County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District
YVONNE BRATHWAITE BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

February 7, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

J. Tyler McCauley
Auditor-Controller

John A. Clarke
Executive Officer/Clerk

COURT COLLECTIONS SUCCESS RATE

On June 25, 2002, your Board approved a two-year contract with two one-year extensions with GC Services (GC) for professional collection services for the recovery of delinquent Superior Court (Court) accounts. At that time, your Board also instructed the Chief Administrative Officer (CAO), Auditor-Controller (A-C), and Court to: 1) work with GC to develop variables to produce a success rate and track their performance based on these measures; 2) report back to the Board within six months on this effort, and include a comparison between the success rates of GC and the Lynwood Regional Collection Center (LRCC); and 3) evaluate and consider using a performance-based approach to soliciting proposals for court collection of delinquent accounts.

Representatives from these departments/agencies formed a Working Group to develop a plan that would appropriately address the Board's instructions. On December 9, 2002, the Working Group met with the Second District to present the plan and received approval of the recommended course of action. In December 2002, the CAO requested an extension to finalize the report to the Board.

United We Stand

GC SUCCESS RATE

The Working Group developed the following formula to calculate GC's success in collecting delinquent amounts referred by the Court:

$$\frac{\textbf{Amount Collected}}{\textbf{Amount Referred – Adjustments from Adjudications}}$$

The Court contractually requires GC to allow clients to return to court for adjudication, if the client wishes to do so. During adjudication, judicial officers may reduce fines and civil assessment amounts, thereby reducing the original amount referred to GC for collection. Therefore, these amounts are deducted from the original amount referred by the Court.

For example, the Court refers a $500 delinquent traffic citation to GC for collection and after GC contacts the client to discuss payment, the client requests to go to Court. In Court, the judicial officer reduces the citation amount to $300. GC later collects $100 of the reduced balance of $300. GC's success rate in this example would be 33% ($100/ [$500-$200]).

The Working Group has directed GC to track this information on a monthly basis, by court location, for the types of delinquent accounts on Attachment I.

Zip Code Analysis

Consistent with statewide practice, GC tracks collection data by the court location in which a person is ticketed and not by the zip code of the person's residence. However, the Second District requested that the Working Group investigate the possibility of reporting collection data also by the zip code in which the person ticketed lives. Their idea was that people residing in less affluent geographic areas of the County may be less able or likely to pay delinquent accounts.

To determine if the analysis of collection data by zip code would be useful, the Working Group directed GC to prepare an ad hoc analysis of the zip codes of delinquent accounts referred by five court locations[1] from January to June 2002, based on a methodology which the Working Group established. The Working Group also verified a sample of supporting data in GC's analysis.

[1] The five court locations were Alhambra, Beverly Hills, East Los Angeles, El Monte, and Inglewood.

GC analyzed approximately 16,500 delinquent accounts and found that 12,840 (78%) were associated with people who resided inside Los Angeles County. Of these, only approximately 4,000 (30%) lived within the geographic boundaries of the associated court location, an indication that tracking collection data by zip code, rather than by court location, may be informative. However, additional analysis showed that the 12,840 delinquent accounts within Los Angeles County were spread over approximately 1,200 zip codes, resulting in insufficient data within each zip code to provide meaningful information. Further, it is administratively more efficient to compile collection success rates over 30 court locations as compared to potentially thousands of zip codes among the 30 court locations. For these reasons, the Working Group recommends the collection and reporting of collections data by court location rather than by zip code.

COMPARISON BETWEEN GC AND LRCC

Prior to the award of the contract to GC effective July 2002, LRCC was responsible for the professional collection services for the recovery of Failure to Appear delinquent accounts for six court locations (i.e., Compton, Downey, Los Cerritos, Santa Anita, Huntington Park/South Gate and Whittier). Your Board directed the Working Group to compare the success rate of GC with the success rate of LRCC. The Working Group is unable to construct a meaningful comparison between GC and LRCC success rates due to a number of significant differences in their business practices, including:

- **Account Age at Referral**

  The Court referred Failure to Appear delinquent accounts to LRCC after 10 days, but refers these accounts to GC after 41 days. This difference could negatively affect GC's success rate, when compared to LRCC's, because clients are less likely to pay a delinquent account as its age increases.

- **Adjudication**

  The Court contractually requires GC to allow clients to return to court for adjudication, if the client wishes to do so, but did not require LRCC to do the same. LRCC only allowed a client to return to court for good cause. Reductions in the original delinquent amount referred that result from adjudication could positively impact a client's ability or willingness to pay, as the delinquent balance is lessened. However, LRCC did not maintain statistics on adjudicated amounts and as LRCC is now defunct, it is not possible to develop this information.

- **Tracking Method**

  GC tracks collections on a delinquent account over time (e.g., full payment within the first month or partial payments over several months.) This is known as a "monthly" tracking method and allows GC to evaluate the success of its collection efforts over time. However, LRCC did not track collection efforts over time. It simply combined new delinquent accounts with accounts already in inventory. A meaningful comparison requires that GC and LRCC use the same tracking method.

PERFORMANCE-BASED APPROACH TO FUTURE SOLICITATIONS

The Working Group recommends that future Requests for Proposals (RFPs) for professional collection services for the recovery of delinquent Court accounts:

- Require bidders to calculate their success rates based on the new success rate methodology referenced in this report under the section GC Success Rate;

- Evaluate bidders' success rates in comparison to the benchmark established by GC under this new success rate methodology; and

- Include financial penalties for winning bidders who are unable to meet their proposed success rates.

During the development of the next solicitation, the CAO and Court will inform your Board of the steps taken to implement these recommendations.

If you have any questions, please call us or your staff may contact Cindy Lee of this office at (213) 974-6807, DeWitt Roberts of the Auditor-Controller office at (626) 293-1101, or Alf Schonbach of the Superior Court at (213) 974-5972.

DEJ:DL
CYL:ljp

c: Violet Varona-Lukens, Executive Officer
Joan Ouderkirk, Director, Internal Services Department
Audit Committee
Public Information Office

Attachment

GC will track a success rate for the following categories of referrals:

1. Failure-To-Appear - e.g., Traffic citations where a defendant fails to appear on their signed promise before being sentenced.

2. Failure-To-Pay - e.g., Traffic citations where a defendant fails to pay fines and/or fees after being sentenced.

3. Attorney's fee/Restitution - e.g., Defendants who have received legal assistance from a court appointed attorney. All defendants convicted of a misdemeanor or felony shall be ordered to pay a separate restitution fine. When these fines/fees become delinquent they may be collected as a civil judgment.

4. Appointed Counsel Registration - A $25 registration fee for defendants who receive legal assistance from Court appointed counsel.

The average referral times of delinquent cases by category are:

- Failure to Appear - 41 days
- Failure to Pay - 21 days
- Indigent Defense - 1-10 days

The average balance of account at the time of placement by category is:

- Failure to Appear - $575
- Failure to Pay - $850
- Indigent Defense - $400