



## **STATE OF HAWAII, DEPARTMENT OF TAXATION**

### **COLLECTION AGENCY SERVICES FOR DELINQUENT HAWAII STATE TAXES REQUEST FOR INFORMATION RFI #DOTAX-RFI-FY-2019-01**

The State of Hawaii, Department of Taxation (DOTAX) is seeking information to create a formal Request for Proposals to secure collection agency services for delinquent Hawaii State taxes. This Request for Information (RFI) is solely for informational and planning purposes and does not constitute a formal solicitation for products or services. Responses to the RFI are not offers and shall not be accepted by DOTAX to form a binding contract. DOTAX reserves the right to incorporate into a subsequent solicitation any recommendations presented in response to this RFI. Neither DOTAX nor any responder has any obligation under this RFI.

The purpose of this RFI is for potential Offerors (hereafter "Contractor") to inform DOTAX of requirements in scope, including method of payment and compensation, that would be mutually beneficial. Particularly, the following:

- Staffing - How many staff would be committed to this effort?
- Caseload - What is a manageable caseload level? How many cases should be assigned and how often?
- Collectability - Are there specific criteria regarding a case that would make it more collectable? What are those criteria?
- Collection Method – What are the skip-tracing techniques utilized by collection agencies? What are the industry accepted steps that a collection agency would take to implement this scope for collecting from both individuals and corporations/businesses?
- Payments – Is debtor payment to DOTAX acceptable? DOTAX will pay the Contractor a contingency fee based on actual payments received.
- Information Sharing - How is information, including sensitive personal individual information regarding cases, normally shared between the Contractor and contracting agency? How are files, either electronic or paper, transferred? What information would the Contractor need from DOTAX?
- Compensation – Is a contingency fee based on collections acceptable? What is the average contingency fee or payment schedule that your firm assesses?
- Contractor Expectations of State - What are the Contractor expectations of DOTAX to maximize success of this effort?

All vendors interested in providing information regarding this draft scope of work, including, but not limited to, answers to the questions above, potential alternative approaches or solutions, and clarifications to scope, are invited to respond to this RFI. Responses shall contain name and contact information for the responder as DOTAX may contact responders for more information or they

may be asked to participate in follow up activities. If the responder is not willing to participate in any follow up activities, please indicate so in the response.

Questions concerning this RFI must be submitted by emailing Jay Yamamoto (Jay.A.Yamamoto@hawaii.gov) with a copy to Joy Kobayashi (joy.kobayashi@hawaii.gov). Responses to this RFI will be accepted through 4:00 p.m., Friday, March 15, 2019. Responses may be sent via email to Jay Yamamoto or mailed to:

State of Hawaii, Department of Taxation  
Collection Branch  
Jay Yamamoto  
830 Punchbowl Street, Room 203  
Honolulu, HI 96813

No confidential or proprietary information should be shared in response to this RFI. All responses will be part of the procurement file and made available for public inspection upon request.

## **PROPOSED SCOPE OF WORK**

### **1.0 PROJECT OVERVIEW**

DOTAX is seeking services from a licensed and bonded collection agency under chapter 443B, Hawaii Revised Statutes (HRS), to collect amounts owed to the State of Hawaii and administered by DOTAX for past due State taxes, penalties, interest, fees, and other obligations from certain delinquent taxpayers. The goal of procuring the services of an outside collection agency is to assist DOTAX in reducing the inventory of past due accounts and delinquent State taxes and collect revenue for State of Hawaii. The Contractor will collect the amounts owed to the State on a contingency fee basis, keep and maintain records of all assigned accounts, and provide status reports of these accounts. There will be no fees or expenses payable to the Contractor other than a contingency fee.

### **2.0 SCOPE OF WORK**

#### **Collection Process**

DOTAX will refer unpaid accounts of delinquent taxpayers of the State of Hawaii for collection action. DOTAX may recall, at its discretion, any account referred to the Contractor at any time without charge or penalty.

DOTAX shall retain control over the accounts referred to Contractor. The Contractor shall adjust the records of the referred accounts upon any modification of information transferred by DOTAX. DOTAX shall be allowed unrestricted access to any information, including recorded phone calls, regarding referred cases.

The Contractor shall use accepted skip tracing and collection techniques to locate delinquent taxpayers. The Contractor shall have the capability to pursue delinquent taxpayers residing within

the boundaries of the United States, including military bases and Indian Reservations, or in foreign countries.

The Contractor shall identify accounts that are not collectible based on criteria provided in law. Criteria includes taxpayer in bankruptcy, financial condition of the taxpayer, inability to locate the taxpayer, costs of collection against the amount of tax owed, health of the taxpayer, and future income prospects of the taxpayer. Any account found to be uncollectible shall be returned to DOTAX in writing.

The Contractor shall identify accounts that are appropriate for judicial action, levy, or garnishment based on the criteria that the taxpayer has available assets, real property, identifiable source of income, or bank accounts. Any account found to be appropriate for judicial action, levy, or garnishment shall be transmitted to DOTAX in writing with the available information for DOTAX to institute such action. The Contractor will be credited for any successful collection after any applicable fees and costs related to a judicial action, levy, or garnishment. The Contractor shall not be authorized to institute any judicial action, levy or garnishment with respect to any referred matter or account.

In cases where taxpayer information is found to be incorrect, the Contractor must notify DOTAX of the inaccurate information in writing within five (5) business days of the discovery of the error and provide the correct information, if known.

Unless authorized in writing, the Contractor shall not have the power to negotiate with taxpayers to settle accounts for less than the amount referred by DOTAX or negotiate payment plans with taxpayers to settle accounts referred by DOTAX. This does not preclude the Contractor from being credited for payment plans established for the full resolution of debt by the taxpayer using Hawaii Tax Online or through DOTAX's Interactive Voice Response system.

The Contractor shall ensure an ongoing monitoring system for high quality outcomes under this Contract. All phone calls must be recorded at the Contractor's expense. The Contractor must be able to identify the specific employee, by name, responsible for each phone call, and provide relevant copies of employee performance evaluations if requested.

The Contractor shall provide all available information on the delinquent taxpayer that pertains to the outstanding debt within five (5) business days when requested by DOTAX or within 30 days after the end of the Contract period. This information includes, but is not limited to, the amount of the delinquency, any updated taxpayer address or phone number(s), relevant information pertaining to the collections performed, and any recordings or correspondences, etc.

Payment for all accounts referred to Contractor shall be processed through Hawaii Tax Online, unless an alternative payment process is requested and approved by DOTAX.

The Contractor shall comply with the Fair Debt Practices Collection Act and other applicable laws, such as the State (chapters 487J and 487N, HRS) and Federal (IRS Publication 1075) laws governing confidentiality and privacy of taxpayer information. The Contractor shall be knowledgeable and

comply with other jurisdiction's fair debt, disclosure, privacy, and other applicable laws. The Contractor shall not use any means in violation of section 480D-3, HRS.

The Contractor shall track and immediately inform the Contract Administrator in writing, of any claims, demands, counterclaims, and third-party complaints by a taxpayer against the Contractor or DOTAX. The Contractor shall work with DOTAX to provide communications and public relations support to address any questions or concerns related to the services and activities identified in this scope of work.

The State of Hawaii is not responsible for the defense of the Contractor regarding any complaints or claims against it. Furthermore, the Contractor shall hold DOTAX harmless and indemnify DOTAX for any costs or expenses associated with the defense against any claims, demands, counter-claims or any type of legal action instituted against DOTAX in connection with the Contractor's collection efforts.

#### Reporting Requirements

The Contractor shall maintain the following reports and, upon DOTAX request, provide access to the Contractor's client data to access or generate these reports on demand with specific time periods:

1. Monthly Summary Report - A monthly accounting of the status of all accounts in the Contractor's possession and tax period/age of the accounts as of the reporting month, including identification of all accounts on some form of installment payment. This report shall also document interactions with taxpayers that include, but are not limited to, time, location, people in attendance, summary of exchange, etc.
2. Collections on Accounts - All accounts for which money the Contractor believes payment has been received for the month. The Contractor shall organize the report by debtor name, last four digits of the taxpayer's tax identification number, address, debt amount, tax/period/age of the debt, the amount collected (month to date, fiscal year to date, cumulatively), and the date of assignment from DOTAX.
3. Terminated or Returned Accounts - All accounts that have been closed or returned for the month. The report shall include debtor name, last four digits of the taxpayer's identification number, and reason for termination or return.

Other reports may be required as deemed necessary by DOTAX. DOTAX shall have unlimited rights to the use of all the Contractor's reports, statistical data, and notes regarding work performed under this Contract. If requested, the Contractor shall provide these reports in Excel or CSV.

The Contractor shall maintain and make available for inspection, audit, and reproduction to authorized personnel of DOTAX any books, documents, electronic information, recordings, correspondences, or other relevant information pertaining to collections performed under this Contract.

#### Data Transmission Requirements

All information, including referrals, Contractor reports, and any protected taxpayer information, shall be transmitted through a secure file exchange. The method for secure transmission shall be determined by mutual agreement between Contractor and DOTAX.

Confidential taxpayer information will not be electronically transmitted by e-mail or facsimile (fax) between DOTAX and the Contractor, any outside specialists, or other entities engaged by either party.

Data/information may be transmitted between DOTAX and Contractor on a daily or less frequent basis and may consist of the following information:

1. Taxpayer name
2. Taxpayer's contact information - e.g., address (last known), phone number(s)
3. State tax ID number
4. Federal Employer Identification Number or Social Security Number
5. Collection ID number for taxpayer use to make payments
6. Tax type - e.g., General Excise, Individual Income
7. Tax liability year
8. Liability amount - Principal tax, penalties, interest, fees, fines
9. State tax lien information - e.g., lien number, record date
10. General account information
11. Payments made to accounts referred to Contractor

The Contractor shall have the technological capabilities to maintain adequate communication with DOTAX, including a secure, web accessible system to facilitate the exchange of account referrals, updates, retractions, payment information, and status reports. The Contractor shall provide secured access for on-line inquiry from DOTAX to the Contractor's system. The Contractor must be capable of at least monthly status updates, performance metrics, and discussions with DOTAX providing progress and feedback on individual accounts.

The Contractor shall provide disaster preparedness and adequate computer back-up systems and procedures to accommodate equipment failure. The back-up systems must securely capture and preserve all data necessary to ensure the accurate accounting of money collected and to create all mandated reports.

The Contractor shall provide to DOTAX the location of the office or offices where the database containing DOTAX data will be located and the names and location of the programmers and network administration staff that will have access to the data.

#### Closing of Contract

The Contractor shall promptly return to DOTAX all assigned accounts that remain uncollected at the end of the Contract period. The Contractor shall document all efforts taken to collect on the assigned accounts and the reasons that the assigned accounts remain uncollected.

The Contractor and its subcontractors, employees and agents shall return all hardcopy tax documents and information, if any, to DOTAX at termination or conclusion of the Contract.

Upon termination or expiration of the Contract, all taxpayer information acquired pursuant to the work under this Contract stored electronically or otherwise shall be retained for a period of three (3) years. At the completion of those three (3) years, the electronic information, shall be permanently deleted from all of the Contractor's servers and other electronic storage media, including portable computers and devices and backups, in a manner DOTAX has approved in writing. The Contractor

shall provide DOTAX with written certification of compliance with this provision within thirty (30) days of the end of the retention period. Unless and until said certification is received by DOTAX, Contractor shall be deemed not to be in compliance with state and Federal law.

### **3.0 PERSONNEL AND EXPERIENCE REQUIREMENTS**

The Contractor shall support DOTAX's mission to administer the tax laws of the State of Hawaii in a consistent, efficient, and fair manner, conduct business in a way that is sensitive to the community and culture of Hawaii, and be professional and respectful to both taxpayers and DOTAX employees. The Contractor shall designate a project manager and alternate manager to meet, as requested, with DOTAX personnel to discuss Contractor services and maintain open lines of communication for the purposes of managing the collection program, resolving problems, and promoting understanding.

The Contractor shall have a minimum of seven (7) years of licensed, debt collection experience and must be compliant with all state and federal laws.

The Contractor shall be licensed and bonded under chapter 443B, HRS, and all employees or agents experienced and fully qualified to engage in the activities and to perform the services required under the Contract. Prior to any access to taxpayer information, each employee and agent requiring such access will be required to undergo a criminal background check at the Contractor's expense and complete the DOTAX issued information security and awareness training.

The Contractor shall be registered or licensed, as appropriate, to do business and shall be compliant with all applicable laws in all jurisdictions that the Contractor conducts its business.

Use of any subcontractors shall be subject to DOTAX's written consent. The Contractor shall provide a list of any subcontractors who will be used to perform a portion of the services required with a description of Subcontractor's duties and an acknowledgement by the Subcontractor of its duties under the Contract. Subcontractors shall be subject to the same security, confidentiality, due diligence, and related performance requirements as the Contractor, including background check and security training.

The Contractor and its subcontractors, employees, and agents shall be responsible for the security and confidentiality of all state and federal tax documents and tax return information. It is unlawful for the Contractor and its subcontractors, employees, and agents to make known, copy, or allow to be seen or examined any information provided by DOTAX, including, but not limited to, information imparted by any state or Federal tax return. Any breach of this provision shall be cause for termination of this Contract and subject the Contractor, its employees, agents, and subcontractors to punishment or prosecution as provided by federal and state law.

The Contractor shall furnish all equipment, personnel, labor, and materials necessary to provide the services required under this Contract. The Contractor shall provide, at a minimum, services compatible with DOTAX's work week, Monday through Friday, 7:45 a.m. to 4:30 p.m. HST, not including state holidays.

### **4.0 COMPENSATION AND PAYMENT**

The Contractor shall be paid a contingency fee proposed by the Contractor and accepted by DOTAX. The contingency fee shall not be added to the tax liability, and therefore shall not accrue statutory interest.

The contingency fee shall not be inclusive of the following:

1. Portion of payments intercepted by DOTAX or the Federal Government
2. Reductions in account balance because of federal tax refund offset, settlement, or taxpayer bankruptcy
3. Portion of payments for applicable fees and costs resulting from a judicial action, levy, or garnishment

In the event a taxpayer personally appears at DOTAX to pay in full or sets up a payment plan through DOTAX to pay an obligation that has been declared delinquent and turned over to Contractor, DOTAX will accept the payment and the Contractor shall be entitled to a fee for that payment if the taxpayer appears due to the Contractor's collection efforts.

The Contractor shall not be entitled to a fee for any case that has not been referred for collection, any case returned to DOTAX for any reason by the Contractor, or when a taxpayer's appearance at DOTAX to pay for an obligation is not due to the Contractor's collection efforts.

Payment shall be made on a regular interval proposed by the Contractor and agreed upon by DOTAX.

DOTAX shall provide to the Contractor a report of payments collected at the interval agreed upon above. The report shall be used to calculate payment to the Contractor and include payment amounts by case. In lieu of Contractor invoice, the Contractor shall review the report provided by DOTAX and, if acceptable, sign the report to indicate agreement with payment owed. DOTAX shall ensure that the report contains all Department of Accounting and General Services required information to qualify for payment.

## **5.0 TERM OF CONTRACT**

The period of performance shall be for a period of twelve (12) months beginning as of the execution date on the signed Contract.

Unless terminated, the Contractor and DOTAX may mutually agree to extend the Contract for not more than two (2) additional twelve (12) month periods. The contingency fee specified in the Contract is not subject to renegotiation as part of any Contract extension.

When interests of the State so require, DOTAX may terminate the Contract for convenience by providing six (6) weeks prior written notice to the Contractor.