

DEPARTMENT OF FINANCIAL SERVICES

2022 Debt Collection Workshop

Presented by:

Department of Financial Services
Division of Accounting and Auditing
Bureau of Financial Reporting

CFO JIMMY PATRONIS

Introductions / Presenters

- Susan Sloan - Financial Administrator
- David James – Government Analyst II
- Miracle Flanders – Professional Accountant Specialist

Agenda

- Debt Collection Guidance
 - AR Referrals & Recoveries
 - Guidance & References
 - Bankruptcies
 - Reg F
 - Exemptions & Extensions
 - Account Placement
- Debt Collection Contract
- Accounts Receivables Write Off and Property Adjustment Process
 - AR Write Off
 - Statute Of Limitations
 - Property Adjustments
- F.S. 17.20 Annual Claims for Collection Report

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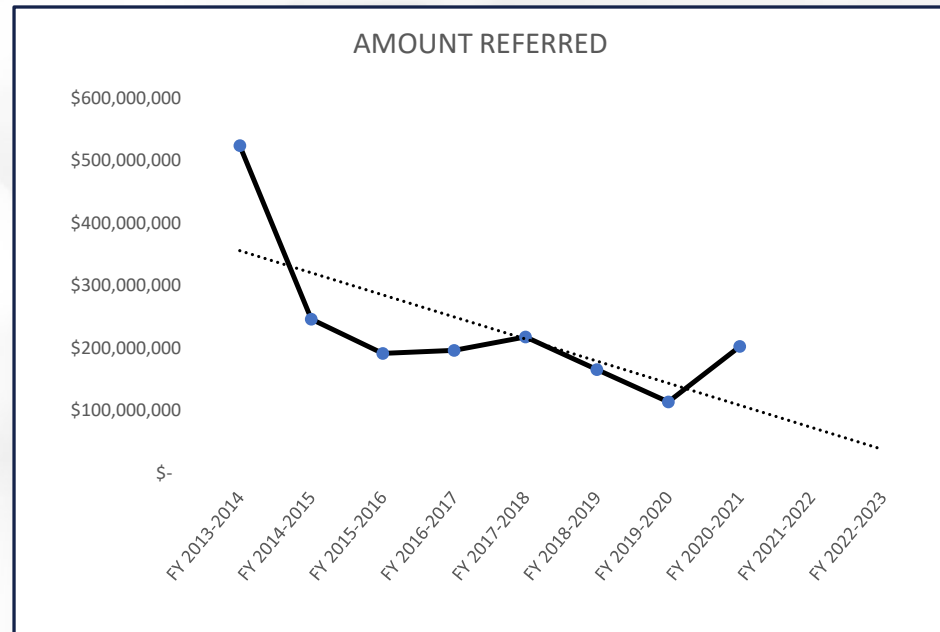
Debt Collection Guidance

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AR Referrals

- AR - Amounts Referred by fiscal year to Collection

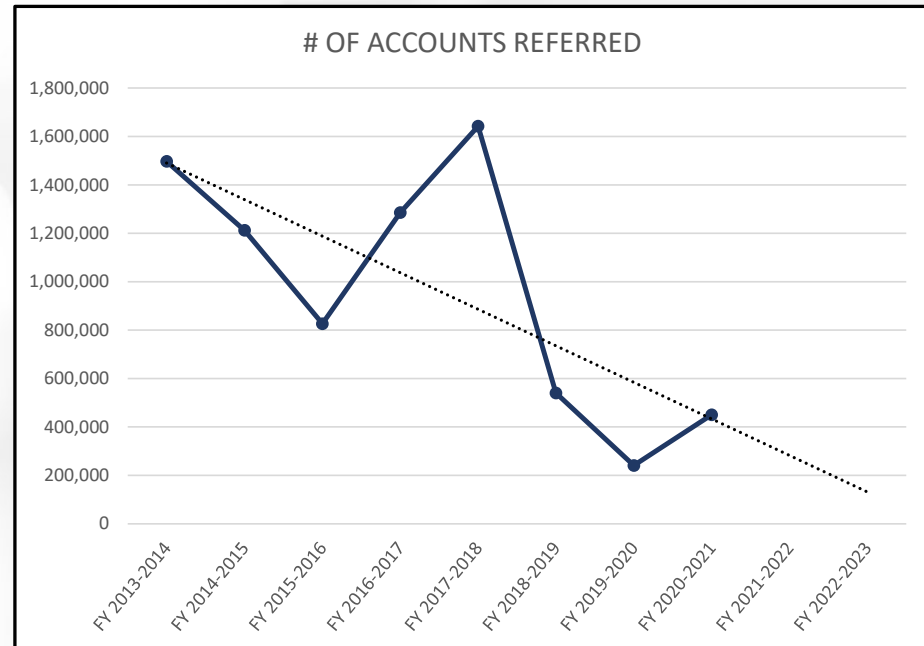
FISCAL YEAR	AMOUNT REFERRED
FY 2013-2014	\$ 523,711,632
FY 2014-2015	\$ 246,259,376
FY 2015-2016	\$ 191,579,845
FY 2016-2017	\$ 196,404,477
FY 2017-2018	\$ 217,971,065
FY 2018-2019	\$ 165,755,554
FY 2019-2020	\$ 114,134,641
FY 2020-2021	\$ 202,695,534
FY 2021-2022	
FY 2022-2023	
TOTAL	\$ 1,858,512,124



AR Referrals

- AR - Number of Accounts referred by fiscal year

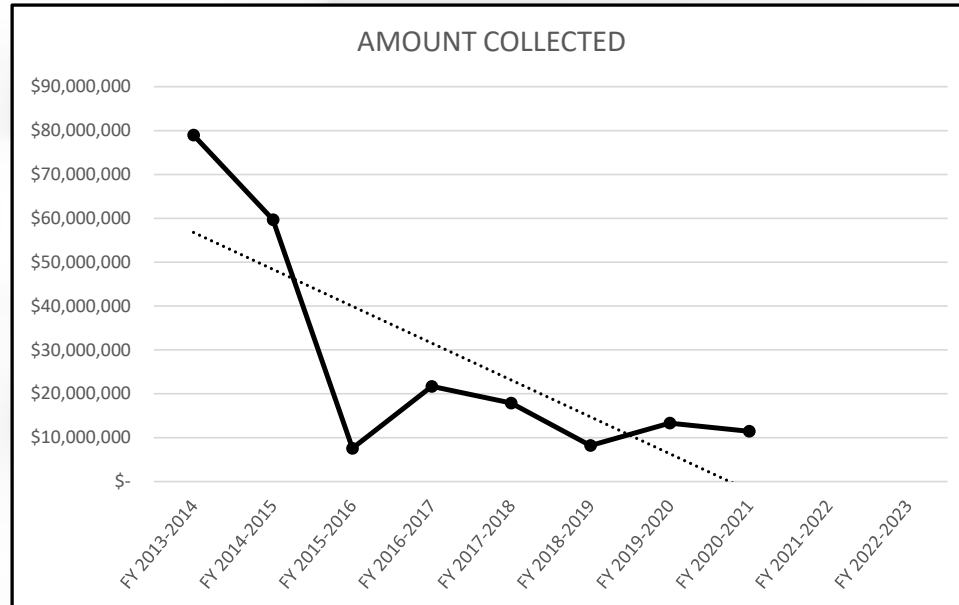
FISCAL YEAR	# OF ACCOUNTS REFERRED
FY 2013-2014	1,497,039
FY 2014-2015	1,212,054
FY 2015-2016	826,300
FY 2016-2017	1,285,930
FY 2017-2018	1,642,486
FY 2018-2019	540,061
FY 2019-2020	240,964
FY 2020-2021	449,924
FY 2021-2022	
FY 2022-2023	
TOTAL	7,694,758



AR Recovery

- Amount Collection by fiscal year

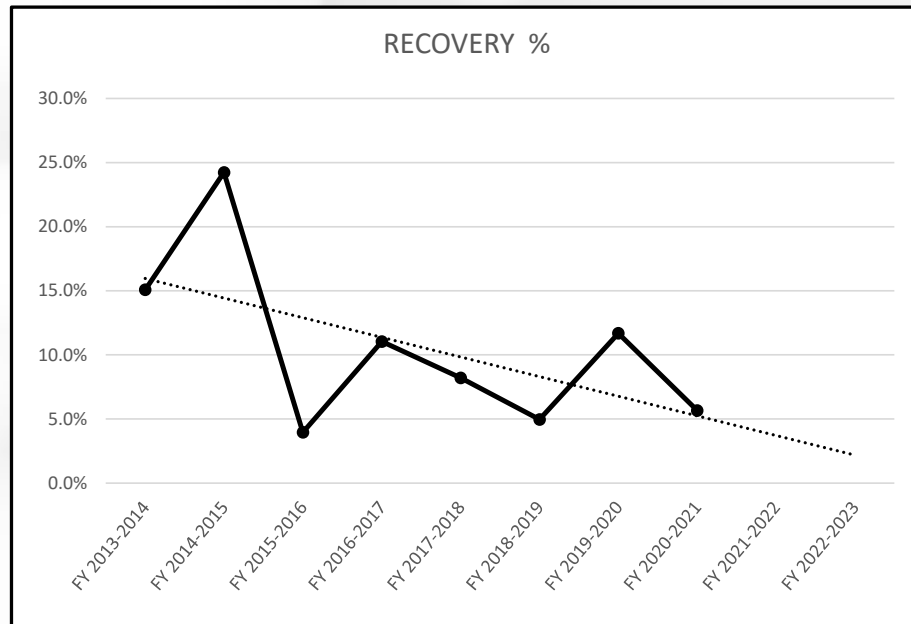
FISCAL YEAR	AMOUNT COLLECTED
FY 2013-2014	\$ 78,976,791
FY 2014-2015	\$ 59,685,755
FY 2015-2016	\$ 7,584,333
FY 2016-2017	\$ 21,691,658
FY 2017-2018	\$ 17,887,657
FY 2018-2019	\$ 8,224,130
FY 2019-2020	\$ 13,332,968
FY 2020-2021	\$ 11,470,083
FY 2021-2022	
FY 2022-2023	
TOTAL	\$ 218,853,375



AR Recovery

- AR Statewide recovery percentages

FISCAL YEAR	RECOVERY %
FY 2013-2014	15.1%
FY 2014-2015	24.2%
FY 2015-2016	4.0%
FY 2016-2017	11.0%
FY 2017-2018	8.2%
FY 2018-2019	5.0%
FY 2019-2020	11.7%
FY 2020-2021	5.7%
FY 2021-2022	
FY 2022-2023	
AVERAGE	10.6%



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Guidance and References

- Knowledge
- Experience
- Working Relationships with DCA's

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Guidance and References

- Statutes, Rules, United States Code, Memorandums & Guides
 - **Florida Statute** 17.04 – To audit and adjust accounts of officers and those indebted to the state.
 - Primary Authority for all DC accounts. “Authority to audit, settle, examine, and adjust accts”
 - **Florida Statute** 17.20 – Assignment of claims for collection.
 - States that a State Agency (SA) must exercise due diligence in securing full payment of all accounts receivables
 - Stipulates that the debt be placed, no later than day 120 days after the date on which the account receivable became delinquent, with a Debt Collection Agent (DCA)
 - Excludes any SA that has their own independent statutory authority to collect delinquent accounts
 - Allows the CFO to review a request from a SA for exemption from parts of this
 - The SA places the delinquent debt with a DCA
 - At or before day 120 of delinquency
 - After day 120 the SA is out of compliance with F.S. 17.20

Guidance and References

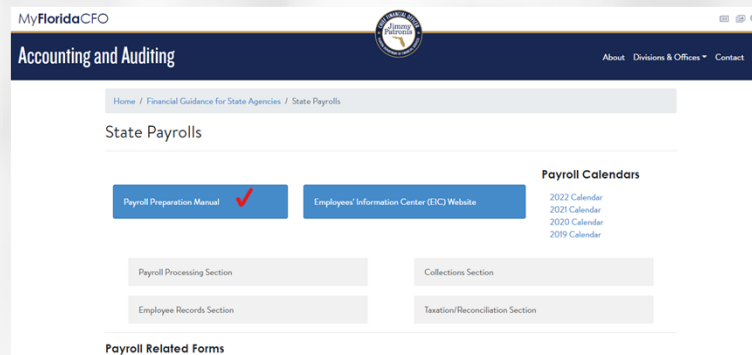
- [Florida Statute 95.011](#) – Applicability
 - Referring to a civil action or proceeding called an “action” in F.S. Chapter 95.
- [Florida Statute 95.11](#) – Limitations other than for the recover of real property
 - Limitations on “actions” other than for the recovery of real property.
- [Florida Administrative Code 69I-21](#) – Audit and Adjustment of Accounts and Recovery of Accounts Receivables
 - .001 – Applicability and Definitions
 - .002 – Procedure for Adjustment of State-Owned Property Records
 - .003 – Procedure for Collection of Delinquent Accounts
 - .004 – Recovery of Non-salary Sums Due the State from State Officers and Employees
 - .005 – Procedure for Processing and Approving Settlement of Claims in Favor of the State
- [15 U.S.C. CHAPTER 41 SECTION 1692](#) – Fair Debt Collection Practices Act
 - [Florida Statute 222.11](#)

Guidance and References

- **Forms**
 - Financial Reporting
 - DFS-A1-1829 DFS Debt Collection Referral Form
 - DFS-A1-1950 Accounts Receivables Write-Off Form
 - DFS-A1-1951 Property Write-Off Form
 - DFS-A6-2095 Annual Report of Claims for Collections Form
- **Chief Financial Officer Memorandum No. 14, 2021-22** – Claims for Collections
- **Chief Financial Officer Memorandum No. 22, 2021-22** – Reporting Delinquent Accounts – Section 17.20, Florida Statutes

Guidance and References

- [Reference Guide for State Expenditures](#)
 - Pages 79 – 80
 - Settlement Claims Against the State
- [Payroll Preparation Manual](#)
 - Volume IV, Section II
 - Pages 1-10 (96 of PDF)
 - Payroll Processing Back Pay / Settlement / Retroactive Pay / Manual Payroll



Bankruptcies

In the case of bankruptcies, State agencies should cease collection efforts and ensure that accounts are closed with the collection agency in a timely manner. An order of discharge in bankruptcy officially ends your personal liability on certain debt. It also orders a permanent stop to collection actions. However, there are certain debts that are not discharged and should be collected on once the bankruptcy period ends. Examples of these debts are as follows:.

- Child Support, Alimony, or other types of court-ordered domestic support obligation
- Government-backed student loan debt unless qualified for a hardship
- IRS Debt (some exceptions for old income tax debt)
- Debt stemmed from DUI-related personal injury or property damage case
- Court Fines & Fees
- Secured Creditor (mortgage company) have right to their property

Types of Bankruptcies

There are six types of Bankruptcies:

1. Chapter 7 – Liquidation
2. Chapter 9 – Municipalities
3. Chapter 11 – Large Reorganization
4. Chapter 12 – Family Farmers
5. Chapter 13 – Repayment Plan
6. Chapter 15 – Used in Foreign Cases

Chapter 7 Bankruptcy

- Most common type of bankruptcy
- Known as a liquidation bankruptcy
- A trustee appointed by the court cancels many of your debts and, in some cases, may be able to eliminate all of them.
- A trustee will determine if you have property of value to sell before the discharge of debts.
- Usually takes four to six months to complete

Chapter 9 Bankruptcy

- Known as Municipalities Bankruptcy
- Has a timeframe of a few months to a few years
- Financially distressed municipalities are able to file Chapter 9 bankruptcy in order to protect themselves from creditors.
- The municipality creates a plan in order to repay creditors any outstanding debt. A municipality cannot liquidate their assets so bankruptcy offers them a method for repaying debts to creditors.

Chapter 11 Bankruptcy

- Known as Large Reorganization Bankruptcy
- Has a timeframe of 17 months to 5 years
- Chapter 11 is designed for corporations who are suffering from financial distress.
- The debtor continues to operate their business. However, if the court suspects fraud, dishonesty, incompetence or gross mismanagement, they may appoint a trustee to oversee the company during the proceedings.
- The court takes over all major decisions such as the sale of assets, lease agreements, mortgages, closing the business or entering into a modifying contract.
- The debtor has the exclusive right for four months after filing Chapter 11 to propose a reorganization plan, giving them the opportunity to restructure their financial situation. This may include downsizing the operation, although it could lead to liquidation of all assets.

Chapter 12 Bankruptcy

- Known as Family Farmers Bankruptcy
- Timeframe is 3 to 5 years
- Designed for family farmers or fishermen who may be suffering from financial distress.
- Debtors propose a repayment plan, making installments to creditors over a period of between three and five years. The debtor must have a regular annual income and they must be engaged in either a farming or commercial fishing operation.

Chapter 13 Bankruptcy

- Known as Repayment Plan Bankruptcy
- Has a timeframe of 3 to 5 years
- Chapter 13 of the bankruptcy code allows wage earners to discharge some or all of their debts by completing a three- to a five-year repayment plan.
 - The debtor is protected from collections for the duration of the repayment period.
 - The debtor has a chance to avoid foreclosure and keep your home.
 - Chapter 13 addresses secured and unsecured debts.
 - The debtor must repay all of his priority debts and may pay part of his nonpriority debts.

Chapter 15 Bankruptcy

- Known as a bankruptcy used in foreign Cases
- Chapter 15 makes legal proceedings related to an international company that is insolvent, more predictable and fair for debtors and creditors. The law is adopted from the United Nations Commission on International Trade Law's Model Law on International Commercial Arbitration. This law reduces the risk for creditors as well as stakeholders who invest in international companies.

Regulation F

- Reg F is an amendment to 12 CFR part 1006, which implements FDCPA
- Brings changes to debt collections law
- Outlines and clarifies precise parameters on what time and where consumers may be contacted.
- Prevents excess contacting
- Clarifies new 7-in-7 rule
- Offers five (5) mandated “Itemization Dates” to choose from

Reg F

- 7-in7 rule – Stipulates that there may be no more than seven calls made by a debt collector to a consumer in a span of seven days.
- Debt collector may not attempt to contact consumer before 8 a.m. or after 9 p.m. in the consumer's local time zone unless state has its own time restrictions that supersede Reg F
- Debt collectors may not attempt to contact a consumer at their place of employment.
- Itemization dates – There are five dates to choose from to prevent consumer confusion:
 - Last statement date
 - Charge-off date
 - Last payment date
 - Transaction date
 - Judgement date

Exemptions & Extensions

“If an agency determines that accounts are **inappropriate for assignment** to a collection agency, or if the agency determines that a **different period of time for assignment** is more appropriate, the agency must request an exemption from the Chief Financial Officer (CFO) in writing, unless a **qualified exception applies**. The exemption request for not assigning accounts to a collection agency must **fully explain** the nature of the delinquent accounts and **the reasons why** such accounts should be precluded from being assigned to a collection agency. The reason(s) must indicate that a **demonstrative harm** to the state will occur as a result of assignment to a collection agency. Any request for a different period of time for assignment must include an appropriate recommended period.”

Exemptions & Extensions

An agency does not need to request an exemption from the CFO* if any of the following applies:

1. Debtor has filed for bankruptcy and debt is discharged.
2. Debtor is deceased.
3. The account has reached its respective statute of limitations.
4. Debtor is actively making payments according to a payment plan agreed upon and acceptable to the agency.
5. Debtor is a department, division, agency, office, commission, board, or entity within the legislative, executive, or judicial branch of the State of Florida.
6. Debtor is a local government entity as defined in Section 218.31(1), F.S.

*See CFO Memo No. 14 Claims for Collections

Exemption & Extension Requests

Please email the letter to:

Tammy Eastman, Chief
Bureau of Financial Reporting
Division of Accounting and Auditing
Department of Financial Services
FinancialReporting@myfloridacfo.com.

Account Placement

- Complete and submit a Debt Collection Referral Form to selected vendor no later than 120 days after the original due date.

[69I-21.003: Procedure for Collection of Delinquent Accounts](#)

- Submit accounts to collections using the Agency Approved Debt Collection Referral Form [DFS-A1-1829](#)

Client ID	Responsible Party First Name	Responsible Party Last Name / Business Name	Co-Debtor	FEIN/SSN

- Accounts can be withdrawn and placed at agency discretion.
- Complete the Vendor Selection Agreement Form to use a new collection vendor. Contact FinancialReporting@myfloridacfo.com for a copy of the form.

- **Vendor Selection Agreement Form**
- The Submitting State Entity (SSE) and the Contractor both agree to meet the responsibilities in the Contract # _____ resulting from Request for Proposal (RFP) DFS AC RFP 15/16-09.
- Any contract concerns or issues will be brought to the attention of the Contract Manager for resolution.
- IN WITNESS WHEREOF, the parties by their duly authorized representatives have signed this Agreement.
- _____
- Contractor Name _____ State Agency Name _____
- _____
- Contractor Representative Name: _____ State Agency Representative Name: _____
- _____
- Contractor Representative Signature: _____ State Agency Representative Signature: _____
- Title: _____ Title: _____
- Date: _____ Date: _____

Attachment N Vendor Selection Agreement Form

Meet Your Vendors

Municipal Services Bureau (MSB)

FACTS AC086

Collection Fee = 22%

Valrie Humphrey

Juanita.Valdez@gilacorp.com

(512) 323-4341

United Collections Bureau (UCB)

FACTS AC088

Collection Fee = 17.50%

Scott Post

sbpost@ucbinc.com

(419) 559-8047

National Enterprise Solutions (NES)

FACTS AC085

Collection Fee = 14%

Jim Valhalik

jvalhalik@net1.com

(614) 361-7363

Transworld Systems (TSI)

FACTS AC087

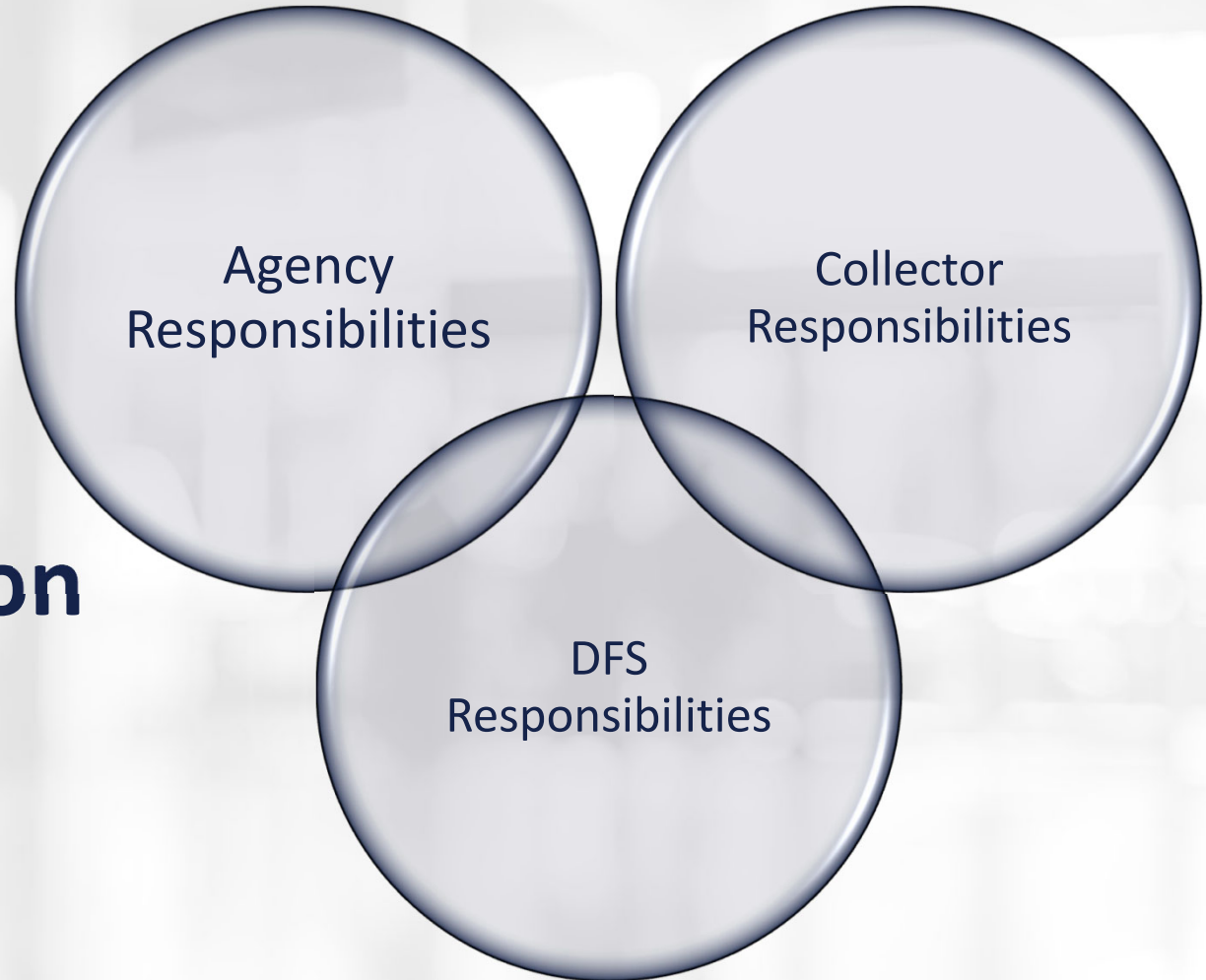
Collection Fee = 13%

Cathy Rogers

Cathy.Rogers@tsico.com

(813) 546-2243

Debt Collection Contract



State Agency Responsibilities

- **COMMUNICATION** – Keep DFS informed about decisions
 - Selecting or change a DCA
 - Alert DFS of any DCA performance issues
 - References
- **PLACEMENT** – Make sure delinquent accounts are assigned to a DCA before day 120 of delinquency
- **INFORMATION** – Provide the DCA all available information in reference to the Consumer / Debtor
 - The more you can provide the easier it is to collect
- **CONTINUE LEARNING** – Participate in the DCA annual trainings
 - Keep in mind that anytime a new person on-boards at your Agency the DCA will provide training
 - Ask questions
 - Research
 - Share

DFS Responsibilities

- LIAISON and CONTRACT MANAGER
 - COMMUNICATION – Keep SA / DCA informed about decisions
 - PLACEMENT – Make sure SA are assigning their delinquent accounts to a DCA before day 120 of delinquency
 - INFORMATION – Ensure that the SA / DCA is getting all available information in reference to changes in guidance
 - CONTINUE LEARNING – Participate in the DCA annual trainings with the SA
 - Ask questions
 - Research
 - Share

Debt Collection Agent Responsibilities

- CUSTOMER SERVICE
 - Communication
 - Provide our State good Customer Service
 - Required to respond to written inquiries within two (2) business days
- QUICK SERVICE
 - Provide prompt service to the State
 - When the DCA receives placements how quickly do they:
 - Validate the data
 - Start mailing
 - Start calling
 - Start skip tracing actives on unknown addresses or telephone numbers
 - Provide prompt service to your Consumers
 - Debt challenges
 - Proof of debt requests
- RESULTS
 - What are you collection percentages
 - Collecting debt in full
 - Setting up payment plans

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Accounts Receivable Write- Off & Property Adjustment Process

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AR Write-off

Process for Requesting AR Write-off

- Submit a letter signed by the Finance and Accounting Chief or Equivalent stating the total amount and number of accounts and an explanation as to why the accounts need to be written-off
- Submit completed Form DFS-A1-1950
- Email to FinancialReporting@myfloridaCFO.com

Consideration

- Due Diligence
- Generally Accepted Accounting Principles (GAAP)

Criteria

- Deceased debtor
- Bankruptcy
- Statute of Limitations
- *Other

AR Write-Off

examine, audit, adjust, and settle any accounts of the state

[Section 95.11 Florida Statutes](#)

New determination made regarding
Statute of Limitations

Agencies can write-off accounts that meet
their Statute of Limitations but should
retain those accounts at the collection
agency.

**Statute of
Limitations**

Property Adjustments

- A write-off is an accounting function and not debt forgiveness
- Missing & Stolen Property ONLY
 - Reference Section 273, F.S. State-owned Tangible Property
 - 69I-21.002- Property adjustment requirements
 - DFS-A1-1951
 - Request Letter
- Consideration
 - Missing Property
 - Internal Control documentation
 - FLAIR printouts
 - Stolen Property
 - Police Reports



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17.20 Annual Claims for Collection

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Memorandums

- [Chief Financial Officer Memorandum](#) No. 14, 2021-22 – Claims for Collections
- [Chief Financial Officer Memorandum](#) No. 22, 2021-22 – Reporting Delinquent Accounts – Section 17.20, Florida Statutes

17.20 F.S. Claims for Collection

- 17.20(2)- CFO responsibilities regarding the collection of state-owned debt
- 17.20(3)- Agency responsibilities regarding the collection of state-owned debt
- 17.20(4)- Agency Annual Claims for Collection Annual Report
- 17.20(5)- CFO Annual Claims for Collection Annual Report

17.20 Florida Statutes

Agency Responsibilities

Exercise Due Diligence

Refer accounts to collections-120 days

Submit Annual Report - Due October 1st

Due Diligence

- Means - Measure of prudence, responsibility, and diligence that is expected from, and ordinarily exercised by, a reasonable and prudent person/organization under the circumstances.
 - **17.20-** “Each agency shall be responsible for exercising **due diligence** in securing full payment of all accounts receivable and other claims due the state.”
 - **Rule 69I-** “When determining the level of **due diligence** to exercise, consideration shall be given to the agency’s **independent statutory authority** to collect delinquent accounts; the type, age and amount of delinquent accounts; and whether or not the actions taken by the agency are **reasonable and cost effective**. Agencies shall establish, document and maintain policies and procedures which fully explain the process of exercising **due diligence**.”
 - “...agencies must regularly monitor collection activities on accounts assigned to a debt collection agent and verify the accuracy of amounts collected and the related collection fees.”

F.S. 17.20 Claims for Collection Annual Report

Instructions

Definitions

Report Tabs 4a, 4b, 4c

**Due by
October 1**

- Report Template [DFS-A6-2095](#)
- Tab A - Accounts Referred for Collections
- Tab B - Accounts Not Referred for Collections
- Tab C - All Accounts Written-Off

<i>Accounts Referred for Collection in Fiscal Year</i>													
<small>Section 17.20 (4)(a), Florida Statutes</small>													
Agency:													
Agency Contact:													
Email:													
Phone Number:													
										Totals	\$0.00	\$0.00	\$0.00
Agency OLO (6 digits)	Debtor First Name (Optional)	Debtor Last Name/Company Name	Debt Type	Description of debt if "other" is selected as debt type	Account Status	Original Due Date	Date Referred	Explanation if account was older than 120 days at time of referral	Original Amount Referred	Amounts Collected	Uncollected Balance		

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Section 17.20 Florida Statutes

- CFO
 - May assign claims to a DCA
 - May authorize the DCA to add a collection fee
 - Finalize the Annual Report
 - Compilation of ALL SA's 17.20 Report

17.20 Claims for Collection Annual Report

Report Tabs 5a, 5b, 5c, 5d

- Tab 1 – Claims Referred for Collection
- Tab 2 – Outstanding Accounts by Agency & Amount
- Tab 3 – Timeliness of Claims Referral
- Tab 4 – Amount of Claims Collected

**Due by
December 1**

Report – Best Practices

- Timeliness – Due by October 1 not after
- Template – do not alter
 - Date format – keep the XX/XX/XX date format
- Complete All Required Fields
- Use Explanation Field if > 120 days.

Executive Summary – What is your story?

- Narrative
- Trends
- Statistics
- Compliance
- Successes
- Challenges





Contact Information

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850-413-5746
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- **Susan Sloan**
850-413-5643
Susan.Sloan@myfloridacfo.com
- **Miracle Flanders**
850-413-5732
Miracle.Flanders@myfloridacfo.com
- **David James**
850-413-5871
David.James@myfloridacfo.com
- **Claims for Collections**
FinancialReporting@myfloridacfo.com
- **Accounting & Auditing Website**
<https://www.myfloridacfo.com/division/aa/home>

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