

**TESTIMONY OF CHIEF DEPUTY ATTORNEY GENERAL MICHAEL A. ROMAN**

**AND DOUGLAS M. OTTENBERG**

Good Morning Chairman Harhart, Chairman Readshaw, and members of the Professional Licensure Committee. On behalf of Attorney General Kelly we want to thank you for the opportunity to appear today to outline the Office of Attorney General's collection process as authorized by the Commonwealth Attorneys Act. My name is Michael Roman and I am the Chief Deputy Attorney General of the Financial Enforcement Section for the Office of Attorney General. Also with me today is our Acting Comptroller for the Office of Attorney General, Doug Ottenberg. As asked, we will give the committee an overview of our collection process and can answer any questions from members. I would mention that we have been in contact with committee staff and have outlined some technical changes to staff which we believe should be made to House Bill 2274.

**Office of Attorney General (OAG) – Collections Overview**

OAG Authority to Collect. Section 204(c) of the Commonwealth Attorneys Act, 71 P.S. §732-204(c), provides that "the Attorney General shall collect, by suit or otherwise, all debts, taxes and accounts due the Commonwealth which shall be referred to and placed with the Attorney General for collection by any Commonwealth agency."

Management Directive. Referral of uncollectible accounts from agencies to the OAG is administered by Management Directive 310.10, which was issued by the Secretary of the Budget on October 13, 1988 and amended November 18, 2011.

Overview of Collections Process. In accordance with Management Directive 310.10, state agencies are required to send dunning notices to debtors when accounts are 30, 60, and 90 days past due. If the agency's third dunning notice does not result in payment, state agencies refer accounts through a website provided by the OAG.

The OAG assumes control of the agency accounts and uses an off-the-shelf collections system called Artiva to manage referred accounts. Artiva scrubs account information through Lexis/Nexis for selected accounts and the OAG begins its dunning process. Similar to agencies, the OAG goes through a 30, 60, and 90-day dunning cycle. If debtors reply to the dunning notices, OAG Collection Agents work with debtors to arrange payment.

The OAG refers account to one of four private collection agencies (PCA) when OAG collection efforts are unsuccessful. Accounts are referred on a two-tier basis referred to as First Placement (13% commission/180 days) and Second Placement (21% commission/360 days). The OAG passes the PCA cost of collection on to the agency by remitting payment net of commission during a monthly statement run. The OAG does not charge agencies for its cost of collection.

Organizational Structure. The OAG has of two collections entities, The Collections Unit and the Financial Enforcement Section.

The *Collections Unit* reports to the OAG Comptroller Section. The Collections Unit receives claims referred from agencies of the Commonwealth and attempts to collect those claims through direct dunning activities and the referral of claims to private collection agencies. The Department of Revenue does not refer tax claims to the Collections Unit, but the Bureau of Lotteries refers non tax claims to the Collections Unit.

The *Financial Enforcement Section* (FES) is the other component of the OAG collection effort. FES is engaged primarily in the collection of taxes through representation of the Commonwealth in the Bankruptcy Courts and the pursuit of delinquent tax accounts on referral from the Department of Revenue. This section is composed of lawyers and administrative personnel; it functions from OAG offices in Philadelphia, Pittsburgh and Harrisburg. Additionally, FES attorneys also provide legal advice as necessary to the Collections Unit.