

Ohio Attorney General Collections Enforcement

Improving Payments to Clients and Vendors



**Follow the
Money !**

Report Out January 20, 2012

Team \$\$ Follow the Money \$\$



The Team

Senior Leadership:	Pam Vest Boratyn
Sponsor:	Marcia Macon-Bruce
Team Leader:	Pat Brobeck
Team Members:	Gillian Wells - TVP/SC Collection Account Rep Dean Eyestone – In-House Collection Account Rep Becky Cassidy – Business Transaction Supervisor LaTonya Dunn – Legal Staff Deputy Director Carly Albert – Finance Jessica Wilson – Accounting Representative Marissa Hoffecker, Accounting Manager Ted Angel- TPV Representative Yancy Wessell, ODOT observer Sally Wood, Taxation Supervisor Rich Thompson, Ass't Director, Internal Audit

Background

Collections Enforcement proposes a Kaizen event that reviews payment streams to include payments made directly to our P.O. Box in Cleveland, payments processed by the legal staff from bankruptcies/settlements, direct payments made to our office from Clients for AG/FWD fees, tax offsets, and payments made via credit card/internet check or web processing. The review would include processing on the front end and back end of lockbox processing. Note; the accounting department “Follow The Money Kaizen” event will focus, document, and describe the various inflows and outflows of money in the section and not reconciliation. Reconciliation might be the subject of future Kaizen along with overpayment of claims and refund process.



Marissa

Reasons for improving this process

Approximately 18,000 Direct pays are processed per month not including Tax

Direct pays slow the system down because the debtor pays the client after the debt has been certified to the AGO for collection.

Cycle time regular clients 2-3 months

Cycle time whole dollar clients 5-6 months.

Accounting maintains payment reports with aging schedule

Scope of Event

We receive money through 5 channels Gov1, Direct Pay, 150 E Gay St., Offset and the Lockbox. The money flows through AGO and ends up as a payment stream out of the pipeline to, Clients, AGO, Special counsel and Third Party Vendors.

Overarching Themes:

Define and improve the process from when the money starts in the funnel and goes through the pipeline and is delivered to the clients, AG, TPV's, unidentified funds, and Special Counsel through various spigots.

Out of Scope

Areas that will not change as a result of the Kaizen event are:

- ❑ **No one loses their job because of the Kaizen event, but duties may be modified.**
- ❑ **Need for additional staff is not dependent on improvement process**
- ❑ **Need for additional monies is not dependent on improvement of process**
- ❑ **No legislative changes or changes related to collective bargaining.**
- ❑ **No IT solutions until it is determined that an IT solution is needed.**

Kaizen Goals

- Total cycle time of 30 days
- Reduce error requests by 75%
- Process errors within 7 days
- Direct pays processed within 5 days
- Fee reports received paid within 30 days
- Reduce number of errors on work list
- Taxpayer payments error free on posting to lockbox
- **The best collection system in the country**



Becky

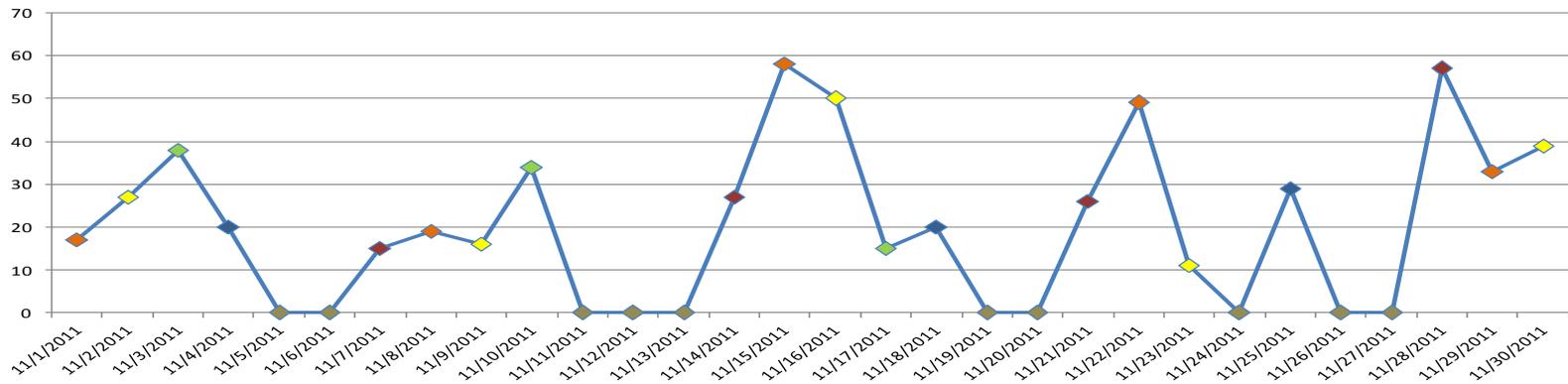
Baseline Data

Attorney General Collections Enforcement Transaction History November 2011

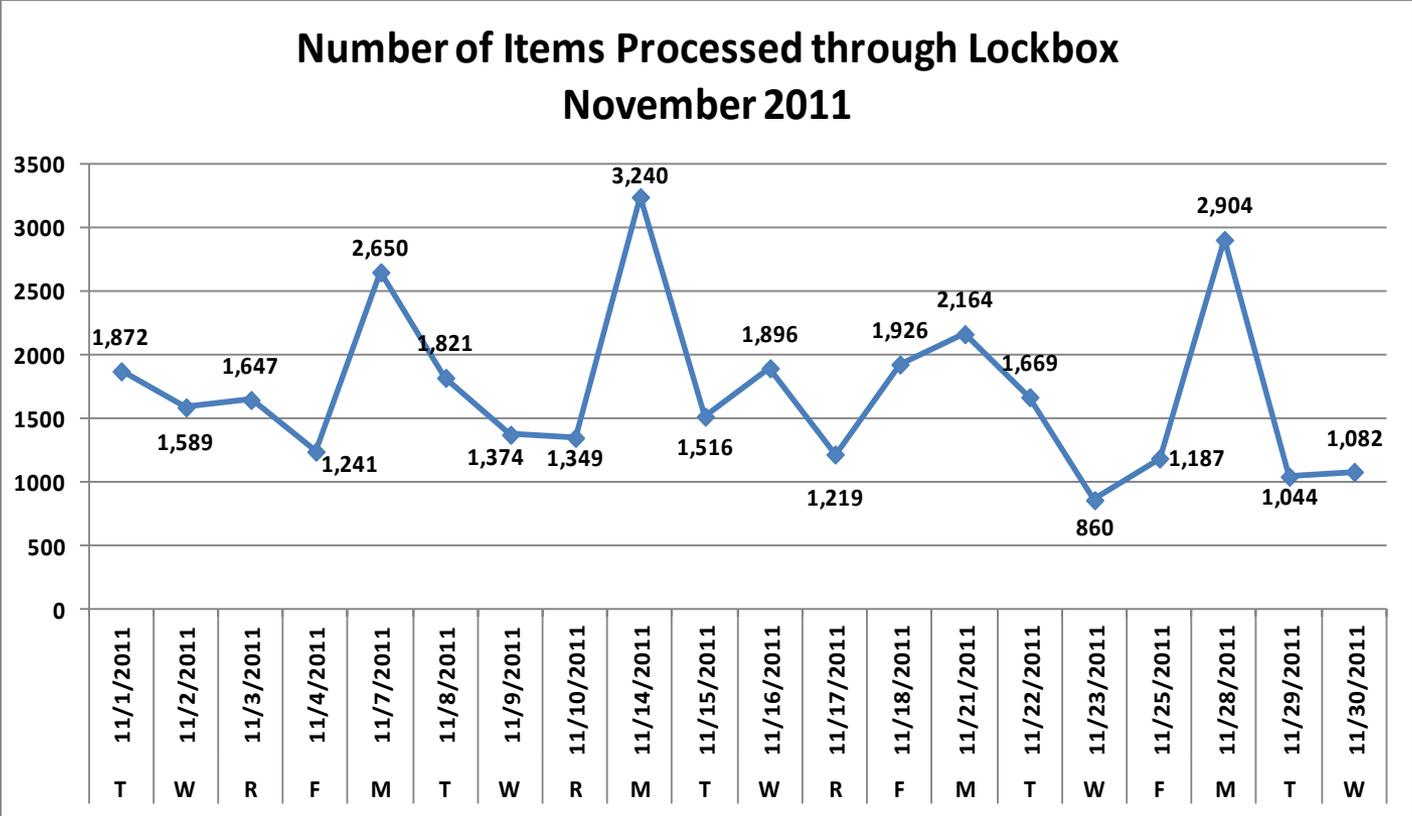
	Internet	TAX Refund Offset	Direct Pay to Client	Reversals	Total Transactions	Total Net
# Transactions*	51,510	7,359	16,707	3,063	78,639	78,639
AG Commission	\$ 737,327	\$144,490	\$675,450	(\$284,482)	\$1,841,749	\$1,272,785
TPV or Attorney Fee	\$ 1,087,158	NA	\$663,236	(\$260,552)	\$2,010,946	\$1,489,842
Client Amount	\$ 5,573,799	\$1,243,168	\$5,846,259	(\$2,200,417)	\$14,863,643	\$10,462,809
Total \$\$	\$ 7,398,284	\$ 1,387,658	\$ 7,184,945	\$ (2,745,451)	\$18,716,338.19	\$13,225,436

*could be more than one transaction per entry

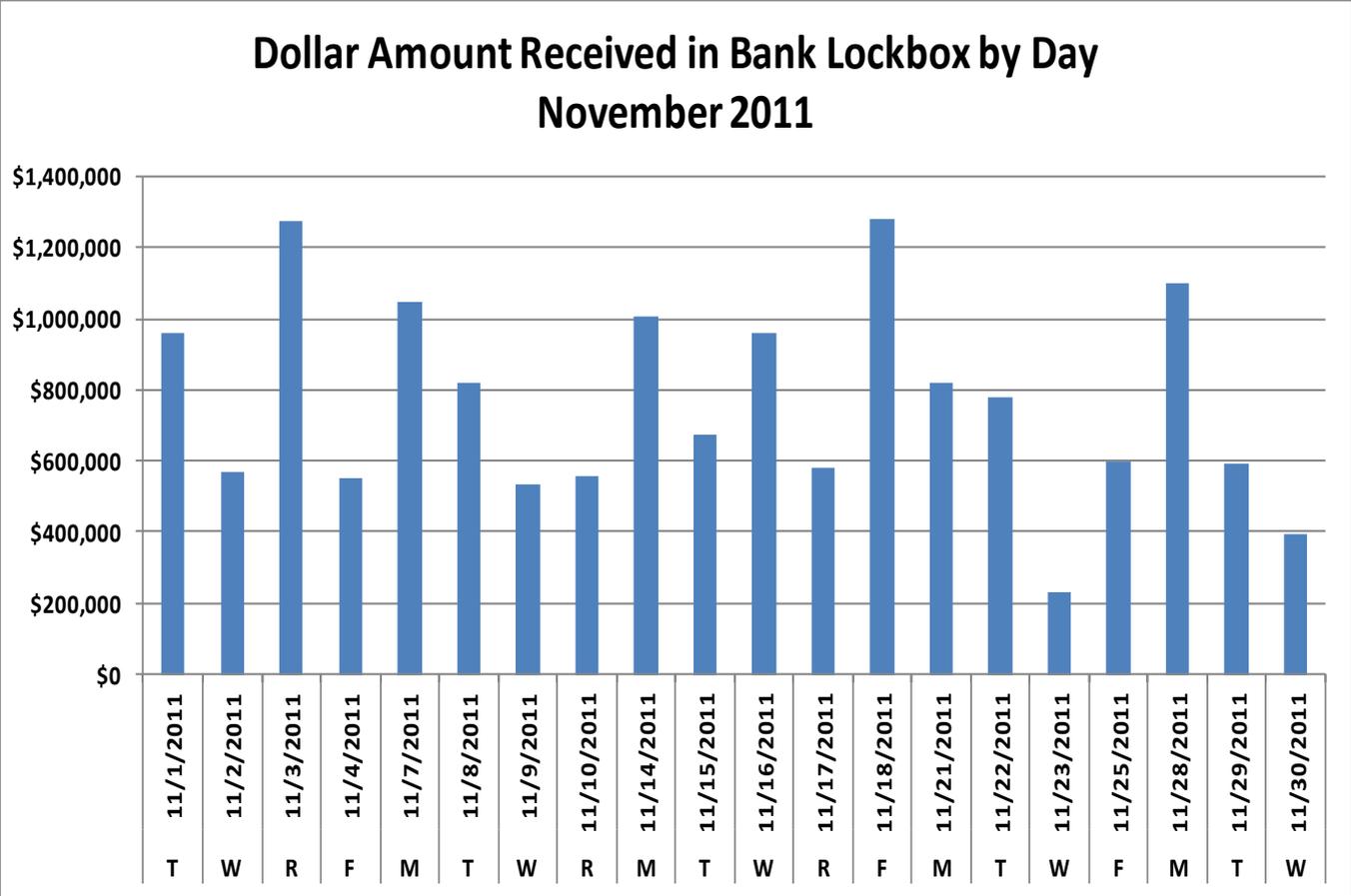
**Run Chart: Transaction Corrections Processed by Date
November 2011**



Baseline Data



Baseline Data





Carly

The Kaizen Approach

Team-based energy and creativity drives immediate process improvement

DAY 1	DAY 2	DAY 3	DAY 4	DAY 5
Day of Learning	Day of Discovery & Developing Improvement Ideas	Day of Improvement & Creating the New process	Day of Design Implementation & Documentation	Day of Celebration & Results Schedule 30-60-90-day follow-ups

At the end of the week, each Kaizen team has designed dramatic operational improvements

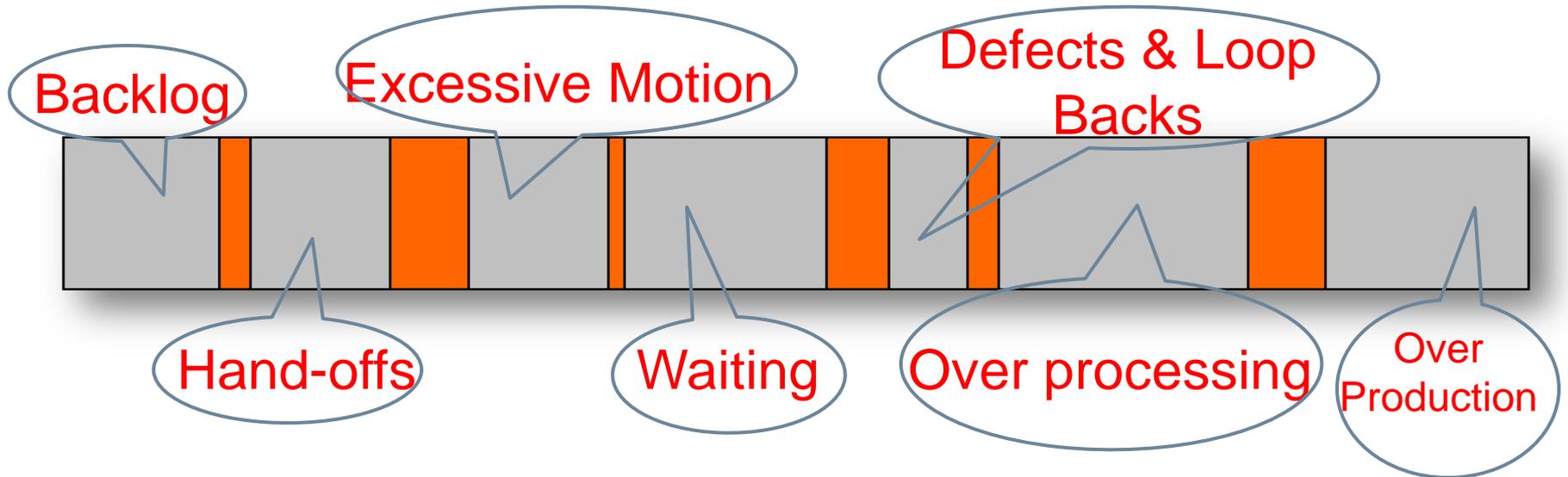
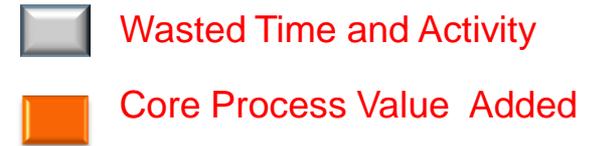


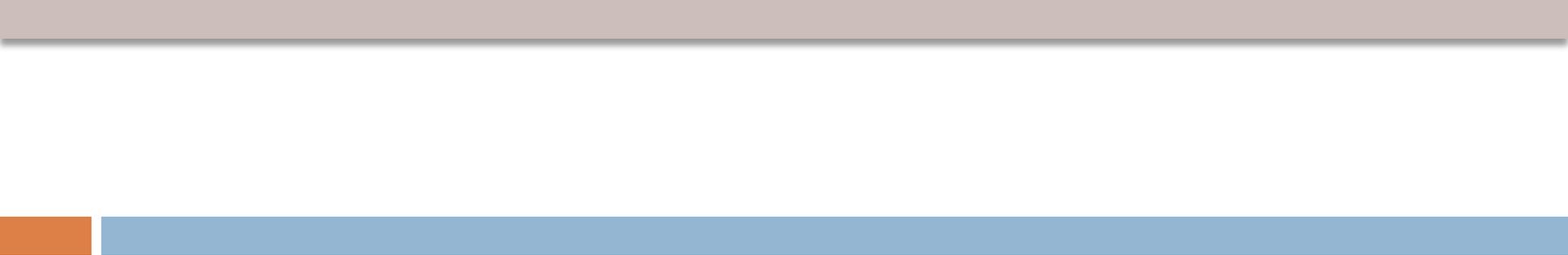
To Break for the Better



- Clear objectives
- Team process
- Tight focus on time (one week)
- Quick and simple, action first
- Necessary resources available right away
- Immediate results (new process functioning by end of week)

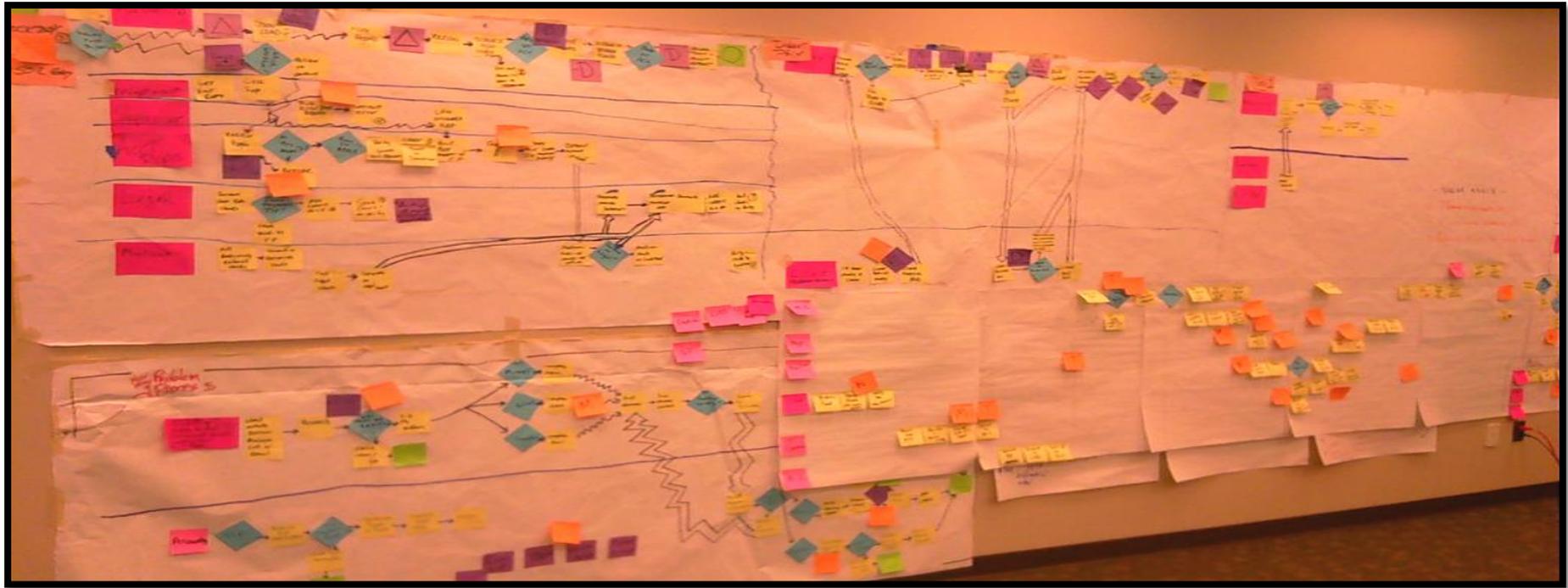
Lead-time Reduction





Jess

Current-State Process Map



**10,000 feet
view**

**238 steps
46 handoffs
28 decisions**

The original processes had:

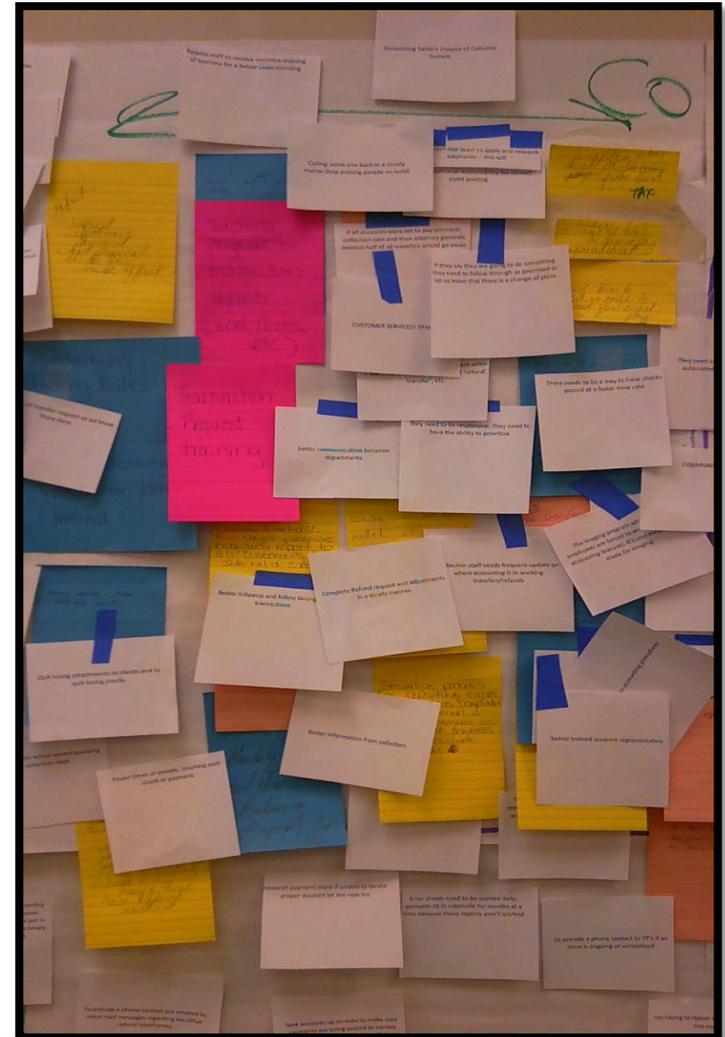
- ❑ Too many steps
- ❑ Too many handoffs
- ❑ Caused too much process lead time
- ❑ Too many delays and storage points
- ❑ Over processing
- ❑ Multiple IT systems



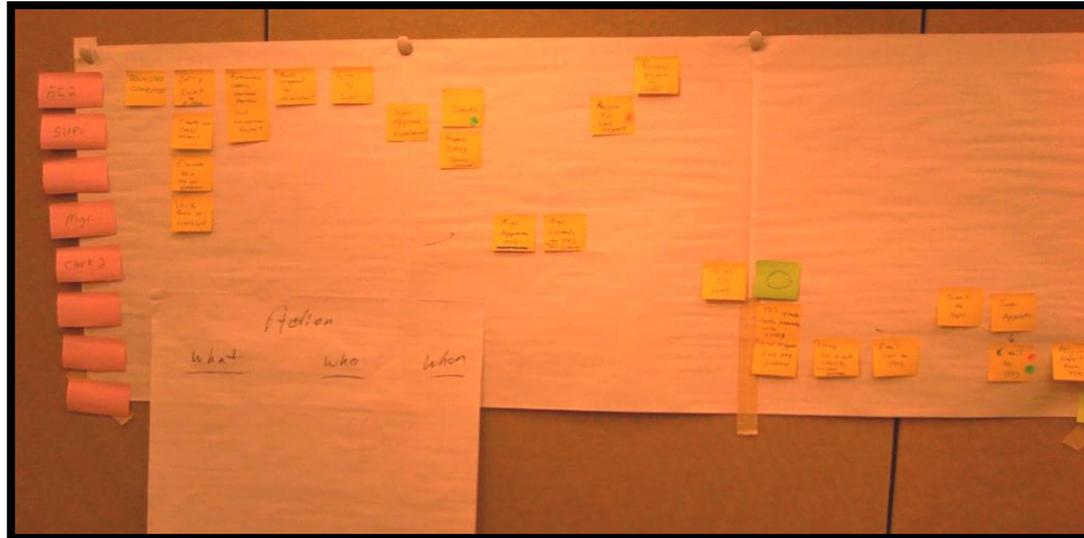


Sally

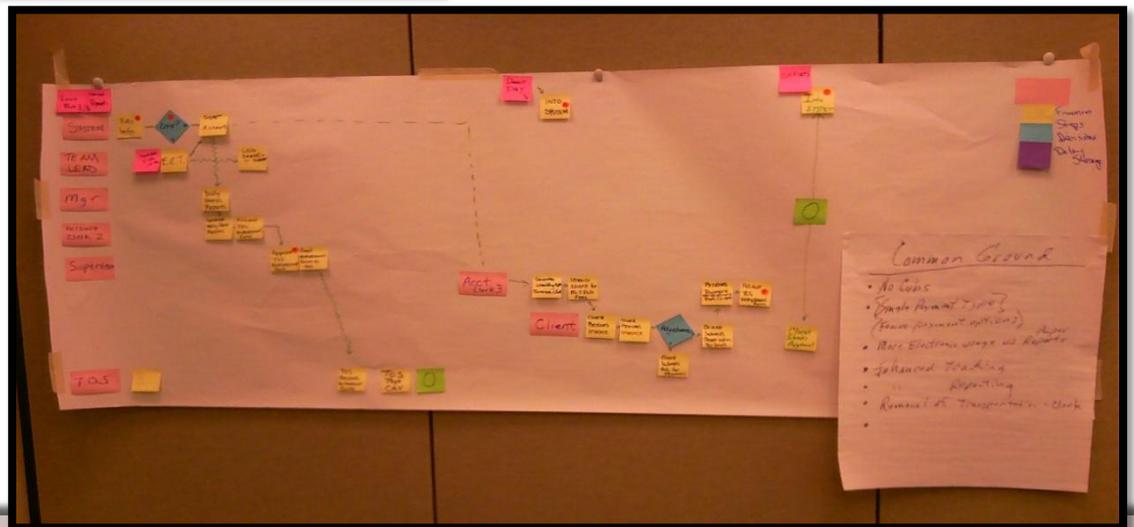
The team brainstormed dozens of improvement ideas and considered 100% of the ideas submitted from the 2012 staff survey



Clean Sheet Redesign



1



2

Common Ground



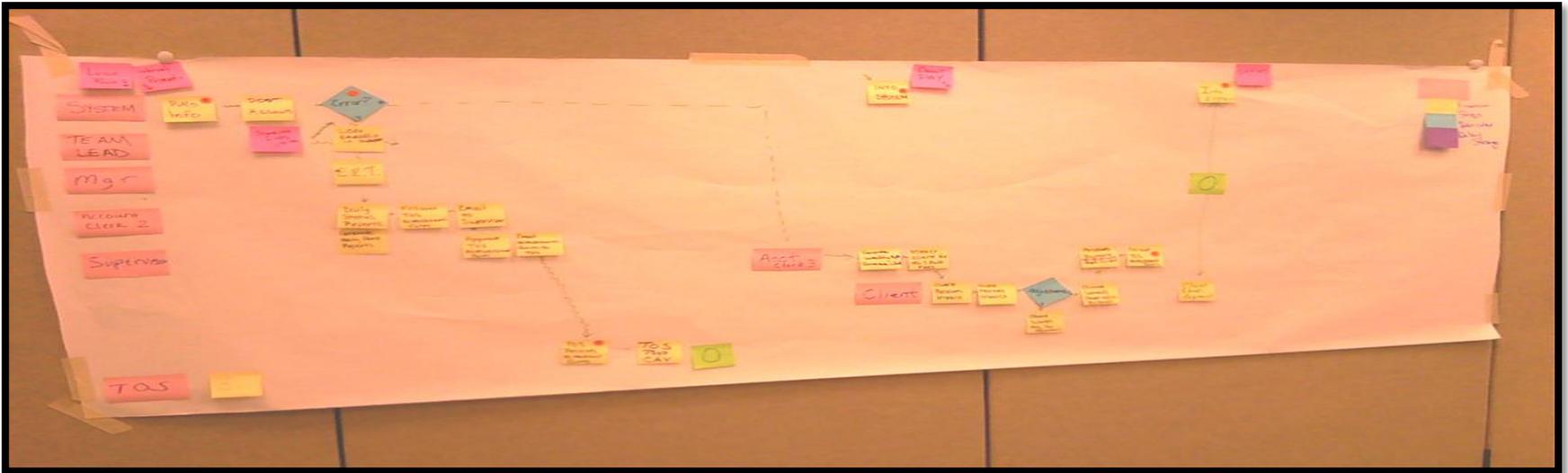
Common Ground

- No Cups
- Single Payment Type
(Fewer payment options)
- More Electronic usage vs ^{Paper} Reports
- Enhanced Tracking
- " Reporting
- Removal of Transportation - Clerk
-



Rich

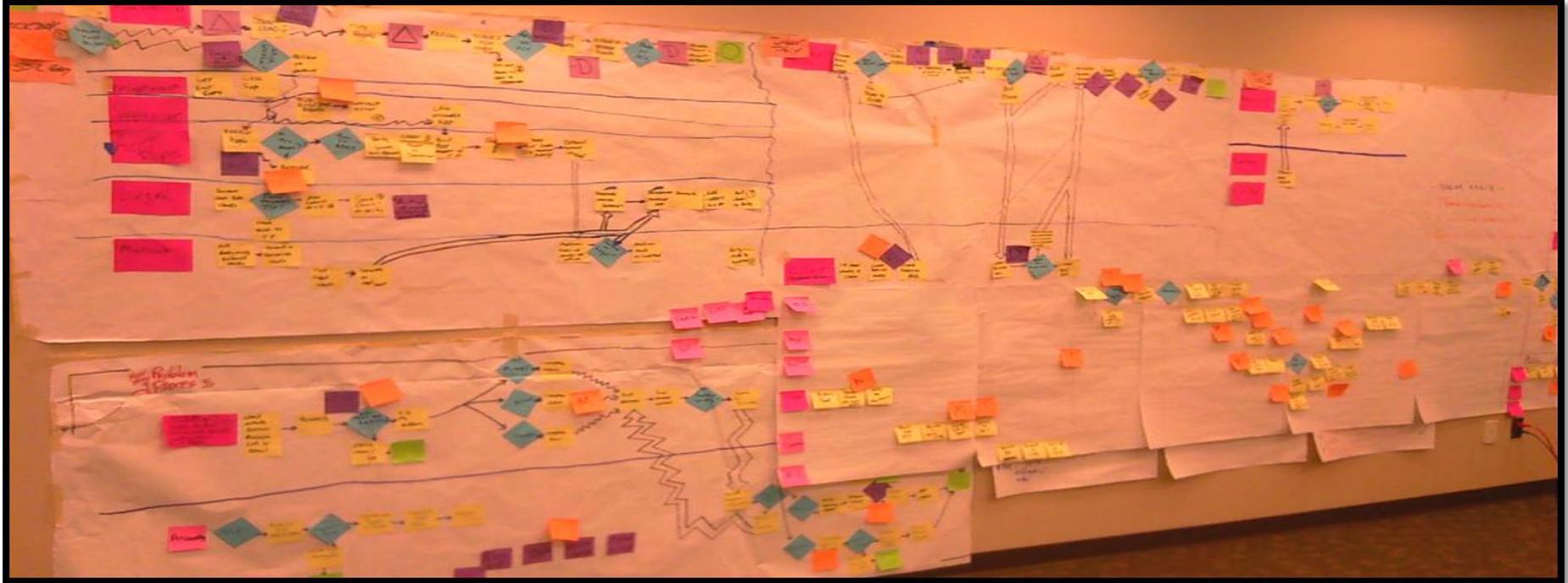
The New, Improved Process



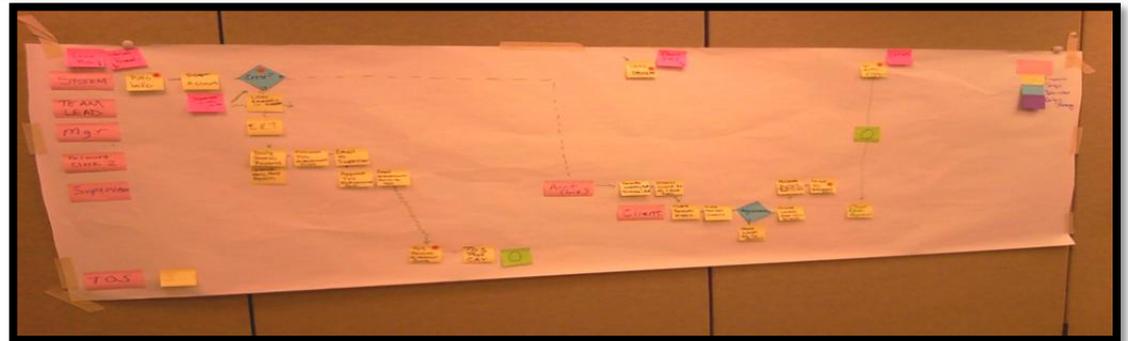
**30,000 feet
view**

**25 steps
8 handoffs
2 decisions**

Old Process “10,000 feet”



New Process “30,000 feet”



The Results

Measure	Before "10,000 feet level"	Projected After "30,000 feet level"
Steps	238	25
Decisions	28	2
Handoffs	46	8
Overall Processing Time	15 - 346 days	14 -58 days

*This comparison as "before" is highly detailed and the steps projected "after" is primarily electronic and the actual number of steps are mostly unknown at this time; the IT system is yet to be developed.

More Results

- ❑ Improved lockbox process
- ❑ Better taxpayer communications
- ❑ Improved IT system
- ❑ Fewer errors
- ❑ Reduced job frustration; revitalized job satisfaction
- ❑ Update of collection letters



Cost Savings/Cost Avoidance/Revenue Enhancement

- Client – free client staff from researching and allow more time for billing and audits. Faster certification downloads will result in saved time and enhanced collections.
- SC/TPV – easier fee reconciliations (estimated \$1-2k per firm per month).
- AG – Enhances revenue by freeing up collectors.
- AG – Saved bank fees by moving to a TOS account.
- AG – Electronic processing = lower printing costs.
- All – Fewer errors = expedited access to funds.



Yancy

Implementation Plans

- ❑ Interim Process & IT Plan
- ❑ Training plan
- ❑ Communication plan
- ❑ Future IT Plan
- ❑ Collections Letter Plan
- ❑ Error Reduction Plan



Interim Process & IT Action Plan

- ⑤ Check upload into CUBS
- ⑥ ACH update w/ TOS (Elim. Clerk Run to TOS)
- ⑦ Netting
- ⑧ New Policy - DPY Print, Pay remittances
- ⑨ Follow up on PIP Summaries for day - Email updates for system
- ⑩ Email Invoice Files
- ⑪ Training
- ⑫ Standardize Payment Method Entries
- ⑬ Ask Traction to send Misc. Pmt Payment by ACH
- ⑭ New account through TOS
- ⑮ Review & Update Transaction Permit Process (Sharepoint)
- ⑯ Develop Expense Process
- ⑰ Automate Receipts & Entries (Identify Error Process)
- ⑱ **Qtr 1 Partial PAYMENTS**
 - ① Evaluate Tax Memo Process
 - Email Completed memos
 - Process Process
 - Electronic Negative Process
- ⑲ Data Dump
- ⑳ New useful Process
- ㉑ Try Bank Scan Envelopes - Lockbox
- ㉒ Self-Adv - Standardized deposit Preparation
- ㉓ Self-Adv Boxes @ Lockbox Bundling - Reporting
- ㉔ Re-evaluate Lockbox Training Standards - Training Meeting
- ㉕ Tax Pmt Print method - re-evaluation
- ㉖ Project -> Electronic Reports - Leadership -> Prioritization
- ㉗ All Electronic
- ㉘ Worst-Case Stage - Develop

Accounting, IT	2 Months
Accounting, TOS	30 days
Business, Accounting, Cash	60 days
Business, Accounting	30 days
IT, Business	30 days
Accounting, IT, Cash	12 days - final implementation
Accounting, Business	30 days after development
Accounting , Client, Business	70 days
Accounting, Taxation	15 days
Accounting, TOS	6 months
Accounting, Business	1 month
Accounting, Business	30 days
Accounting, Business	60 days
IT, Business	105 days
Accounting, IT, Business	150 days
Accounting, IT, Business	60 days (8 weeks)
Accounting, IT	30 days after development
Accounting, Lockbox	50 days
Business, Accounting	30 days
Business, Accounting	90 days (after 60 days)
Accounting, Key Bank, Business	15 days
Accounting, Taxation, Cash	10 days
Accounting, IT	60 days
everyone	* 24 hours
Business	120 days

Communication Plan

COMMUNICATION

What	Who	When
Rollout Report Out	KAIZAN Team (DAS Support)	24 hours
Email Report Out All Collections	QA Pat to All Collections	72 hours
Leadership Executive MSG Board MILESTONES Sharepoint	PAT Ken Carly	30 days
TPV - SC Report How Process Changes Affect Them	Pat Ken Tracy Steve Dan	30 days
RFP - New System Considerations	Pat Bill	90 days
Client A lot updates	Businesses (AC) Ken/Pat	6 months
All Groups updates	Ken/Pat	12 months

Future Information Technology Plan

Future: IT Action Register

What	Who	When
1. WAY FOR CLIENTS & OTHERS TO SUBMIT PAYMENT	Future	
2. WAY FOR LOCKBOX PAYMENT INFO TO BE SUBMITTED	Future	
3. WEB PAYMENTS INFO SUBMITTED	Future	
4. PAYMENT INFO RECEIVED NOTED IN REAL TIME ACCORDING TO RULES	Future	
5. APPROVE OUR ERRORS (to mark out in excel file)	Future	
6. DATABASE/UNDERPOINT DB TO LOG/PROCESS ERRORS	MARISA	BUILD Two Weeks TEST FOR WEEKS Implement 1 month
7. DAILY STATUS REPORTS AUTOMATICALLY SENT TO MANAGER	Future	
8. WEEKLY REPORTS WITH CLIENT PAYMENT INFO (summary)	Future	
9. ABILITY TO PULL REPORTS/DATA	Future	
10. REPORTS TO HELP RECONCILE & MAKE PAYMENTS	Future	
11. LEGAL INVOICES	Future	
12. IMAGING	Future	
13. TOS Integration (bank, email)	Future	
14. PAYMENTS (a.m., Direct Debits, etc.)	Future	

Collection Letters Plan

LTR Action Registers

WHO	What	When
Acct, KeyBank QA Pat	Research Lockbox MISTAKES Identify Track Patterns Error Repeat Process Report	30 days - ongoing worst errors identified AC serv check checks vs instruct Direct Pay
QA/IT	Redesign Strategies Rules Print Options	60 days All strategies, identify Rules; Print Optn
Accounting Consd TPV/ QA	it's show up on checks Why - Find Consensus/ on appropriate test	30-60 days
QA Ashley PAT Jim Gillian Dean Becky Collections	Review books clarify Cert LTR Lien LTR LATE LTR counseling/notice	90 days

TRAINING

What	Who	When
Nuts & Bolts Interim Charge SC/TPV	Traci Steve Dan Ken Pat	Quarterly
Collections Interim Training	Car Team Gillian/Ken/QA	90 days
COLLECTIONS New System	CAR Team GILLIAN Dean Becky Ken QA	12 months
TPV: SC Interim Training	Traci Steve Dea Ken Pat	90 days
Rbt Team (Training) Trainers	Pat/Ken	6 MO
TPV: SC New System	Traci Steve Dan Ken Pat	12 mo
IT - New System Training Treasury New System Training Client New System Training	Tanell Ken QA Marissa Ken Pat Bus mess Rep Ken Pat	12 MO

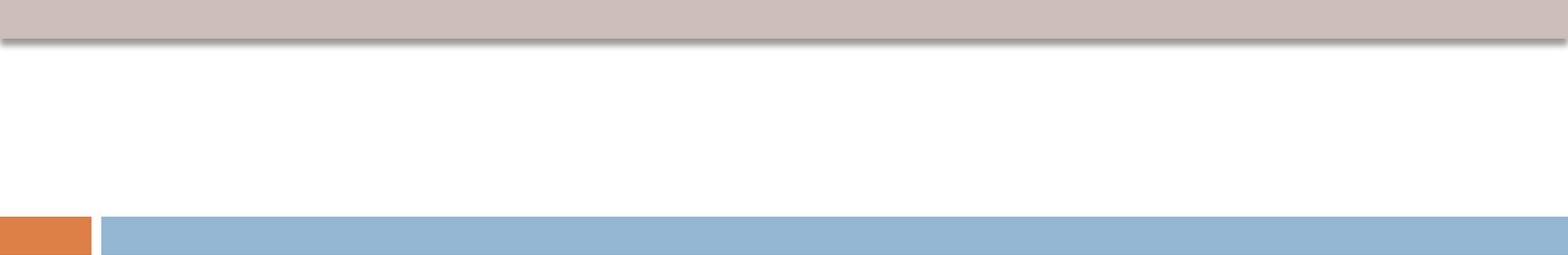
Training Plan

Error Reduction Plan

- Where do errors come from?
 - Attributes are incorrect
 - Mistyped account numbers
 - Overpayments
 - Account status – PIF, not actually PIF
 - Lockbox errors

Error Reduction Plan

- How to address errors:
 - Revise error letters
 - Work list triage
 - Electronic error system in SharePoint
 - Training for lockbox staff
 - Training for special council
 - Improve communication between collections staff and accounting



Ted

Come Monday...

Begin implementation

Begin #1's on Interim action plan

Initial communications plan

Start teams and timelines on plans

Cross educate internal staff

Entire Kaizen team gets day off 😊



Benefits

★ Future state developed ★

Fewer errors

Enhance Collections

Free up time for staff
across the board

Reduce staff stress and
improve morale





Gillian

Personal Lessons Learned



- Better understanding of the functions and process of Accounting
- Better understanding of how incomplete deposits cause delays
- We learned that the team takes great pride in their work
- New avenues discovered to communicate
- Yancy, our outside prospective greatly contributed to our improvements
- The team was very serious about improving the process
- Impressed with the volume of money that moves through this process
- We are now focused and dedicated to improve this process
- Leadership commitment to invest the time and resources to improve this process



Dean and Gillian

Life as a member of a Kaizen event Team...



What Questions/Comments do you have?



Special *THANKS* to...

- Senior Leadership: Pam Vest-Boratyn
- Sponsor: Marcia Macon-Bruce
- Team Leader: Patrick Brobeck
- SME's – Mike Day, Jennifer Clark,
Christina Britton, Ken Simmons
- Bill Cahill, Director, Business Operations