

### **ADDENDUM NO. 3**

This Addendum No. 3 is issued for the Request for Proposal (RFP) for Statewide Collection Services for Court-Ordered Debt, which was issued on April 30, 2004.

Summary of this Addendum:

- Clarify that the total number of pages of the Questions Submitted at the June 2, 2004 Pre-Proposal Conference with Answers in Addendum No. 2 is 6 rather than 8;
- Replace the requirement of audited financial statements with “reviewed” financial statements;
- List the questions asked after the Pre-Proposal Conference with answers.

The Administrative Office of the Courts has issued each page in this Addendum package to allow for full replacement of existing pages in the RFP document. Changes or additions to the text are in red-lined form for easy identification.

The following pages of the RFP are hereby replaced: 14 and 15

- (i) Collection of court-ordered debt within California
  - (ii) Collection of court-ordered debt outside of California
  - (iii) Any previous, current and future collection services engagements with the California Courts, California Counties, the State of California, or any federal, state or local government agencies or entities
- (i) List of states in which Vendor is licensed.
- (j) ~~An audited-reviewed~~ profit and loss statement and balance sheet, in accordance with American Institute of Certified Public Accountants (AICPA) reporting standards, for the Vendor's last three (3) fiscal years. If a company is privately owned, this information will be kept confidential by the AOC. **These financial statements must be contained in a separate volume.**
- (k) Significant transactional events in the past five (5) years such as:
- (i) Bankruptcies
  - (ii) Mergers
  - (iii) Acquisitions
  - (iv) Initial Public Offerings (IPOs)
- (l) Annual contract value of the Vendor's three (3) largest collections contracts in the past three (3) years
- (m) Percent of turnover of client service staff for each of the last three (3) years in the Vendor's organization that will be responsible for providing the services described in this RFP (e.g., Project Manager(s), lead collectors, etc.), including:
- (i) The service delivery segment, both regionally and nationally
  - (ii) The primary office location of the staff proposed in the Vendor response
- (n) If subcontractors are proposed for this RFP, describe the Vendor's contract management process for subcontractors included in the Vendor's Proposal and provide copies of signed formal agreements (e.g., teaming agreement or any other legally binding document), if any exist, between the Vendor and each proposed subcontractor.

### 3.2.2 Subcontractors

If subcontractors are proposed for this RFP, answer the following for each subcontractor.

- (a) Subcontractor name and address.
- (b) Federal identification and/or social security number.
- (c) If incorporated, state in which incorporated.
- (d) A short narrative description of the subcontractor's organization, including organization charts and indication of company officers where applicable.
- (e) Principal type of business.
- (f) Total number of years in business.
- (g) Number of years providing services similar in size and scope to those requested in this RFP
- (h) Any previous, current and future engagements that any of the proposed subcontractors have with the California Courts, the State of California, or any federal, state or local government agencies or entities.
- (i) An audited-reviewed profit and loss statement and balance sheet, in accordance with AICPA reporting standards, for the subcontractor's last three (3) fiscal years. If a company is privately owned, this information will be kept confidential by the AOC. These financial statements must be contained in a separate volume.
- (j) Significant events in the past five (5) years such as:
  - (i) Bankruptcies
  - (ii) Mergers
  - (iii) Acquisitions
  - (iv) Initial Public Offerings (IPOs)
- (k) Percent of turnover of client service staff for each of the last three (3) years in the service delivery segment, as well as the primary service office location responding to this RFP, of the subcontractor's organization that will be responsible for providing the services described in this RFP (e.g., Project Manager(s), lead collectors, etc.)

**QUESTIONS SUBMITTED AFTER THE JUNE 2, 2004 PRE-PROPOSAL CONFERENCE  
WITH ANSWERS:**

QUESTION	ANSWER
<p>1. Section 3.2(j) requires audited profit and loss statement and balance sheet. Our books are gone over by our accountants and then our taxes are prepared. Would this fall under your description of audited books?</p>	<p>Not necessarily. However, we have modified the requirement to require a review (instead of an audit) in accordance with the Standards of Reporting as issued by the American Institute of CPAs (see modified pages in this Addendum).</p>
<p>2. <b>Section 1.3.2 Part One</b> specifically prohibits the simultaneous assignment of an account to a Contractor and the Franchise Tax Board. This statement appears to contradict Sections 4.11 and 4.14.4 where the Contractor is responsible for maintaining all records, debtor inquiries and payment posting.</p>	<p>4.14.5 and 4.11 are not related to the same service. Under the optional 4.11, a vendor could supply the means (electronic format) for submitting accounts both to the FTB-Court Ordered Debt Program (a.k.a. FTB-COD) and/or they could supply the same service for submitting accounts to the FTB Tax Intercept Program. In both cases the vendor would get a previously negotiated fee for providing this service (as noted on the last page of the revised Appendix A-1 in Addendum No. 2), but as they are not doing any collection work they would not be entitled to a collection fee.</p> <p>As the vendor does not have the authority to place holds or submit accounts for tax intercept, Courts and Counties will be submitting accounts to the vendor where a hold on a license or registration may have been placed prior to the referral. The Courts and Counties may also submit a listing to the FTB Tax Intercept Program on accounts referred to the vendor. In the cases where money is collected by either the DMV and/or FTB Tax Intercept Program and sent directly to the Court or County, as the vendor did not collect the money they are not entitled to their normal collection fee. If the above actions do not pay the account in full and the vendor collects additional payments and/or convinces the defendant to pay them in the case of a DMV hold, vendor will be paid their normal fee.</p>

QUESTION	ANSWER
<p>3. <b>Section 2.5 &amp; 3.4.1</b> requires the Contractor to have a comprehensive collections program that meets the requirements of Penal Code §1463.007. How will the State evaluate this section? Will the Contractor be required to provide documentation that they have complied with a minimum of 10 of the 14 elements described in this section? If not, how will the State evaluate a proposal that states: “we can/could perform a minimum of 10 of the 14 elements described“ when the proposing Contractor fails to have any history providing such services?</p>	<p>Section 3.4.1 of the RFP requires the vendor to indicate in detail how it will meet the requirements of a comprehensive collections program that meets the requirements of Penal Code Section 1463.007. The vendor should provide sufficient documentation to indicate that they have complied with a minimum of 10 of the 14 elements of Penal Code §1463.007.</p> <p>A Contractor will be required to provide firm documentation of its ability to meet these requirements prior to finalization of a Master Agreement.</p>
<p>4. <b>Section 4.3.1</b> requires the Contractor to provide staffing at court locations; however, some courts may not have sufficient delinquent caseload volumes to warrant a full time employee. How will the Contractor be compensated should the court desire a staffing level that is inconsistent with the assigned case volume?</p>	<p>The Contractor will be paid on an hourly rate for these optional on-site services (see the last page of Appendix A-1 for the vendor’s proposed billing rate). Any court or county requesting such services will specify in its Participation Agreement the days and hours of the day that the Contractor is expected to be on-site. A Court or County may want the Contractor to waive the fee if its volume justifies the waiver.</p>
<p>5. <b>Section 4.4.6:</b> Will the State take a formal position on the disposition of the cases that are assigned? Currently, the majority of the assigned caseload involves moving violations where a defendant has failed to appear. Understanding that this case segment entitles the defendants to court appearances, it is very likely that the assigned dollar amount will be reduced or waived. Our vast experience in the collection of court ordered fines/fees/forfeitures and assessments has demonstrated that approximately 25% of the total amount collected is typically waived as a result of court appearances, where we have not been entitled to commission on the dollar amount waived.</p>	<p>Although the SB940 Working Group is suggesting standards and guidelines to the courts and counties for collection of court ordered debt, each judge will still have discretion as to reducing or waiving fines, fees, forfeitures and assessments in accordance with current statute and law.</p> <p>If an individual pays the entire fee/fine/forfeiture/assessment and a judge then reduces the fine, the Court or County will be required to refund the appropriate amount. The Contractor will be required to refund its commission or a portion thereof as it’s fee is based on the final amount collected.</p>

QUESTION	ANSWER
<p>However, during the Pre-Proposal Conference, we discussed that these cases would be reduced to judgment through trial in absentia procedures. It is not a common practice throughout the State to engage in trial in absentia procedures, which would eliminate the Contractor's ability to garnish wages on this segment of cases.</p>	
<p>6. <b>Section 4.10 Transition Services</b> requires the Contractor to mail a notice advising the defendant that the Contractor no longer manages the account. Please provide additional clarification on whether this section pertains to only those individuals who are in repayment or also to individuals with whom the Contractor has not been able to initiate contact? Will the Contractor be required to generate a notice where the assigned address has been deemed invalid?</p>	<p>When transitioning services to another vendor, the courts and counties will require the out-going vendor to notify individuals of all accounts as to the pending change in the court's or county's collection agent.</p> <p>The Contractor will not be required to generate a notice where the assigned address has been deemed invalid.</p>
<p>7. <b>Section 4.14, Pricing Structure:</b> Will the Contractor be required to incur up-front expenses through an interface with the FTB and then subsequently bill for the amount due from the court?</p> <p>Will the FTB bill for commission amounts on cases that they collect where the fine/bail/assessment is subsequently waived or vacated?</p> <p>Is the Contractor entitled to reimbursement from the FTB?</p>	<p>The payment to the Contractor for development of the interface will be negotiated between the Contractor and the Court or County.</p> <p>The FTB commission billed to a Court or County is determined by the agreement between the FTB and the Court or County.</p> <p>The Contractor is not entitled to reimbursement from the FTB; the Contractor will be reimbursed by the Court or County requesting the optional services described in Section 4.11 of the RFP.</p>
<p>8. <b>Section 4.14.3:</b> Will the Contractor be required to remit payment directly to the victim? If so, how will the Contractor be compensated for payments remitted directly to the victim that are later identified on a billing statement mailed to the court?</p>	<p>The Contractor will remit all payments to the Court or County.</p> <p>As noted in the answer to Question 24 in Addendum No. 2, after restitution is paid in full and the fee collected, the commission will be paid in accordance with a Court or County's payment terms that would be indicated in the Participation Agreement.</p>

QUESTION	ANSWER
<p>9. <b>Section 4.6.2</b> states that the Contractor must provide a copy of the collector's guide and training materials to the participating court/county. This information is considered proprietary. Will a summary suffice?</p>	<p>A summary of the collector's guide and training materials will suffice for the Proposal. A Court or County may require access to the guide and training materials during the contract term.</p>
<p>10. <b>Section 4.7.2, Daily Payment Transmittal:</b> What is the payment posting algorithm?</p>	<p>Payment posting and distribution is guided by the State Controllers Guidelines for Trial Court Accounting System. They are given this authority under Government Code Section 71380 and Penal Code Section 1462.5. Complete instructions are available at the SCO website <a href="http://www.sco.gov/pubs/#guides">www.sco.gov/pubs/#guides</a> Appendix C</p> <p>Distribution, thereby collection is mandated under PC 1203.1d. This section established 4 categories: (1) Victim Restitution, (2 ) State Surcharge under PC 1465.7, (3) any fine, penalty assessments and restitution fines ordered pursuant to subdivision (b) of Section PC 1202.4; payment of these items shall be made on a proportional basis to the total amount levied for all of those items, (4) any other reimburseable costs. It also states that these priorities of disbursement shall be applied across to orders or parts of orders in cases where defendants have been ordered to pay more than one court order. In other words if the defendant gets one fine and then a second or third fine you must clear the surcharge on each case before you can apply any money to the category 3 items. Category 4 items are collected and disbursed last. There is no order required so it can be left up to each entity as to how or in what order they are collected. The court security fee under PC 1465.8 has been determined by the SCO to be a category 4 fee and is collected last.</p>

QUESTION	ANSWER
<p>11. <b>Section 4.7.2, Daily Payment Transmittal:</b> Contractors typically collect the civil assessment first. Can the State provide a uniform procedure on how the money will be applied universally among all court locations?</p>	<p>See answer to Question 10, above.</p>
<p>12. <b>Section 4.7.4, Summary of Account Activity Report:</b> Please define groups A-H.</p>	<p>Groups A-H are the grouping of accounts by a Court or County; e.g., civil, criminal, traffic, etc.</p>
<p>13. <b>Section 4.7.5, Agency Activity Report:</b> Based on the volume of accounts assigned, this report may be too voluminous for many of the larger counties. As an alternative to this report, can the Contractor provide a summary of the action taken on accounts assigned?</p>	<p>The report is a summary report and not meant to be on a detailed level. The Contractor may provide a summary of the action taken on accounts assigned.</p>
<p>14. <b>Section 4.7.7, Account Status Report:</b> Based on the volume of accounts assigned, this report may be too voluminous for many of the larger counties. As an alternative to this report, can the Contractor provide a summary of the action taken on accounts assigned?</p>	<p>The report is a summary report and not meant to be on a detailed level. The Contractor may provide a summary of the action taken on accounts assigned.</p>
<p>15. <b>Section 5.14.5, Absence of Litigation:</b> Please provide additional clarification—if a proposing vendor is under investigation for illegal activity, will this preclude the vendor from being considered?</p>	<p>A vendor who is under investigation for illegal activity will not necessarily be precluded from being considered as long as the investigation and/or litigation does not adversely affect the Contractor’s ability to perform the Services.</p>
<p>16. <b>Section 5.16.2</b> states that “If this Master Agreement is terminated in whole or in part by ... (ii) Contractor pursuant to Section 5.15.3...”; however, 5.15.3 states that “The Client’s failure to perform any of its responsibilities set forth in this Master Agreement or Participation Agreement will not be deemed to be grounds for termination by Contractor...”. Please clarify if the intent of this statement is that a breach or non-performance by Client will</p>	<p>A breach or non-performance by a participating court or county (Client) will not be grounds for termination by the Contractor.</p>

QUESTION	ANSWER
<p>be grounds for termination by the Contractor.</p>	
<p><b>17. Section 5.17.1, Ownership of Client Data</b> states, “As between the Client and the Contractor, the Client shall have all right, title and interest, including worldwide ownership of trade secret right, copyright and patents, in and to the Client Data and all copies made from it.”</p> <p>This section might be interpreted to mean that any trade secrets applied to the collection of court obligations assigned under this contract would become the property of the State. This will inhibit the use of such trade secrets and force the Contractor to utilize more rudimentary forms of collection if their trade secrets/practices will become the property of the State. Can this section be modified to reference only the information obtained through the use of such proprietary trade practices?</p>	<p>Client Data is defined as “all data and information (i) which is created for the Client or the Client Group in the course of Contractor or Contractor Agents providing the Services, or (ii) that has been submitted or made available to Contractor or Contractor Agents by or on behalf of the Client Group or Client Agents, including all such data and information relating to the Client Group and their respective contractors, agents, employees, technology, operations, facilities, markets, products, capacities, systems, procedures, security practices, court records, court proceedings, research, development, business affairs and finances, ideas, concepts, innovations, inventions, designs, business methodologies, improvements, trade secrets, copyrightable subject matter, patents and other intellectual property and proprietary information” and therefore does not include Contractor’s trade secrets. The section can be modified, if necessary, during negotiations.</p>
<p><b>18. Appendix A-1:</b> The pricing page does not specifically identify what constitutes a “newly delinquent” account. Should the court/county engage in a pre-collection effort, this may dramatically affect the overall liquidation of an assigned portfolio. Please provide a distinction between cases that are (1) worked initially by the court/county prior to referral and (2) those accounts assigned immediately upon delinquency for each category and respective age of debt?</p>	<p>The definition of “newly delinquent” may be different for each Court or County. Vendor should assume that some work has been done on these accounts and should state those assumptions in its proposal. The distinction between Items (1) and (2) of Question 18 is not available.</p>
<p><b>19. Appendix D:</b> Are those counties that submitted discharge accounts the counties that plan to participate? It is our understanding that a large percentage of courts (4 of the 5 largest counties) have chosen not to participate in this agreement</p>	<p>The data in Appendix D are from courts and counties who have expressed interest in, and were able to easily extract data for, Part II services. We have not received any commitments from courts or counties to participate in the master agreement(s)</p>

QUESTION	ANSWER
<p>or are resistant to engage in a comprehensive collection effort utilizing the private sector.</p>	<p>resulting from this solicitation.</p>
<p>20. <b>General:</b> The RFP pricing pages define current referrals as those that are delinquent for less than one year. However, many of the courts engage in collection activity prior to the referral of their delinquent accounts, which will drastically alter the potential referral volume as well as decrease the amount an agency recovers. Will the State consider an alternative pricing section that will allow for this contingency?</p>	<p>Vendor must provide a proposal based on the requirements set forth in the Request for Proposal and may provide an alternative pricing section that would allow for the contingency mentioned.</p>
<p>21. <b>General:</b> To clarify, please confirm that all Section 4 requirements apply to Part One services and Section 4, with the exception of 4.3, applies to Part Two services.</p>	<p>For Part I services, all requirements of Section IV apply other than Section 4.2.          For Part II services, all requirements of Section IV apply other than Section 4.1 and 4.3.</p>
<p>22. <b>General:</b> Should the counties that have smaller case volumes require on-site staffing, can the Contractor charge an additional sum to help defray the expense should the potential volume of cases not be sufficient to pay for the cost associated with providing on-site staff?</p>	<p>Unless otherwise negotiated in a Participation Agreement, courts and counties requiring on-site staffing will reimburse the Contractor on a hourly rate basis for the on-site services.</p>
<p>23. For the purpose of meeting the RFP requirements, will the evaluation committee accept reviewed financial statements in lieu of audited financial statements?</p>	<p>Yes. See revised Section 3.2.1(j) of this Addendum No. 3.</p>
<p>24. Section 3.2.1 (j) references the need for <i>audited</i> financial information. Many closely-held, private corporations do not have audited financials, including our firm. Would financial statements prepared by an independent CPA suffice?</p>	<p>See revised Section 3.2.1(j) of this Addendum No. 3.</p>

QUESTION	ANSWER
<p>25. From the pre-proposal conference it was my understanding that a vendor could raise or lower their fee [from what was put forth in the proposal] with a specific court, based upon the individual work standards set forth in the Participation Agreement. Could you please confirm that this is true? If that is the case, could you please expand upon the purpose of putting forth a fee in the proposal at all? Might an RFQ be more appropriate than an RFP?</p>	<p>A vendor must provide the services described in the master agreement for the fees proposed. If a particular court or county has a unique set of requirements that differ significantly from the requirements of the master agreement, it may negotiate separate fees for those different services.</p>
<p>26. Most, if not all, of the agencies that put forth a proposal will be members of the American Collectors Association [ACA]. Most ACA members maintain their insurance and bonding through ACA. The requested \$2 million commercial crime and 3-D coverage's seem excessive and cost prohibitive. ACA's insurance department may be reached at 612-926-6547 and should be able to share industry standards.</p>	<p>The commercial crime and 3-D coverage of \$2 million has been reduced in Addendum 2 to \$1 million.</p>
<p>27. We understand that not every county or court can respond but, where possible, can information be provided regarding the estimated volume by county or court of placements that would be referred for both part 1 and part 2 accounts?</p>	<p>The only information we have available is the sampling of Part II accounts listed in Appendix D.</p>
<p>28. We understand that not every county or court can respond but, where possible, can information be provided regarding outside vendors who are currently utilized such as vendor names, placements, collections and fees paid by the county or court?</p>	<p>Our subcommittee has not compiled this information. We do know that fees charged by collection agencies for court ordered debt ranges from 15% to 40%.</p>
<p>29. How many vendors will be listed on the master agreements? Though the RFP indicates that possibly two vendors will be selected for Part 1 and only one will be selected for Part 2, the impression at the pre bid conference was that any vendor that qualifies will be listed as a potential vendor along with their rates and, preferred areas</p>	<p>Until we receive and review proposals, we cannot estimate the number of master agreements resulting from this solicitation. We expect to have several master agreements for Part I services and possibly just one for Part II services.</p>

QUESTION	ANSWER
desired and type of accounts desired.	
30. Will any counties or courts bid on this contract or are they precluded from providing these services?	No courts or counties were listed on the Attendee List for the mandatory pre-proposal conference (see Attendee list posted with RFP); therefore, no court or county can be awarded a master agreement from this solicitation.
31. Section 2.5 Minimum qualifications #4. “Will provide full time on-site staff for collection efforts at courts/counties requesting such presence.” <u>Questions</u> : Who and what criteria will be used to determine staffing needs i.e. how many full time representatives will be required per location? Is there an expected implementation time for vendor hiring, placement and training of on-site staff or is this to be negotiated separately with the individual County/Court?	<p>The court or county intending on entering into a Participation Agreement with a Contractor who has a master agreement will determine the staffing needs. If the Contractor cannot meet the court or county’s needs in regards to on-site personnel, the court or county may revise their requirements or consider a different master agreement.</p> <p>The expected implementation time for vendor hiring, placement and training of on-site staff, if not specified in a master agreement, will be negotiated separately with the individual court or county as part of their Participation Agreement.</p>
32. Section 4.9.1 Vendor Computer Systems, states that the contractor’s system must interface with the Court’s existing traffic, minor offense and/or Court/County accounting systems. <u>Question</u> : Can you provide any detail regarding the system(s) currently used by the participating Courts/Counties?	There is no standard being used by the courts and counties. Some use the Revenue Plus system, some use the same case management system software but may have non-standard customizations, and others use custom case management system software; financial systems have similar diversity and non-standardization.
33. Please clarify item “5.21.3 Bond (in lieu of Commercial Crime insurance policy as described in <u>Section 5.21.1.v</u> )” on page 47. Does the reference to 5.21.3 replace item 5.21.1.v or is this clause stating that a vendor must comply with 5.21.1.v or if unable to do so then comply with 5.21.3?	The contractor must comply with 5.21.1.v or if unable to do so then comply with 5.21.3.
34. Regarding section 5.21.1.vii. Will the AOI accept an insurer Best’s rating of “A”, rather than “A+”?	The Evaluation Committee will determine the impact of a proposer’s inability to meet the insurance requirements as part of the overall

QUESTION	ANSWER
	assessment of that vendor's proposal.
35. Are the variable collection fees to be factored based on monthly, quarterly or yearly dollars placed by a Court?	See Paragraph 4.14.2. The variable collection fee is calculated on a monthly basis prior to issuance of an invoice to a Court or County and is based on the volume of all accounts, per category, assigned as of that date to the Contractor.