

ATTACHMENT D
Background and Purpose of the AGO's Collections Enforcement Section

The Ohio Attorney General's Office (AGO) is the single state agency responsible for collecting all the State of Ohio's outstanding government debt; we also collect debt on behalf of over 200 of Ohio's political subdivisions. In accordance with Ohio Revised Code §131.02, the AGO's Collections Enforcement Section (CE) collects debt for hundreds of clients, consisting of state agencies, boards, commissions, Ohio institutions of higher education and political subdivisions. Our three largest clients are the Department of Taxation, the Department of Jobs and Family Services and the Ohio Bureau of Workers Compensation. The various debt types collected by the CE include but are not limited to, income taxes, business taxes, fines, penalties, unemployment compensation debts, worker's compensations debts, student loan debts, and state hospital receivables.

The AGO's Collections Enforcement Section is the second largest section in the AGO and is organized into various units including Internal Collections (including Tax, Non-Tax, Resolution and Data Integrity) Non-Legal Operations (accounting and operational support), Legal Operations (bankruptcy, offers in compromise, findings for recovery and Medicaid) External Collections (including Special Counsel and Third-Party Vendors), and Compliance. All operational units are located at 30 E. Broad St. on the 14th Floor. Additionally, the Section has four employees in the Cleveland regional office, two employees in the Toledo regional Office, three employees in the Cincinnati regional office and eight employees in the Youngstown regional office. The Section has 129 employees, including attorneys, collections account representatives, account clerks, clerks, legal secretaries and paralegals, and various administrative staff. CE also directs and manages contracts and relationships with nearly 70 Special Counsel and 8 third party collection agencies—all Ohio-based entities.

Currently, the AGO uses a system called the Columbia Ultimate Business Systems (CUBS) as the system of record for collections along with multiple interfaces related to county liens, state lottery, client and vendor portals, and document management.

Once a debt is certified to our Office, the collection efforts begin with the in-house CE staff sending a series of letters, utilizing skip tracing methods to locate taxpayers, and making calls to debtors to request payment on behalf of our clients. If these efforts are unsuccessful, the debts are sent out to either third-party vendors (TPV) or lawyers designated as "special counsel" who have been appointed by the Attorney General specifically to collect these unpaid obligations in accordance with Ohio Revised Code §109.08. Eventually, if collection efforts fail, the debts will be moved from our active collections database (CUBS)¹ to our archived system. Ohio Revised Code §131.02 provides that the Attorney General, shall cancel or cause debts to be canceled if they remain unsatisfied after a period of forty (40) years. While most debts follow this general "flow," the debts certified by each agency (or each Portfolio) may have certain attributes that require specific treatment. The major debt types that we collect are discussed in more detail below in the Assignments Section.

¹ CUBS stand for Columbia Ultimate Business System. Certified debts are immediately input on CUBS and CUBS tracks the status of each debt, and engages in a myriad of collections functions such as issuing automatic letters, liens and notices as well as assigning debts to collectors or special counsel.

For the past eight fiscal years, FY2011 - FY2018, Collections Enforcement's total collections has averaged ~\$455 million per year. This represents a 30% increase in collections performance compared to the prior four-year period, FY2007 – FY2010, in which total collections averaged ~\$350 million. In FY2018, the most recent fiscal year, CE collected ~\$465 million. Improved collections performance in recent years can be attributed to implementing an offset program with the IRS, reorganizing the staff duties and responsibilities, and increasing the number of clients served, such as new local government agencies.

For the Office's collection efforts, pursuant to OR.C 109.081 up to 11% of all amounts collected by the CE shall be paid into the state treasury to the credit of the Attorney General claims fund. This fund shall be used for expenses incurred by the Attorney General's Office. As such, CE which has a FY2018 operating budget of \$14 million, is self-funded and does not require general fund monies.

Currently Serving These Major Ohio Clients and Business Classes:

A. Ohio Department of Taxation-Business Tax

Business taxes include sales tax, use tax, employer withholding tax, corporate franchise tax, withholding school district tax and the commercial activity tax. Depending upon the amount of the debt, tax liens may be filed at any time, from immediately after issuance of the notice of certification letter to 150 days later. Most liens are automatically issued by the AGO system. Generally, any action to execute on the lien will not be filed until the debt has been assigned to special counsel, after collection efforts have stalled with CE in-house collectors and then with a TPV. Where the debtor is an individual, the AGO will attempt to offset state funds otherwise due the debtor as discussed above. The AGO will also pursue the suspension, non-renewal or revocation of liquor permits issued to permit holders that owe business tax.

B. Ohio Department of Taxation – Personal Income Tax

CE collects both personal income taxes and school district taxes for the Ohio Department of Taxation. The procedures for the collection of personal income taxes mirror those for the collection of business taxes described above; however, school district income tax debts proceed immediately to TPVs for a six-month collection period. Further, the AGO will not only attempt to offset state funds otherwise due the debtor, but also attempt to offset federal income tax refunds as well.

C. Ohio Bureau of Workers' Compensation- Premium and Non-Compliance Obligations

The Bureau of Workers' Compensation ("Bureau") certifies several types of debt to CE. The two largest categories consist of premium obligations and non-compliance obligations. The AGO also collects on self-insured employer obligations and subrogation matters.

Premium obligations include the types of debts that the typical Ohio employer will pay to maintain state workers' compensation coverage. Upon receiving a certified premium debt, CE immediately issues a notice to the debtor and follows up with a notice of assessment. The debtor has 20 days to submit a protest to the assessment before a lien is filed. If the debtor is an individual rather than a corporation, CE will attempt to offset state funds otherwise due the individual. CE will also pursue

the suspension, non-renewal or revocation of liquor permits issued to permit holders that owe workers' compensation premiums.

If the Bureau receives an application for compensation relating to an injured debtor who does not appear to have state coverage, the Bureau will notify CE. The Bureau will conduct a review to ensure that the injured worker was employed by a non-complying debtor. Once this determination is made, the Bureau will send the injury report to CE and CE will file a recorder's lien against the debtor in the appropriate county. CE staff will also begin attempts to collect the debt. If unsuccessful, the debt is sent to special counsel who will reduce the liability to judgment. Thereafter, the typical non-compliance debt will follow the same progression as the premium obligation accounts.

D. Ohio Department of Medicaid

The Department of Medicaid ("Medicaid") also certifies a variety of debts to CE. Debts CE collects against Medicaid providers include franchise fees and provider overpayments. Additionally, CE handles the Medicaid Estate Recovery Program and Medicaid Tort Subrogation.

Franchise fees are bed taxes imposed upon nursing home or hospital providers. Overpayments are Medicaid overpayments made to any Medicaid provider. After certification of these debts, the collection process begins by sending notice letters to the provider. Simultaneously, a claims account representative will attempt to reach the provider by telephone. Like the majority of certified debts, if there has not been any progress in collecting the debt, the accounts are forwarded to TPVs and special counsel.

Upon receiving notice that a Medicaid recipient has died, Medicaid will notify CE. CE will inquire as to whether the decedent has any assets with which to reimburse Medicaid for any medical bills paid by Medicaid while the recipient was alive. If there are assets available, CE will submit a claim against the decedent's estate. If there is no response, or the responsible party indicates that no assets are available to pay any estate claims, CE will forward the debt to special counsel to verify that there are no available assets, and the debt is subsequently cancelled. If special counsel determines that the decedent had assets, special counsel will take necessary steps to liquidate the assets and recover the medical expenses paid by Medicaid.

If Medicaid pays the medical bills of someone injured by another party and a lawsuit is filed, the AGO will represent Medicaid in the lawsuit in an attempt to recover the medical bills paid. This program is known as Medicaid Tort Subrogation.

E. Ohio Department of Job and Family Services – Unemployment Compensation Insurance

The Ohio Department of Job and Family Services (ODJFS) certifies two major types of debts to CE, unemployment contributions and unemployment benefit overpayments.

Similar to Bureau premiums, ODJFS requires the majority of Ohio employers to pay contributions into the unemployment compensation fund. Upon receiving certification of an unpaid unemployment compensation debt, the CE collections process begins. If the employer is an individual rather than a corporation, CE will attempt to offset state funds otherwise due the debtor

as discussed above. Further, like the Bureau premium and business tax debts, CE will also pursue the suspension, nonrenewal or revocation of liquor permits issued to permit holders that owe unemployment compensation. CUBS is programed to automatically send liens to the relevant county recorder's office forty-five (45) days after certification. These liens will attach to any real or personal property.

If an individual sought unemployment benefits and received more than they were entitled to, ODJFS will certify the overpayments to CE. These debts are worked in CE first, then sent to TPVs, and eventually special counsel for legal action. Like personal income taxes, CE will not only attempt to offset state funds otherwise due the debtor, in many instances, but also attempt to offset federal income tax refunds as well.

F. Universities – State University debt, including medical debt from the state universities hospitals

University debt involving a federal loan is not worked internally. It is assigned first to a TPV for a period of time and then transferred to a special counsel, if needed. If collection attempts are unsuccessful, the universities may write off these debts. In addition, the AGO will work with the institutions to help them streamline their late fees and penalties.

Debts that do not involve federal loans are treated like other debts. CE attempts collection and offset of state funds otherwise due the debtor. If CE staff is unsuccessful, the debt will proceed to a TPV and then to a special counsel for enhanced collections.

Ohio State Medical Center and the University of Toledo Medical Center certify unpaid medical bills to CE. These debts are directly forwarded to TPVs who are trained in the privacy requirements of HIPAA. If these TPVs are not successful, the debts are forwarded to special counsel. Occasionally, if the client so requests, special counsel are given the accounts immediately.

G. Local Government Collections – Debt from political subdivisions

Currently, the AGO serves over 200 local government clients. Local government collections include a variety of different types of debt certified from various political subdivisions, such as county court clerk's offices, cities, and career centers. The program provides resources to local governments to help collect debts that they otherwise may not have the ability or staffing to collect. These debts follow the same collection flow as outlined above. The only exception is that certain local government agencies ask that CE not send their obligations to special counsel and TPVs. Like most other debts, CE will attempt to offset state funds otherwise due the debtor to satisfy these claims.

The types of debt that may be collected include civil, criminal and domestic court costs, restitution, city taxes, emergency medical service fees, career center course fees, and personal property taxes against businesses. Some of these debts are certified with liens filed by the client against the debtor. Additionally, with some of the debts, the client has placed a legal hold against the debtor, such as a driver's license hold or a warrant, until the debt is paid. CE sends daily reports to the local government clients regarding these types of debts. This allows the clients to take appropriate actions to release the hold when the debt is paid.

H. Miscellaneous State Agencies – (SCS)

The final category of debt type is considered miscellaneous because there are so many different types of debt from a wide variety of state agencies. CE collects debts on behalf of all state clients and programs. Examples include fines assessed in relation to violations of Ohio’s Smoking Ban (R.C. Chapter 3794) for the Ohio Department of Health, and findings for recovery issued by the Ohio Auditor of State under R.C. 9.24(H)(3). CE also collects on judgments received by some of the AGO’s Sections, for example, the Consumer Protection Section. For the most part, these debts follow the same collection flow described above.

ARCHITECTURE OF CUBS

Following is an updated CUBS architecture document. CUBS is indicated by the ‘red box’:

