

OHIO ATTORNEY GENERAL COLLECTION REPORT 2019

For calendar years 2017-2018

I. OVERVIEW

Pursuant to R.C. §131.02(A), state agencies are required, and political subdivisions are permitted, to certify unpaid debts to the Attorney General's Collections Enforcement Section ("Collections") for collections. The debt types include but are not limited to: personal income tax, unemployment compensation benefits, workers compensation premiums and state university medical debt. In addition, we collect various types of miscellaneous debt for our local government clients. In accordance with Ohio Revised Code §131.023, the purpose of this report is to explain the collection efforts made by the Ohio Attorney General's office for the previous two calendar years.

In regard to the operations of the Collections Enforcement Section, once a debt is certified to our Collections, the collection efforts begin with the in-house Attorney General Collection staff sending a series of collection letters, utilizing skip tracing methods to locate debtors, and making calls to debtors to request payment on behalf of our clients.

Our office has the authority and ability to offset money owed to the debtor by way of state and federal tax refunds, unclaimed funds, as well as lottery or racino winnings. We also have the ability to file liens and request liquor permit suspensions, nonrenewals, and revocations. Finally, we work with the Department of Insurance to ensure Insurance Agents resolve their outstanding tax obligations prior to renewing their licenses.

If in-house collection efforts are unsuccessful, the debts are sent out to either third party vendors ("TPVs") or lawyers designated as "Special Counsel" who have been appointed by the Attorney General specifically to collect these unpaid obligations in accordance with Ohio Rev. Code §109.08. Accounts not collected by TPVs or Special Counsel may be reassigned to different TPVs or Special Counsel. If the debt is deemed not collectible (e.g. taxpayer died; moved out of state) the debt will be moved from our active collections database ("CUBS")¹ to our archived system. Ohio Revised Code §131.02 provides that the Attorney General, shall cancel or cause debts to be cancelled if they remain unsatisfied after a period of forty (40) years. While most debts follow this general 'flow', the debts certified by each agency (or each "Portfolio") may have certain attributes that require specific treatment.

Overall, we have continued to make progress in our collections efforts. For calendar year 2017 we recovered ~\$498 million and for calendar year 2018 we collected ~\$462 million for the State of Ohio including local government debts. While it appears that year-over-year collections performance declined, it should be noted that calendar 2017 collections were positively impacted by the failed implementation of a new collections system in calendar year 2016.

In 2016, we attempted to convert to a new collections system. However, due to problems with the vendor this implementation failed. The result was that all collections efforts stopped for several months at the

¹ CUBS stand for Columbia Ultimate Business System. Certified debts are immediately placed on CUBS and which tracks the status of each debt, and engages in a myriad of collections functions such as issuing automatic letters, liens and notices as well as assigning debts to collectors or special counsel.

end of 2016. This “limited functionality” resulted in a substantial decrease of new certifications from clients and correspondingly lower than normal dollars collected in 2016 (money collected in 2015 was \$448 million, but only \$386 million in calendar year 2016). Some of the debt that would have been otherwise certified in 2016, fell into 2017, driving up collections results for that year.

We are currently in the process of undertaking steps to proceed with another new collections system.

II. DEBTS COLLECTED

A. Ohio Department of Taxation-Business Tax

Business taxes include sales tax, use tax, employer withholding tax, corporate franchise tax, withholding school district tax and the commercial activity tax.

Depending upon the amount of the debt, tax liens may be filed at any time from immediately after we have issued the notice of certification letter to 150 days later. Most liens are automatically issued by our system. Generally, any action to execute on the lien will not be filed until the debt has been assigned to special counsel after collection efforts have stalled with our in-house collectors and then with a third party collection firm. Where the debtor is an individual, we will attempt to setoff state funds otherwise due the debtor as discussed above. We will also pursue the suspension, non-renewal or revocation of liquor permits issued to permit holders that owe business tax.

B. Ohio Department of Taxation- Personal Income Tax

We collect both personal income tax and school district tax for the Ohio Department of Taxation. The procedures for the collection of personal income taxes mirror those for the collection of business taxes; however School district income tax debts proceed immediately to third party vendors for a six month collection period. Further, we will not only attempt to setoff state funds otherwise due the debtor, we will also attempt to setoff federal income tax refunds as well.

C. Ohio Bureau of Workers’ Compensation-Premium and Non-Compliance Obligations

The Bureau of Workers Compensation (“Bureau”) certifies several types of debt to Collections. The two largest categories consist of premium obligations and non-compliance obligations. We also collect on self-insured employer obligations and subrogation matters.

1. Premium obligations include the types of debts that the typical Ohio employer will pay to maintain state workers compensation coverage. Upon receiving a certified premium debt, we immediately issue a notice to the debtor and follow up with a notice of assessment. The debtor has 20 days to submit a protest to the assessment before a lien is filed. If the debtor is an individual rather than a corporation, we will attempt to setoff state funds otherwise due the individual. We will also pursue the suspension, non-renewal or revocation of liquor permits issued to permit holders that owe Workers Compensation premiums.
2. If the Bureau receives an application for compensation relating to an injured debtor who does not appear to have state coverage, the Bureau will notify Collections. The Bureau will conduct a

review to ensure that the injured worker was employed by a non-complying debtor. Once this determination is made, the Bureau will send the injury report to Collections and we will file a recorder's lien against the debtor in the appropriate county. Collections' in-house staff will also begin attempts to collect the debt. If we are unsuccessful, the debt is sent to special counsel who will reduce the liability to judgment. Thereafter, the typical non-compliance debt will follow the same progression as the premium obligations accounts.

D. Ohio Department of Medicaid

The Department of Medicaid ("Medicaid") also certifies a variety of debts to Collections. Debts we collect against Medicaid providers include Franchise fees and Provider Overpayments. Additionally, our office handles the Medicaid Estate Recovery Program and Medicaid Tort Subrogation.

- 1) Franchise fees are bed taxes imposed upon nursing home or hospital providers. Overpayments are Medicaid overpayments made to any Medicaid provider. After certification of these debts, the collection process begins by sending notice letters to the provider. Simultaneously, a claims account representative will attempt to reach the provider by telephone. Like the majority of certified debts, if there has not been any progress in collecting the debt, the accounts are forwarded to third party vendors and Special Counsel.
- 2) Upon receiving notice that a Medicaid recipient has died, Medicaid will notify Collections. Collections will inquire as to whether the decedent has any assets with which to reimburse Medicaid for any medical bills paid by Medicaid while the recipient was alive. If there are assets, Collections will submit a claim against the decedent's estate. If there is no response or the responsible party indicates that no assets are available to pay any estate claims, Collections will forward the debt to special counsel to verify that there are no available assets and the debt is cancelled. If special counsel determines that the decedent had assets, special counsel will take necessary steps to liquidate the assets and recover the medical expenses paid by Medicaid.
- 3) If Medicaid pays the medical bills of someone injured by another party and a lawsuit is filed, our office will represent Medicaid in the lawsuit in an attempt to recover the medical bills paid. This program as known as Medicaid Tort Subrogation.

E. Ohio Department of Job and Family Services-Unemployment Compensation Insurance

The Ohio Department of Job and Family Services ("ODJFS") certifies two major types of debts to Collections. They are A) Unemployment contributions; B) Unemployment benefit overpayments.

- 1) Similar to Bureau of Workers Compensation premiums, ODJFS requires the majority of Ohio employers to pay contributions into the unemployment compensation fund. Upon receiving certification of an unpaid unemployment compensation debt, the in house collections process begins. If the employer is an individual rather than a corporation, we will attempt to setoff state funds otherwise due the debtor as discussed above. Further, like the Bureau of Workers Compensation premium, and business tax debts, we will also pursue the suspension, non-renewal or revocation of liquor permits issued to permit holders that owe unemployment compensation.

Our computerized collections system is programed to automatically send liens to the relevant county recorder's office forty-five (45) days after certification. These liens will attach to any real or personal property.

- 2) If an individual sought unemployment benefits and received more than they were entitled to, ODJFS will certify the overpayments to Collections. These debts are worked in-house first and then sent to third party vendors and eventually Special Counsel for legal action. Like personal income taxes, we will not only attempt to setoff state funds otherwise due the debtor, in many instances, we will also attempt to setoff federal income tax refunds as well.

F. Universities - State University debt, including medical debt from the state universities hospitals

- 1) University debt involving a Federal loan is not worked internally. It is assigned first to a third party vendor for a period of time and then transferred to a Special Counsel, if needed. If collection attempts are unsuccessful, the universities may write off these debts. In addition, the Attorney General's Office will work with Institutions to help them streamline their late fees and penalties.
- 2) Debts that do not involve Federal loans are treated like other debts. We attempt collection and setoff of state funds otherwise due the debtor. If our in-house staff has not had any success, the debt will proceed to a third party vendor and then to a Special Counsel for enhanced collections.
- 3) Ohio State Medical Center and the University of Toledo Medical Center certify unpaid medical bills to Collections. These debts are directly forwarded to third party collection vendors who are trained in the privacy requirements of the Health Insurance and Portability and Accountability Act (HIPAA). If these vendors are not successful the debts are forwarded to Special Counsel. Occasionally, if the client so requests, Special Counsel are given the accounts immediately.

G. Local Government Collections –Debt from political subdivisions

Our local government debt collection program has grown significantly since its creation in February of 2012. Currently, we serve over 200 clients. Local government collections include a variety of different types of debt certified from various political subdivisions, such as county court clerk's offices, cities, and career centers. The program provides resources to local governments to help collect debts that they otherwise may not have the ability or staffing to collect. These debts follow the same collection flow as outlined above. The only exception is that certain local government agencies ask that we not send their obligations to Special Counsel and third party collection vendors. Like most of our other debts, we will attempt to setoff state funds otherwise due the debtor to satisfy these claims.

The types of debt that may be collected include civil, criminal and domestic court costs, restitution, city taxes, Emergency Medical Service fees, career center course fees, and personal property taxes against businesses.

Some of these debts are certified with liens filed by the client against the debtor. Additionally, with some of the debts, the client has placed a legal hold against the debtor, such as a driver's license hold or a warrant until the debt is paid. We send daily reports to the local government

clients regarding these types of debts. This allows the clients to take appropriate actions to release the hold when the debt is paid.

H. Miscellaneous State Agencies– (“SCS”)

Our final category of debt type is considered miscellaneous because there are so many different types from a wide variety of state agencies. We collect debts on behalf of all state clients and programs. Examples include fines assessed in relation to violations of Ohio’s Smoking Ban (R.C. Chapter 3794) for the Ohio Department of Health and findings for recovery (FFR) issued by the Auditor of State. See R.C. §9.24(H) (3). We also collect on judgments received by some of our own Attorney General’s Sections, for example the Consumer Protection Section. For the most part these debts follow the same collection flow.

Attached to this report are two spread sheets that show the total dollar figure of amounts certified and collected for this reporting period. The first chart details the number of debts (certifications) that were sent to the Attorney General’s Collection Enforcement Section for collection purposes for calendar years (CY) 2017 and 2018 listed by client. The second chart illustrates the total dollar amount collected by the Attorney General’s Collections Enforcement Section listed by client for the same two calendar years.