

Addendum Number 5

June 14, 2013

STATE OF DELAWARE DEPARTMENT OF FINANCE, DIVISION OF REVENUE

CONTRACT NUMBER: FIN13001-COLLECTION
CONTRACT TITLE: Delinquent Collections Enhancement

Questions and Answers

#	Question	Response
1	Will more Performance Fee Structure points be awarded to vendors who propose a higher return, regardless of the gain-share plan? Can the DOR provide more clarification of the criteria by which various creative pricing solutions will be evaluated?	DOR cannot provide further information in response to this question.
2	Pricing solution: Is it the State's intention that vendors provide a <u>description</u> of their pricing solution as part of the response to Section III (a), with the technical proposal <i>in addition to</i> a separate cost proposal that details the pricing?	Yes.
3	Pricing solution: Elsewhere in the RFP there are several references to the "cost proposal," but it does not indicate whether the cost proposal should be a separate volume or included as part of the response to Section III (a). Is it acceptable to include the cost proposal as a separate volume?	Yes.
4	Pricing solution: Is a separate "cost proposal" containing vendor costs required since this is a benefits-based engagement?	References to 'cost proposal' on pages 3 and 20 of the RFP are meant to refer to the description of how the bidder proposes to be compensated.
5	Is it acceptable to provide the following required items in a sealed, separate envelope that will accompany the proposal response?	Confidentiality is addressed on pages 4 and 9 (§ 11) and those provisions should be referenced.
6	It has been our experience that Performance Bonds are not common on "performance fee" or "gain-share approach" contracts since the vendor's entire payment is based on the successful performance of the vendor to drive quantifiable benefits. As the requirement for a bond and the specific bond amount will directly impact a vendor's pricing model, can the DOR confirm if a performance bond is required under the terms of the award for this contract and if so for what amount?	While it is understood that compensation under this proposal may be based on a "performance fee" or "gain-share approach", the request also asks for detail on other costs to the State associated with development and on-going implementation of all of the required services included in the RFP and encourages creative pricing solutions that may typically require a performance bond.
7	Are the graphs and charts included in the 30-page limit?	10 additional pages of graphs and charts will be permitted.
8	Section III, 7.(g) states: "The bidder must provide two references..." however, the first line of Attachment 5 states: "List a minimum of three business references..." How many references does the State require?	Three (3).

#	Question	Response
9	Is it necessary to provide information for the references both in response to RFP Section III Detailed Proposal Content 7.(g), as well as on Attachment 5?	References may be provided solely as an attachment on Attachment 5.
10	Does the 30 page limit apply only to the Proposed Approach Section of the RFP response or is the 30 page limit referring to the entire RFP response, which would also include the other six section mentioned, Implementation Timeline, Performance Plan, Technology Platform, Data Security, Training and Service Support, and References?	The proposal (not including attachments) is limited to 30 pages with 10 additional pages for graphs and charts permissible.
11	There is no explicit provision in the scoring criteria to allow for consideration of a bidder's exceptions to terms and conditions, yet the passage above suggests that the evaluation committee has the ability to accept the exceptions (and by inference, reject the exceptions). Will exceptions noted by the bidder be part of the evaluation of the bidder, or will exceptions not be considered in vendor scoring and be negotiated upon award?	While there is no explicit criteria for assessing exceptions, the Evaluation Team may consider exceptions in determining a bidder's ability to perform the tasks set forth in the Scope of Work as well as in other categories of the criteria set forth in section 15. DOR also reserves the right to negotiate exceptions upon award.
12	The first sentence appears to indicate that proprietary information will not be evaluated; however, the third sentence directs bidders to include proprietary information in a separate sealed envelope. Will the proprietary material supplied in a separate, sealed envelope be provided to the Proposal Evaluation Team and be evaluated as part of the proposal response?	The evaluation team will review confidential information.
13	Please clarify "during the same period". This section points back to the time when the evaluation committee is determining if a vendor meets the minimum requirements, not to the evaluation period or the contract negotiation period. What type of negotiations will the evaluation team be authorized to conduct, and when?	The section clearly refers to the period the team is determining whether the vendors meet the requirements and procedures under the code.
14	Regarding a warranty: Since the "deliverable" of this project will be increased collections based on a vendor maintained solution, what does the DOR request be warranted, specifically? If the vendor does not increase collections, then the vendor is not paid. What does the DOR consider to be the "date of system acceptance"? Will the State waive the warranty requirement for this procurement since the engagement will be benefits-based?	Vendors are required to provide the warranties specified in the RFP.
15	The RFP states that the State " <u>may</u> require holdback of contract monies..." It has been our experience that the holdback of contract monies until acceptable performance is demonstrated is not common on "performance fee" or "gain-share approach" contracts since the vendor's entire payment is based on the successful performance of the vendor to drive quantifiable benefits. Does the State anticipate a holdback of contract monies on this contract, and if so what percent?	DOR reserves the right to holdback monies per the terms of the RFP.

#	Question	Response
16	The RFP states that the State “may include in the final contract penalty provisions for non-performance, and/or liquidated damages...” It has been our experience that penalty provisions for non-performance and/or liquidated damages are not common on “performance fee” or “gain-share approach” contracts since the vendor’s entire payment is based on the successful performance of the vendor to drive benefits. Does the State anticipate including penalty provisions for non-performance and/or liquidated damages on this contract, or will the State waive this requirement? If required, will the State specifically describe all applicable penalty provisions for non-performance and/or liquidated damages that vendors should assume under this contract?	DOR reserves the right to holdback monies per the terms of the RFP. The State may negotiate more specific terms with the winning bidder.
17	The bond request shows a start date of July 1, 2013 and end date of June 30, 2013 however on page 15 of RFP under Contract Terms and Conditions, the term is stated as being 3 years from July 1, 2013 to June 30, 2016 with 2 one year renewal options, can the Department please clarify?	The term will be 3 years with 2 one year renewal options.
18	Names of countries that will be eligible to participate in this tender.	The RFP provides that the transmittal letter must certify that no activity related to this proposal contract will take place outside the United States.
19	There are two contract numbers shown on this page, one of which (CONTRACT NO. 2506010201) is associated with the Request for Proposal, but it only appears on this page. Which is the appropriate number to use when referencing the RFP in the proposal response?	Please use FIN13001-COLLECTION
20	Has the DOR performed any studies that examined and documented the likelihood of increasing collections and that projected any potential increased collections amounts? If so: Will the DOR provide this information to bidders prior to proposal submittal? Was a consulting firm used to perform the study? Will that consulting firm be allowed to bid on this solicitation? If the full details of such a study cannot be shared, can the DOR instead simply provide a brief summary of what was the overall projected increase amount and how this projection was substantiated in the study?	A study has been conducted by a consulting firm and the Collections Diagnostic they provided is proprietary and confidential. The consulting firm will be allowed to bid on this solicitation. The overall projected increase in collections was not stated in the study.
21	What is the State’s expectation of the need/requirement to “partner” with the State’s contracted vendors? Who are these contractors and what services and/or systems do they provide that the State envisions be a part of the Delinquent Tax Collection Enhancement project? Can vendors assume that these “contracted vendors” will be limited to the two (2) from whom the State will separately purchase a predictive dialer solution and a new source of employment information?	If there are contracted vendors the successful bidder will need to partner with them appropriately, but at this time there are no other contracted vendors.
22	Employment locate: Does the DOR assume the source of this data be from an external, commercial data provider of current employment data?	DOR expects the successful bidder will provide the best solution to this issue.

#	Question	Response
23	Em24ployment locate: Does the DOR require only "employment location" data or also general "skip tracing" information (e.g., current address, current phone number, etc.)?	DOR expects the successful bidder will provide the best solution to this issue.
24	Employment locate: Does the DOR use any sources of employment information today? (e.g., W-2 reporting by employers to the DOR, wage reporting or UI payments to Department of Labor, etc.)	DOR currently uses Accurant, DE tax return data, W-2's and wage data from the Department of Labor.
25	Employment locate: Does the DOR expect the vendor to: 1) propose a specific provider of employment data with their response, 2) work with the DOR on evaluating and selecting a provider of employment data that may be most suited to the DOR's requirements and price constraints as part of an early phase of the project, or 3) implement a preferred provider of employment data that has already been identified by the DOR?	DOR expects the successful bidder will provide the best solution to this issue.
26	Employment locate: Does the DOR expect that the separate vendor that will provide the employment data solution will be selected under a separate procurement process and contract?	No.
27	Employment locate: Does the DOR expect that this separate provider of the employment data solution will provide some aspects of the implementation services related to this solution (e.g., interfacing strategy), in support of the project, and will all of these fees (both software and implementation services) paid to the provider of the employment data solution be borne entirely by the DOR?	DOR expects the successful bidder will provide the best solution to this issue.
28	Dialer: Does the DOR expect the vendor to: 1) propose a specific predictive dialer solution with their response, 2) work with the DOR on the "sourcing" of a predictive dialer solution most suited to the DOR's requirements and price constraints as part of an early phase of the project, or 3) implement a preferred predictive dialer solution that has already been identified by the DOR?	DOR recognizes that there are different dialer solutions. DOR does not currently have any system defined.
29	Dialer: Does the DOR expect that the separate vendor that will provide the predictive dialer solution will be selected under a separate procurement process and contract?	Part of the intent of sourcing is to obtain the best advice in regards to integrating with the DOR system or to have a separate system. Is it best to contract externally or have a subcontractor in the confines of the RFP?
30	Dialer: Does the DOR expect that this separate provider of the predictive dialer solution will provide some aspects of the implementation services related to the dialer solution (e.g., base installation, administrator training, basic user training, etc.), in support of the project, and will all of these fees (both software and implementation services) paid to the provider of the predictive dialer solution be borne entirely by the DOR?	DOR expects the successful bidder will provide the best solution to this issue.
31	"For 'necessary delivery vehicles' on for the Second Initiative on Page 3 is the State looking for a report, an electronic file to be loaded onto the State's existing application, or something else?"	DOR expects the successful bidder will provide the best solution to this issue.

#	Question	Response
32	How many collection managers and collectors are there at the DOR?	All of the collectors are contractuales. There are currently 11 on-site collectors from 2 separate companies. There is 1 DOR manager and 1 manager from each of the on-site collection companies.
33	How are field and in-house duties allocated between collectors?	DOR does not have field collectors. We have one centralized location.
34	How do both field and in-house collectors currently obtain their daily account priorities?	Collectors' cases are automatically assigned through the current mainframe system based on criteria established by DOR.
35	What information outside of the basic tax processing and receivables information is currently used in support of collections processes today?	Division of Accounting vendor data, Dept of Labor data, IRS data, Partnership, State Employee, W-2/1099 data, DE Motor Vehicle data, Accurint.
36	Is the DOR expecting the vendor's proposed on-going data analysis services to include the rebuilding and redeployment of predictive analytical models?	Yes. DOR expects the model to be revalidated periodically.
37	Does this on-going data analysis requirement include evaluation of all aspects of the collection analytics solution, including model performance, collection process performance, and detailed evaluation of changes to the collection processes?	Yes.
38	Employment locate: Does the state already have contract in place with a third-party data firm to obtain the employer information or does the state expect the prime vendor to select the employer vendor? Is the State open to exploring methods to obtain employer information from other State agencies, if that integration point does not already exist?	DOR expects the successful bidder will provide the best solution to this issue.
39	Employment locate: Does the state plan to leverage the employer information for skip trace purposes or for support in the levy/garnishment process?	DOR expects the successful bidder will provide the best solution to this issue.
40	Employment locate: Does the existing collection application have a place to store the employer for individuals or does the information need to be stored external to the existing collection application?	Employer data is currently stored internally.
41	Employment locate: Does the State's existing collection application(s) have the capability to store multiple employers or banks for a single individual?	Yes, multiple employer information and bank information is stored internally.
42	Dialer: Please describe the Department existing call center infrastructure in terms of capability to do call distribution, Interactive Voice Response (IVR) Capabilities and Predictive Dialer capabilities?	A new CISCO IP phone system was installed in 2011. The new system is supposed to have the ability to do call campaigns. The system would leave messages.
43	Dialer: Does the department's legacy collection application(s) have the capability to allow other applications, such as a predictive dialer, to hot key directly into the application?	Yes
44	Dialer: Does the Department desire to install the predictive dialer on-site in Delaware or is the Department interested in a vendor hosted solution?	Either.
45	Does the state have either an existing data warehouse for the collection process or at the enterprise level for the entire agency that captures collection performance metrics? If yes, please describe it.	DOR has a data warehouse.

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46	Is it the DOR's intention that the dialer will be used to support pooled calling, where callers pick up the next available outbound connected call? Or, will callers always be working the same set of cases to which they are initially assigned in the legacy collections system?	The collectors will have a set of assigned cases to work from but they will also receive new cases either through phones calls or case assignment.												
47	Do collectors currently perform outbound calls to active cases and how many of these calls are typically made on a daily, weekly, and/or monthly basis? To what extent does the DOR expect this volume to be increased by the use of the new daily dialer campaigns managed by the new predictive dialer?	There was an average of 800 outbound calls per month per collector in Jan-Mar 2013. Collectors handled about same number of inbound calls during that period. DOR expects total calls handled to increase but we do not have projections.												
48	Will all collectors be participating in call campaigns or will a dedicated group of collectors be working on call campaigns?	All on-site collectors will participate in the call campaigns.												
49	Is the DOR open to the use of automated call campaigns managed by the predictive dialer that leave recorded voice messages?	Yes.												
50	Does the DOR have an existing or preferred reporting tool for the development and deployment of collector performance tracking and reporting?	COGNOS Reportnet												
51	Should this approach be used to support enhancements to existing reports or is the DOR expecting new operational and collector performance tracking and reporting?	Either or.												
52	Would DOR please provide vendors with any existing collector performance reports for the last three (3) years? This will help determine "enhanced" tracking and reporting over the existing standard as well as assist in understanding the collections baseline	Collector performance reports will not be provided. On average each collectors contacts 60 taxpayers per day.												
53	Do the dollar balances included in Attachment 9 include only accounts that are considered to be final and collectible or do they include accounts that are currently in an appeal or bankruptcy status?	Dollar balances only include accounts that are considered final and collectible. They do not include bankrupt or appeals.												
54	Could the State please provide the amount that was written off for 1-3 recent fiscal years.	<table border="1"> <thead> <tr> <th>Calendar Year</th> <th>Chg Off</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>\$ 19,712,475</td> </tr> <tr> <td>2011</td> <td>\$ 144,620,179</td> </tr> <tr> <td>2012</td> <td>\$ 18,012,498</td> </tr> <tr> <td>2013</td> <td>\$ 7,747,282</td> </tr> <tr> <td>Total</td> <td>\$ 190,092,434</td> </tr> </tbody> </table>	Calendar Year	Chg Off	2010	\$ 19,712,475	2011	\$ 144,620,179	2012	\$ 18,012,498	2013	\$ 7,747,282	Total	\$ 190,092,434
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55	Attachment 9 provides dollar balances in age buckets, can you provide the number of accounts for these balances?	See updated Attachment 9 at end of this document (page 10).												
56	Beyond the inventory number to assist in determining the amount of potential revenue uplift the State could achieve CGI feels the following two staffing questions would be helpful: How many collectors do you currently have on staff? How many collectors work the phones/dialer and what percent of their day are they expected to do so?	There are currently 11 on-site contractual collectors. All of the collectors take inbound and make outbound phone calls. They are expected to be on the phone all day.												
57	Under Attachment 9, Summary of receivables as of fiscal year end 2012 for major tax types: What type of tax is contained within the "Personal Category"?	Personal Income Tax.												

#	Question	Response
58	What percentage of collections is collected by: Manual methods vs. automated methods (e.g., wages garnishments, bank levies, response to automated billings, etc.)? Outside Collection Agencies?	For the period between 5/31/12 and 5/31/13, 52% of collections were from manual, the remainder were from automated sources.
59	How many new cases enter collections each year?	29,450 new cases have been created between 5/31/12 and 5/31/13.
60	How many distinct taxpayers were in collections as of 12/31/12?	There are 50,372 distinct taxpayers in collections as of 5/31/13.
61	How many accounts receivable dollars enter collections each year?	Approximately \$49MM in new receivables between 5/31/12 and 5/31/13
62	How much of the accounts receivable entering collections are from audits versus other sources (e.g., unpaid with return)? What is the dollar amount of these receivables?	Information is not readily available.
63	Is the State currently using a scoring vendor?	No.
64	Is the State currently using a data provider?	No.
65	What percentage of recovery comes from internal collections at the State?	Please see line 58.
66	How many collectors does the State have?	DOR does not have any employees that are collectors. All the collectors are contractuels. There are currently 11 on-site collectors. There are 3 companies that collect for 1st referrals, 1 company for 2nd referrals and 1 company for 3rd referrals.
67	How many people would need access to create/build reports?	Four (4).
68	What types of accounts is the State recovering on?	Personal income taxes, Corporate income tax, withholding, gross receipts, license fees, other State agency liabilities (Higher education, DE Department of Natural Resources (DNREC), DEL Tech, University of DE, Dept of Education, Lottery, DE Economic Development Office (DEDO).
69	Does the State have the ability to perform tax intercept?	Yes, we intercept with the IRS, Maryland and other DE State agencies.
70	Will the analytics solution need to determine how and what to place with external agencies?	Yes.
71	Do recoveries from external agencies tie into the potential revenue share plan we will put together?	No.
72	What are the previous 3 years recovery figures?	calendar year 2010 \$72M, 2011 \$76M, 2012 \$58M
73	Can the Bidder obtain a State of Delaware business license upon award of the contract?	Prior to receiving an award, the successful vendor shall either furnish the State of Delaware with proof of State of DE business Licensure or initiate the process of application where required.
74	Since the State is asking for vendors to be creative with their pricing models. Can the State provide a narrative regarding what types of technology or services are being used to prioritize accounts, integrate data, or other analytic tools currently?	DOR currently uses in house IT employees along with a data mart and Cognos query tool to prioritize accounts.
75	List of Items, Schedule of Requirements, Scope of Work, Terms of Reference, Bill of Materials required.	Please refer to the Bid Solicitation Directory on the DE OMB website at bids.delaware.gov .
76	Information about the Tendering Procedure and Guidelines	Please refer to the Bid Solicitation Directory on the DE OMB website at bids.delaware.gov .

#	Question	Response
77	Estimated Budget for this Purchase	There isn't a budget amount set up for this project. Creative pricing is expected. EG: Payment could be made as percentage of increased collections from this project.
78	Any Extension of Bidding Deadline?	The proposals are due on June 28, 2013.
79	Any Addendum or Pre Bid meeting Minutes?	Please refer to the Bid Solicitation Directory on the DE OMB website at bids.delaware.gov .
80	Soft Copy of the Tender Document through email	Please refer to the Bid Solicitation Directory on the DE OMB website at bids.delaware.gov .
81	...are you open to considering a vendor to add to your current list that already has these processes in place to service your delinquent receivables and implement our best practices through your existing vendors?	Consideration is limited to the scope of this RFP
82	Does the department have any statistical modeling tools, such as SAS or SPSS, which can be leveraged to support the construction of the risk models?	No
83	Is the existing collection application(s) used by the state capable of receiving and acting upon a risk score/treatment stream instruction?	Yes
84	Does the DOR maintain separate tax processing systems for Corporate Income, License, Personal Income, and Withholding taxes? Is there a common receivables management system for any unpaid liabilities across these four (4) core tax types?	All tax types are integrated into one processing and receivables management system.
85	Are there existing processes in place in these legacy systems for regular billing, payment application, payment agreement management, and bankruptcy handling?	There are existing processes for billing, payment management and bankruptcy. These processes are integrated into the same legacy system which maintains the core tax types.
86	What collection system does the DOR currently have and use to manage the activities of collectors and enforced collection actions? Is it part of the legacy tax processing system(s) or a separate system?	DOR uses a combination of legacy and 4th GL systems to manage collections.
87	Does the DOR envision the collectors will "interface" to the legacy tax system or to the vendor's system? Or to both? Or does the term "interface" in the above passage refer to person-to-person communication rather than person-to-system communication?	Collectors do not have to interface with the legacy system. The proposed solution must have system-to-system interface with the legacy system; all transactions must flow from the new solution to the legacy system.
88	For interfaces deemed necessary between the vendor's and DOR's systems, will the DOR implement code changes to DOR's legacy systems?	DOR will partner with the vendor to implement code changes to the legacy system.
89	Does the DOR have a preferred "delivery vehicle" for prioritized account allocations? Is it assumed that collectors will interact with a new system as this delivery vehicle for these new prioritized account allocations?	No preferred delivery vehicle. It is DOR's assumption that collectors will interact with the new prioritized allocations.
90	Is the DOR expecting that vendor proposed enhancements to the current collections processes be integrated with the DOR's existing collection system? Or will those enhancements interact directly with collectors outside of the existing collection system? Or potentially some of both?	Conceptually, the collectors can interact with the new-front-end. However all activities which impact an account including correspondence, comments, collections, etc. must be integrated into the legacy system.

#	Question	Response
91	Does the DOR have a data warehouse to support the “comprehensive collections analytic services” and can it be leveraged as part of the proposed solution? If so, what data are currently in the data warehouse, including source and currency?	DOR does have a data warehouse which can be leveraged.
92	Is the data warehouse used currently to support collections? If so, how?	The data warehouse currently supports collections. Collectors rely on the DW for enhanced reporting which is not available in the legacy system.
93	Can the analytics solution be hosted?	No.
94	Can the State provide the name of the Collection Platform and Dialing solution used today?	DOR uses a legacy system for the collection platform. The legacy collection platform was developed internally. DOR does not have a dialing solution.
95	Can reports be emailed to staff instead of logging into to view reports?	Reports can be emailed to staff.

**State of Delaware
DEPARTMENT OF FINANCE
Division of Revenue**

Summary of receivables as of fiscal year end 2012 for major tax types:

	Corporate	License	Personal	Withholding	TOTALS
0-60 Days	\$165,490	\$466,539	\$1,440,999	\$152,537	\$2,225,565
61 - 180 Days	\$1,193,736	\$2,908,938	\$5,744,150	\$2,202,284	\$12,049,108
181 to 364 Days	\$1,385,937	\$1,834,295	\$9,284,799	\$4,478,161	\$16,983,192
1 to 3 Years	\$15,837,328	\$8,103,067	\$38,473,238	\$9,213,390	\$71,627,023
4 to 5 Years	\$2,663,221	\$2,289,085	\$19,399,777	\$5,443,379	\$29,795,462
5+ Years	\$2,177,754	\$5,200,133	\$55,795,983	\$23,100,155	\$86,274,024
Total	\$23,423,467	\$20,802,056	\$130,138,946	\$44,589,907	\$218,954,374

Summary of fiscal year 2013 collections to date through 12/31/12:

Case Created Date	\$ Collected FYTD thru 12/31/12
Pre 2004	\$ 291,601
2004	\$ 57,836
2005	\$ 67,796
2006	\$ 162,768
2007	\$ 228,700
2008	\$ 301,926
2009	\$ 721,579
2010	\$ 2,252,548
2011	\$ 3,579,948
2012	\$ 18,890,736
Total	\$ 26,555,438

Data added in response to Questions (June 14, 2013)

Tax Type	TOTAL 0-60 Days	TOTAL 61-180 Days	TOTAL 181-365 Days	TOTAL 1-3 Years	TOTAL 4-5 Years	TOTAL 5 PLUS Years	Total
Withholding	355	376	479	1,074	372	3,596	6,252
Personal	2,305	3,629	6,448	11,556	3,023	17,682	44,643
Corporate	152	220	190	390	159	901	2,012
License	248	420	659	1,383	572	2,903	6,185
Total:	3,060	4,645	7,776	14,403	4,126	25,082	59,092