



# City of Houston

## Accounts Receivable & Collections

### *Status Update*

August 9, 2011

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# Introduction

- City Attorney delivers initial Debt Collection Report - February 16, 2011; significant findings were identified and included:
  - Large value of known receivables
  - Lack of citywide accountability for collections
  - Missing internal policies, procedures, and processes
  - Missed revenue opportunities
  - Inconsistent vendor contracts, processes for managing vendors, and vendor performance
  - Inefficient use of technology



# Progress – Collecting Known Receivables

- Litigation
  - Suits aimed at collecting delinquent debt and other monies owed the City
  - Notices of intention to file suit sent to numerous debtors
- Other Court Related Activity
  - Abstracts of judgment filed resulting in liens on debtor properties
- ARA Parking Management
  - Re-noticed all delinquent accounts for collections increases of 57% and 54% in March/April 2011
- Municipal Courts
  - Achieved 64% increase in collections revenue generating \$1,093,101 in FY11 versus \$668,428 in FY10
  - Doubled FY11 Warrant Round-up revenue collecting \$143,052 (versus \$63,520 in FY10)
- Director of Finance has Citywide collections responsibility



# Progress – Citywide Accountability

- Creation of collections unit in Finance responsible for supervision of all actions necessary to enforce ordinances pertaining to the collection of revenue due and owing to the city
- Moving as quickly as possible; Finance, Legal and departmental staff are limited by resources and scope of Citywide accounts receivable problem



# Progress – Internal Policies and Practices

- A.P. 4-4: Accounts Receivable & Collections Policy
  - Centralizes policy authority in Finance and provides guidance on billing & collection procedures, financial reporting, vendor management, identification of bad debt
  - Current focus on Health and Human Services; will expand citywide during Accounts Receivable and Collections (ARC) project which will be discussed later



# Progress – Capturing Missed Revenue

- HHS Laboratory Services
  - Issued retroactive billing of 197 accounts never invoiced between 3/2009 and 5/2011; 15,000+ lab tests totaling over \$430K in lab fees
  - HHS to turn over \$200K+ in uncollected Harris County receivables to Finance and Legal Departments
- HHS Pool Permitting
  - Re-noticed 300 pool accounts in April 2011; netted ~\$130K versus average month of ~\$56K
  - Issued 90+ day delinquency notices in July 2011; 229 accounts worth ~\$61K
  - Ongoing transition of Pool Permitting to HHS Garrison IT System providing new financial management and inspection tools
- PWE Fire Special Services Permits
  - Collaborating with PWE to reduce backlog of Fire Special Services Permit Renewal Notices



# Progress – Vendor Contracts & Management

- Renegotiated ACS Billing & Collections Contract for EMS transports
  - Annual savings from reduction in contingency fee = \$3.6M
  - Recall of debts ACS doesn't collect within 120 days, for transfer to secondary collections vendor
- Developing RFP for collections services with PWE Combined Utility System
  - RFI released, meeting with vendors, RFP in development
- Other existing collections contracts under review
- Working towards scofflaw agreement with Harris County
  - Texas Legislature authorizes counties under contract with a municipality to impose \$20 fee to those owing delinquent fines, fees, and for failing to appear in a criminal case
  - MCD's preliminary estimate on revenue increase for COH if an agreement were reached with Harris County on vehicle registration holds = \$4.2M

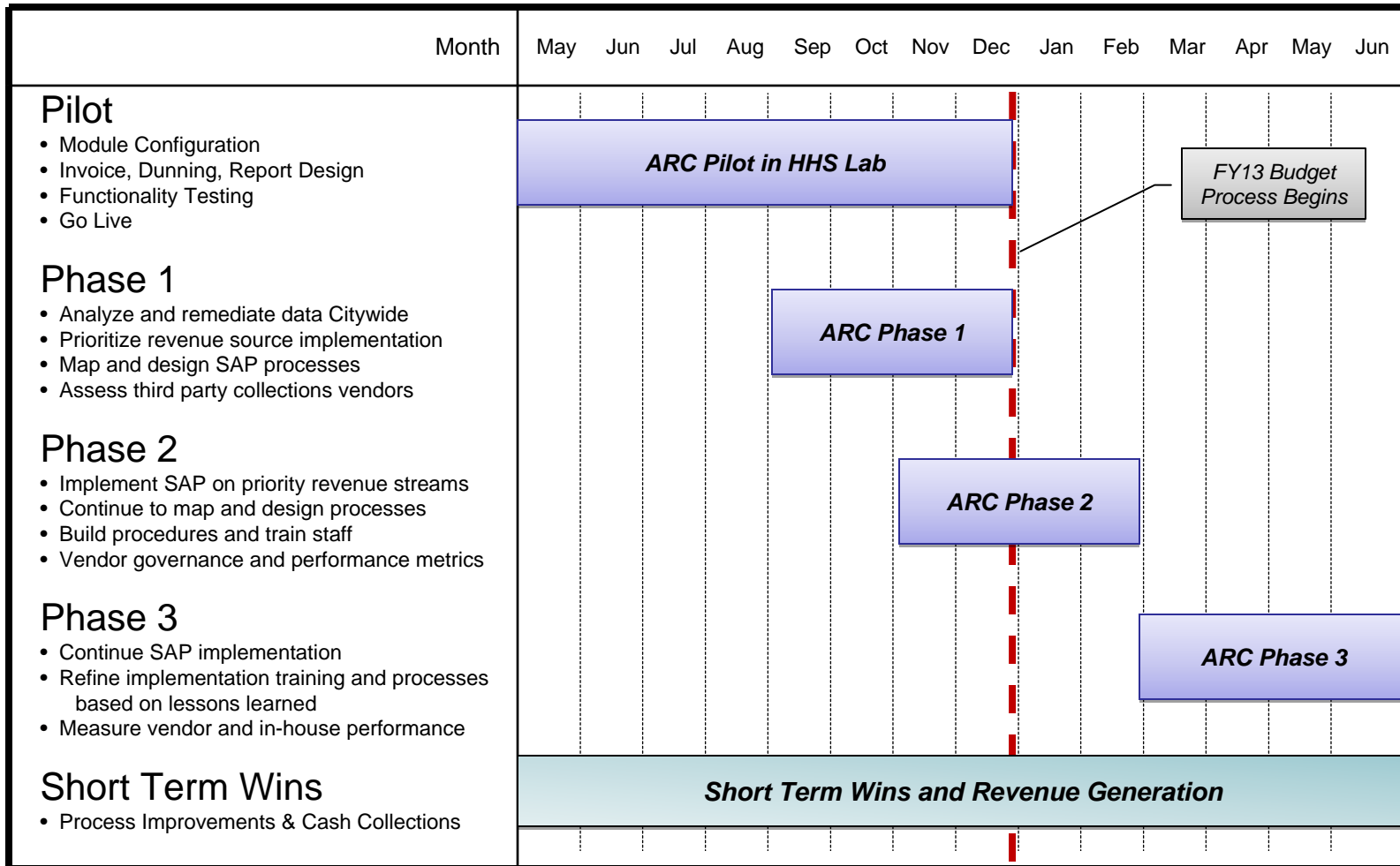


# Progress – Use of Technology

- SAP Accounts Receivable & Collections (ARC) Pilot Project with HHS Laboratory Services
  - Implementing SAP Accounts Receivable (AR) and Sales & Distribution (SD) modules
  - Automated processes, reporting, and transparency
  - Replaces alternate lab-billing-specific software project with enterprise solution
    - \$140K one-time versus \$50K recurring annually
    - Provides for invoicing of over \$1M in “never invoiced” and uncollected debt
  - SAP implementation cost (\$140K) spread to additional revenue streams in future phases
- Accomplishments since April 2011
  - Working demo of SAP Accounts Receivable and Sales & Distribution modules
  - Development of invoice, past due notices, and aging reports
  - Project Go Live: 1/1/2012



# Path Forward – ARC Project Timeline



FY13 Budget Process Begins



# Path Forward – ARC Project

- Increase collections on aging and new Citywide AR by...
  - Building ARC foundation with processes, staff, and technology
  - Breaking down department and IT system silos for reporting, synergies, and transparency
  - Maintaining momentum and achieving results quickly before FY13 budgeting process
- ARC Phase 1 includes consulting services for quick blitz of Citywide AR
  - Analyzing and remediating data to prioritize SAP implementation and collections efforts
  - Assessing third party collections vendors and implementing governance and performance metrics
  - Implementing process improvements to accelerate collections and stabilize revenue leakage
  - Providing training and guidance to City staff on AR & Collections best practices
  - Implementing top priority revenue streams in SAP
- ARC Phase 1 scope, timeline and costs expected within 2 – 4 weeks
  - ARC Phase 1 expected to last 4 – 5 months
- ARC Phases 2 & 3 to expand SAP implementation, continue process improvements, and manage performance of in-house and third party collections



# Questions

