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Lieutenant Governor

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Secretary

**QUESTIONS AND RESPONSES # 2**  
**PROJECT NO. F10B5400006**  
**Department of Budget & Management**  
**Central Collection Unit**  
**Debt Collection Services**  
**November 3, 2014**

Ladies/Gentlemen:

This List of Questions and Responses #2, questions #43 through #60, is being issued to clarify certain information contained in the above named RFP.

In most instances the submitted questions and the Department's responses merely serve to clarify the existing requirements of the RFP. Sometimes, however, in submitting questions potential Offerors may make statements or express interpretations of contract requirements that may be inconsistent with the Department's intent. To the extent that the Department recognizes such an incorrect interpretation, the provided answer will note that the interpretation is erroneous and either state that the question is moot once the correct interpretation is explained or provide the answer based upon the correct interpretation.

No provided answer to a question may in and of itself change any requirement of the RFP. If it is determined that any portion of the RFP should be changed based upon a submitted question, the actual change may only be implemented via a formal amendment to the RFP. In this situation, the answer provided will reference the amendment containing the RFP change.

*43. Based on the variety of types of accounts, is Maryland Department of Budget & Management's Central Collection Unit (CCU) open to alternative fee structures and / or separate fees for different categories of business? Or, do you require one contingency fee for all accounts regardless of type or average balance?*

*If you will consider alternative fee structures, will you accept a proposal that offers CCU the option of either (a) contingency fee for each category of accounts, or (b) alternative fee proposals (other than contingency fees) so that you can weigh the options offered?*

**RESPONSE:** CCU has amended the pricing structure and Financial Proposal Form, Attachment F, to allow two commission rates: one for toll violation referrals and one for all other referrals. See Amendment #3, Items 1-6. Price information must be submitted as indicated in the Financial Proposal Form, Attachment F. No alternate financial proposals are allowed.

~Effective Resource Management~

*44. Given that the original RFP indicated that no accounts with balances under \$100 would be placed; and now that the toll accounts were added after the initial proposal, with average balances of \$55.00; would you consider a separate proposal and separate fee/pricing to cover toll accounts within our overall submission?*

**RESPONSE:** Yes, CCU has amended the pricing structure and Financial Proposal Form, Attachment F, to allow two commission rates: one for toll violation referrals and one for all other referrals. See Amendment #3, Items 1-6.

*45. Can you explain describe your current internal collection efforts on each account type prior to placement with an outside agency?*

**RESPONSE:** Accounts are worked the same internally regardless of type. A notice is sent to the debtor within 7 days of placement to CCU advising the debtor of the debt, explaining the debtor's right to dispute, and demanding payment. CCU then initiates telephone attempts to debtors. These attempts are not live agent attempts. CCU's current dialer plays a recorded message to contact CCU.

Debtors that do contact CCU may be placed on a payment plan. If a payment plan is established, the debtor would be sent a monthly billing statement. If the debtor's payment is 15 days late, a notice is sent. If debtor fails to remit payments to CCU for a period of six months, the unpaid balance would be placed with an outside collection agency. Additionally, on eligible debts, CCU would report the debt to the consumer reporting agencies six months after assignment to CCU.

CCU also performs a wage match quarterly for Maryland residents. If we receive a match, CCU may draft a suit and forward the debtor to the Office of the Attorney General for judgment. Once a judgment is obtained, CCU would attempt to file a wage garnishment and obtain a lien against the debtor's assets.

CCU also attempts to collect debts through the Maryland Tax Refund Intercept Program (TRIP), Central Payroll Offset for Maryland state employees, Liability Offset, and Lottery Offset programs.

Regarding skiptracing and demographic information, CCU also utilizes a vendor for obtaining social security numbers, bankruptcy, death, and address information.

*46. How old or how many days aged are each account type at the time of placement?*

**RESPONSE:** Regardless of account type, CCU receives accounts from various state agencies when the accounts are 90 days old and holds them for internal collection for six months. When the accounts are approximately nine months or 274 days old, CCU would refer them to the Contractor.

*47. The following breakdown by account type was provided in a recent addendum (see Q&A #1):*

- 38,902 accounts (33.5%) with a total value of \$62,512,489.33 were school tuition and fees accounts;
- 33,738 accounts (29.1%) with a total value of \$35,607,200.89 were Department of Public Safety and Correctional Services accounts;
- 14,394 accounts (12.4%) with a total value of \$3,241,024.36 were Judiciary accounts;
- 13,809 accounts (11.9%) with a total value of \$10,173,551.79 were Department of Health and Mental Hygiene accounts;
- 6,846 accounts with a total value of \$25,344,860.19 were Department of Labor, Licensing, and Regulation accounts;
- 4,054 accounts with a total value of \$4,701,261.03 were Department of Human Resources accounts;

*Can you please provide the historical recovery rate (%) and the total dollars (\$) recovered for each category and for the individual years of 2013, 2012 & 2011?*

**RESPONSE:** CCU cannot break out the historical collections by debt type. Overall collections averaged 2% per year as stated in RFP Section 3.1.

*48. What estimated or actual dollars were paid last year, last month, or last quarter to any incumbent(s)?*

**RESPONSE:** The last full year (FY13) CCU paid \$218,668.50 in commission. During FY14, CCU only placed accounts for a small part of the year. Commission paid during that year totaled \$80,968.

*49. To what extent will the location of an Offeror's call center and/or corporate headquarters have a bearing on any award(s)?*

**RESPONSE:** There is no location requirement for an Offeror's call center and/or corporate headquarters in the RFP. However, an Offeror's call center or corporate headquarters location may have an impact on the evaluation of the Offeror's Technical Proposal in light of the evaluation criteria set forth in Section 5.2, specifically Section 5.2.4 "Economic Benefit to the State of Maryland."

*50. Regarding 3.9 SOC 2 Type II Audit Report – Which reads:*

*The Contractor shall have an annual audit performed by an independent audit firm of its handling of the Department's critical functions and/or sensitive information, which is identified as receiving and handling debtor account information to include Social Security Numbers among other sensitive information (collectively referred to as the "Information Functions and/or Processes"). Such audits shall be performed in accordance with audit guidance: Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy (SOC 2) as published by the American Institute of Certified Public Accountants (AICPA) and as updated from time to time, or according to the most current audit guidance promulgated by the AICPA or similarly-recognized professional organization, as agreed to by the Department, to assess the security of outsourced client functions or data (collectively, the "Guidance")*

*Question – There is a Collection Industry Certification program known as the Professional Practices Management System (PPMS). Will the Maryland Dept. of Budget & Management accept a PPMS certification in order to meet and exceed this requirement?*

*The PPMS program is certified by the ACA International which is the highest recognized and official trade association for the credit collections industry. The PPMS certification process meets and exceeds every criteria within SOC 2 Type II Audit Report. Fewer than 78 collection agencies in the world hold this certification. Here is a link to a full overview of PPMS.  
<http://www.acainternational.org/ppms-basic-elements-5568.aspx>*

**RESPONSE:** The scope of the PPMS certification is insufficient to warrant substitution for the SOC 2 Type II audit because the SOC 2 Type II audit focuses on assessing specific, minimum information technology and information security controls that should be in place to minimize the risks associated with third-party outsourcing while the PPMS appears to cover overall management of the collection process with security being a minor component of that total PPMS assessment.

However, if an Offeror can show that the AICPA, NIST (National Institute of Standards and Technology), or a comparative information security professional body evaluated the PPMS and issued the statement the PPMS certification process “meets and exceeds every criteria within the SOC 2 Type II Audit Report,” then the Department of Budget & Management will further review the PPMS certification.

*51. Does the Maryland Dept. of Budget & Management add any late fees or other penalties to a principle balance at any stage of delinquency prior to placement for collection?*

**RESPONSE:** Yes. For most debts, CCU adds a 17% collection fee.

*52. Does CCU intend for collections fees to be added to each account?*

**RESPONSE:** No. CCU does not intend for the Contractor to add collections fees to debtor accounts. All allowable collections fees have been added to debtor accounts prior to their placement with the Contractor.

*53. Does the Maryland Dept. of Budget & Management intend to charge interest to account balances that are delinquent and placed for collections?*

**RESPONSE:** Yes, some accounts types have accruing interest.

*54. Please provide the formula or methodology that the Maryland Dept. of Budget & Management intends to use for calculating performance? For example, for gross collections as a % of gross placements, are adjustments and recalls taken out of the calculation base?*

<u>EXAMPLE:</u>	<u>Num. of accounts.</u>	<u>Dollars</u>
Gross Placements	100	\$40,000

<i>Recalls</i>	8	\$2,458
<i>Adjustments</i>	7	\$546
<i>Adjusted Gross Collection Dollars Placed</i>		\$36,996
<i>Recovered Dollars</i>		\$3,699
<i>Recovery Rate</i>		10%

*(Note – these volume numbers are low and using whole numbers only for the sake of simplification.)*

**RESPONSE:** CCU would base performance on the Adjusted Gross Collection Dollars Placed as illustrated in the example above.

*55. Does the Maryland Dept. of Budget & Management report these accounts to the credit bureaus internally?*

**RESPONSE:** Yes, eligible debts are reported by CCU six months after placement by client agencies.

*56. Does the Maryland Dept. of Budget & Management intend for the collection agency(s) to have third party collection activity reported to the credit bureaus?*

**RESPONSE:** No

*57. What is the number and value of payments that are remitted to the Contractor and later reversed due to insufficient funds?*

**RESPONSE:** Payments remitted to the incumbent contractor that were later reversed due to insufficient funds equal approximately 300 per month, for an average value of \$70,000 per month.

*58. The monthly flow of account is expected to be about 6,333. How many actual debtors are there? We ask this because of the required monthly letter. If a debtor has more than one account, can we list the accounts in one letter?*

**RESPONSE:** Except in the case of toll violations, the number of debtors to accounts placed should be almost 1 to 1. CCU currently has no historical data on the toll violations because they are a new type of debt placement with CCU. If by chance two debts are placed the same day with the same debtor, the Contractor may list the accounts in one letter.

*59. What happens in the event of a bad address? If we find a new address (due to skip tracing), can we send the letter to that new address?*

**RESPONSE:** The Contractor may skiptrace and send the notice to a newly obtained address if the Contractor determines it is more accurate than the address provided by CCU.

*60. Where can information on the incumbent contractor and current Debt Collection contract be found?*

Information regarding CCU's current debt collection contract may be found on the DBM website here: <http://dbm.maryland.gov/contractors/contractlibrary/Pages/StateDebtCollection.aspx> .

**Remember proposals are due on November 20, 2014, no later than 2:00 p.m.** If there are questions concerning this solicitation, please contact me via e-mail at [rachel.hershey@maryland.gov](mailto:rachel.hershey@maryland.gov) or call me at (410) 260-7681 as soon as possible.

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By:  
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