

Requests for proposal from public sector entities seeking to outsource collection operations yielded at least 58 opportunities totaling in excess of \$1 billion in portfolios available for bidding and eventual servicing during the third quarter of 2008. Requestors included well-established receivables management outsourcers such as the **State of Kansas, St. Petersburg, Florida, and Parkland Health and Hospital System.** New outsourcing opportunities this past quarter included those announced by **The Comptroller of the State of Texas, the University of Houston at Clear Lake, and Prince William County, VA.**

President Obama: "O" for Outsourcing?

Can collection agencies have faith that **President-elect Barack Obama** will at least consider remaining neutral toward (or even dare supporting) policies and legislation that may create opportunities for the debt collection industry to collect on more Federal debt?

Yes, we can.

While the traditional Democratic platform has always steered toward larger government (which of course means less outsourcing), there is reason for hope. Why? The current recession is one reason. Can anyone imagine an Obama administration killing the current **Internal Revenue Service (IRS) Private Collection Agency** initiative with the dollars that program continues to bring into the treasury's coffers each month, even as the program is still in its infancy? (Editor's Note: How else would taxpayers be able to fund **AIG** corporate getaways?)

A second reason for hope is Obama the candidate's official position on immigration, which has always been that illegals granted permission to stay would pay a hefty fine in any case. Imagine the **Department of Homeland Security** letting a dozen or so agencies loose on several million people who are in the country specifically because they have a source of income here.

It remains to be seen what will happen with the \$700 billion in mortgage assets that will need to be dealt with as a part of **Troubled Assets Relief Program (TARP)** under the **2008 Emergency Economic Stabilization Act.** It is simply too early to tell—but the likelihood that the **U.S. Treasury** would be able to service this portfolio without some form of outside help is slim.

Nine Out in NC

The **State of North Carolina Department of Justice** recently picked agencies to collect a variety of debts owed to the state, a pool that included diverse debt types such as student loans, child support cases, and other miscellaneous accounts owed to various state agencies. Under this contract, accounts originate from more than 12 state agencies and more than 50 colleges and universities.

The state received a total of 20 bids. Out of this original field, 9 companies submitted responsive offers, and 7 vendors were selected to participate. So, nearly every vendor that submitted a responsive offer got an award. These firms included **Williams & Fudge, NCO, Progressive Financial, Todd Bremer & Lawson, Windham Professionals, and Account Control Technology** for student loans, **The Affiliated Group** for other government accounts, and **NCO and Progressive Financial** for child support.

On the downside, fully 11 vendors simply could not muster the organizational ability to submit an offer that complied with the buyer's requirements. Reasons included:

- Did not fully answer questions
- Did not return addendums
- Did not submit the right financial statements
- Did not provide proof of licensing
- Did not understand or submit requirements related to the Title IV attestation required for student loan servicers

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With the amount of time it takes to prepare an offer to a public sector buyer, disqualification from an RFP process for these reasons is unfortunate. The difference between winning and losing sometimes comes down to whether or not the vendor has enough resources committed to the proposal project to simply get the job done.

Energizing Austin's Seconds & Thirds

Austin Energy recently completed its year-long effort to get firms under contract to collect delinquent utility accounts for primary, secondary, and tertiary placements. After selecting primary placement firms early in 2008, this Texas utility company selected **Vertex Outsourcing** and **I.C. System** to collect second placements and picked **Credit Systems International** for third placements. Also-rans who bid but were not awarded contracts included **Penn Credit** and **CBCS**, the latter having been disqualified because it won a contract to collect primary placements earlier this year.

All three contracts required vendors to complete a SAS-70 on a yearly basis as a condition of the contract. Although not historically a requirement for government contracts, the SAS-70 is emerging as one additional operational attribute serious contenders to large government contracts should consider implementing to help their chances.

Who Cares?

University Health System in San Antonio, Texas, recently renewed a contract with **Account Services Collections** (ASC) to collect delinquent CareLink member accounts. CareLink is a health membership program that provides uninsured **Bexar County** residents a payment plan for services rendered within the CareLink network of healthcare facilities based on their ability to pay.

ASC, which has been in place on the contract since 2002, beat out six other proposers to retain the contract. The firm will collect accounts with average balances of \$750, with forward flow estimated to be \$375,000 in placements per month. The contract is expected to bear \$840,000 in commissions over its 3-year term.

William and Mary Tribe Ask "How?"

The College of William and Mary (whose athletes are known as the Tribe) recently received a request for information about the award of its collection agency contract for

student accounts. These types of requests are known as Freedom of Information Act requests (FOIA).

The college balked at first, taking a position that the **Commonwealth of Virginia's** laws related to FOIA make records available only to residents of the state and to media outlets. However, all 14 firms that bid on the contract were out-of-state firms, bringing into question any argument against releasing documents to out-of-state persons.

Net Gain Marketing obtained records related to the winners of the contract, rates awarded to those winners, and the evaluation of all firms by successfully arguing that the Commonwealth's FOIA laws may favor in-state residents, but do not exclude others.

Winners of this contract included **Enterprise Recovery Systems** and **Todd, Bremer & Lawson**, both players in the student loan collection market. Also-rans lost points on pricing, lack of experience, and other factors. This is a two-year contract with seven one-year options available.

Do You Have a Contract You'd Like to See Covered on Our Pages?

With the collection industry on pace to divvy up more than 300 government contracts this year equaling tens of billions of dollars in new placements, *The Public Eye* cannot cover all contracts in its pages.

However, we are interested in hearing from you if you would like a contract you have bid on covered in the newsletter.

To put us on to something, simply go to www.mygovwatch.com and send us a note through the "Contact Us" form on the site. Or call me at 877-533-1680, x701.

Thank you in advance for your thoughtful suggestions.

- Nick Bernardo, Editor