



CITY OF HOUSTON
Administration and Regulatory Affairs Department
 Strategic Purchasing Division

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SUBJECT: Letter of Clarification 1

REFERENCE: Request for Qualifications No.: S46-Q24000 for Consulting Services for Citywide Accounts Receivable and Collections

TO: All Prospective Respondents:

This Letter of Clarification is issued for the following reasons:

- **To respond to questions posed by prospective respondents.**

Question #1 – Are the receivables in question commercial (B2B) or retail/consumer receivables?

Answer: Both. The below table provides an example of the types of revenue streams and their applicability to either B2B or B2C.

Please note the B2B/B2C classification is a general approximation. Without detailed knowledge of the Fee types, the City is not able to concretely say that a fee is only B2B or B2C per the below.

Department	Fee Type	COH to Citizen	COH to Business
ARA	Civil Parking	X	X
ARA	Police Burglar and Panic Alarms	X	X
ARA	Ambulance	X	
ARA	Franchise Fees	X	X
ARA	Taxi Permits and Renewals		X
Finance	Ad Valorem	X	X
Finance	Hotel Tax		X
Houston Airport	Rentals		X
Houston Fire	Fire Permits and False Alarm Fees		X
Houston Fire	Special Fire Permits		X
Houston Health	Permits and rents		X
Houston Health	Clinics	X	
Houston Health	Laboratory Services	X	X
Houston Library	Late Due Fees and Fines	X	
Houston Police	Red Light Camera Tickets	X	X
Municipal Courts	Legal Judgments	X	X
Municipal Courts	Current Class C Misdemeanors	X	
Public Works	Code Enforcement		X
Public Works	Water Bills	X	X
Solid Waste	Extra Container	X	X
Solid Waste	Dumpsters		X
Solid Waste	Non Residential Garbage		X

Question #2 – Regarding the current efforts to move Pool, Source Registration, etc to the Garrison system, are these also in scope to move to SAP AR and Sales & Distribution Module?

Answer: Currently there is an SAP Interface with Garrison, and the City does intend to interface Garrison with SAP at some point. However, this would likely be an interface to gain citywide reporting – SAP would not serve as the daily line of business application.

These revenue streams, like most all others citywide, are only in scope for this RFQ relative to the need to 1) gain visibility into and understand their data, and 2) suggest and implement process improvements enabling the City to collect its current outstanding revenue, and increase its collections going forward.

Importantly, the project scope is not to implement SAP across systems – it is to understand the foundational issues, document current processes, and design future processes/recommend process improvements. Included in this project may be building a priority list of systems to be pulled into SAP, but the RFQ project itself is not to do the SAP implementation.

Question #3 – Is the City of Houston planning to have 1 SAP production instance for all departments?

Answer: Yes, the City currently operates 1 SAP production instance – Citywide.

Question #4 – Are you open to consolidating master data cross all systems?

Answer: Yes, but considering the current state, that is a long term goal. The City currently need to see and understand what data it has. The project scope is not to implement SAP or another solution – it is to understand the foundational issues, document current processes, and design future processes/recommend process improvements.

Importantly, the project scope is not to implement SAP across systems – it is to understand the foundational issues and design better processes. Included in that discovery may be determining a logical way to merge data into one consolidated view, but the RFQ project is not to do an implementation of SAP or another system.

Question #5 – It mentioned in the RFQ that “an assessment and review of collection process has been completed and concluded on decentralized approach on AR and Collection”. Will the data review process mentioned in the scope of work be built on the initial assessment and help to prioritize & to determine short term wins?

Answer: The quotation noted above is not included in the RFQ verbatim, which appears to be a few sentences blended together. To summarize:

- A brief overview of Citywide AR was conducted, and a more detailed study was made within the Houston Health and Human Services Department.
- Based on those reviews, the City noted that there is currently a decentralized approach to AR and collections citywide.
- There is not a set data review process that currently exists that could be used going forward.
- The respondent is to propose a data review process to examine all currently existing revenue streams.
- Based on currently known information and those uncovered in partnership with the contractor, the contractor would propose short term wins that are possible and the City would determine whether or not those actions should be taken.

Question #6 – Does the City of Houston have a set of KPI to assess 3rd party collection vendors? Or will KPIs need to be developed, reviewed & confirmed with stakeholder before assessment?

Answer: Currently, the City does not have a set of KPI's that it uses to measure the success of its vendors. Currently, many vendors invoice the City for accounts collected on and provide reports on activity levels (the # of calls made, # of notices mailed, # of successful electronic skip traces, etc), but the City understands these are not ideal KPIs.

Below are examples detailing Call Activity on Delinquent Fire Alarm Permits – also attached is a spreadsheet (“HF DFA Monthly Performance Report.xls”) that shows Mailed Notices, Skip Tracing, and a Performance Summary of Mailed Notices, Call Activity and Skip Tracing.

Telephone Activity							
Mo/Yr	Total Count	Inbound			Outbound		
		Count	Total \$	% Count	Count	Total \$	% Count
Jul-10	22	0	\$ -	0.00%	22	\$ 13,650.00	100.00%
Aug-10	362	189	\$ 171,990.00	52.21%	173	\$ 108,510.00	47.79%
Sep-10	362	109	\$ 82,020.00	30.11%	253	\$ 172,429.00	69.89%
Oct-10	343	92	\$ 67,431.00	26.82%	251	\$ 256,620.00	73.18%
Nov-10	303	120	\$ 85,050.00	39.60%	183	\$ 220,380.00	60.40%
Dec-10	228	29	\$ 31,500.00	12.72%	199	\$ 321,510.00	87.28%
Jan-11	121	21	\$ 24,938.00	17.36%	100	\$ 132,618.00	82.64%
Feb-11	159	15	\$ 9,786.00	9.43%	144	\$ 272,064.00	90.57%
Mar-11	165	25	\$ 10,428.00	15.15%	140	\$ 362,778.00	84.85%
Apr-11	133	18	\$ 7,866.00	13.53%	115	\$ 207,792.00	86.47%
May-11	171	16	\$ 15,180.00	9.36%	155	\$ 310,782.00	90.64%

Question #7 – Are there any infrastructure, security and legal constraints in consolidating all departments into one system?

Answer: Yes. In terms of the uniqueness of different applications citywide, as well as the time frame and funding constraints, the City is not seeking to consolidate all systems into one system or all departments into one system.

The City intends to replace systems with SAP where possible, and then build interfaces from line of business applications to SAP for report-ability in other cases.

Importantly, the project scope is not to implement SAP or another software package across systems – it is to understand the foundational issues and recommend process improvements. Included in that discovery may be building a priority list of systems to be pulled into SAP, but the RFQ project itself is not to do an SAP implementation.

Question #8 – Are there any business resource constraints that we should consider in this project?

Answer: The respondent should make any reasonable request it deems necessary – be it to speak with staff or obtain specific data – and the City will follow through to ensure the respondent is the least constrained party. It is possible that there could be delays in obtaining certain data, but the City must proceed as if there aren't any constraints.

The biggest constraint is that the City does not current have the IT infrastructure in place in order to provide any or all the data immediately.

Question #9 – Are there any existing rules and/or city ordinances governing collection efforts?

Answer: Administrative Procedure 4-4 Revised, effective 6/15/2011 (Accounts Receivable and Collections Policy). This and all other existing City Administrative Procedures can be found at: <http://www.houstontx.gov/adminpolicies.html>.

City Ordinances can be found at: <http://www.houstontx.gov/codes/>

In addition to the ordinances and statutes that authorize each fee, charge, penalty, fine etc, these ordinances may be applicable:

Code Section 2-54 generally, and the following in particular:

2-54 Duties of (Finance) Department

- (5) Supervision of all actions necessary to enforce ordinances pertaining to the collection of revenue due and owing to the city.
- (6) Supervision and responsibility for the prompt collection of all ad valorem taxes levied, assessed, due, or becoming due to the city.
- (8) Supervision, responsibility for, and performance of all of the applicable duties prescribed and specified by law pertaining to the rendition, assessment and collection of moneys and the giving of a receipt therefore in the collection of ad valorem taxes by the city.
- (9) Review of revenue-producing activities of the city; recommendation of methods of improving the efficiency of those departments of the city involved in such activities, recommend and assist in implementing methods and procedures designed to increase the revenues and efficiency of the city; and recommendation of new sources of revenue for the city.

http://library.municode.com/HTML/10123/level3/COOR_CH2AD_ARTIIIIDEFI.html#COOR_CH2AD_ARTIIIIDEFI_S2-57DETRTAASCOCI

2-57 Designation of City Treasurer or Tax Assessor and Collector

The director of finance is hereby authorized to delegate the performance of the duties of city treasurer or tax assessor and collector of the city to a qualified individual.

2-262 Authority of City Attorney

http://library.municode.com/showDocument.aspx?clientID=10123&docID=19#COOR_C H2AD_ARTVIIIEDE_DIV1GE_S2-262AUATINSESUDEDAOWCI

- (a) The city attorney or any of his assistants are hereby authorized to institute lawsuits on behalf of the city in any court of competent jurisdiction to recover any debt or damages owed to the city when in the exercise of their judgment such action is necessary. For the purposes of this subsection, any debt or damages owed to the city shall mean any monies deemed by a department to be payable to the city, or any money owed to the city under a previously executed installment contract.
- (b) In a suit instituted under the authority of this section, the city attorney or his assistants are hereby authorized to make any settlement or compromise which in their judgment is in the best interest of the city.

As an example of ordinances and statutes that authorize each fee, charge, penalty, fine etc, the Ordinance chapters below detail the rules governing HFD EMS Ambulance Fees and HFD Fire Alarm Permitting and False Alarm Fees:

- Chapter 4 - AMBULANCE
- Chapter 11 - BURGLAR AND FIRE ALARM PROTECTIVE SERVICES >> ARTICLE II. - FIRE ALARM SERVICES >> DIVISION 2. - FIRE ALARM PERMITS; FALSE FIRE ALARM FEES

Question #10 – What type of training have existing City resources been provided to date on SAP systems? Who provided it? (IT)

Answer: The City of Houston provides an extensive training program on the SAP ERP modules that are actively used by City departments. Those modules include the following:

- Purchasing – (inclusive of requisitioning and purchase order)
- Inventory & Warehousing
- Accounts Payable
- Project Systems
- Grants
- Asset Management
- Financial/General Ledger
- Internal Cost Management
- Funds Management
- Personnel Administration
- Organizational Management
- Benefits
- Worker’s Compensation (custom module)

Question #11 – What level of access would we have to the 3rd party collection vendor’s data?

Answer: Generally, access to all relevant and necessary data that those respondents must have by contract; provide to the city; there may be exceptions such as data limited by contract or laws concerning, for example, privacy and confidentiality.

Questions #12 – page 5 of the RFQ 3.1.2 – what are the names of the six vendors? The types of collection services provided i.e 1st party collection services? 3rd party collection services? Demand letter services? Legal enforcement services? Types of legal enforcement services i.e. bank levies? Liens on real property? Garnishments? Contingency fee rates charged? Legal enforcement rates charged? What is the liquidation/recovery/closure rates contract to date by each vendor? How many accounts/dollars have been assigned to each vendor program to date

Answer: See attached Presentation slides: “Debt Collection Project 2011 02 16.pdf”

Question #13 – Can you provide copies of each contract for each vendor to understand the scope of work and typical contract requirements?

Answer: Attached is “Vendor Contracts.zip” that includes the below files.

VENDOR NAME	SERVICES
ACS	EMS AMBULANCE FEE COLLECTION SERVICES
ACS	CONTRACT AMENDMENT #1
ATS	PHOTO RED LIGHT CAMERA ENFORCEMENT
ATS	LETTER AGREEMENT/AMENDMENT-1
LINEBARGER	AD VALOREM TAXES
LINEBARGER	MCD-COLLECTION OF NON-PARKING CITATIONS
LINEBARGER	MCD-CONTRACT AMENDMENT #1

VENDOR NAME	SERVICES
PMAM CORP	BURGLAR ALARM ADMINISTRATION SERVICES
PMAM CORP	CONTRACT AMENDMENT #1
PROFESSIONAL ACCOUNT MANAGEMENT	PARKING VIOLATION COLLECTION SERVICES
UNIQUE MANAGEMENT	LIBRARY COLLECTIONS
UNIQUE MANAGEMENT	CONTRACT AMENDMENT #1

Question #14 – page 5 of the RFQ 3.1.4 Can you provide a copy of the City’s ordinance re its collection program?

Answer: All existing Administrative Procedures can be found at: <http://www.houstontx.gov/adminpolicies.html>, including A.P. 4-4 governing Accounts Receivables (recently revised).

City Ordinances can be found at: <http://www.houstontx.gov/codes/>

The Ordinance chapter detailing the powers of the Finance Director as the City of Houston’s Assessor-Collector are in *Chapter 2 - ADMINISTRATION >> ARTICLE III. - DEPARTMENT OF FINANCE*. More specific details for each revenue source can be found in their respective ordinance sections (which can be searched for on the Code of Ordinances website).

Question #15 – What are the names of the City’s departments that have unpaid? How many accounts and dollars does each department have in unpaid debt? What is the age of the unpaid debt via traditional debt aging i.e. 30, 60, 90, 120, 150, 180, more than 180 but less than 360 days, more than 360 days?

Answer: Please see attached spreadsheet (“Accounts Receivable Balances at 12 31 2010.xlsx”) for the collection of initial accounts receivable data gathered at the end of 2010 by the Finance and Legal Departments.

***NOTE:** This data should not be accepted as given and correct – it should be interpreted as a high level summary to provide perspective on the multitude of revenue streams and departments involved. A more detailed study of a few specific revenue streams has already revealed that this high level summary missed many details. In some cases this translates into significant amounts of uncollectable debt included on the spreadsheet. In other cases we have discovered additional revenue streams that were not included. This is precisely one of the reasons why a data review and remediation process is important.*

Question #16 – Does the City have a statute of limitations on its unpaid debts?

Answer: No, but there are limitations.

Question #17 – Does the City impose a contingency fee add-on to pay a private collection agency its fees for service? If so what is the legal authority to assess an “add-on” for each of the City’s departments? If not, how is the private collection agency paid for each City department?

Answer: It depends based on the revenue source being collected on. For the most up to date information available, please see attached presentation slides: “Debt Collection Project 2011 02 16.pdf” and detail within contracts in “Vendor Contracts.zip”.

Question #18 – page 3 of the RFQ 2.3 – Are any of the unpaid accounts, by department, reduced to a judgment status? Administrative judgment? Civil judgment, Criminal judgment? Are these judgments accessible via a city website? If so what is the website address?

Answer: Generally the City's accounts are not reduced to judgment. Exceptions are ad valorem tax judgments obtained by the City's collection contractor, Municipal Court judgments for various fines and penalties, civil and criminal, and judgments associated with hotel occupancy taxes collected through Convention & Entertainment Department (which is now a several corporation). These judgments are not accessible via a city website. This data should become available as described in the response to Question #11.

Questions #19 – What is the City's annual budget, by department, for 1) personnel? 2) Supplies? 3) List of all variable costs? 4) List of all fixed costs? 5) Can you provide a copy of the City's budget report itemized for items 1-4 above?

Answer: Please see the Finance Department's website where the City's annual budget is provided from FY2004 through FY2012: <http://www.houstontx.gov/budget/index.html>.

Question #20 – Can you provide copies of any on-going contractual agreements with any and all vendors for computer services to support any account receivables and collection program related work, by department, including annual costs and program to date costs?

Answer: Current supplementary technology contracts among the different departments are unknown and unavailable. These details would be uncovered during the project.

Question #21 – Can you provide any City audit reports made for the past 10 years re the City's account Receivables and Collection program?

Answer: Please see the website of the Office of the City Controller. You can find all City Audits dating back to 1998, available at: <http://www.houstontx.gov/controller/audit/auditreports.html>

Below are links to those found with a search of "collections" or "receivable" on that website:

FY2006

[Health Dept. Follow-Up of the Accounts Receivable and Billings Internal Audit](#)
[Planning Dept. Follow-Up of the Accounts Receivable and Billings Internal Audit](#)

FY2004

[Accounts Receivable and Billings Internal Audit City-Wide Overview](#)
[City-Wide Accounts Receivable and Billings Internal Audit Fire Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Library Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Finance and Administration Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Public Works and Engineering Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Municipal Courts Administration Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Housing and Community Development Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Legal Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Police Department](#)
[City-Wide Accounts Receivable and Billings Internal Audit Health and Human Services Department](#)
[City-Wide Accounts Receivable and Billings | Internal Audit, Parks and Recreation Department](#)

City-Wide Accounts Receivable and Billings | Internal Audit, Convention and Entertainment Facilities Department

City-Wide Accounts Receivable and Billings | Internal Audit, Solid Waste Management Department

City-Wide Accounts Receivable and Billings | Internal Audit, Building Services Department

City-Wide Accounts Receivable and Billings | Internal Audit, Planning and Development Department

City-Wide Accounts Receivable and Billings | Internal Audit, Aviation Department

City-Wide Accounts Receivable and Billings | Internal Audit, Human Resources Department

City-Wide Accounts Receivable and Billings | Internal Audit, Office of the City Controller

FY2001

Aviation Department - George Bush Intercontinental Airport Parking Cash Collections and Deposits Audit

Question #22 – Can you provide a copy of the organizational chart for all collection program staff, by department?

Answer: Organizational charts are currently not available with the recent citywide reorganizations. They will be obtained during the project while working with each department. Importantly, many departments do not currently have collections organizations, and the hierarchical reporting organizational charts they do have often do not provide the functional view of accounts receivables and collections that we would be interested in.

Question #23 – does the City have a “write-off” policy for bad debts? If so, can you provide a copy of the policy? How many accounts/dollars have been written off for the past 5 years broken down by year, by department?

Answer:

Administrative Procedure 4-4 Revised, effective 6/15/2011 (Accounts Receivable and Collections Policy) provides policy guidance on the “accounting write-off” of outstanding receivables.

Current statutes do not allow the City to actually “write-off” and forgive debts. The statute states that the City may not make a gift of public funds.

In the case of “accounting write-offs,” the City recently “wrote-off” approximately \$300 million from its accounting books for EMS Ambulance Fees. This has not been a common practice and is an exception to the rule.

When issued, Letter(s) of Clarification shall automatically become a part of the solicitation documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. It is the responsibility of the proposers to ensure that they have obtained any such previous Letter(s) associated with this solicitation. By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this solicitation.

If you have any questions or if further clarification is needed regarding this RFP, please contact Eric Alexander at 832-393-8704.

Sincerely,

Eric Alexander

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Note: For additional information please refer to the following attachments posted to the e-bid site

- Accounts Receivable Balances at 12 31 2010.xlsx
- Debt Collection Project 2011 02 16.pdf
- HF DFA Monthly Performance Report.xls
- Vendor Contracts.zip

cc: Kelly Dowe – Finance Department
Linda Cormier – Finance Department
Jim Locke – Finance Department
Bruce Haupt – Finance Department
Lynette Fons – Legal Department
Q24000 Solicitation File

End of Letter of Clarification 1