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## MEMORANDUM

**TO:** All Members of the House of Representatives

**FROM:** Representative P. Michael Sturla, Chairman  
House Democratic Policy Committee

**DATE:** January 31, 2011

**SUBJECT:** Co-Sponsorship of Legislation – Private Collection Agency Contract Reform  
**Memo 9**

*PM*

This afternoon on the house floor I offered two amendments which I felt would improve the government reform initiatives being considered by the House. Unfortunately, those amendments were considered not germane. In the near future I will introduce those concepts as bills which I hope will be quickly considered by the respective standing committees.

A whistle blower lawsuit (Kimmet v. Corbett) currently before the US District Court alleges mismanagement and waste within the Financial Enforcement Section of the Office of Attorney General which cost taxpayers large sums of money. The Financial Enforcement Section of the Office of Attorney General acts as a collection agency for approximately 200 agencies, boards, commissions and universities of the Commonwealth of Pennsylvania. The Financial Enforcement Section's accounts receivable from month-to-month vary between \$300 million and \$500 million at any given time, with the primary source being the Department of Revenue. My legislation aims at addressing the most egregious allegations made in this lawsuit.

The first bill will prohibits no bid contracts with private collection agencies. The current lawsuit alleges that contracts with private collection agencies were entered into without soliciting requests for proposals. Seeing as private collection agencies are entitled to keep a percentage of the amount collected from the debtor, it seems that we would want contracts with these private entities to be competitively bid to ensure that the Commonwealth is getting collections at competitive commission rates. The commissions paid to the private collection agencies are taxpayer dollars and those commissions cut into possible state revenue. Competitively bidding these contracts should ensure we are getting a good deal.

The second bill will require that contracts entered into by the Office of the Attorney General for debt collection include a provision that before reaching a compromise with a debtor to pay less than the full settlement owed, the Office of Attorney General must present the referring agency with documentation to justify the discount and receive approval from the referring agency to enter into an agreement for such payments. The current lawsuit alleges that the Financial Enforcement Section of the Office of Attorney General worked sometimes too well with the private collection agencies. The lawsuit alleges that private collection agencies entered into compromise agreements with debtors to pay less than the full settlement owed without obtaining documentation that would justify such a significant discount. This amendment requires that such compromises cannot be entered into without the sign off of the referring agency. This will allow the Department of Revenue, or any referring agency, to ensure that they are given the final decision when it comes to financial decisions affecting their bottom line.

I hope you will join me in co-sponsoring these important government reform measures. **If you are interested in co-sponsoring the above legislation, please contact Michelle Bohnke by email ([mbohnke@pahouse.net](mailto:mbohnke@pahouse.net)) or phone at 787-3555.**