The Kentucky Department of Revenue (KDOR) and Commonwealth Office of Technology (COT) entered into a contract with CGI to implement its web-based Computer Assisted Collection System for Government (CACS-G) resulting in additional collections of $62.5M since the inception of the project. The first phase of the project went live in September of 2014.

In the Beginning:

KDOR had installed a mainframe version of CACS in 1987. That system was heavily customized to meet KDOR’s needs. The Commonwealth’s version of the product became known as Kentucky Online System for the Collection of Accounts Receivable (KY-OSCAR). While it supported the department, it limited their ability to grow their capabilities, provide adequate customer service and increase revenues to the Commonwealth.

Some of the key functions of KY-OSCAR included:

- The ability to compile all the tax debts associated to one entity into a single case for collection activities.
- Limited ability to automate some correspondence.
- Limited ability to automatically progress cases through a collection life cycle with more enforced collection action as the case ages. All cases went through the same life cycle.
- Table driven rules for case assignment and worklist priority.
- The ability for the system to monitor payment plan compliance.
- Manual enforcement of collection actions (liens and levies).

The caseload assigned to the Division of Collections more than doubled between Fiscal year 2010 and Fiscal Year 2014 due to three changes within KDOR: a focus on improving compliance, the addition of legislation allowing KDOR to collect debts on behalf of other government agencies and the downturn of the economy. The longer it took to work a case, the less revenue was collected. While still using existing staff resources, greater flexibility to automate processes and score and prioritize caseloads became necessary to maximize potential revenue.

A New Start:

In 2012 KDOR began its project with CGI to implement the newest web-based version of the CACS-G.

That project included two phases:

1. An Early Wins component to implement technology to automate levies and final notices.
2. The implementation of the full CACS-G product.

The Commonwealth determined this two phase approach would be beneficial to help jump-start benefits and demonstrate success to internal and external stakeholders.
The Early Wins Initiative included two components:

1. Automatic final notices and levies on active cases with assets.
2. Write-off reversals for cases that had been charged off where the debtor was matched against available levy sources and brought back into collections if an asset was available.

The Early Wins component was a huge success with almost $41 Million in benefits generated in 20 months. The collections generated by the Early Wins Component were as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Write Off Reversal</td>
<td>$848,213</td>
</tr>
<tr>
<td>Automated Levy</td>
<td>$9,120,351</td>
</tr>
<tr>
<td>Fiscal Year 2013 Total</td>
<td>$9,968,564</td>
</tr>
<tr>
<td>Write Off Reversal</td>
<td>$1,124,578</td>
</tr>
<tr>
<td>Automated Levy</td>
<td>$25,930,524</td>
</tr>
<tr>
<td>Fiscal Year 2014 Total</td>
<td>$27,055,101</td>
</tr>
<tr>
<td>Write Off Reversal</td>
<td>$54,023</td>
</tr>
<tr>
<td>Automated Levy</td>
<td>$3,898,276</td>
</tr>
<tr>
<td>Fiscal Year 2015 Total (thru August 31, 2014)</td>
<td>$3,952,299</td>
</tr>
<tr>
<td>Total All</td>
<td>$40,975,965</td>
</tr>
</tbody>
</table>

CACS-G Implementation:

Phase 1 of the CACS-G implementation was completed and the caseload was converted over Labor Day Weekend, 2014. There was significant functionality in this first phase of the implementation. Benefits in this first phase included automation of routine tasks and alerts, a self-service portal, flexible correspondence templates, the ability to combine cases and more. These benefits are detailed below:

- The ability to score cases and prioritize workload to allow collectors to concentrate on cases that require employee interaction to achieve a higher likelihood of success/collection. In KDOR’s implementation of CACS-G, the risk score predicts how likely the case is to be resolved in the first 120 days and how active employee interaction will be.
  - High risk cases are placed on the fast track to enforced collection activities if there are assets available. These cases may not receive the initial “soft” collection letters.
  - Medium risk cases are those that are most likely to benefit from collector interaction and may only get one “soft” letter before being assigned to a collector.
  - Low risk cases are more likely to self-cure and may receive more automated letters.
- The ability to automate many collections processes frees collectors to concentrate on taxpayer service. As part of the project KDOR has seen significant benefits from automating the following:
  - The initial “soft collection letters” generated when cases first enter collections. These are a series of up to two letters generated that vary depending on the characteristics of the case and the risk score.
  - Payment Agreement Reminder letters to remind taxpayers when their next payment is due.
  - Balance due letters on low balance cases.
- A “no contact” letter if a phone number is unavailable.
- The “Final Notice Before Seizure Letter” required before wage and bank levies that is sent via Certified Mail. This letter also doubles as our certified notice required before the TOPS offset.
- Subsequent “Final Notice” letters as new debts are added to the case.
- Tax Liens – Liens may be generated automatically depending on case characteristics (balance and case age) and whether there are assets available for collection. There is also a throttle that controls the maximum number of automatic liens that may be generated each day.
- Wage and Bank Levies - Levies can now be automatically generated depending on the presence of the appropriate asset and case characteristics (balance and case age). There is also a throttle that controls the maximum number of automatic levies that may be generated each day.
- Automatic release of liens and levies when the case is resolved.

- The ability to add, delete and modify correspondence templates as needed.
  - All versions of the correspondence templates are maintained so that if a letter is viewed at a later date, the proper version of the template is used.

- A self-service Internet portal allows taxpayers to make payments (ACH Debit) online on a 24/7 basis.
  - If the taxpayer does enter into a pay plan via the portal, the system recognizes this and automatically moves the case to pay plan monitoring so that all other automated actions (liens and levies) cease.
  - The system is intuitive and assures that debtors who are not eligible for this process are automatically excluded from the self-service portal. Instead, taxpayers would receive a message to contact KDOR. An example would be a case with a non filed period which requires that a return be filed prior to entering into a pay plan.

- Real-time capability to review collector activities to facilitate training, coaching and performance measures.

- Debts can now be attached to more than one case for collection purposes.
  - In Kentucky, corporate officers and LLC members may be held personally liable for certain business tax debts. Once a collector has determined who should be assessed and initiates the first assessment, the system automatically maintains any subsequent assessments as new eligible debts are added to the business case. Separate Responsible Party (RP) collection cases are created once the assessments are due and payable and collection action may be started. However, this is the same debt that is also attached to the business case. Whatever payments and adjustments are made to the debt(s) are reflected in both cases.

- The flexibility of a highly configurable workflow process that allows KDOR to control case flow, and timing and volumes of automated correspondence. KDOR established an internal CACS-G user group comprised of collectors, supervisors and system administrators that is responsible for vetting system enhancement requests, managing correspondence templates and administering workflow rules. This group has achieved a great deal of success in making improvements since go-live.
  - Movement of cases from one place to another is based on rules determined by case characteristics and completely controlled by KDOR staff.
  - More than 100 changes to workflow have been made since go-live. These have been in response to issues raised by users and management requests.
This group has made significant changes to the workflow process that generates letters mailed via certified mail. This has made the process more effective and acted as a cost-saving measure.

The system has been set up to process workflow rules changes once weekly, if needed. In this way, we are better able to respond to issues or requests for changes in a timely manner.

CACS-G Collections:

Collections resulting from the implementation of the full system have been impressive. The following table summarizes those collections by fiscal year.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year 2015 (September 2014 thru June 2015)</td>
<td>$15,217,573</td>
</tr>
<tr>
<td>Fiscal Year 2016 thru October 2015</td>
<td>$6,188,835</td>
</tr>
<tr>
<td>Total All</td>
<td>$21,406,408</td>
</tr>
</tbody>
</table>

Lessons Learned:

- CGI helped provide user training to make sure that Users were prepared to deal with increased taxpayer inquiries.
- We ran nearly 40 mock conversions and had plenty of time to identify and resolve data issues, which was of great value. Due to the complexities of our caseload, we still had to convert most cases into a state where a collector had to review the case to determine how to prepare it and where it needed to go. It was 2 or 3 months before we had sufficient caseload staged to determine the effectiveness of the automated processes we had put into place.
- Changes in procedures, adjustments to performance measures, and changes to employee evaluation processes were discussed and planned for to make the tough transition from mostly manual processes to mostly automated processes easier for users and managers.

CACS-G Phase 2:

In September 2015, KDOR successfully implemented Phase 2 of the CACS-G Project. This phase included additional functionality and automation to further enhance collections.

The Kentucky General Assembly gave KDOR the authority to revoke, suspend or prevent renewal of professional licenses, vehicle registrations and driver licenses in the event there were unpaid taxes. These actions are reserved for those cases where other forms of collection have been exhausted. This process also requires new notifications to the taxpayer.

Phase 2 provided the following automated capabilities:

- Certified Important Notice Letter to the taxpayer advising of the impending revocation, suspension or denial of license renewal. There are separate letter templates for each asset type. The volume of letters generated each day is also controlled.
Professional License Revocation:
  o Notice of Revocation Letter to the appropriate board that administers the license. There is also a throttle that controls the maximum number of license revocations that may be generated each day.
  o Automatic release of the revocation when the case is resolved.

Vehicle Registration Denial:
  o An automated electronic notice to the Department of Transportation placing a hold on the vehicle registration. There is also a throttle that controls the maximum number of registration denials that may be generated each day.
  o Automatic release of the denial when the case is resolved.

Driver License Suspension:
  o An automated electronic notice to the Department of Transportation placing a suspension on the license. There is also a throttle that controls the maximum number of license suspensions that may be generated each day.
  o Automatic release of the suspension when the case is resolved.

Additional automation was also added to CACS-G for the following activities that were already being performed manually:

  Liquor License Denial:
    o Automatic electronic notification to the Alcoholic Beverage Control (ABC) Board when a taxpayer who is applying for, renewing or transferring a liquor license has unpaid tax debts.
    o Automatic release of the hold on the license when the case is resolved.
  
    Automated clearing of non-filed periods for which it has been determined a return is not necessary.
  
    Automated jeopardy assessment (estimated assessment) for business cases with non-filed periods.

Phase 2 was just implemented in September 2015. The additional activities and collections attributed for the month of October 2015:

<table>
<thead>
<tr>
<th>Amount Collected</th>
<th>$128,135.37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driver License Important Notice Letters</td>
<td>632</td>
</tr>
<tr>
<td>Vehicle Important Notice Letters</td>
<td>903</td>
</tr>
<tr>
<td>Professional License Important Notice Letters</td>
<td>59</td>
</tr>
<tr>
<td>Driver License Suspensions*</td>
<td>64</td>
</tr>
<tr>
<td>Vehicle Registration Denials*</td>
<td>41</td>
</tr>
<tr>
<td>Professional License Revocations*</td>
<td>4</td>
</tr>
<tr>
<td>Driver License Releases</td>
<td>30</td>
</tr>
<tr>
<td>Vehicle Registration Releases</td>
<td>19</td>
</tr>
<tr>
<td>Professional License Releases</td>
<td>0</td>
</tr>
</tbody>
</table>

*Limited manual actions were performed prior to Phase 2 go live.
Conclusion

KDOR has experienced a significant improvement in moving cases through our collections process resulting in collecting more than $62.5M in additional collections since January 2013 while improving customer service. Our collectors are allowed to focus on interacting only with taxpayers that want or need their attention while other taxpayers pay their debts by mailing a check or using our portal. Enforced actions are initiated timely when necessary.

KDOR continues to enhance and improve its implementation of CACS-G. As stated, workflow is continually monitored and adjusted as needed. In addition, dozens of enhancements to improve usability and function have been made by on site CGI staff and our IT staff in COT. Some examples include:

- Various changes to how the data is displayed on the screens to improve usability.
- The addition of data to some displays to improve usability.
- Suppression of “status change” type entries in the view of case history. These entries are necessary for system functionality but meaningless to users and were causing clutter in that view for the collector.
- Tuning of batch processes and interfaces to be more efficient and reduce error handling.

The Commonwealth intends to continually enhance their collections operations. Our next step will be implementing the latest release of CACS-G in the spring of 2016. This next release includes:

- Enhancements to bring CACS-G in compliance with the latest IRS Publication 1075 updates.
- The ability to tokenize credit card information, allowing for credit card use on pay plans while maintaining PCI compliance.
- Changes to the user interface to improve the look and feel for users.
- Technical updates to allow for CACS-G to be compatible with the most recent versions of Internet Explorer, Java and Oracle Database.

KDOR intends to accept this upgrade as soon as possible and considers the availability of upgrades from the vendor to be a significant benefit to this product.