Combining Financial Management and Collections to Increase Revenue and Efficiency

CGI Advantage® ERP clients have a unique opportunity to recover millions of dollars in delinquent debt by deploying the modern case management capabilities of CGI Advantage Collections. When integrated with CGI Advantage ERP, this proven solution delivers robust functionality to increase collections throughout the lifecycle of an account. It also provides an enterprise view of data that supports both accounting and collections for greater accuracy and visibility. Significantly higher recoveries can be achieved by automating the debt collection function that exists in multiple agencies. The revenues recovered more than pay for the technology improvements, while also funding other initiatives. CGI clients have certified more than $5 billion in increased revenue recoveries from this solution.
INTRODUCTION

Improved revenue collection not only allows government to fund critical programs and services, but also helps ensure the tax burden is more equitably shared by the public.

A lucrative revenue opportunity likely is hiding in plain sight for CGI Advantage® ERP clients. These jurisdictions can raise revenue by deploying the marketing-leading collections case management capabilities of CGI Advantage Collections—and do so in just a matter of months.

When integrated with CGI Advantage Financial Management, this modern, enterprise-wide approach to debt collection will deliver:

• **Increased recovery** of uncollected debt by 10%-45%
• **Reduced cost** of collections on a per dollar basis through greater operational efficiency
• **Improved visibility** into outstanding receivables
• **Higher ROI** for CGI Advantage clients and potentially provide funding for other initiatives that may not be funded otherwise.

It is important to note that this solution involves both innovative technology and business process improvements driven by best practices. CGI is in the unique position of having many collections practitioners with significant government experience who can assist clients with improving their collections practices to generate significant revenue increases.

Many agencies have collection responsibilities: tax departments collect taxes, motor vehicle agencies collect fees, courts collect fines, social services agencies collect overpayments, and labor departments collect unemployment insurance. In addition, transportation departments, environmental agencies and state universities often have debts on their books.

CGI Advantage Collections can be implemented in either a decentralized or centralized model. In a decentralized model, individual agencies can have their own letters, billing processes and collections cases, but all would have access to the same underlying system. In a centralized model, all collection functions would be consolidated at a single agency, enabling significant economies of scale and increased debt recovery. Through CGI’s benefits-funding approach, both the costs of technology modernization and centralization can be paid for from revenues recovered.

This paper helps CGI Advantage clients understand the significant revenue benefits made possible by integrating CGI Advantage Collections with their CGI Advantage Financial Management solution.

THE REALITY OF GOVERNMENT COLLECTIONS TODAY

In many jurisdictions, hundreds of millions of dollars in delinquent debt sits on the books with little to no collection activity. This is because most agencies do not have the tools or staff to collect the debts efficiently, nor do they have collections as their core mission. Even when agencies have millions of dollars in receivables, they may not have any full time staff whose sole focus is delinquent collections.

When collections are pursued at the individual agency level, it often is a highly manual process. Most agencies lack the economies of scale to implement modern case management systems and practices. While typically they have a billing system, it is focused on accounting processes and does not provide the automation, workflow, risk scoring and self-service channels needed to efficiently and effectively collect delinquent debt.

At the enterprise level, accounting systems record uncollected debt at individual agencies as accounts receivable and do not trigger collections actions. As a result, many jurisdictions simply do not know how much revenue is lost from uncollected debt, much less are able to collect that debt.
SYNERGIES OF INTEGRATED FINANCIAL AND COLLECTIONS MANAGEMENT

One of the hallmarks of CGI Advantage Collections is that it was developed with a deep understanding of government collections practices, which typically are quite different from commercial collections. Implementing this collections case management system, in conjunction with CGI Advantage Financial Management, provides robust functionality across the full account lifecycle to:

- Automate manual processes and data gathering to improve results and accuracy
- Gain economies of scale using one system for all collections activities
- Enable new levels of visibility into outstanding receivables, providing the status of every debt across the government, regardless of the agency or the collection status of the case
- Allow the best cases to be worked at the right time as informed by predictive models
- Support centralization of tax and non-tax debt collection if desired to reduce duplication of effort, and further increase recoveries
- Fund modern collections technology from recovered revenues.

From a constituent’s point of view, the combined solution also supports greater fairness through common treatment for like debtors, and improved customer service through better and timelier correspondence and self-service resolution capabilities.

How it works

In an integrated financial management and collections model, the creation of an accounts receivable automatically starts collection activities, rather than being an afterthought or a manual effort. The figure below illustrates the collaboration between the financial management and the collections functions.

Financial management data are used to establish consolidated case management accounts. Pre-configured business rules are then used to determine follow-up collection activities. Analytics also are used to determine the most appropriate treatment strategies based on account characteristics. As collection events occur, the collections module updates the financial management system in a seamless exchange, providing timely and accurate data that is more actionable.
The integrated solution gives Comptrollers and Chief Financial Officers unprecedented visibility into outstanding receivables, while providing powerful new capabilities for identifying and capturing this important revenue. It also improves customer service as contacts are better prioritized, collectors are better informed, and debtors themselves can become more involved in managing and resolving their own debts.

While CGI Advantage Collections can be implemented with any accounting system, including multiple standalone legacy systems, it gives the government the opportunity to consolidate all accounts receivable into the CGI Advantage solution. In a centralized collections environment, CGI Advantage Collections provides a single platform integrating multiple debtors and debt types for consolidated case management. This can mean collections within a single agency, or spread out over multiple agencies, but using a single solution.

Offsets and other capabilities: A unique opportunity

A valuable tool in debt collection is the ability to offset payments from various government agencies to satisfy the debts owed to other parts of the government. This process results in millions of dollars of debt being recovered annually.

Together, CGI Advantage Financial Management and Collections can manage offsets at multiple levels:

- **Internal debt offset**—Bringing together all debts owed into a single repository enables the government to avoid making payments to an entity owing it money. Prior to a payment actually being made to an entity, a check for debts owed from that entity can be made within the system. If a debt is found, the payment can be held, offset or issued depending on business rules.

- **State tax offset**—Opportunity exists for municipal governments to offset municipal debts against state tax refunds. Where suitable, and with the appropriate laws and policies in effect, CGI Advantage Collections can allow a government to send a list of debtors to a state, where it can be used to offset tax refunds.

- **Consolidation of debts from legacy systems**—CGI Advantage Collections can also manage debts from systems outside of CGI Advantage Financial Management, allowing for use of the advanced collection capabilities such as workflow, data gathering and automated collection techniques.

**CGI ADVANTAGE COLLECTIONS: BUILT FOR GOVERNMENT**

There is a significant difference between a collections case management system designed for government, and a commercial one that is force-fit to try to support uniquely governmental collection tools, such as administrative wage garnishments, bank levies, liens, etc. Like all modules in the CGI Advantage ERP suite, the collections module is purpose-built to improve the business of government. The collections module has been installed successfully for more than 20 public sector clients, including several jurisdictions using a centralized collection model.

A modern case management system should allow governments to take the least intrusive collections action from the debtor’s perspective, and the least costly action from the government’s perspective. CGI Advantage Collections does this using systematic risk management driven by predictive models. It also standardizes all functions and business rules, eliminates manual functions and increases the number of activities and interventions taken to resolve debts.

The module also enables involuntary collection actions without any staff intervention, such as credit bureau reporting, bank levies and wage garnishments, in a more cost effective manner. With this technology, the government can automate the issuance of administrative levies and garnishments after the collection system has provided debtor due process. Once the debtor knows the government has information about where they work or bank, and has the ability to collect from those sources, the likelihood of the debtor contacting the government to resolve their account increases.
CGI Advantage Collections supports all essential requirements for managing government debt, including:

- **Complex debt and debtor relationships**—Multiple debtors (individuals or businesses) can be associated and consolidated within a single case. For instance, the system can manage a single debt with multiple liability owners, and a single debtor who owes part or all of the debts from a variety of sources.

- **Multiple debt types**—Any type of government debt, and the complexities of government collections, are supported. In contrast, commercially focused collection systems have significant limitations when collecting government debts. The module also captures and maintains the individual details associated with each debt, and rolls up the information to both the debt type and case level.

- **Debtor self-service**—With web-based or integrated voice response (IVR) options, debtors can check their balances and set up payment agreements on a 24/7 basis, increasing the likelihood of successful resolution. The Commonwealth of Virginia, for example, uses touch-tone self-service capability to arrange more than one-third of payment agreements statewide. Self-service agreements also are proven to have a lower default rate than using “traditional” collectors to place calls.

- **Legal action lifecycle**—Robust functionality is devoted to the generation and processing of involuntary legal actions, including judgments, liens, levies or license holds. As a result, the government can automate the issuance of administrative levies and garnishments after debtor due process has been provided.

- **Collection agency processes**—The entire collection agency lifecycle is managed, from eligibility for agency assignment, to assignment to a specific agency, to the management of the recall process. Also supported is performance reporting typically found with collection agency management and secondary and tertiary placements. Sophisticated recovery strategies are executed through table-driven business rules for collection activity and assigning cases to work queues based on the next action needed.

- **Payment agreements**—A payment plan calculator can determine installments and ensure arrangements comply with management policies. Once a promise to pay or file is entered, it is monitored until kept or broken and routed to the appropriate next action.

- **Integrated correspondence**—Management-defined rules automatically send appropriate letters and notices, and case information is merged with standard text to optimize efficiency in generating correspondence.
THE CASE FOR CENTRALIZED COLLECTIONS

In a decentralized collections model, agencies operate at a significant disadvantage. Key debtor information—such as addresses, phone numbers, assets, licenses, employer information, financial information, banking information, etc.—often is dispersed among disparate databases. This prevents the government from compiling a composite debtor file and, thus, reduces overall collection rates. Redundant work efforts by individual agencies to gather this information also increases the costs to the government. Practices are uneven at best and automated tools are sparse if non-existent.

Regardless of the type of debt owed, collecting it requires similar activities. CGI’s experience has shown that consolidating unpaid debt, along with the responsibility for collecting it, into a centralized unit with a focused collections mission leads to significant increases in debt recovery. Centralizing basic functions also eliminates duplication and enables the use of standardized collections technologies.

Debtors are more likely to pay their debts if they know that the government is determined to collect them. Centralizing collections has the added benefit of increasing voluntary compliance across the spectrum of debt types as debtors perceive the increased expectation to pay what they owe.

Key benefits include:

- **Eliminate redundant activities**—A single collector has all the data needed to collect multiple debts, set up payment schedules, or take other actions to speed resolution.

- **Allow individual agencies to focus on core missions**—These agencies can still receive recovered revenue to fund program initiatives. Additionally, instead of paying large fees to outside collection agencies (OCAs) or writing off debts, they can pay a small recovery fee to the central unit.

- **Enable better customer service**—Outreach becomes more informed and streamlined to work toward resolution.

- **Reduce costs through economies of scale**—Often larger numbers of transactions result in smaller per transaction fees, and better purchasing power for the central unit.

- **Enhance the effectiveness of offset programs**—Having all the debts in one system improves the likelihood those who owe a debt will not receive payments from the government without the debt first being paid.

- **Improve accounts receivable reconciliation**—Better insight results in a better understanding of the total amount owed the government.

- **Streamline and standardize processes**—Bringing uniformity and best practices to debt collection maximizes efficiency.

- **Leverage investments across a larger debt pool**—Appropriate methods, tools and technologies can be implemented to increase overall collection results.

MITIGATING RISK THROUGH BENEFITS FUNDING

A CGI Advantage Collections implementation can be funded through CGI’s innovative benefits funding model where payments to CGI are deferred until revenue increases are certified by the government. Under this approach, CGI takes on the risk of benefit generation, and the government has no obligation to pay CGI unless benefits are achieved. Typically, this approach can cover the cost of the modern collections module and other improvements, while also returning revenue to the General Fund. Creating a centralized collections unit also can be funded entirely from increased revenue recoveries.
CGI deploys CGI Advantage Collections to both modernize collections operations and enhance the overall ERP solution. Benefits funding allows the government to pay for much, or all of that solution through increased revenues that would otherwise go uncollected.

By allowing upfront costs to be spread over a number of years, benefits funding is particularly attractive to governments coping with scarce budgets and limited funds for technology initiatives. Additionally, because this model shifts the risk of major technology acquisitions from the client to the vendor, it enables governments to increase revenues without making risk-laden investments in new technology to do so.

GETTING STARTED

A CGI operational review is a great way to begin exploring the benefits of adding CGI Advantage Collections to a current CGI Advantage Financial Management installation. CGI consultants would review existing collections tools, policies and procedures to:

• Gather operational statistics
• Identify what is working well and where opportunities exist for improving process and technology
• Benchmark the existing program by comparing results to national best practices
• Estimate the increased revenue along with a timeline for that increase if the recommendations and CGI Advantage Collections were implemented.

Based on the findings of the review, the CGI team would typically prepare a roadmap for moving forward as well.

CONCLUSION

Integrated financial and collections case management represents an important opportunity to bolster the fiscal well-being of governments at all levels. CGI Advantage Collections offers current CGI Advantage ERP clients a proven approach to increase revenue recovery: on the collections side, by increasing collections and customer service; and, on the financial management side, by improving the timeliness and accuracy of information. This powerful combination represents an immediate revenue-enhancing and cost-cutting “win-win” that, with benefits funding, can be achieved with virtually no risk.

WHY CGI

CGI operates at the forefront of tax and collections management innovation through numerous successful partnerships with public sector clients. CGI tax and revenue solutions have helped our clients recover more than $5 billion in additional revenues. In the future, even greater revenue gains will be realized as governments further combine CGI Advantage Financial Management and Collections capabilities and centralize their collections operations.
ABOUT CGI

Founded in 1976, CGI is one of the largest IT and business process services providers in the world, delivering high-quality business consulting, systems integration and managed services. With a deep commitment to providing innovative services and solutions, CGI has an industry-leading track record of delivering 95% of projects on time and within budget, aligning our teams with clients’ business strategies to achieve top-to-bottom line results.