

**An Audit of  
Milwaukee County  
Billing and Collection  
Practices**

**February  
2007**

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# Milwaukee County

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February 22, 2007

To the Honorable Chairman  
of the Board of Supervisors  
of the County of Milwaukee

We have completed an audit of Milwaukee County Billing and Collection Practices. The report provides an overview of the County's decentralized collection function and identifies several opportunities for improved collection performance. Due to the wide range of County services and its diverse customer base, we recommend a 'hybrid' centralization effort that retains initial responsibility for the billing and collection functions at the departmental level, but creates a centralized collection unit that will facilitate the application of best practices identified in the audit.

Responses from the Department of Administrative Services and the Milwaukee County Clerk of Circuit Court are included as **Exhibit 3**. We appreciate the cooperation extended by the two responding departments, as well as management and staff from all County departments reviewed during the audit.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer  
Director of Audits

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors  
Scott Walker, Milwaukee County Executive  
John Barrett, Milwaukee County Clerk of Circuit Court  
Linda Seemeyer, Director, Department of Administrative Services  
Cynthia Archer, Fiscal & Budget Administrator, DAS  
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# An Audit of Milwaukee County Billing and Collection Practices

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## Summary

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The Milwaukee County Board of Supervisors passed Resolution 04-499(a)(a) directing the Department of Audit to perform a comprehensive audit of the County's billing and collection procedures. The scope was to include a review of billing and collection practices across County departments and a performance assessment of these collection methods. In addition, the resolution specifically required a review of collections for non-transport fees associated with the paramedic program.

### Accepted Precepts for Successful Billing and Debt Collection

Professional organizations and associations have generally accepted precepts and recommended practices to assist local governments in billing and collecting accounts receivable. We reviewed information from the Government Finance Officers Association (GFOA), the National Association of Counties (NACo), the Government Accounting Standards Board (GASB), the International City/County Management Association (ICMA) and others to identify a number of basic precepts that are fundamental to good billing and collection practices. Key among the basic precepts we gleaned from this review are the following:

- ***Timeliness is essential.*** Getting invoices out quickly and starting aggressive collection efforts early are key elements of successful billing and collection programs.
- ***Written policies and procedures are important.*** They provide guidance for staff and promote consistent treatment of customers.
- ***Complete and accurate customer information is a related necessity.*** Incomplete or inaccurate billing and collection information can result in undeliverable invoices and/or uncollectible accounts. If accurate and complete information is not captured at the onset, valuable time and resources will need to be diverted to correcting that deficiency.
- ***Convenient payment methods improve collection rates.*** Making it easy to pay bills can help improve collection rates. Providing options such as convenient payment locations and accepting debit and credit cards, telephone and Internet payments increases the likelihood of earlier payment.
- ***Receivables must be managed.*** A basic precept is that all accounts should be aged according to the number of days the account is overdue (e.g., less than 30 days, 30 to 60 days, etc.). Allowing an unpaid bill to age more than 90 days increases the risk of non-recovery by at least 20%. Debts should be prioritized, with the largest and most recent overdue accounts worked first.

- **Centralizing collection efforts can improve collections.** NACo found that, “Merging all outstanding receivables into one department is probably the single most important change counties and other local governmental entities can make to improve their collection rates.”
- **Know when to outsource.** Even very effective collection efforts reach a point where progress bogs down. Determine where that threshold is and turn those accounts over to a private sector collection agency at that point as a matter of policy.

## Condition of Milwaukee County Collection Efforts

To provide an overview of Milwaukee County’s multi-faceted billing and collection efforts, we identified several key features of those practices.

- Milwaukee County’s billing and collection efforts are highly decentralized. The decentralized nature of billing and collections in the County has created numerous challenges to improving collection performance.
- The amount of staff training and collection expertise varies widely throughout the County.
- Collection-related information is not shared interdepartmentally resulting in duplication of efforts and missed opportunities to collect total debts owed the County. Instead, collection efforts are department-focused and piece-meal in nature.
- Reflecting the decentralized nature of the County’s efforts, there are no uniform policies and procedures in place to guide departments in implementing generally accepted billing and collections precepts or best practices.
- Milwaukee County could make customer convenience a higher priority and make bill-paying easier.
- Some of Milwaukee County’s billing and collection efforts entail labor-intensive, manual processes.
- Milwaukee County departments are not routinely using effective collection tools.
- Milwaukee County uses a variety of billing and collection agencies with different fee and reimbursement structures. Some are considerably more effective than others. Some of the contracts with these agencies have not been competitively bid in many years or are not bid on a regular basis.

Milwaukee County has several notable strengths in billing and collection efforts; however, most are on the departmental level and very few are systemic.

### Systemic Strengths

- During the course of this audit, the Wisconsin Tax Refund Intercept Program (TRIP) was moved from the Department of Health and Human Services to the Department of Administration. Many best practice research studies found that a key factor in successful collections was centralizing the function, and this move seems a step toward that end.

- On February 20, 2003, the Milwaukee County Board resolved to expand the TRIP program beyond the Clerk of Circuit Courts to areas of County government that were not using this collection tool. Since passage of this resolution, more departments are participating in the program and TRIP collections are increasing significantly.

#### Programmatic or Departmental Strengths

- Federal laws grant the Department of Child Support the ability to use more collection tools than are generally available to other County departments, such as the ability to intercept federal income tax returns. Child Support has other strengths: it uses performance measures, benchmarks its collection performance against peers, and trains and empowers its staff to negotiate settlements with debtors. According to Child Support management, CS averages about \$8 in collection revenue for every dollar expended.
- Department on Aging's Care Management Organization has well-written billing and collection policies and procedures. Few County departments reviewed for this audit had developed written billing/collections policies or procedures.
- Recent changes in state law allow the Clerk of Circuit Court to accept credit card payments directly and pass the cost of collections along to the debtor. The new law also allows the Clerk of Circuit Court to use driver's license numbers or Social Security numbers when certifying delinquent accounts for TRIP. Locating Social Security numbers for debtors has been a major obstacle to filing TRIP claims. The ability to submit driver's license numbers now in lieu of or in addition to SSN's should allow the County to certify more claims for tax intercept.
- The County Treasurer's Office plans to implement a pilot program that allows it to accept credit card payments for delinquent taxes via the Internet.

#### Vision for Milwaukee County Collection Efforts

We make several recommendations to address weaknesses identified in the report. Key to those recommendations is our conclusion that the County would benefit from centralizing certain aspects of its collection function. Due to the wide range of County services and its diverse customer base, we envision a 'hybrid' centralization effort that retains initial responsibility for the billing and collection functions at the departmental level, but creates a centralized collection unit that serves the following purposes.

- **Facilitator/Coordinator.** A centralized collection unit would facilitate the development of written policies and procedures for collection efforts at the department level. While departments would establish individual policies and procedures customized for their particular customer bases, the centralized unit would work with departments to ensure that applicable basic precepts for successful collections are consistently incorporated in such policies and procedures.
- **Secondary Collection of Delinquent Accounts.** After an initial collection effort by departments, including follow-up notices, review of address information and other techniques, departments would refer delinquent accounts to a centralized unit for secondary collection efforts. The threshold for referring accounts may differ among departments, based on their unique circumstances. (For instance, due to its ability to foreclose on properties with delinquent property taxes, the Treasurer's Office would retain control of those collections.) Secondary collection efforts might include additional attempts to contact individuals, referral to a private

collection agency, or submittal to the Tax Refund Intercept Program. It is anticipated that some departments, with few collection problems, would have minimal referrals to a centralized collection unit.

- **Administrator of Private Collection Agency Contracts.** A centralized unit would be responsible for awarding competitively bid contracts for private agency collection efforts, consolidating delinquent accounts from various departments when appropriate, and developing performance based criteria for vendors.
- **Technical Resource/Collections Advocate.** A centralized collection unit would ultimately serve as a technical resource for departments, to advise departments on best practices in collection efforts, changes in laws affecting collections, facilitate staff training in collections, and advocate for policy initiatives to improve overall County collection efforts. For instance, a longer-term goal of a centralized collection unit should be to facilitate development of a shared database, to the extent possible, that would assist departments in their initial billing and collection efforts, as well as the secondary collection efforts of the centralized unit.

Realization of this vision for Milwaukee County collection efforts will require the cooperation of all departments, including those of constitutionally-elected officials, and a realistic timeframe for implementation that recognizes the fiscal constraints and limited staff resources that are the reality for Milwaukee County government. To progress toward a hybrid centralization of Milwaukee County collection efforts, we have recommended establishment of a workgroup of department staff responsible for billing and collection functions, with the goal of establishing a strategic plan for creating a centralized collection unit within the Department of Administrative Services.

### **Potential for Increased or Additional Fees**

The Milwaukee County Department of Administration maintains a schedule of hundreds of fees that are assessed by 19 County departments. The list, while not all-inclusive, is extensive and details the types and amounts of fees charged by each department over a five-year period. In some instances, we added fees to the list maintained by DAS based on data obtained from individual departments.

Of the 569 fees charged in 2006, 480 were also charged during each of the prior four years. Of those 480 fees, we identified 95 instances where no fee increase occurred during the five-year period. Of the 95 fees with no increase during the past five years, 44 are within the purview of the County Board. Those fees are listed as **Exhibit 2**.

In its 2004 report on *Local Government User Fees*, the Legislative Audit Bureau surveyed local governments throughout Wisconsin and compiled a comprehensive schedule of fees that are charged by counties, cities, villages and towns. We compared the fees charged by other counties with those charged by Milwaukee County and compiled a list of fees not assessed by Milwaukee

County. Additionally, we contacted other counties and inquired about their newest fee schedules, and during the course of our interviews with departmental staff, we asked for ideas on possible new fees. The results of these efforts identified a very small number of minor fees that, in some instances, are not charged by Milwaukee County because revenue is obtained from the same source in an alternative or indirect manner.

Our review of Milwaukee County's fee structure yielded two overall conclusions:

- There is no comprehensive database of fees maintained anywhere in the County. Although departments are required to submit this information to the Department of Administrative Services each year as part of the annual budget process, there is less than 100% compliance and the individual submissions are not compiled. A substantial list of fees has been informally maintained by staff at the DAS, but that list is not all-inclusive.
- We were unable to identify a likely source of significant additional revenue from new or increased fees.

### **Milwaukee County Paramedic Program**

Milwaukee County's Emergency Medical Services system is a joint venture between the County and eight local units of government that serve the 19 municipalities located within the County's perimeter. By contractual agreement, responsibility for providing emergency medical care is divided between them based upon site location and the severity of the patient's onsite medical condition. Non-life threatening medical emergencies are usually handled by the municipalities' Basic Life Support (BLS) ambulances or Paramedic First Response (PFR) units. Advanced Life Support (ALS) units, which are overseen by the County, respond to potentially life-threatening conditions. Therefore, Milwaukee County's Emergency Medical Services system has three levels of response: BLS, PFR and ALS.

#### Non-Transport Runs

Sometimes ALS units arrive on the scene, administer treatment, and patients refuse to be transported to a hospital. Most often, such non-transportations are diabetics in crisis. Once their blood sugar is stabilized, they will often refuse further medical care or transport to a hospital. In these instances, ALS units will bill for the call if some type of invasive procedure is performed. Medicare rules permit payment for non-transported patients only if an invasive procedure is performed, such as an injection or insertion of an IV, and the patient dies at the scene. However, if an invasive procedure is not performed, the contracted billing vendor generally does not bill the patient, as Medicare and most other insurance providers will refuse payment in these circumstances.

The number of non-billable ALS calls have increased in recent years, rising from 3,592 in 2002 to 4,540 in 2005. Correspondence indicates that CPR, Inc., the firm historically contracted to perform billing and collection functions for the EMS Program, has recommended billing patients in all non-transport situations where services are performed that utilize any medical supplies, commodities or billable procedures. However, past County administrators have directed the firm to forgo billing individuals for all non-transport calls. This directive appears to have been consistent with County Board intent.

Milwaukee County previously retained 1% of revenue collected for EMS services, the entire amount of which was applied toward paying the fees charged by billing and collection vendors. Therefore, there was no financial incentive for Milwaukee County to retain these functions. Based on a recommendation by the Director of DHHS, the County has recently transferred responsibility for billing and collection to the eight local units of government under contract for providing EMS/Paramedic services. Under the contracts, municipalities must establish a uniform rate structure.

There is merit to this concept, since municipalities already bill for BLS services. In addition, municipalities would have a strong incentive to ensure all paramedic run reports have complete and legible patient information to ensure an optimal reimbursement outcome. Milwaukee County has encountered some difficulty in getting complete and legible information on all paramedic run reports. Lacking this critical information, the County was unable to file all potential EMS service claims. We believe the transfer will reduce duplication and improve the effectiveness of collection for EMS services. In establishing a uniform rate structure for EMS services, participating municipalities should revisit the issue of billing for non-transport calls.

We would like to acknowledge the cooperation of management and staff of all County departments identified in this audit report. Management responses from the Department of Administrative Services and the Clerk of Circuit Court are presented as **Exhibit 3**.

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## **Background**

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The Milwaukee County 2006 Adopted Budget of \$1.26 billion includes \$422.8 million in departmental income, service fees and sundry revenue (net of internal cross-charges). Clearly, with these amounts of dollars flowing throughout the organization, the County's billing and collection practices have significant fiscal implications.

### **Authorizing Resolution**

In December 2004, the Milwaukee County Board passed Resolution 04-499 directing the Department of Administrative Services (DAS) to review the billing and collections functions performed by County departments. After performing a preliminary assessment, DAS recommended that the Board consider two options:

- (1) Perform a full audit of County collection procedures; or
- (2) Hire a consultant to review collection policies County-wide and then implement a centralized collections system under the Department of Administrative Services.

The Board passed Resolution 04-499(a)(a) directing the Department of Audit to perform a comprehensive audit of the County's billing and collections procedures. The scope was to include a review of billing and collection practices across County departments and a performance assessment of these collection methods. In addition, the resolution specifically required a review of collections for non-transport fees associated with the paramedic program.

### **General Approach**

During the process of planning our audit approach, we determined it best to focus our efforts primarily in the area of collections, based on the premise that improved billing processes would be a logical by-product of efforts to assess and improve the effectiveness of Milwaukee County's collections efforts. In general, our approach to evaluating Milwaukee County's performance in the areas of billing and collections encompassed the following steps:

- Identify accepted precepts for successful collections efforts, as well as any relevant performance standards or goals.
- Survey selected departments concerning key collection practices and interview department heads to gain insights for the purpose of providing an overview of the current state of Milwaukee County collection efforts.

- Identify best practices among other government jurisdictions to provide insights into improving Milwaukee County’s management of the collections function.
- Research fees collected by other Wisconsin counties and review pricing trends in the existing Milwaukee County fee structure to identify potential ideas, for County Board consideration, for new or increased fees.

The Audit Scope section of this report provides a detailed description of the procedures used in the conduct of this audit (see **Exhibit 1**).

## Demographic Challenges

Collection professionals confirm the common sense notion that successful collection rates are related to debtors’ ability to pay. Communities with higher rates of poverty typically face more challenges collecting delinquent debt than wealthier communities. Similarly, departments that provide services to the needy will likely face more challenges collecting delinquent payments than departments that provide services to people with financial resources.

Milwaukee County has some troubling characteristics when examining the prevalence of poverty. In 2004, the U.S. Census Bureau conducted an American Community Survey that estimated county economic characteristics and compared them with national averages. **Table 1** provides a comparison of Milwaukee County and the U.S. average.

<u>Economic Characteristics</u>	<u>Milwaukee County Estimate</u>	<u>U.S.</u>
Median household income	\$38,303	\$44,684
Median family income	\$51,336	\$53,692
Per capita income	\$21,507	\$24,020
Families below poverty level	15.0%	10.1%
Individuals below poverty level	18.5%	13.1%

Source: 2004 American Community Survey, Data Profile Highlights, U.S. Census Bureau.

Milwaukee County fared worse than the national average in income levels and the percent of individuals and families living below the poverty level. Furthermore, data suggests the trend is toward rising rates of poverty, as show in **Table 2**.

**Table 2**  
**Rising Rates of Poverty**  
**Milwaukee County and the City of Milwaukee**

<u>Economic Indicator</u>	<u>Number</u>	<u>2000</u>		<u>Number</u>	<u>2004</u>	
			<u>Percent</u>			<u>Percent</u>
<b>Milwaukee County</b>						
Individuals living in poverty	121,397		13.3%	166,384		18.5%
Children living in poverty	56,537		23.1%	68,092		28.9%
<b>City of Milwaukee</b>						
Individuals living in poverty	111,319		18.8%	143,358		26.0%
Children living in poverty	54,960		30.9%	62,419		41.3%

Source: U.S. Census Bureau's American Community Survey, 2000 and 2004.

In fact, the City of Milwaukee's poverty rate has been steadily rising, as reflected in **Table 3**.

**Table 3**  
**U.S. Cities with the Highest Rates of Poverty**  
**2000—2004**

<u>2000</u>		<u>2002</u>		<u>2004</u>	
<u>City</u>	<u>Rate</u>	<u>City</u>	<u>Rate</u>	<u>City</u>	<u>Rate</u>
Miami	30.5%	Miami	31.2%	Detroit	33.6%
Buffalo	27.9%	Newark	30.6%	El Paso	28.8%
Atlanta	27.0%	Cleveland	26.3%	Miami	28.3%
Newark	26.6%	El Paso	26.1%	Newark	28.1%
New Orleans	26.3%	Atlanta	25.9%	Atlanta	27.8%
Cleveland	24.3%	St. Louis	24.0%	Long Beach	26.4%
El Paso	23.6%	Detroit	23.3%	Milwaukee	26.0%
Fresno	23.0%	Cincinnati	23.2%	Buffalo	25.9%
Philadelphia	22.4%	Minneapolis	22.9%	Philadelphia	24.9%
Baltimore	22.1%	Long Beach	22.6%	Memphis	24.6%
Cincinnati	20.7%	Memphis	22.5%	Baltimore	23.9%
Detroit	20.4%	Milwaukee	22.0%	Cleveland	23.2%
Los Angeles	20.2%	New Orleans	21.7%	New Orleans	23.2%
Santa Ana	20.0%	Corpus Christi	21.7%	Stockton	23.0%
St. Louis	19.7%	Philadelphia	21.2%	St. Louis	21.6%
Tucson	19.4%	Dallas	20.9%	Fresno	21.2%
San Antonio	19.3%	Buffalo	20.8%	Chicago	21.1%
Memphis	19.1%	Baltimore	20.6%	Dallas	20.8%
Milwaukee	18.8%	Fresno	20.2%	New York	20.3%
Pittsburgh	18.6%	Stockton	20.1%	San Antonio	19.8%

Source: U.S. Census Bureau's American Community Survey, 2004. Estimated percentage of all people living below poverty level in cities with populations over 250,000.

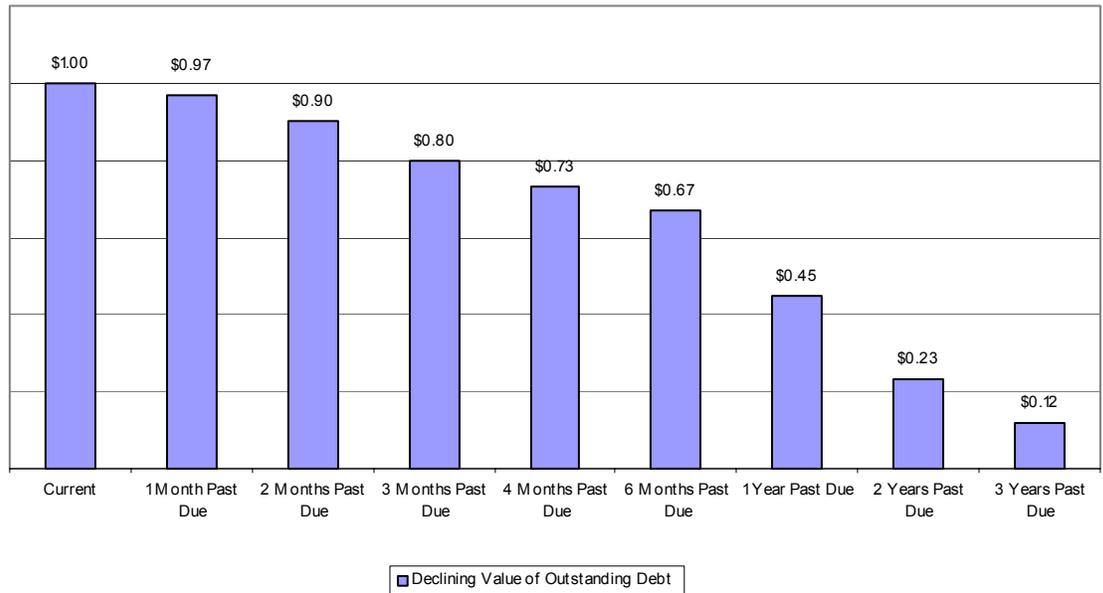
The County and the City's rising poverty rates clearly have implications for the County's ability to collect overdue payments. It may become more challenging to collect payments from a growing body of residents who require more services but have fewer resources to pay for them.

# Section 1: Accepted Precepts for Successful Billing and Debt Collection

Professional organizations and associations have generally accepted precepts and recommended practices to assist local governments in billing and collecting accounts receivable. We reviewed information from the Government Finance Officers Association (GFOA), the National Association of Counties (NACo), the Government Accounting Standards Board (GASB), the International City/County Management Association (ICMA) and others to identify a number of basic precepts that are fundamental to good billing and collection practices. Key among the basic precepts we gleaned from this review are the following:

- Timeliness is essential.** Getting invoices out quickly and starting aggressive collection efforts early are key elements of successful billing and collection programs. **Table 4** shows the inverse relationship between the age of a receivable and the amount collected.

**Table 4**  
**Declining Value of Outstanding Debt**



Source: U.S. Department of Commerce.

**The sooner collection efforts begin, the more likely the County will collect outstanding balances.**

Research suggests establishing payment terms (e.g., 30 days from invoice date) for all bills, as well as performance standards for entities that generate invoices. For example, all invoices must be mailed within 30 days of service provision. In some instances, laws, regulations or legally binding contracts may dictate timeframes.

Similarly, performance standards for when to begin collection efforts (e.g. 30 days from the invoice date) also are recommended. The sooner collection efforts begin, the more likely the County will collect outstanding balances.

Another best practice identified in our research to promote timely collection of debt is to ensure all customers are notified immediately when their accounts become delinquent and are informed of the consequences for non-payment (e.g. discontinuation of service, referral to a collection agency, placing a lien on property, intercepting tax refunds, etc.).

- ***Written policies and procedures are important.*** They provide guidance for staff and promote consistent treatment of customers. Written policies and procedures should be readily accessible to all employees involved in the billing and collections processes. Cross-training employees on those policies and procedures helps prevent a major loss of institutional knowledge and efficiency when seasoned employees leave.
- ***Complete and accurate customer information is a related necessity.*** Incomplete or inaccurate billing and collection information can result in undeliverable invoices, and/or uncollectible accounts. If accurate and complete information is not captured at the onset, valuable time and resources will need to be diverted to correcting that deficiency. As reflected in **Table 1**, the longer the delay, the greater the likelihood of reduced collections.

Using standardized forms or requiring standard personal identifying information in all departments such as addresses, phone numbers and driver's license numbers can reduce billing and collection errors and delays. Staff should review the accuracy of invoices when debtors fail to respond to a reminder letter. Having the ability to share updated customer information interdepartmentally can help improve collection efforts as well.

- ***Convenient payment methods improve collection rates.*** Making it easy to pay bills can help improve collection rates. Providing options such as convenient payment locations and accepting debit and credit cards, telephone and Internet payments increases the likelihood of earlier payment. Simple, standard invoices are recommended, with

prominently displayed payment and contact information, as well as enclosure of a return envelope.

- **Receivables must be managed.** A basic precept is that all accounts should be aged according to the number of days the account is overdue (e.g., less than 30 days, 30 to 60 days, etc.). The older the receivable, the harder it is to collect. Allowing an unpaid bill to age more than 90 days increases the risk of non-recovery by at least 20%. Debts should be prioritized, with the largest and most recent overdue accounts worked first.

It is important to ensure all customers are notified when their accounts are delinquent. Further, specific consequences to non-responsiveness should be identified, such as discontinuation or restriction of service (unless legally required) until some payment arrangements are made. Staff must be trained and authorized to negotiate payment options (e.g., accept \$500 to close an overdue account of \$575) within prescribed parameters.

**NACo found that, “Merging all outstanding receivables into one department is probably the single most important change counties and other local governmental entities can make to improve their collection rates.”**

- **Centralizing collection efforts can improve collections.** NACo found that, “Merging all outstanding receivables into one department is probably the single most important change counties and other local governmental entities can make to improve their collection rates.” A dedicated and trained collections staff that works specifically with debtors can dramatically improve collection rates. NACo found decentralized collection efforts are frequently duplicative because some debtors will have outstanding accounts in several departments and each of these departments will monitor and pursue their debt with varying degrees of aggressiveness and success.
- **Know when to outsource.** Even very effective collection efforts reach a point where progress bogs down. Determine where that threshold is and turn those accounts over to a private sector collection agency at that point as a matter of policy. The quicker hard-to-collect debts are turned over to a qualified collection agency, the more Milwaukee County will recover.
- **Have specific policies concerning the determination and management of bad debt.** A variety of factors may go into developing an estimated percentage of receivables that might go uncollected. Such factors include the income levels of those receiving services, the size and nature of individual obligations, and past collections experience.

Thresholds should be established for writing off delinquent debt, subject to state law, (e.g. balances <\$25 and >180 days delinquent), with appropriate authorization.

For balances exceeding the threshold, collections should be pursued until the statute of limitation expires, bankruptcy occurs, or the business no longer exists. At this point, with appropriate authorization, write off the debt.

Allowances for doubtful accounts should be computed and reported to appropriate officials at least annually. For accounts that are written off, customer information should be retained in an automated system for future reference and possible enforcement.

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## Section 2: Condition of Milwaukee County Collection Efforts

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To assess the overall state of Milwaukee County collection efforts, we selected a judgment sample of the following ten departments, representing a cross-section of the County's activities:

- Department on Aging Care Management Organization (CMO);
- General Mitchell International Airport (GMIA);
- Behavioral Health Division (BHD) of the Department of Health and Human Services (DHHS);
- Department of Child Support;
- County Funded State Court Services Division of the Department of Combined Court Related Operations;
- Emergency Medical Services (Paramedics) Program (EMS), County Health Programs Division of DHHS;
- House of Correction (HOC);
- Department of Parks, Recreation and Culture;
- Treasurer's Office; and
- Zoological Department.

While no standard definition of delinquent accounts can be applied to the ten departments in our sample, we identified a total of \$18 million that could conservatively be deemed problematic accounts receivable at year-end 2006.

To provide an overview of Milwaukee County's multi-faceted billing and collection efforts, we identified several key features to assist us in gathering and organizing information from the departments in our sample. We also interviewed department heads and/or managers in each department in the sample to

obtain additional insights on the state of Milwaukee County collection efforts.

## **Survey Overview**

The following discussion summarizes, in general fashion, the information gathered from our survey of County departments.

**The breadth and complexity of items for which Milwaukee County issues invoices is one of the most challenging aspects of properly managing its collection efforts.**

### Services for Which the County Generates Bills

The breadth and complexity of items for which Milwaukee County issues invoices or collects revenue is one of the most challenging aspects of properly managing its collection efforts, as illustrated by the following examples gleaned from our survey of ten County departments.

- The Behavioral Health Division collects fees for varied medical services rendered at its facilities, such as inpatient services, Psychiatric Crisis Services and day care treatment services.
- The Clerk of Circuit Court collects fees for items such as guardian ad litem services, traffic citations, fines, judgments, forfeitures and restitution.
- The House of Correction collects daily fees from inmates for incarceration or, for inmates released with a leg bracelet, for electronic surveillance, and charges fees for print shop jobs performed for non-profit entities such as the Milwaukee Public Schools.
- Fees collected by General Mitchell International Airport (GMIA) include aircraft landing fees, space rental, and vendor fees based on a percentage of sales.
- The Parks Department collects the largest number of fees, including McKinley Marina boat storage and slip rentals, golf fees, park use permits, commercial lease agreement rental fees, O'Donnell Park parking fees, recreational team league sports fees, and many others.

### Number of Staff Involved in Billing and Collection Process

The total amount of staff resources devoted to the County's decentralized billing and collections function is difficult to determine. In many instances, departmental staff are assigned billing and collection duties along with other responsibilities. We

asked the ten departments selected for our review to estimate the time devoted to billing and collection activities. Their responses are presented in **Table 5**.

<b>Table 5 Estimated Staff Resources Billing and Collection Functions</b>				
<b>Department</b>	<b>Billing Staff</b>	<b>Hours per Month</b>	<b>Collection Staff</b>	<b>Hours per Month</b>
Aging CMO	5	285	5 (same as billing)	450
GMIA	2	120	2	40
Behavioral Health Division	5 staff members are involved internally	691	1 staff member is involved internally	80
	1 staff supports IT vendor	5	1 staff supports collection vendor	40
Child Support	State bills and collects most money	Not Applicable	203	35,322
Clerk of Circuit Court	Not available.	Not available.	Outsourced-amount of staff support not available.	Not available
EMS/Paramedics	Outsourced but 4 staff members provide support	Not available.	Outsourced but 2 staff members provide support	Not available.
House of Correction	2	20 hours	Previously outsourced; no current staff support	0
Parks	13	26 hours	1	2 to 4 hours
Treasurer's Office	1	16 hours in March; 16 hours in September	3	16 hours per week, total
Zoo	1	70 during busy season	1 (same as billing)	10 during busy season
Source: Department of Audit Survey				

Beyond sending billing statements, typical collection efforts used by County departments include sending past due notices, placing telephone calls to debtors, and sending letters

demanding payment to avoid further consequences, including refusal of additional services.

#### Use of Outside Billing and/or Collection Services

Two of the ten departments surveyed for this audit (BHD and the EMS/Paramedics Program) use a private billing service to notify customers or program participants that a payment is due; the remaining eight departments use County staff and resources for this purpose. Three departments (BHD, Clerk of Circuit Court, and EMS) use a private collection agency to collect overdue bills, and six handle collections in-house. Until recently, HOC used a law firm for collections, but the firm terminated the relationship due to lack of activity.

#### Frequency of Billing

Among the ten County departments we surveyed for this report, seven indicated they primarily adhere to a monthly billing cycle. The Treasurer's Office uses a quarterly billing cycle, and the billing cycle for EMS and Clerk of Circuit Court varies.

#### Use of Corporation Counsel

Four of ten departments interviewed for this audit refer delinquent accounts to Corporation Counsel: the Airport, Parks Department, Treasurer's Office and the Zoo. Additionally, although not included in our survey, Corporation Counsel pursues recovery of General Assistance Medical Program expenditures. Accounts referred to Corporation Counsel generally fall into three categories:

- **Subrogation.** Subrogation generally means substituting one creditor for another. For example, if a General Assistance Medical Program (GAMP) enrollee were injured in a vehicle accident but was not at fault, the County would pay the medical bills but try to recover costs from the 3<sup>rd</sup> party's insurer.

Corporation Counsel reports that most subrogation cases are related to either GAMP or Title 19. Both programs provide medical coverage to eligible enrollees; however,

GAMP is a County-funded program and Title 19 is state/federally-funded. Any money recovered on behalf of these programs would go back into the programs.

In 2005, approximately \$1,592,000 was recovered through subrogation. The County is able to keep 100% of money recovered on behalf of GAMP but only 15% of Title 19 recoveries, the other 85% is returned to the State. Approximately 75 subrogation cases were pending at the beginning of 2006.

- **Individual cases submitted by County departments.** The cases that Corporation Counsel handles on behalf of County departments include such things as failure to pay a rental fee, damage to County property or facilities, and bounced checks. The few cases that are referred to Corporation Counsel are generally for relatively small amounts.
- **Tax Return Intercept Program (TRIP).** Corporation Counsel advises the County's TRIP Reimbursement Coordinator as to which debts can be certified. To certify a debt for TRIP, the County must either have a judgment against the person or a due process for someone to challenge the claim; this is usually in the form of a hearing.

#### Use of TRIP

Eight of the ten departments selected for this review use the Wisconsin Tax Refund Intercept Program (TRIP) to collect overdue accounts. In addition, Treasurer's Office intends to begin using TRIP in 2007. Anyone who has a debt with the County and is due a refund from the State can have his/her tax refund intercepted. Debts must be certified first by the State and the County must notify the debtor, in writing, that a tax refund is being intercepted.

**Eight of the ten departments selected for this review use the Wisconsin Tax Refund Intercept Program (TRIP) to collect overdue accounts.**

#### Recording of Receivables

Most departments record accounts receivable at the end of the year on Advantage, the County's financial management information system. At the start of the following year, in accordance with Generally Accepted Accounting Principles, the entries are reversed. During the year, each of the ten departments in our sample reported they maintain details of their accounts receivable on a variety of internal departmental software programs, such as Excel spreadsheets. Advantage

does not, however, contain the detail of these departmental data sets. Therefore, unless the two data sets are reconciled on a regular basis, Advantage may not accurately reflect actual County receivables.

#### Aging of Receivables

Nine of the ten departments in our sample report they age their accounts receivable in some fashion. (HOC does not age receivables because the nature of debts owed HOC are such that collection from inmates is often accomplished by netting amounts owed from checks issued for inmate wages or by liquidating inmate trust account balances.) However, the departments did not share a uniform definition for when an account becomes delinquent. For example, Child Support regards an account delinquent after 30 days, the Zoo 90 days, Behavioral Health sets the threshold at 120 days, the Clerk of Circuit Court reports it is ten days, the EMS/Paramedics program has no set timeframe for declaring an account delinquent, and the Treasurer's Office considers property tax accounts delinquent immediately after the annual due date and can foreclose if taxes are not paid within two years.

**Due to Milwaukee County's decentralized approach to collections, there may be different interpretations of the term 'delinquent account.'**

Due to Milwaukee County's decentralized approach to collections, there may be different interpretations of the term 'delinquent account.' A common working definition suggests that accounts are 'current' during the period designated for initial payment, such as 30 days for an account that is on a monthly billing cycle. Accounts with unpaid balances beyond the initial payment period are considered 'past due.' Typical actions for past due accounts include reminder notices or follow-up letters generated by the billing source. Accounts that remain open after such initial payment reminders may be declared 'delinquent' after a specified time period, which would initiate additional collection efforts.

### Allowance for Bad Debt and Write-Offs

Among the ten departments surveyed, only two (the Department on Aging CMO and the Behavioral Health Division) include an assumption for bad debt allowance when calculating their receivables. During our interviews with officials and staff in the ten selected departments, the lack of a County-wide policy regarding write-offs became apparent. The CMO, Behavioral Health Division and the Zoo have written criteria or guidelines in place for authorizing write-offs; others make decisions on a case-by-case basis.

### Incentives to Pay on Time

Some departments have the ability to charge interest and penalties on late payments. County Ordinance s. 4.11(g) and 4.11(h)d, for example, requires the airport to charge interest and penalties on late payments submitted by air carriers and air transportation companies, unless waived by the County Board.

Section s. 46.09(4)(h) of the Ordinances requires the Department of Human Services to charge 1% interest per month for amounts due to the County as a result of over payments to contractors providing treatment services. The Treasurer's Office can charge 18% per year on overdue payments per s. 6.06(1) of the Ordinances and ss. 74.47(2), Wisconsin Statutes).

County Ordinance s. 56.32 requires contractors, vendors and lessees to pay 12% interest on delinquent payments and they may be charged an additional 6% penalty, but few departments assess these charges.

### **Additional Insights from Interviews**

In addition to department heads and financial managers, we interviewed key staff in the Department of Administrative Services (DAS), Information Management Services Division (IMSD), and the ten departments in our sample to gain

additional insights into the state of Milwaukee County billing and collection efforts. Following are the common themes that emerged from these interviews.

**Departments use a variety of databases to track and store client information that do not interface with those used by other departments.**

- The decentralized nature of billing and collections in the County has created numerous challenges to improving collection performance.
- Departments use a variety of databases to track and store client information that do not interface with those used by other departments. While client information in some departments cannot legally be shared (e.g., Child Support), sharing Social Security and driver's license numbers with other departments is possible (within some restrictive parameters) for collection purposes. Opportunities for more efficient collections may be lost when updated contact or income information is not shared interdepartmentally.
- The amount of staff training and collection expertise varies widely throughout the County.
- Few guiding principles or uniform policy directives exist to assist departments in collecting and properly recording delinquent accounts.

Milwaukee County has several notable strengths in billing and collection efforts; however, most are on the departmental level and very few are systemic.

#### Systemic Strengths

- During the course of this audit, the TRIP was moved from the Department of Health and Human Services to the Department of Administration. Many best practice research studies found that a key factor in successful collections was centralizing the function, and this move seems a step toward that end.
- On February 20, 2003, the Milwaukee County Board resolved to expand the TRIP program beyond the Clerk of Circuit Courts to areas of County government that were not using this collection tool. Since passage of this resolution, more departments are participating in the program and TRIP collections are increasing significantly, as shown in **Table 6**.

**Table 6  
Tax Refund Intercept Program  
(TRIP) Collections, 2002—2006**

<b>Program/ Department</b>	<b>Started on TRIP</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006*</b>	<b>Total</b>
Aging-CMO	12/05				\$86,544	\$383,914	\$470,458
Behavioral Health	3/03		\$117,242	\$191,656	211,862	164,994	685,754
Clerk of Circuit Court	1/02	\$241,284	631,582	393,624	513,996	762,382	2,542,868
EMS Paramedics	3/03		174,622	285,453	315,548	388,092	1,163,715
GAMP (Bad Check Fees)	3/03		837	1,369	1,513	1,549	5,268
Parks	10/05				1,612	6,877	8,489
Zoo	11/05					7,128	7,128
<b>Total</b>		<b>\$241,284</b>	<b>\$924,283</b>	<b>\$872,102</b>	<b>\$1,129,562</b>	<b>\$1,714,936</b>	<b>\$4,883,680</b>

**Departments w/Pending TRIP Claims but No Revenue to Date**

House of Correction  
Office of Persons with Disabilities  
Milwaukee County Transit System

\*Data as of November 17, 2006.

Note: The Department of Child Support collects approximately \$14-15 million annually from state and federal income tax intercepts under separate authority.

Source: Department of Administrative Services, Clerk of Circuit Court and State Dept. of Revenue records.

Programmatic or Departmental Strengths

**According to Child Support management, it averages about \$8 in collection revenue for every dollar expended.**

- Federal laws grant the Department of Child Support (Child Support) the ability to use more collection tools than are generally available to other County departments, such as the ability to intercept federal income tax returns; deny passports if debts exceed \$5,000, and seize bank accounts and pensions. Child Support also has access to a broad range of databases in its effort to locate parents behind in Child Support including: the Social Security Administration, Department of Defense, Internal Revenue Service, National Personnel Records Center, and State Employment Agencies. Child Support has other strengths: it uses performance measures, benchmarks its collection performance against peers, and trains and empowers its staff to negotiate settlements with debtors. According to Child Support management, it averages about \$8 in collection revenue for every dollar expended.
- Department on Aging's Care Management Organization has well-written billing and collection policies and procedures. Few County departments reviewed for this audit had developed written billing/collections policies or procedures.

- Recent changes in state law allow the Clerk of Circuit Court to accept credit card payments directly and pass along reasonable associated service fees, established by the County Board, to the debtor. The new law also allows the Clerk of Circuit Court to use driver's license numbers or Social Security numbers when certifying delinquent accounts for the Wisconsin Tax Refund Intercept Program (TRIP). Locating Social Security numbers for debtors has been a major obstacle to filing TRIP claims. The ability to submit driver's license numbers now in lieu of or in addition to SSN's should allow the County to certify more claims for tax intercept.
- The County Treasurer's Office plans to implement a pilot program that allows it to accept credit card payments for delinquent taxes via the Internet.

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## Section 3: County Issues and Best Practices in Collections

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To improve collection rates in Milwaukee County, we researched exemplary programs and national best practices in the field of billing and collections, surveyed other counties and governmental units to identify strategies that successfully worked for them, and compared these to Milwaukee County practices. The following results emerged from our research:

### **Issue 1: Milwaukee County's Billing and Collection Efforts are Fragmented and Lack Uniformity**

As noted in a previous section, Milwaukee County's billing and collections functions are highly decentralized, with each department typically handling its own. Consequently, a lack of uniformity exists in billing and collection practices. Some departments have incorporated accepted precepts for successful billing and debt collection, while others have not. The lack of uniformity was particularly noticeable in the following areas:

- Billing techniques and frequency.
- Technology used to track accounts receivable and delinquent account information.
- Collection tools used.
- Priority assigned to collecting delinquent accounts.
- Information systems used to track, monitor, and report accounts receivable and delinquent accounts.
- When an account is considered delinquent.
- When to write off an account as uncollectible.

Because the County lacks a centralized accounts receivable database that provides individual account information, each department captures and enters separate personal and financial information for its internal database system. Duplication of effort

unavoidably occurs. In some instances, vital information that could help collection efforts was not collected, such as driver's license numbers.

The decentralization leads to duplication of efforts in other areas as well. Some Milwaukee County residents may have overdue accounts in more than one department. One county we surveyed for this review that does centralize its collections reported that one in five accounts sent to collections have overdue accounts in more than one department. This means that Milwaukee County departments may inadvertently extend services and credit to chronic debtors who apply for and receive services from more than one department. It also means collection calls and letters generated by individual departments, or by any of the several collection agencies under contract with County departments, seek payment for only the portion owed to one department, and not the full amount owed Milwaukee County.

**Decentralized of  
billing and  
collections occurs  
even within  
Milwaukee County  
departments.**

Decentralization of billing and collections occurs even within Milwaukee County departments. The Parks Department, for example, sends out bills and collects payments from 13 different cost centers, and uses numerous individual invoices and letterheads. Parks finance administrative staff reported that delinquent accounts in these cost centers are maintained separately and not centralized. Some of the cost centers bill manually, while others uses a collections software system. These software systems are not integrated to Parks Administration or other Parks cost center billing and collection systems.

The County's decentralized collections process also results in departments assigning different priority rankings to the billing and collection functions. Some departments we surveyed for this review assigned it a high priority and allocated resources accordingly. Some departments saw themselves primarily as

service providers—not bill collectors, and relegated it a lower priority.

Because some departments retain only a portion of collected revenue and are statutorily or contractually required to distribute the majority of collected payments to other units of government, they must deploy scarce County resources toward a task that largely benefits other governmental units. For example, the Clerk of Circuit Court reports that, aside from restitution, which is a 100% pass-through to victims, 70 cents of every dollar it collects, statutorily, goes to State coffers. Of the 30 cents per dollar retained by the County, just seven cents is credited to the Clerk of Circuit Court. Because the County does not track the cost of collections, it is unknown how that cost compares to revenue collected for the County.

Sometimes obstacles arise that impede departments' ability to collect. For example, two departments reported difficulties sending out bills in 2004 because of computer conversion problems (Treasurer's Office and Sheriff's Office). The Sheriff's Office reports that it was unable to issue an estimated \$85,000 in invoices for civil process serving in 2004 due to a lack of billing information resulting from computer conversion problems.

**Centralizing certain aspects of the collection function may allow the County to improve oversight and introduce greater uniformity in collection policies, procedures and processes.**

Centralizing certain aspects of the collection function may allow the County to improve oversight and introduce greater uniformity in collection policies, procedures and processes. It may also allow the County to take advantage of economies of scale, reduce duplication of effort, and increase the efficiency and effectiveness of collection efforts.

#### Best Practice

The National Association of Counties (NACo) advises, "Merging all outstanding receivables into one department is probably the single most important change counties and other local governmental entities can make to improve their collection

rates.” NACo found that when collections are decentralized and handled by individual departments, efforts are often duplicated. Some debtors will have outstanding accounts in more than one department so the same information may be required by and recorded in multiple programs and departmental databases. A major weakness exists in monitoring County-wide overdue accounts if information is not shared interdepartmentally, as is the case in Milwaukee County.

Steven Bragg, author of *Billing and Collections Best Practices* cautions that centralizing collections will not ensure success; also necessary: 1) having high quality staff training, 2) management expertise in the field of collections, and 3) frequent and effective contact with debtors.

John Salek, author of *Accounts Receivable Management Best Practices*, emphasizes the single most important reason for uncollected balances is insufficient and inconsistent contact with people having overdue accounts. A general rule of thumb for successful collections is: the more contact with the debtor the better, and the earlier the better. Salek found the most effective method of contact is via telephone; letters have less impact and are best used with low-priority, small balance accounts. Also, concentrate efforts and resources on the largest accounts.

**Waukesha County  
has centralized its  
collection efforts.**

Waukesha County has centralized its collection efforts. Although some departments (Human Resources and the Courts) perform an initial collection attempt, once accounts become delinquent, all are referred to the Collections Division. Surprisingly, Waukesha County discovered that one in five referrals to its Collection Division have outstanding balances in more than one department. Its centralized database alerts staff when this occurs so the full amount owed the County is pursued. Trained staff use a variety of methods to collect debt, including: telephone calls, in-person interviews, collection letters, credit bureau notification, property liens, wage assignments, tax

intercepts and litigation through the Waukesha County Corporation Counsel's office.

Centralizing collections also allows Waukesha County to track and report collection rates to its county board on a quarterly basis and monitor the internal cost of collections. In 2005, for example, Waukesha County collected \$4.31 for every dollar it spent on collections. According to the American Collector's Association, a desirable goal is collecting at least \$2.50 for every dollar spent. Waukesha County's Collection Division now collects delinquent accounts for 22 neighboring municipalities, charging a contingency fee of 35% of dollars collected. The division charges internal Waukesha County departments 25% of amounts collected and a reduced fee of 12.5% once a department's annual collection goal is achieved.

## **Issue 2: Few Departments had Written Policies and Procedures**

Several departments we surveyed experienced high rates of staff turnover, and with the loss of experienced staff went departmental knowledge of how billing and collections had been handled. For example, financial personnel in the Treasurer's Office contacted former employees at home to ask how certain billing and collections duties had been performed. If former employees could not be reached, other counties were contacted to seek their advice. Likewise, the billing and collection staff turnover rate approached 100% in the Sheriff's Office, which contributed to a lapse in the production of routine collection reports for almost one year. Written policies and procedures would have been a valuable reference guide and training tool for the new employees.

### Best Practices

In *Billing and Collections Best Practices*, Bragg urges all departments involved in billing and collections to create a policies and procedures manual:

“Many tasks are involved in the collections process...this body of knowledge can be lost if a considerable amount of turnover occurs within the collections department resulting in gradual changes in how procedures are completed. Eventually, the alterations can result in less efficient or incorrect activities within the department.”

**Having written policies and procedures can improve program efficiency.**

Having written policies and procedures available at all times for billing and collection staff to consult when questions arise can improve program efficiency, continuity, and ensure compliance with state, federal, and local laws. Milwaukee County’s Care Maintenance Organization (CMO-Department of Aging) has a detailed policy and procedures manual that is posted on its internal network and available to all staff and Care Management Units. With a recent history of high staff turnover rates, having written policies and procedures readily available to all staff has helped stabilize and strengthen the department’s billing and collection function. While lacking a comprehensive collection policy and procedures manual, we noted BHD has a limited description of collections and bad debt write-off policies.

Written policies and procedures should be tailored to individual County departments, yet consistently incorporate the generally accepted precepts to successful collection efforts identified in **Section 1** of this report.

For instance, a threshold should be established for when an account should be considered uncollectible and written off; however, customer information on all written off accounts should be retained for future reference and possible enforcement. A policy should be established regarding who is authorized to write off bad debts. A policy is also needed for determining when an allowance for a doubtful account should be established (e.g. the

percentage of receivables that are unlikely to be collected due to bankruptcies, serving the poor or indigent, etc.). Allowances for doubtful accounts should be calculated and reported to appropriate officials annually. While some departments have established some policies and practices, as an entity, Milwaukee County is lacking these and other essential collection policies.

### **Issue 3: Some Departments' Ability to Collect Funds Owed Milwaukee County are Stymied for Lack of Sufficient Billing Information**

An onerous billing and collection problem for many local governments including Milwaukee County is the number of delinquent accounts that lack current or complete contact, financial or personal identifying information. For example, during interviews with the EMS/Paramedic program staff and billing vendor, the lack of complete and legible information on some run reports posed a challenge for processing bills. The run reports do not request vital information such as driver's license numbers, which can be used to certify a claim for the Tax Refund Intercept Program (TRIP). Similarly, the Behavioral Health Division, HOC and the Clerk of Circuit Court have encountered difficulty obtaining Social Security numbers for clients. BHD reported that its biggest obstacle to collecting payments is incomplete data, particularly not having Social Security numbers, driver's license numbers or an emergency phone contact numbers that are different from the clients'.

**BHD reported that its biggest obstacle to collecting payments is incomplete data.**

#### Best Practice

Although it may seem logical for departments to gather accurate and complete information, it is a major challenge for all governments and businesses. People move more frequently and change jobs more often than in years past, so maintaining current contact information is difficult though critical. Also, some individuals deliberately provide misinformation or use aliases. This has occurred in the Sheriff's Office, House of Correction, and in the GAMP program, at a minimum.

The Government Finance Officers Association urges all local governments to place the highest priority on ensuring that all departments that generate billing statements obtain accurate, complete, and legible client information at the onset. Identifying information should include but not be limited to driver's license numbers and, when appropriate, Social Security numbers. Having an intake information system that requires obtaining identifying information before services can be provided (excepting emergency situations) would be very helpful in increasing collection rates. Also helpful would be a centralized database that allows the latest contact information to be shared with all pertinent departments.

Milwaukee County has historically taken a cautious approach to requesting identifying information such as Social Security numbers, because of privacy rights. Although the County's ability to share identifying information among departments is not without restriction, Corporation Counsel indicates there may be lawful exceptions to confidentiality protections for legitimate collection purposes.

Eau Claire County is experimenting with a centralized database that has 48 levels of access so only those individuals who need to know have access to sensitive identifying information—including staff involved in debt collection.

#### **Issue 4: Milwaukee County Could Make Customer Convenience a Higher Priority for Paying Bills**

**Milwaukee County residents may have to contact several departments to pay their bills.**

Milwaukee County residents may have to contact several departments to pay their bills. No centralized payment system exists that allows residents to pay all or several bills at one time, in one or more convenient locations.

A number of County departments indirectly accept credit and debit card payments through a billing company or professional collection agency.

For example, the Milwaukee County Treasurer's Office, the Clerk of Circuit Court and the Sheriff's Office all allow payments using a credit card through a merchant billing company or collection agency. The Treasurer's Office is pursuing a means that would allow taxpayers to pay their delinquent taxes on the Internet, using credit cards or E-checks. The Parks Department has 21 credit card machines, two through U.S. Bank, and 19 through TriCity Bank, the merchant billing companies. The Courts accept credit card payments online and on site at the Courthouse, through Credit Management Control (CMC), a contracted collection agency.

According to Corporation Counsel, no State Statute has prohibited the County from directly accepting credit card payments, but the County has taken a conservative position and opted not to until statutory authority is explicitly granted. Recent legislation did just that. Act 59, effective April 1, 2006 stipulates the Clerk of Circuit Court has the authority to accept credit card payments and pass the cost of collections on to the debtor.

One reason why some local governments haven't accepted credit card payments is an inability or reluctance to pass the usage fee on to consumers or debtors. Typically, the fee ranges from one to four percent of the amount charged. Businesses are able to adjust prices to absorb this cost, but governments, until very recently, have not had that capability.

#### Best Practice

The City of Milwaukee accepts online payments via Master Card or Visa for parking tickets, court fines and judgments, and restaurant licenses. Municipal Court fines can be paid online, in person, or at any one of several payment centers or drop boxes. The City also accepts online ACH (automatic checking account withdrawals) for real estate taxes and licenses (e.g., bartender and taxi cab driver licenses). The City also intends to install parking meters that accept credit cards in 2007. In a pilot

program parking revenue rose 3% during the test period and customer satisfaction was very high because of the convenience.

The City takes advantage of a state program that allows local governments to purchase services at reduced rates under state contracts with vendors for credit card processing services, cellular phone services, and voice mail services. Milwaukee County is entitled to take advantage of the same offer.

**Issue 5: Milwaukee County Does Not Uniformly Make Use of a Variety of Effective Collection Tools**

**The department that uses the widest variety of collection tools is Child Support.**

As previously noted, departments use a variety of collection tools. The department that uses the widest variety of collection tools is Child Support, which has legal authority to use some means and resources not available to other departments.

For example, Child Support garnishes wages, but the Milwaukee County Clerk of Circuit Courts does not, even though its contract with its collection agency specifically states, "Service should include, but not be limited to, garnishment of wages and use of the tax intercept program." According to COC staff, garnishing wages can be problematic and may not be cost beneficial in many small claims cases. However, in discussions with CMC, the collections agency for the COC, the issue of wage garnishment has not been broached. A CMC representative stated that the biggest obstacles to wage garnishment would be identification of an individual's place of employment, and funding the cost of employment verification. Addressing these issues could prove worthwhile. In a memo dated October 10, 2005, the Controller informed the Finance and Audit Committee the COC had referred approximately \$14.9 million of outstanding receivables for collection, and noted that, for a variety of reasons, another \$12.4 million of COC delinquent debt was not presently collectable.

We also noted that some departments call debtors, while others rely more on letters to obtain payments. Yet, as mentioned earlier in this report, phone calls to debtors have proven to be one of the most effective collection tools. Very few departments used liens, license withholding, or the threat of property seizures to improve collection rates.

**Research shows that one of the most effective tools for collecting payments is phoning debtors.**

#### Best Practice

Research shows that one of the most effective tools for collecting payments is phoning debtors. While GMIA staff report positive results from telephone contact with debtors, not all departments surveyed for this review used this tool.

The National Association of Counties (NACo) conducts an annual survey to find out how counties collect revenue, among other things. In 2004, the collection tools used by other counties, and the percentage of counties responding to the survey that use them, included:

- Collection letters (72%).
- Telephone calls (39%).
- Imposition of late fees and interest charges (79%).
- Private collection agency (31%).
- Tax liens (64%).
- Seize property (34%).

In 2006, the Minnesota Department of Revenue issued a report on local government best practices for collecting debt. Among the collection tools and techniques cited in its report were:

- Filing of liens – a claim or encumbrance against real or personal property for the payment of a debt.
- License clearance – the revocation or denial of any license needed to do a professional service.

- Revenue recapture—takes refunds due individuals and applies them toward debts owed.
- Offer in compromise—a repayment agreement between debtor and department.
- Seizure of personal and real property—forcibly taking legal possession of a debtor’s real or personal property.
- Bank levies—a legal action that orders a financial institution to withdraw funds from a debtor’s account to pay a debt.
- Wage levies—a legal action that orders an employer to withhold a portion of a debtor’s wage to pay a debt.
- Vendor set-off—intercept funds payable to a business or individuals who are vendors of the County.
- Electronic payments and credit/debit card payments—payments made online via the Internet, by phone, or by electronic funds transfer (EFT).
- Referral to private collection agencies.

According to Salek in *Accounts Receivable Management Best Practices*, a tool that has proven very effective in eliciting payments and reducing outstanding debt is empowering collections staff to negotiate payments. Staff training is critical for this to work optimally so supervisors must sit with employees during the calls or visits to teach them how.

While the ability to negotiate payment settlements within specific parameters may be an effective collection tool, we believe that in a government setting, such a practice must be carefully crafted to preserve the concept of equitable treatment for all citizens.

**The City of Phoenix Municipal Court is very aggressive about pursuing payments from debtors.**

The City of Phoenix Municipal Court is very aggressive about pursuing payments from debtors. Defendants who are unable to pay in full on the day of sentencing must wait while their credit reports are obtained and reviewed. If they have any available credit left on a major credit card, payments are posted to that account. Under some circumstances, the defendant must attempt to obtain a loan. If defendants have no financial means

to pay because they are unemployed, they must attempt to find employment and must present to the court five job turndowns if they are unsuccessful. If they cannot obtain a job, a City work assignment or community service is required.

**Issue 6: Billing and Collection Vendor Practices, Contracts, Fees and Reimbursement Structures Vary Widely in Milwaukee County**

Milwaukee County departments surveyed for this review use different billing and/or collection vendors, as shown in **Table 7**.

<b>Table 7 Outside Vendors Used by Sample Departments for Billing and Collection Services 2006</b>		
<b><u>Department/ Program</u></b>	<b><u>Billing Service</u></b>	<b><u>Collection Service</u></b>
Behavioral Health	Accenture*	Kohn Law Firm, SC, if account is over \$150
Clerk of Circuit Court	No	Credit Mgmt. Control (CMC)
EMS/Paramedics	CPR, Inc.	Certified Recovery

\*Provides critical IT support to facilitate billing function.

Source: Department survey responses.

Additionally, the Department of Health and Human Services, until very recently, had contracted with PVA, a data cleansing vendor, to help prepare claims for the Wisconsin Tax Refund Intercept Program.

We found that, among the departments we surveyed, some vendor contracts were not put out for bids on a regular basis. For example, the Clerk of Circuit Court’s contract with CMC was signed August 15, 1997. An exhibit in the contract states that the contract shall remain in effect for a minimum of three calendar years but may be extended beyond three years by mutual agreement.

**The County's lack of a centralized approach to obtaining billing and collection services has resulted in considerable variation in fees paid.**

EMS has contracted with its billing vendor, CPR, Inc., since 1997, although it operated under a different name initially. The County may have missed out on revenue generating opportunities because the contract was not competitively bid for several years. When contracts are competitively bid, proposers often include in their proposals viable, fresh ideas for generating additional revenue and/or collecting payments. This was evidenced recently in the EMS program's solicitation for prospective billing vendors. A Request for Proposals (RFP) was issued in 2005 and from the proposals submitted, EMS administration learned that the County could charge additional fees that are likely to be covered by third-party payers, such as \$100 for a spinal immobilization and a non-resident service rate.

The County's lack of a centralized approach to obtaining billing and collection services has resulted in considerable variation in fees paid, as shown in **Table 8**.

<b>Table 8 Fees for Billing and Collection Services 2006</b>		
<b><u>Program</u></b>	<b><u>Billing Service</u></b>	<b><u>Fee for Service</u></b>
BHD	Accenture	Included in a not to exceed fee for hospital IT services
DHHS	PVA (includes data cleansing)	10% of collected revenue
EMS	CPR, Inc.	9% of collected revenue
<b><u>Collection Service</u></b>		
BHD	Kohn Law Firm	23% of collected revenue
Courts	CMC	
	- Accounts intercepted by TRIP	12% of collected revenue
	- All other accounts referred to CMC	15% of collected revenue
	- Website and credit card payments on accounts not yet referred to CMC	4% of collected revenue
EMS	Certified Recovery	30% of collected revenue
*Provides critical IT support to facilitate billing function.		
Source: Vendor contracts with Milwaukee County.		

In the case of the Clerk of Circuit Court, the collection agency CMC's rate structure has changed considerably. In 2004 and 2005, the fee averaged 27% of collections. In 2006, an addendum to the contract lowered the rate to 15%.

#### Best Practice

The National Association of Counties (NACo) urges counties to know when to outsource collections. NACo advises that when counties reach a point where they cannot collect on accounts, they should turn them over to a good public sector collection firm. If collection rates drop sharply after 90 days, for example, that may be a threshold at which outsourcing may be the best option.

**A critical decision for local governments is whether to outsource billing and collections or handle these functions in-house.**

A critical decision for local governments is whether to outsource billing and collections or handle these functions in-house. Collections research shows that the single most important reason for uncollected balances is no one is consistently contacting people with overdue accounts. A decision for local governments is who can do it that most efficiently and effectively, in the most timely manner.

Property tax collections fall into a special category. According to a review of the National Debt Collection Program by a consultant procured by NACo and the IMCA:

“Counties and cities are experts at collecting property taxes...Rarely is there a need for government to outsource this type of collection. Nevertheless, when it comes to other types of fees or fines owed to local governments, collection can be much more difficult...This is especially true when the task of collecting is left to individual departments whose primary responsibility is for providing services—rather than tracking down monies owed...Jurisdictions with centralized collection departments or agencies that have trained collectors on staff and...collection software can handle much of the collections work internally. However, those that do not have internal resources dedicated to tracking down debt must outsource delinquent accounts.”

If a decision is made to use collection agencies, selection should be based on performance—that is, the greatest amount of collections net of expenses, rather than on the lowest fee. Previous clients should be contacted, past collection performance verified, and methodologies used for collection compared.

The City of Milwaukee’s Outstanding Debt Task Force Report reviewed methodologies used by collection agencies. Some vendors relied heavily on letters while others concentrated on phone calls. When contracting with a vendor, find out the strategies most often used and the success rate of those strategies with other clients.

Other best practices include: use a well-developed RFP process, call references to verify collection success, use several agencies at once and compare the cost-benefit ratio of each, exclude the poor performers, and finally, ensure that the agency’s technology interfaces with the County’s.

**Brown County Clerk of Courts sends delinquent accounts to a private collection agency only after staff has worked the accounts for one year.**

Brown County Clerk of Circuit Courts conducts most of its collections in-house and sends delinquent accounts to a private collection agency only after staff has worked the accounts one year. On County Traffic cases its collection rate was 87% in 2002, 86% in 2003, 80% in 2004, and 62% in 2005. Brown County State Patrol traffic cases adjudicated guilty had higher collection rates: 93% in 2002, 91% in 2003, 91% in 2005 and 71% in 2005. Brown County Clerk of Circuit Court found that performing collections in-house allowed it to “cherry-pick” the best accounts and send the difficult ones to a collection agency.

## **Conclusions and Recommendations**

The Milwaukee County Department of Audit reviewed professionally accepted precepts and best practices in the field of accounts receivable and collections and compared its findings with practices in a sample of ten Milwaukee County

departments. We found several strengths in County practices, but most were on a departmental level and not systemic.

Based on extensive interviews, e-mail correspondence, research, and review of data obtained from department heads, financial managers, and billing and collection staff in the ten County departments selected for this review, we offer the following summary observations on the state of Milwaukee County billing and collections.

- Milwaukee County's billing and collection efforts are highly decentralized. Collection-related information is not shared interdepartmentally resulting in duplication of efforts and missed opportunities to collect total debts owed the County. Instead, collection efforts are department-focused and piecemeal in nature.
- Reflecting the decentralized nature of the County's efforts, there are no uniform policies and procedures in place to guide departments in implementing generally accepted billing and collections precepts or best practices.
- Uniformity is lacking throughout the County in all facets of the collection process. There are no uniform thresholds for when an account is considered delinquent, when an account is considered uncollectible and should be written off, or when the collection process begins. A wide variety of internal databases are used to record receivables, and collection tools and techniques vary from department to department.
- Some departments' ability to collect funds owed Milwaukee County are stymied for lack of sufficient billing information.
- Milwaukee County could make customer convenience a higher priority and make bill-paying easier.
- Some of Milwaukee County's billing and collection efforts entail labor-intensive, manual processes.
- Milwaukee County departments are not routinely using effective collection tools.
- Milwaukee County uses a variety of billing and collection agencies with different fee and reimbursement structures. Some are considerably more effective than others. Some of the contracts with these agencies have not been competitively bid in many years or are not bid on a regular basis.

**Initial billing and collection functions would remain within the individual departments. However, once accounts are deemed delinquent, they would be referred to a centralized collection unit.**

### Vision for Milwaukee County Collection Efforts

Based on our review of accepted precepts for billing and debt collection, our assessment of the current condition of Milwaukee County's collection efforts, and research of best practices in collections, we conclude the County would benefit from centralizing certain aspects of its collection function. Due to the wide range of County services and its diverse customer base, we envision a 'hybrid' centralization effort that retains initial responsibility for the billing and collection functions at the departmental level, but creates a centralized collection unit that serves the following purposes.

- **Facilitator/Coordinator.** A centralized collection unit would facilitate the development of written policies and procedures for collection efforts at the department level. While departments would establish individual policies and procedures customized for their particular customer bases, the centralized unit would work with departments to ensure that applicable basic precepts for successful collections are consistently incorporated in such policies and procedures.
- **Secondary Collection of Delinquent Accounts.** After an initial collection effort by departments, including follow-up notices, review of address information and other techniques, departments would refer delinquent accounts to a centralized unit for secondary collection efforts. The threshold for referring accounts may differ among departments, based on their unique circumstances. (For instance, due to its ability to foreclose on properties with delinquent property taxes, the Treasurer's Office would retain control of those collections.) Secondary collection efforts might include additional attempts to contact individuals, referral to a private collection agency, or submittal to the Tax Refund Intercept Program. It is anticipated that some departments, with few collection problems, would have minimal referrals to a centralized collection unit.
- **Administrator of Private Collection Agency Contracts.** A centralized unit would be responsible for awarding competitively bid contracts for private agency collection efforts, consolidating delinquent accounts from various departments when appropriate, and developing performance based criteria for vendors.
- **Technical Resource/Collections Advocate.** A centralized collection unit would ultimately serve as a technical resource

for departments, to advise departments on best practices in collection efforts, changes in laws affecting collections, facilitate staff training in collections, and advocate for policy initiatives to improve overall County collection efforts. For instance, a longer-term goal of a centralized collection unit should be to facilitate development of a shared database, to the extent possible, that would assist departments in their initial billing and collection efforts, as well as the secondary collection efforts of the centralized unit.

Realization of this vision for Milwaukee County collection efforts will require the cooperation of all departments, including those of constitutionally-elected officials, and a realistic timeframe for implementation that recognizes the fiscal constraints and limited staff resources that are the reality for Milwaukee County government. To progress toward a hybrid centralization of Milwaukee County collection efforts, we recommend DAS management:

- 1. Convene a workgroup of department staff responsible for billing and collection functions with the goal of establishing a strategic plan for creating a centralized collection unit within DAS, as described in this audit report. The workgroup should be comprised of those departments with substantive past due account balances.*

Once established, we recommend the Milwaukee County Collections Workgoup use the following recommendations for guidance in the development of its strategic plan, including both short-term and long-term goals:

#### Short-Term Goals

- 2. Each department should be responsible for establishing, enforcing, and updating written billing and collection policies and procedures. This helps prevent a major loss of institutional knowledge and attendant inefficiencies when seasoned employees leave. A centralized collection unit should be responsible for reviewing departmental policies and working with departments to incorporate applicable accepted precepts for successful collection efforts.*
- 3. Each department should have a procedure for reviewing the accuracy of contact information when debtors fail to respond to invoices.*

4. *The centralized collection unit should work with departments to improve information gathering from the beginning. Collect vital information such as driver's license numbers and emergency contact numbers at the onset so they can be used to locate debtors later. Within certain constraints, Social Security numbers may be used for collection purposes. The centralized collection unit should work with Corporation Counsel to fully explore the ability of Milwaukee County to legally obtain and share Social Security numbers for collection purposes.*
5. *Each department should explore using a variety of effective collection tools during the initial period in which it is responsible for collection efforts. If collection results are lackluster, the centralized collection unit should assist departments in expanding their repertoire, trying additional collection strategies and best practices during this initial, departmental, collection stage.*
6. *Each department in the workgroup should establish both dollar and aging thresholds for when accounts are considered delinquent, thus initiating a referral to the centralized collection unit. This will require customization for various departments with different client bases. The centralized collection unit should pursue additional customer follow-up, check for updated contact information, and pursue additional strategies such as submitting a TRIP claim or outsourcing to private collection agencies.*
7. *A standardized monthly delinquent debt status report should be prepared by each department and reviewed by the centralized collection unit. This will assist the County in establishing baseline information that can be used to evaluate trends, identify successful collection strategies, and focus collection resources.*
8. *All departments maintaining an 'off books' database of accounts receivable detail should reconcile this detail with appropriate Advantage system accounts on a monthly basis.*
9. *The centralized collection unit should continue efforts to expand and expedite the process involved in placing debts on the Tax Refund Intercept Program. Uncollected debts should not languish for more than a few months before they are considered for TRIP. TRIP operates on a first-come, first-served basis.*

#### Long-Term Goals

10. *The centralized collection unit should ultimately assume responsibility for awarding outside collection agency contracts, consolidating departmental collections when possible. Evaluating internal collection performance will*

*assist in performing the cost and benefit analysis that should accompany any decision to outsource collections. If a decision is made to use collection vendors, contracts should be competitively bid on a regular basis, performance standards should be included, and vendor performance should be monitored.*

- 11. To make paying bills more customer-friendly, the centralized collection unit should consider implementing online payment capabilities, and one-stop payment centers. Evaluate the cost and benefits of purchasing services off the State's contract with a bank vendor for the provision of online payment capability and/or partnering with the City of Milwaukee in providing online credit card processing and ACH services to customers.*
- 12. Consider using a centralized database that permits access by all invoicing departments so updated customer information can be shared. The database will be particularly useful in collecting the total amount of debt owed to Milwaukee County when debtors have outstanding balances in more than one department*

As previously mentioned, garnishment of wages is one particular collection tool that is currently not utilized by the private collection agency used by the Clerk of Circuit Courts, even though it is a tool specifically mentioned in the contract. According to staff at the collection agency, the primary obstacle to using wage garnishments is the inability of the agency to identify debtors' employers. However, the State Department of Workforce Development has a database of employer information that can be shared with other government agencies under certain circumstances, and there are a number of commercial sources that provide this information, at a cost. To improve collection of delinquent accounts, we recommend the Clerk of Circuit Court:

- 13. Investigate, with the assistance of DAS, the potential for garnishing wages of individuals with delinquent account balances and report back to the Finance and Audit Committee at its July 2007 meeting.*

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## Section 4: Potential for Increased or Additional Fees

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Many local governments, like Milwaukee County, are struggling to hold the line on taxes while facing impending budget shortfalls, decreasing levels of federal and state aid, and increasing pressure to provide more services at lower costs. To meet the challenge of doing more with less, many are seeking alternative sources of revenue. Fees—while not a panacea—offer tantalizing relief. As the Tax Foundation in Washington, DC, recently observed, “The entire nation is experiencing a tsunami of new fees at the state and local level.”

An increasing reliance on fees is not without controversy, however. Proponents argue that fees are fairer than taxes because only the people who use the services will pay for them. They add that fees could remove certain services from the tax levy and lower the tax rate, which has important implications for economic development. Additionally, they argue, fees help to winnow out those who do not really need services, leaving programs intact and available for the truly needy and/or those who are willing to pay for the services.

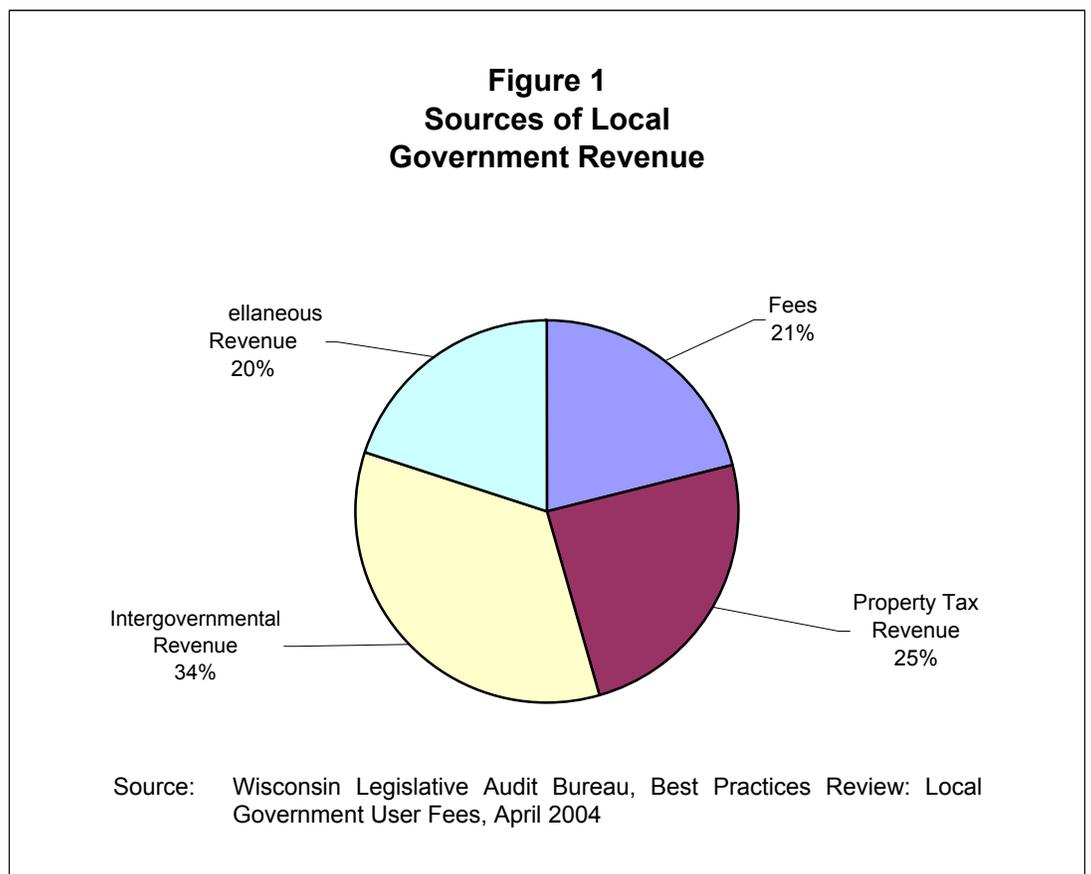
Others argue that the increasing use of fees for government services is actually an attempt to circumvent state-mandated spending caps. They fear that fees will be viewed as a quick-fix and may allow policy makers to delay the long-range, in-depth planning needed to address structural fiscal weaknesses. Others warn charging even modest fees for some programs can have a deleterious, exclusionary effect on the truly needy.

**The Wisconsin  
Legislative Audit  
Bureau studied the  
use of fees by local  
governments in  
Wisconsin.**

The Wisconsin Legislative Audit Bureau (LAB) studied the use of fees by local governments in Wisconsin. It found that local governments set most fees, although a sizable number are set by the State, per State Statute.

In 2004, the Wisconsin Legislative Audit Bureau (LAB) published its *Best Practices Review of Wisconsin Local Government User Fees*. It analyzed surveys returned by 249 Wisconsin cities, counties, villages, and towns as well as data provided to the Department of Revenue by 1,922 local governments, and from this body of research, it identified over 500 different types of user fees assessed by local governments. As shown in **Figure 1**, LAB discovered the following.

- Fees accounted for 21.1% of all local government revenue, to a total of \$2.6 billion.
- Property tax revenue comprised 24.5% of local government revenue at \$3.1 billion.
- Intergovernmental revenue and charges equaled 34.4 % of total revenue at \$4.3 billion.
- Miscellaneous revenue and charges equaled 20 percent of total revenue at \$2.5 billion.



If fees are to be assessed, a cost/benefit analysis will help identify the actual cost of providing the services. When true costs are known, policy makers are better equipped to decide whether it is fiscally responsible and in the best interests of the County and to provide the services. Wisconsin Act 134 (2003 Legislature) requires that fees imposed by local governments “bear a reasonable relationship to the service for which the fee is imposed.” Fees are often set at the market rate rather than the actual cost of service provision.

The Legislative Audit Bureau recommends the following best practices when establishing user fees.

- Review all services and consider which could be reasonably funded through user fees.
- Regularly review the user fees charged.
- Determine both the direct and indirect costs associated with the service.
- Make a variety of user fee payment options available to users.
- Negotiate with credit card companies for low rates for credit card transaction fees.
- When practical, ensure the security of fees and maximize interest earnings by making daily deposits for fee payments.
- Develop measures to ensure the secure handling of cash payments and maintain separation of duties.

### **Milwaukee County Fees**

The Milwaukee County Department of Administration maintains a schedule of hundreds of fees that are assessed by 19 County departments. The list, while not all-inclusive, is extensive and details the types and amounts of fees charged by each department over a five-year period. In some instances, we added fees to the list maintained by DAS based on data obtained from individual departments. The resulting list details 569 fees for 2006, as shown in **Table 9**.

**Table 9  
Number of Fees Assessed by  
Milwaukee County Departments 2006\***

<u>Department</u>	<u>2006</u>
Office of Persons w/Disabilities	2
DAS-Procurement	1
Family Court Commissioner	6
Child Support Enforcement	2
Register in Probate	12
County Clerk	11
Register of Deeds	14
County Funded State Courts	15
Election Commission	2
Treasurer	6
Sheriff	10
House of Correction	6
District Attorney	6
Medical Examiner	12
Transit Services	13
County Health Programs	23
Parks	359
Zoo	55
UW Extension Service	14
<b>Total</b>	<b>569**</b>

\* List is not all-inclusive.

\*\* In 2006, the Register of Deeds consolidated nine fees under the heading General Recording Fees.

Source: Informal list maintained by Department of Administrative Services and supplemented with data obtained from individual departments.

**We identified 95 instances where no fee increase occurred during the five-year period.**

Of the 569 fees charged in 2006, 480 were also charged during each of the prior four years. Of those 480 fees, we identified 95 instances where no fee increase occurred during the five-year period. During the same period, there were six instances where a fee was reduced.

Of the 95 fees with no increase during the past five years, 44 are within the purview of the County Board, although not all of the 44 fees are explicitly approved beyond general budget authority granted with adoption of the annual budget. Those fees are listed as **Exhibit 2**.

## **Survey of Fees Charged by Other Counties that are Not Charged by Milwaukee County**

In its 2004 report on *Local Government User Fees*, the Legislative Audit Bureau surveyed local governments throughout Wisconsin and compiled a comprehensive schedule of fees that are charged by counties, cities, villages and towns. We compared the fees charged by other counties with those charged by Milwaukee County and compiled a list of fees not assessed by Milwaukee County. Additionally, we contacted other counties and inquired about their newest fee schedules, and during the course of our interviews with departmental staff, we asked for ideas on possible new fees. The results of these efforts identified a very small number of minor fees that, in some instances, are not charged by Milwaukee County because revenue is obtained from the same source in an alternative or indirect manner. For instance, while some counties charge owners a direct fee for towing and storing disabled vehicles, Milwaukee County obtains revenue indirectly by bidding out contracts to local towing vendors, who remit a portion of customer fees, established by contract, to the County.

### **Conclusions and Recommendations**

Our review of Milwaukee County's fee structure yielded two overall conclusions.

- There is no comprehensive database of fees maintained anywhere in the County. Although departments are required to submit this information to the Department of Administrative Services each year as part of the annual budget process, there is less than 100% compliance and the individual submissions are not compiled. A substantial list of fees has been informally maintained by staff at the DAS, but that list is not all-inclusive.
- We were unable to identify a likely source of significant additional revenue from new or increased fees.

**We were unable to identify a likely source of significant additional revenue from new or increased fees.**

Addressing the first shortcoming will establish a foundation from which to readily identify fees that are candidates for updating

and that can potentially generate substantial additional revenue.  
To better position policymakers to make informed decisions regarding the County's fee structure and performance in collecting revenue from fees, we recommend DAS management:

- 14. Compile and maintain a comprehensive database of fees charged by all departments.*
- 15. Report annually to the County Board those fees, the amounts of which are established at the discretion of the County, that have not been increased during the previous five years.*

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## Section 5: Milwaukee County Paramedic Program

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### Background

Milwaukee County's Emergency Medical Services system is a joint venture between the County and eight local units of government that serve the 19 municipalities located within the County's perimeter.

**Table 10** provides a budget summary of the Milwaukee County Emergency Medical Services (EMS)/Paramedic program for years 2004 through 2006.

<b><u>Account Summary</u></b>	<b><u>2004 Actual</u></b>	<b><u>2005 Actual</u></b>	<b><u>2006 Budget</u></b>
Total Expenditures	\$12,477,300	\$12,342,026	\$12,829,055
Total Revenue	6,852,678	6,795,635	6,730,722
Abatements	(223,400)	(234,496)	(247,311)
Total Direct Property Tax Levy	\$5,401,222	\$5,311,895	\$5,850,972

Source: 2006 Adopted Budget and EMS 2007 Proposed Budget.

By contractual agreement, responsibility for providing emergency medical care is divided between them based upon site location and the severity of the patient's onsite medical condition. Non-life threatening medical emergencies are usually handled by the municipalities' Basic Life Support (BLS) ambulances or Paramedic First Response (PFR) units. Advanced Life Support (ALS) units, which are overseen by the County, respond to potentially life-threatening conditions. Therefore, Milwaukee County's Emergency Medical Services system has three levels of response: BLS, PFR and ALS. It is anticipated that new contracts between the County and municipalities will provide for the additional flexibility of ALS/BLS

units, which can be dispatched for either life threatening or non-life threatening incidents, depending on flexible staffing patterns.

Whether a BLS, PFR or an ALS unit responds to an emergency call is determined by the individual municipal fire department dispatch centers. Using criteria and dispatch guidelines established by the County's EMS Medical Director, a decision is made as to which type of response is most appropriate. There are times when both ALS and BLS units are dispatched, particularly when response time is critical. All ALS vehicles are equipped with technologically advanced life-saving equipment and a communications system that allows paramedics to communicate directly with emergency room physicians and relay onsite medical tests to the receiving hospitals in advance of their arrival.

**Table 11** shows staffing patterns for the various response vehicles. BLS units are usually staffed with two Emergency Medical Technicians (EMTs); Paramedic First Response Units have one paramedic on staff in addition to EMTs; while all ALS units have at least two paramedics.

<b>Table 11 Three Levels of Emergency Response Milwaukee County</b>			
<b>Emergency Response Vehicle</b>	<b>Operational Responsibility</b>	<b>Staffing</b>	<b>Type of Response</b>
Basic Life Support Unit (BLS)	Municipal Fire Departments	Emergency Medical Technicians (EMTs)	Non life-threatening conditions
Paramedic First Response (PFR) Unit	Municipal Fire Dept./County	1 Paramedic on a BLS unit staffed with EMTs.	<ul style="list-style-type: none"> <li>• Life-threatening conditions</li> <li>• Requires simultaneous dispatch of a fully staffed ALS unit.</li> <li>• If a single paramedic working on a BLS unit responds to a patient needing ALS, the paramedic may function within a limited ALS scope of practice.</li> </ul>
Advanced Life Support (ALS) Unit	County EMS	Paramedics	<ul style="list-style-type: none"> <li>• Life-threatening conditions</li> </ul>
Source: Milwaukee County Emergency Medical Services System Brief, March 21, 2003.			

**Considerable differences exist in the training and certification requirements for Emergency Medical Technicians compared to paramedics.**

The County EMS program trains PFR and ALS ambulance staff. Considerable differences exist in the training and certification requirements for Emergency Medical Technicians compared to paramedics.

- Emergency Medical Technician: 120 hours of training.
- Paramedic: 1,100 to 2,000 hours of training.

As shown in **Table 12**, Milwaukee County contracts with eight local area fire departments to provide ALS service to all residents in the County. Nineteen ALS ambulances are assigned to locations that enable a swift response to potentially life-threatening 911 calls.

**Table 12  
Assignment of ALS Ambulances**

<u>Municipality</u>	<u>Number of ALS Ambulances</u>
Oak Creek	1
West Allis	1
Wauwatosa	1
Milwaukee, also serves:	12
St. Francis	(2 are County-owned)
West Milwaukee	
North Shore, serves:	1
Bayside	
Brown Deer	
Fox Point	
Glendale	
River Hills	
Shorewood	
Whitefish Bay	
Greenfield, also serves:	1
Greendale	
South Milwaukee, serves:	1
Cudahy	
Franklin, also services:	1
Hales Corners	
<b>Total</b>	<b>19</b>

**Source: Milwaukee County EMS Program.**

Although Milwaukee County EMS has operational responsibility for providing ALS service to County residents, 17 of the 19 ALS ambulances are purchased by, and the property of, municipal fire departments. The Milwaukee County EMS program also:

- Furnishes the ALS ambulances with advanced life-saving equipment;
- Maintains this equipment (Municipalities reimburse the EMS program for this);
- Staffs the 911 Medical Control Communications Center;
- Provides an EMS Medical Director who oversees both BLS and ALS programs; and
- Prior to this year, Milwaukee County was responsible for billing and collection services for ALS dispatches. Responsibility for these functions was transferred to municipalities under new contracts effective January 1, 2007.

Each year over 20,000 patients are treated by ALS/Paramedic units in Milwaukee County, as shown in **Table 13**.

<b>ALS Patients by Municipality</b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Milwaukee	12,616	12,730	13,879	14,353
St. Francis				
West Milwaukee				
North Shore	1,910	2,001	1,957	1,976
Bayside				
Brown Deer				
Fox Point				
Glendale				
River Hills				
Shorewood				
Whitefish Bay				
West Allis	1,122	1,152	1,342	1,881
Oak Creek	750	1,119	1,205	1,239
Wauwatosa	982	1,027	1,053	1,116
Greenfield	1,253	1,038	1,019	1,098
Greendale				
Franklin	808	803	735	841
Hales Corners				
South Milwaukee	828	702	813	753
Cudahy				
<b>Total Calls</b>	<b>20,269</b>	<b>20,572</b>	<b>22,003</b>	<b>23,257</b>

Source: Milwaukee County EMS Program.

In May 2005, *USA Today* issued a report on emergency medical services in 50 major American cities. It ranked Milwaukee fourth nationally, following Boston, Houston, and Kansas City. Criteria used to evaluate EMS programs, along with Milwaukee County's statistics, were as follows:

**Milwaukee County ranked third in the category of lives saved per paramedic.**

- First Responder response times: 90% within six minutes.
- Advanced Life Support ambulance response times: 91% within ten minutes.
- Survival rate of ventricular fibrillation-sudden cardiac arrest victims: 27%.
- Time to shock: 8.6 minutes average.

- Number of paramedics per 100,000 population: 18. (Milwaukee County ranked third in the category of lives saved per paramedic.)

### **The Billing Process**

Once each week, ALS/Paramedic run reports are manually collected from the eight participating fire departments and delivered to EMS administration. Each ALS/Paramedic run report is scanned by the EMS department and sent electronically to CPR, Inc. for billing. CPR, Inc. will send out a bill and up to two reminder letters.

**Medicare, Medicaid and private insurance companies pay only a portion of the invoiced amount.**

In 2004 and 2005, respectively, CPR, Inc. invoiced more than \$12 million. However, Medicare, Medicaid and private insurance companies pay only a portion of the invoiced amount. Each has determined allowable costs for specific treatment protocols and will not pay for treatment exceeding that amount. For example, although a hypothetical bill for \$800 may be sent to Medicare, the agency may have established an allowable cost of just \$400 for that service. Of that \$400 allowable cost, Medicare will pay 80%, or \$320. The other 20% will be billed to the patient or a third party supplemental insurer. The unpaid \$400 is considered a contractual allowance and is not factored into the collection rate. **Table 14** shows how a hypothetical \$800 paramedic bill might be paid for a Medicare-eligible patient.

**Table 14  
Hypothetical Paramedic Bill  
For a Medicare-Eligible Patient**

\$800 = Total paramedic bill  
 \$400 = Approved by Medicare  
 \$320 = 80% portion paid by Medicare  
 \$80 = 20% billed to patient or supplemental insurance

Source: Department of Audit.

Similarly, CPR, Inc. reports that Medicaid generally approves about 30% of billable costs. However, Medicaid patients are not billed for any portion of the bill that is not covered by Medicaid. **Table 15** shows how a hypothetical \$800 paramedic bill might be paid for a Medicaid-eligible patient.

<b>Table 15 Hypothetical Paramedic Bill For a Medicaid-Eligible Patient</b>		
\$800 = Total paramedic bill \$240 = 30% approved and paid by Medicaid \$0 = billed to patient		
Source: Department of Audit.		

In the previous examples, the contractual allowance (disallowed cost) was \$400 for the Medicare patient and \$560 for the Medicaid patient.

As shown in **Table 16**, the largest number of ALS runs is attributable to Medicare, followed by Medicaid, commercial insurance companies, self-paying individuals, and individuals covered by the County's General Assistance Medical Program (GAMP).

<b>Table 16 2004 ALS Unit Runs</b>		
<u>Payor</u>	<u>Number of ALS</u>	<u>Percent of Total</u>
Medicare	8,089	45.5%
Medicaid	3,991	22.5%
Commercial	3,295	18.5%
Self-Pay	1,503	8.5%
GAMP	896	5.0%
<b>Total</b>	<b>17,774</b>	<b>100%</b>
Source: CPR, Inc., October 31, 2005.		

The total amount billed and collected by CPR, Inc. in 2004 and 2005 is shown in **Table 17**.

**Table 17**  
**Charges Billed and Collected by CPR, Inc.**  
**2004—2005**

<b>EMS Billing Company</b> <b><u>Runs, Charges and Payments</u></b>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2005</u></b> <b><u>Total</u></b>
Number of billable runs-County EMS	17,774	18,629
Total charges entered by County EMS	\$12,221,805	\$12,723,531
Less Contractual Allowances	(5,038,807)	(4,886,402)
Total billable charges	7,182,998	7,837,129
Total payments by date of service	6,000,204	6,091,388
Collection rate to date (percent of billable charges)	83.5%	77.7%

Source: Milwaukee County EMS program charges and payments as of June 30, 2006.

**Milwaukee County  
Emergency Medical  
Services are often  
considered beyond  
‘Usual and  
Customary’ charges  
covered by many  
insurance  
companies.**

Milwaukee County Emergency Medical Services are often considered beyond ‘Usual and Customary’ charges covered by many insurance companies. Balances remaining after insurance coverage will be billed to persons using ALS services.

Delinquent accounts over \$100 that have no payment activity posted for 180 days will be forwarded by CPR, Inc. to Certified Recovery, the licensed collection agency. Certified Recovery will attempt to collect payments on these accounts for one year. As shown in **Table 18**, Certified Recovery collected \$51,416.41 and \$51, 941.08 in 2004 and 2005, respectively.

**Table 18**  
**Charges Billed and Collected by Certified Recovery**  
**2004 and 2005**

<b>Collection Agency</b> <b><u>Account Activity</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Claims referred to Certified Recovery (collection vendor from CPR, Inc.)	1,838	2,155
Charges referred to Certified Recovery	\$945,986	\$1,138,303
<b>Total Collected</b>	<b>\$51,416</b>	<b>\$51,941</b>

Source: CPR, Inc.

After one year, delinquent accounts with no payment success are returned to CPR, Inc. and placed on the Tax Refund Intercept Program (TRIP). Delinquent accounts that are under \$100 are automatically referred to TRIP.

As previously shown in **Table 6** of this report, a total of \$1.1 million has been collected through TRIP for past EMS services. All TRIP revenue collected for EMS services provided before January 1, 2004, is allocated to Milwaukee County. TRIP collections for EMS services provided on or after January 1, 2004 is distributed to the municipalities based on a formula developed by the ICC. Consequently, while Milwaukee County currently retains the majority of recent TRIP collections for past EMS services, in future years, an increasing proportion of these TRIP collections will be distributed to municipalities.

### **Billing and Collections for Non-Transport Runs**

When an ALS/Paramedic unit is dispatched to an emergency, the paramedics are accompanied or preceded by a BLS unit. However, many times ALS units are called off before they arrive on the scene because a BLS unit has arrived and determined the condition to be non-life threatening. When an ALS dispatch is called off, the ALS/Paramedic team does not bill for the run.

**Sometimes ALS units arrive on the scene, administer treatment, and patients refuse to be transported to a hospital**

Sometimes ALS units arrive on the scene, administer treatment, and patients refuse to be transported to a hospital. Most often, such non-transports are diabetics in crisis. Once their blood sugar is stabilized, they will often refuse further medical care or transport to a hospital. In these instances, ALS units will bill for the call if some type of invasive procedure is performed. Medicare rules permit payment for non-transported patients if an invasive procedure is performed, such as an injection or insertion of an IV, and the patient dies on the scene. However, if an invasive procedure is not performed, CPR, Inc. generally does not bill the patient, as Medicare and most other insurance

providers will refuse payment in these circumstances. (Medicaid will pay \$68 for non-transport if paramedics provide onsite care. This covers only a small portion of the actual cost, which averages about \$600.)

**Table 19** shows the increasing number of non-billable ALS calls in recent years, rising from 3,592 in 2002 to 4,540 in 2005.

<b>Table 19</b>				
<b>Total Non-Transport ALS Runs</b>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number of non-billable ALS non-transport (no invasive procedure involved)	1,103	1,256	1,238	1,563
Number of ALS assessments with turndown to BLS Transport	2,489	2,593	2,752	2,977
<b>Total number of non-billable non-transport</b>	<b>3,592</b>	<b>3,849</b>	<b>3,990</b>	<b>4,540</b>
Source: Milwaukee County EMS Program, June 14, 2006.				

**Past County administrators have directed CPR, Inc. to forgo billing individuals for all non-transport calls.**

Correspondence indicates that CPR, Inc. has recommended billing patients in all non-transport situations where services are performed that utilize any medical supplies, commodities or billable procedures. However, past County administrators have directed CPR, Inc. to forgo billing individuals for all non-transport calls. This directive appears to have been consistent with County Board intent.

### **Conclusions and Recommendations**

Milwaukee County previously retained 1% of revenue collected for EMS services, the entire amount of which was applied toward paying the fees charged by billing and collection vendors. Therefore, there was no financial incentive for Milwaukee County to retain these functions. Based on a recommendation by the Director of DHHS, the County has recently transferred responsibility for billing and collection to the eight local units of

**The County has recently transferred responsibility for billing and collection to the eight local government units under contract to provide EMS/Paramedic services.**

government under contract for providing EMS/Paramedic services. Under the contracts, participating municipalities must establish a uniform rate structure.

There is merit to this concept, since municipalities already bill for BLS services. In addition, municipalities would have a strong incentive to ensure all paramedic run reports have complete and legible patient information to ensure an optimal reimbursement outcome. Milwaukee County has encountered some difficulty in getting complete and legible information on all paramedic run reports. Lacking this critical information, the County was unable to file all potential EMS service claims.

We believe this transfer will reduce duplication and improve the effectiveness of collection for EMS services. In establishing a uniform rate structure for EMS services, the municipalities will need to revisit the issue of billing for non-transport cases. Options for a uniform policy could include the status quo, or alternatively establishing a protocol of billing individuals for a second and subsequent non-transport call/s within a calendar year.

## Audit Scope

The objective of this audit was to perform a comprehensive audit of the billing and collection functions in Milwaukee County, and to suggest possible opportunities for improvement.

The audit was conducted under standards set forth in the United States Government Accountability Office *Government Auditing Standards (2003 Revision)*, with the exception of the standard related to periodic peer review. Limited resources have resulted in a temporary postponement of the Milwaukee County Department of Audit's procurement of a peer review within the required three-year cycle. However, because the department's internal policies and procedures are established in accordance with Government Auditing Standards, and because this audit was performed in compliance with those policies and procedures, the absence of a peer review did not affect the results of this audit.

We limited our review to the areas specified in this Scope Section. During the course of the audit, we:

- Conducted an extensive internet and literature search to identify accepted precepts for successful billing and collection efforts, as well as any relevant performance standards or goals.
- Selected a judgment sample of departments, representing a broad cross-section of County activities and organizational structures, to review key billing and collection practices.
- Interviewed department heads and financial managers from our sample departments to gain insights for the purpose of providing an overview of current Milwaukee County billing and collection efforts.
- Based on our identification of accepted precepts for successful billing and collection efforts, we developed a set of key features to assess the current condition of Milwaukee County billing and collection efforts.
- Identified best practices among other government jurisdictions to provide insights into improving Milwaukee County's management of the billing and collection functions.
- Research fees collected by other Wisconsin counties and review pricing trends in the existing Milwaukee County fee structure to identify potential ideas, for County Board consideration, for new or increased fees.
- Reviewed the particular issues specific to billing and collection efforts of the County EMS/Paramedic program.

<b>Fees Assessed by Milwaukee County with No Increases During Period 2002—2006</b>		
<b>Department Fees Under Purview of State</b>	<b>Amount</b>	<b>Description</b>
Family Court Commissioner	\$ 20.00	Additional filing fees – family cases
	200.00	Mediation when custody is contested
	300.00	Custody study if mediation fails
	25.00	Receiving and distributing family support
	20.00	Marriage license fee
Register in Probate	4.00	Searching files or records to locate an action
	3.00	Claims against estates
	0.1% of value	Certificate of judgment on descent of lands
	0.2% of value	Filing a petition of guardianship of estate
	0.2% of value	Filing a petition of guardianship of trust
	0.2% of value	Filing of inventory of value of estate
	20.00	Filing objections to probate of a will
	0.2% of value	Filing a petition of survivorship of estate
	10.00	Receiving a will of safekeeping
	3.00	Certificates issued by Register in Probate or judges
	1.00	Copies – certified or otherwise
Parks	5.25	Marina daily launch – McKinley, South Shore, Grant, River-Boat (Must be by boat size)
	8.50	Marina daily launch – McKinley, South Shore, Grant , River-Boat (Must be by boat size)
	10.50	Marina daily launch – McKinley, South Shore, Grant , River-Boat (Must be by boat size)
	12.25	Marina daily launch – McKinley, South Shore, Grant , River-Boat (Must be by boat size)
	7.00	Marina daily launch – McKinley, South Shore, Grant , River-Boat
County Funded State Courts	60.00	Filing – large claims and divorce
	45.00	Filing – third party complaint
	55.00	Request for new trial from Municipal Court
	60.00	Filing – temporary restraining order
	60.00	Filing – family support

	20.00	Clerk's fee – criminal cases
	20.00	Additional filing fee – family cases
	6.00	Civil jury fee per juror
	5.00	Judgments, writs, executions, liens
	30.00	Revision of divorce judgment – stipulation
	50.00	Revision of divorce judgment – contested
	40.00	Appeal from Municipal Court
	20.00	Filing garnishment
	22.00	Filing – small claims
	1.25	Copies – support payment records – per page
County Clerk	25.00	Marriage licenses – state
	20.00	Marriage licenses – counseling
	10.00	Marriage waiver fees
	.50	Notary fees
Register of Deeds	10.00	Rents weatherization
	50.00	Subdivision plats
	11.00	General recording fees
	12.00	Birth – vital stats
	1.00	Certificate filing and recording fees
	7.00	Death/Marriage vital stats
	2.00	Copy fees
	.30	Real estate transaction fees
Sheriff	4.00	Accident report
	75.00	Comm. Executions
	15.00	Sheriff sales
<b>Subtotal State Purview 51</b>		
<b>Department – Fees Under Purview of County Board</b>		
Child Support Enforcement	5.00	Certified support payment records
Election Commission	.20	Photocopies of nomination papers/finance statements
	2.00	Photocopies of State Statutes/campaign finance and bookkeeping manual
Treasurer	3.00	Tax search fees

County Clerk	.20	Copy/duplication fees
	5.20	Certified copy
Register of Deeds	1.20	Tax listing fees
	.04	Bulk sales of real estate document images – per image
	25.00	Termination of joint custody
Sheriff	27.00	Airport parking citation
	27.00	Institution parking citation
	1.50/1.00	Finger prints for photos/open records photocopies
District Attorney	.20	Copy fees
Medical Examiner	50.00	Disinterment permit
	.50	Certified copies
	3.50	Duplicate Polaroid print
	3.50	Duplicate 35mm slide
	1,000.00	Tissue room rental
Parks	6.00	Golf rental – clubs and bag per round
	1.00	Golf rental – clubhouse – locker – daily
	.25*	Skating – indoor – shoe check
	1.00*	Swim – indoor – junior – session
	.75*	Swim – outdoor – junior – session
	.75*	Swim – outdoor – Washington – session
Zoo	750.00	Ala Carte Booth rental
	6.00	Stroller –single
	8.00	Stroller – double and wheelchair
	1.00	Zoomobile – child
	1.50	Zoomobile – adult
	1.25	Zoomobile – senior citizen
	15.00	Parking monthly

	4.50*	Discount Wednesday – adult
	2.00*	Discount Wednesday – child
	1,000.00*	Peck Welcome Center
	7,500.00*	Entire Zoo grounds
	\$400/\$875*	Zoo conference center (Day/PM
	\$500/\$250*	Oak Grove picnic area
	\$500/\$250*	Maple Grove picnic area
	\$500/\$250*	Zoo Terrace
	\$400/\$200*	Australian Outback/Brown Deer Den
	8.00*	Adult picnic passes (\$7/\$8 - Day/PM was a flat \$8 in 2002+2003)
	6.00*	Junior picnic passes (\$5/\$6 – Day/PM was \$4.50/\$6 in 2004
	150.00	Zoomobile rental
	1,000.00	Sea Lion show (Private Showing)
<b>Subtotal County Purview</b>	<b>44</b>	
<b>Total Fees Unchanged</b>	<b>95</b>	
* These fees were increased with adoption of the 2007 County Budget.		

**COUNTY OF MILWAUKEE**  
Inter-Office Communication

**DATE:** February 20, 2007

**TO:** Jerome J. Heer, Director, Department of Audit

**FROM:** Rob Henken, Director, Department of Health and Human Services  
Cynthia Archer, Fiscal and Budget Administrator

**SUBJECT: AUDIT OF MILWAUKEE COUNTY BILLING AND COLLECTION PRACTICES**

Thank you for the opportunity to comment on the Department of Audit's recent Audit of Milwaukee County Billing and Collection Practices.

In general, we strongly support the audit report's key recommendation to work toward the establishment of a centralized collection unit within the Department of Administrative Services (DAS). We are also very appreciative of the report's stated recognition of the fiscal constraints and limited staff resources facing DAS and other County departments, which dictate the need for a staged planning effort to ultimately enable the Department to achieve this goal.

Instead of responding to each recommendation individually, we would instead like to respond to the four major sets of recommendations contained in the report: the convening of a workgroup to establish a strategic plan for creating a centralized collection unit; short-term goals to guide the development of the strategic plan; long-term goals to guide the development of the strategic plan; and recommendations involving fee structure and reporting.

**Workgroup**

As noted above, we support the recommendation to work toward the establishment of a centralized collection unit within DAS, and we also support the recommendation that a work group of department staff responsible for billing and collection functions from departments with substantive past due account balances be established to plan for creation of that unit. DAS will establish this work group immediately following review of the audit by the Committee on Finance and Audit, and DAS staff will take the initial lead in organizing the work group and ensuring that it proceed on a timely basis and remain on task. DAS also may seek to secure input and participation from other governmental entities that have experience in establishing centralized collection units.

The Department's only concern with this approach is that it may not possess sufficient staff resources to properly organize and expeditiously complete this planning process. DAS intends to initiate this effort with internal staff. However, should the work group determine that it needs dedicated or specialized assistance to properly conduct the planning process, then the

Department may need to identify unbudgeted collections revenue or other funding sources that would be used to secure either consulting assistance or permanent staff to lead the planning effort and possibly stay on to help staff the new collections unit.

### **Short-Term Goals**

We strongly support the recommendation to require each department to establish, enforce and update written billing and collection policies. We would suggest that the centralized collection unit not only review the policies, but also serve as the central repository for them and seek to standardize them as much as possible. We also support all other short-term goal recommendations and agree with the notion that the collection unit should actively assist and advise departments in developing collection strategies and employing best practices.

Several departments have expressed concern to us that in light of the unique characteristics of their client populations, as well as certain requirements placed on them by State or Federal policies or regulations, it is critical that they retain some autonomy in establishing their own collection policies and procedures. We agree and believe that this sentiment is taken into account in the Audit recommendations. We would also point out that in light of the indigent nature of the clientele served by several departments, significant cost-benefit analysis will need to be performed to determine whether the costs associated with implementing new collection strategies might outweigh the potential yield. Because this determination can be subjective in nature, in some instances it may be appropriate to bring such decisions to policymakers.

### **Long-Term Goals**

We agree with the recommendation that any outside collection agency contracts eventually should be awarded by the centralized collection unit in order to promote consistency and standardized evaluation of vendor performance. We also support consideration of online payment capabilities and one-stop payment centers, and implementation of a centralized database that will allow the centralized unit to coordinate collection when debts of individuals extend across multiple County departments.

### **Fee Structure and Reporting**

We agree that departments must comply with existing policies requiring reporting of fees to DAS, and we will intensify efforts to collect this information during the 2008 Budget process. Subsequent to that effort, and per the Audit report recommendations, we will seek to establish a comprehensive database of fees charged by all departments and utilize that database to report annually to the County Board those fees established at the discretion of the County that have not been increased during the previous five years.

c.c. Douglas Jenkins  
Alex Kotze  
Tom Burant



CLERK OF CIRCUIT COURT  
ADMINISTRATIVE SERVICES DIVISION

# *Milwaukee County*

**JOHN BARRETT** • Clerk of Circuit Court/Director of Court Services

February 12, 2007

Jerome J. Heer  
Director of Audits  
City Campus, 9<sup>th</sup> Floor  
Milwaukee, Wisconsin

Dear Mr. Heer:

The Audit of Milwaukee County Billing and Collection Practices requested a response from the Clerk of Circuit Court. This request centers on recommendation number 13. The audit notes that garnishment of wages is not utilized by the collection agency (CMC) used by the Clerk of Circuit Court. It recommends that the Clerk investigate, with the assistance of DAS, the potential for garnishing wages of individuals.

Statutes allow the courts to order an Income Assignment for the collection of fines and forfeitures.

Considering the volume of past and future cases involved, this effort would require additional resources. We will need to develop a procedure for identifying cases that are appropriate for this collection option. We will then need to present an Income Assignment Order to the court for review, determination of the assignment amount and signature. This order must include the individual's current employer. If DAS can assist in obtaining access to the Department of Workforce Development's employer databases, our collection agency could use this information to prepare the order.

If you have any additional questions, please advise.

Sincerely,

A handwritten signature in cursive script that reads "John Barrett".

John Barrett  
Clerk of Circuit Court/  
Director of Court Services

smg