are sending out letters to those individuals whose debt are final to notify them that they will object to their candidacy if they do not pay the debt due.

The Accounts Receivable report for 2013 states that \$130,000 moved to the write-off category for the Board of Ethics, which means the debt was over 3 years old. Is this amount still on the books after 4 years? If someone runs for office, is this amount still viable and is the Board of Ethics making sure the money is collected? Ms. Allen stated that if debt is final, the Board of Ethics still tracks the information. For those accounts that have been written off, the AG's Office are sending these accounts to ODR for collection. This debt has been resurrected due to the tools available for use. There are some provisions in Campaign Finance law regarding garnishment of public officials.



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Treasurer Kennedy stated that LDR interfaces with the Internal Revenue Service, which does have Social Security numbers. Secretary Barfield stated that is a significant challenge with centralized debt collection—access to social security numbers and employer identification numbers. The issue is we have to be careful we have the right person before we seize debt. If we seize debt from the wrong person, we are subject to Federal Debt Collection acts and penalties. This will be an operational challenge for agencies to avoid personal identity theft and the confidentiality of this information. Legislative action will possibly be needed to collect and protect this information. Ms. Allen stated that Board of Ethics will need to be added to the Election Code to allow the Board of Ethics to collect social security numbers. Representative Broadwater will file what is needed to make this process easier.

Treasurer Kennedy stated that he is all for government having less information; however, debt that is final should go through the FIDM process. Mr. McGimsey stated that 63 of 198 accounts sent to ODR last week were Board of Ethics. These 63 accounts will go through the FIDM match process.

Representative Broadwater suggested that once the process begins for a person to start a Campaign Finance Account, a separate document should be filed with the Board of Ethics allowing personal information about the candidate to be shared with the Secretary of State, ODR and AG's Office. The Board of Ethics should create a list of what information should be collected. Representative Broadwater will file this bill next legislative session.

Having no further business to discuss, and without objection, Treasurer Kennedy adjourned the meeting.