

CRIMINAL DEBT COLLECTION EFFORTS

Y 4. G 74/9: S. HRG. 104-373

Criminal Debt Collection Effects, S...

HEARING

BEFORE THE

COMMITTEE ON

GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JULY 19, 1995

Printed for the use of the Committee on Governmental Affairs

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CRIMINAL DEBT COLLECTION EFFORTS

WEDNESDAY, JULY 19, 1995

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:11 p.m., in room 342, Dirksen Senate Office Building, Hon. John McCain, presiding.
Present: Senators McCain, Smith, and Dorgan.

OPENING STATEMENT OF SENATOR MCCAIN

Senator MCCAIN. Welcome. The purpose of this hearing is to assess the quality of Federal criminal debt collection efforts. Particularly, we will examine efforts by the Administrative Office of the United States Courts to establish the National Fine Center and to ensure that the project fulfills Congressional intent expressed in the National Fine Collection Improvement Act of 1987.

The 1987 Act called for a highly-automated, centralized data base to improve efforts by the 94 Federal Judicial Districts to account for and collect Federal criminal debt.

Each year, nearly 50,000 Federal criminals are ordered to pay over \$1.5 billion in monetary penalties to victims and the Federal Government. This money is deposited into the Crime Victim Fund to finance vital victim assistance programs. Unfortunately, the Government's record of collecting these debts is not good.

By some estimates, an astounding \$4.5 billion in criminal debt remains uncollected, an amount that has risen 15-fold in the past decade, and nearly one-half billion dollars since last year. While a portion of this money is uncollectible because of cases in which assessments greatly exceed the debtors' ability to pay, the effort to ensure that criminals meet their obligation to victims in society can be vastly improved.

Debt collection has long been a disorganized and low-priority function for many Federal Judicial Districts. In one district, the court did not even have current addresses for nearly one-third of the criminal debtors under its jurisdiction.

Congress envisioned that creating a national facility to centrally account for and receive criminal debt would improve the effort. To finance the project, the Administrative Office was provided with \$20 million from the National Crime Victim Fund. Revenues from the Crime Victim account are reserved normally for vital victim compensation and assistance programs.

Congress, in accordance with the victim advocacy groups, permitted the AO to dip into the Crime Victim Fund to finance the

Fine Center, expecting that enhanced collections from an efficient fine center would more than offset the cost of the project.

Unfortunately, efficient does not accurately describe the Fine Center project. Originally, the Fine Center was supposed to be operational by early 1995. On June 28, 1994, the Governmental Affairs Committee, under the leadership of Senator Dorgan, held a hearing to assess the NFC. At that hearing, we learned that between 1990 and 1994, the AO spent nearly \$5 million on the project, yet had zero to show for the effort.

Waste of taxpayers' dollars is always disturbing. However, the waste of this \$5 million was particularly egregious because it constituted double jeopardy to crime victims.

First, money that should have provided vital services to victims was diverted for a fruitless bureaucratic exercise.

Second, the delay in bringing the NFC on-line has perpetuated the collections problem. Each month the Fine Center is delayed, an untold amount of criminal debt is rendered uncollectible, either because the statute of expectation expires or the Government loses track of the debtor. Every dime we fail to collect from criminals is a dime taken away from crime victims who desperately need the assistance.

Last year, the Administrative Office acknowledged that the project has been problematic. Mr. Dick Ames, who is with us today, indicated that a new management team was in place, lessons were learned, and the AO was embarking with new resolve to establish a workable Fine Center.

The Committee accepted these assurances and pledged to hold a hearing this year to assess progress on the project. I look forward to hearing the testimony today. In no way do I desire to prejudge the situation, but I must say I am very skeptical that we are on the right track to establish a Fine Center that fulfills Congressional intent in a timely and cost-effective manner.

The GAO informs us that today, 8 years and \$10.5 million after Congress authorized the NFC, no comprehensive plan for fulfilling the Congressional intent of a highly-automated National Fine Center exists.

We will hear testimony from that Administrative Office that Phase I of the project is ahead of the schedule and that all 94 districts will be "brought into the system" by September of next year. As I understand it, being part of the system means that court officials now fill out forms with case information and mail it in to the NFC for central record keeping, where interest and penalties are calculated by newly-hired accountants.

Phase II of the project, which calls for the integrated automation of the data base, bringing to bear the efficiency envisioned by Congress, is still quite a way off. Again, the GAO informs me that we still have no comprehensive plan for Phase II. I find that astounding. On what has the AO spent \$10 million?

The Department of Justice, which is the primary customer of the NFC, recently wrote to the GAO the following: "The DOJ has been informed that it will not be given on-line interactive access to the NFC data, contrary to the provisions of the jointly agreed upon requirements document. The absence of on-line access to the NFC data may require the Department of Justice to develop a computer

system to download data from the Fine Center to perform efficient debt collection in an automated manner without duplicating the data entry function already performed by the NFC personnel.”

Ladies and gentlemen, we are being told that after we spend \$25 million in victims' money on a system to transmit information from the courts back to Washington, D.C., we will need to spend another untold sum to develop yet another computer system to enable the courts to access the vital information to actually improve debt collection.

Recently, I asked the GAO how we can be sure that, today, the troubled history of the project notwithstanding, we are on the road to achieving a Fine Center that fulfills Congressional intent in the most timely and cost-effective manner possible.

The GAO said they cannot provide such assurance because there is no comprehensive plan for affecting Phase II of the project for the agency to assess. The lack of detailed plans, alternative studies, time lines, cost estimates, and decision documents which are customary for any such undertaking cast serious doubts on whether an organized and deliberative decision making process is at work and it makes it nearly impossible for Congress and the GAO to assess where the project really is and where it is going.

Today, we will hear testimony that the private sector could have brought the NFC on-line in a fraction of the time we have already expended for a much lower price tag. I do not impugn the motives of anyone at the Administrative Office. I am sure that only the best of intentions are at work, but good intentions are not enough.

This hearing must convince the Committee we are embarked on the most timely and cost-efficient path to finalizing the National Fine Center. If not convinced, it would be my intention that the funding be frozen and the project assessed by an independent outside panel once a comprehensive plan is produced.

I want to thank my friend from North Dakota, Senator Dorgan, for his years of effort on this issue and I want to thank him for his participation in the hearing today. Senator Dorgan?

OPENING STATEMENT OF SENATOR DORGAN

Senator DORGAN. Mr. Chairman, thank you very much.

I am pleased to join you in this hearing. I think it will advance some questions that we began to raise last year.

The issue of criminal debt as a result of fines and restitution orders is one that continues to baffle me. I became interested in this from a report that I saw once in a newspaper about a Government report about S&Ls and the fines and restitution orders that had been assessed against S&L operators who were convicted of fraud and so on.

The particular report I saw showed that 2½ percent had been collected out of the \$1.96 billion ordered in fines and restitutions as a result of S&L cases. Of \$1.96 billion, \$49 million was collected.

It occurred to me, if one was going to owe money, one might want to owe money to the Federal Government in the form of a fine because that appears to be the least likely money to be collected.

I then got involved in asking, why would this be the case? I found out we are owed \$4.5 billion in outstanding fines. It is up about a half-billion from last year. We have a system that is large-

ly archaic, kind of a quill pen system in which each of the Judicial Districts are out there assessing fines and then trying to collect them using folks who are not specialists in these areas and who, as an afterthought, are tracking fines they had addressed long ago. You couldn't find out how many fines were outstanding, what the age of the fines were, who was working them. It was chaotic.

The thing I did not understand, Mr. Chairman, is you go downtown today and buy a shirt at a department store and you give them a credit card. They are going to run that credit card through one of these little magnetic image detection things and they are going to, in 30 seconds, find out whether your credit card is good. The private sector keeps track of a couple hundred million of those credit cards, and they can, in 20 seconds, tell you whether John McCain or Byron Dorgan has paid their credit card bill.

If we can keep track of a couple hundred million credit cards on almost a real-time basis, I do not have the foggiest idea why we cannot keep track of \$4.5 billion in Federal fines and collect them, or at least collect those that are collectable. That is why we are here.

The Chairman made this point, and I think it is an important one. The money that was invested in creating a National Fine Center comes, in large part, from money that would have otherwise have gone to victims. When money that would otherwise have gone to victims is invested in the creation of a National Fine Center and you find out that millions are frittered away because you go down the wrong street, then back up and make a U-turn, people start scratching their heads and say, "What are we investing in here?"

That is the purpose of this hearing, to find out, are we headed in the right direction or not? If not, let us put an end to this and bring somebody in that can move it in the right direction.

Let me make one final point before we hear the witnesses. The Chairman referenced the report that we received from the GAO. It does say Phase I of the plan will be completed by September 1995, at which time the Administrative Office promises that all 94 Judicial Districts will be providing new Federal criminal debt information to the National Fine Center. That sounds encouraging, but it does not tell quite the whole story.

Since the Administrative Office decided to include only the lowest-volume Judicial Districts during this Phase I, it has taken only a small step towards implementation of the Center. The districts handle fewer than 200 convicted criminals annually. The point of that is, you are talking about districts that account for \$6.5 million out of the \$4.5 billion in Phase I, so one can get a distorted picture of how far down the road we have really gone here.

Where does this leave us? It leaves us, those of us who are involved in the question of legislating and appropriating money for these things, to ask the question, are we getting what we pay for, and if not, how do we change it to make it happen? There is no reason at all in this country that a criminal ought to feel comfortable. When a fine or restitution is imposed against someone who broke the law, that criminal ought not to feel comfortable about the agency not being able to collect. I am afraid that is the case in this country today.

I want somebody who is assessed a restitution order or a fine to understand that this Government is going to take effective action to collect it. We take action to collect taxes against people who have not committed crimes. If people commit crimes and are fined, I expect us to be 50 times more aggressive in collecting those fines, and the fact is, the evidence tells us that we have not been aggressive at all. We have had a chaotic, disjointed system that does not work.

I have one final point. It really bothers me to hear that we may have a circumstances where, when this is finished, the Department of Justice cannot access real-time, real information. That would not be a system that would be useful, either.

I appreciate very much Chairman McCain working with us to hold this hearing. He, as always, is indefatigable in tracking these kinds of issues on behalf of good Government and on behalf of the interest of the American taxpayer.

Mr. Chairman, thank you.

Senator MCCAIN. Thank you very much, Senator Dorgan. Thank you for your much longer involvement in this issue than mine.

Our first witness is Ms. Linda Koontz, who is the Associate Director of the Accounting and Information Management Division of the General Accounting Office. Welcome, Ms. Koontz. Perhaps for the record you would like to identify your associates.

TESTIMONY OF LINDA D. KOONTZ, ASSOCIATE DIRECTOR, INFORMATION RESOURCES MANAGEMENT/GENERAL GOVERNMENT ISSUES, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY WILLIAM JENKINS, ASSISTANT DIRECTOR, GENERAL GOVERNMENT DIVISION, AND BRIAN SPENCER, TECHNICAL ASSISTANT DIRECTOR, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION

Ms. KOONTZ. Certainly. On my right is Bill Jenkins, who is an Assistant Director from our General Government Division, and on my left, Brian Spencer, who is the Technical Assistant Director who worked on this particular project.

Senator MCCAIN. Thank you. Welcome, gentlemen, and welcome to you, Ms. Koontz.

Ms. KOONTZ. Thank you. With your permission, we would like to summarize our statement and submit the full one for the record.

Senator MCCAIN. Without objection.

Ms. KOONTZ. I am pleased to be here today to discuss the Administrative Office of the U.S. Courts' efforts to centralize criminal debt accounting and reporting within the National Fine Center.

As you know, under the Criminal Fine Improvements Act of 1987, AOUSC was required to establish a criminal debt system to automate and centralize criminal debt processing for all 94 Judicial Districts, replace the fragmented approach for receiving criminal fine payments, and alleviate longstanding weaknesses in accounting for and reporting on criminal monetary penalties.

As discussed in our May report, the AOUSC has made progress in implementing the NFC by centralizing new criminal debt information in 25 of the smaller Judicial Districts. We believe, however, that there are significant challenges ahead that will require extensive planning and coordination among AOUSC, the Department of

Justice, and other systems users if AOUSC is to successfully implement the National Fine Center in all 94 Districts.

I would like to briefly discuss AOUSC's initial efforts to centralize criminal debt and implement a system and then discuss additional actions that are needed by AOUSC and Justice to complete NFC implementation.

In April 1994, AOUSC began its current two-phase implementation approach. Under Phase I, scheduled to be completed in September 1996, the NFC planned to use an off-the-shelf accounting system to establish debtor accounts, bill debtors, record payments, pay victims, and report on criminal debts on a limited scale. Once the selected system was fully operational under Phase I, AOUSC planned to expand the system during Phase II to improve users' access to NFC information and increase management information reporting capabilities.

Since April 1994, AOUSC officials have established a process for centralizing criminal debt accounts, developed a program to train Judicial District staff on NFC requirements, selected the off-the-shelf accounting system, and begun processing new criminal debt information for 25 of the smaller Judicial Districts, using the selected system. AOUSC's schedule calls for 15 additional Judicial Districts to be added to NFC by August 1995.

There are a number of actions, however, that AOUSC and Justice need to take to complete NFC implementation. First, AOUSC needs to complete a number of enhancements to the off-the-shelf accounting system. Currently, only a small fraction of criminal debt accounts are on the NFC system. Before the larger courts and existing criminal debt can be added, the AOUSC will need to automate certain billing, payment receipt, and disbursement functions which are, for the most part, being done manually by NFC staff.

One of the more important enhancements is to establish an automated interface between the NFC and a Justice system to allow Justice staff increased access to account information.

We understand, Mr. Chairman, that AOUSC officials are working to develop these enhancements. However, none are complete at this time.

Second, AOUSC and Justice will need to work together to reconcile the estimated \$4.5 billion in existing debt accounts and enter these amounts into the NFC system. In the past, debt accounts had been separately maintained by Judicial District staffs within the Clerk of the Courts Offices, Probation Offices, and U.S. Attorneys Offices. AOUSC has drafted a strategy to guide the upcoming reconciliation process. However, this strategy has not yet been agreed to by Justice and Judicial District officials.

Third, AOUSC and Justice need to develop a strategy for determining the collectibility of both new and existing criminal debt. Currently, AOUSC records all new criminal debt in the NFC system as accounts receivable without a determination by AOUSC or Justice as to whether such debt is collectible. Without such a determination, decision makers may be led to believe that substantially greater amounts are collectible, the NFC will be unable to accurately report on the composition of the outstanding debt, and users who are responsible for collecting debt will be unable to effectively

target their resources on debts with the highest probability of collection.

According to AOUSC and Justice officials, Justice has recently instituted a new policy intended to improve its ability to record the collectibility of criminal debt. However, we have not analyzed the policy or the extent to which it has been implemented.

Finally, AOUSC will need to define specifically how and when the objectives described under Phase II of the NFC project will be accomplished. AOUSC officials told us that they had begun working with Justice and other system users to define the necessary information and recording requirements but have not yet defined the specific system enhancements that are needed. AOUSC officials generally agreed with our findings and recommendations, and in each case, they are taking action to develop the necessary plans and strategies to address these issues.

That concludes our prepared statement. We would be happy to answer any questions that you may have.

Senator MCCAIN. Thank you very much, Mr. Koontz.

To your knowledge, does the Administrative Office have a sufficiently comprehensive written plan for automating and integrating the Federal Districts into the National Fine Center?

Ms. KOONTZ. At the time of our review, the AOUSC did not have a comprehensive plan for implementing the NFC system, and as stated in our report, we were particularly concerned about the lack of specificity about Phase II and also that the strategies for dealing with reconciliation and with collectibility had not been finalized.

Recently, we were informed that AOUSC has prepared a plan that discusses the implementation of Phase I and they included it in their IRM plan. However, this plan does not go as far as to address Phase II and we have not reviewed the submission.

Senator MCCAIN. Automated integration is an essential ingredient, would you agree, if we are going to efficiently collect and record these fines?

Ms. KOONTZ. Yes. Automation and integration are the key to efficient collection. At the time of our review, the small volume of accounts that were on the system would make it such that the lack of automation and integration wouldn't have been a big problem. However, as the AOUSC continues to add more districts and larger districts, it will become critical that they take advantage of automation and integration to successfully complete the system.

The AO recently indicated that it plans to electronically integrate its operations, but it cannot do so until LANs are installed in the Judicial Districts and external interfaces with DOJ and other users are installed.

Senator MCCAIN. Are you dismayed that it has been 8 years and we spent \$10 million to get where we are?

Ms. KOONTZ. We think clearly that to progress any further without the required plans and documentation presents more of a risk than the AO should be willing to take on at this point. A plan doesn't guarantee success, but without one, you certainly take a large risk.

Senator MCCAIN. I understand the AO started purchasing capital equipment for the Judicial Districts, such as LAN computers, even though many districts have already obtained suitable equipment.

Are you concerned that funds are being wasted on capital equipment which may not be needed?

Ms. KOONTZ. We were only recently informed that the AO had planned to install LANs in the districts as a way of communicating between the NFC and the districts, and so for that reason, we have not really fully evaluated those LANs. But it is basically our position that if the AO is to install those LANs, they should first look at the feasibility of using LANs for that purpose. They should also look at whether there is suitable equipment already there that could be used instead.

In addition, the use of LANs introduces a number of security issues that we think the AO should deal with. Specifically, we would like the AO to do some kind of risk analysis to define what kind of vulnerabilities the system would have as configured and to recommend some protections that should be built into the system.

Senator MCCAIN. What can we do to ensure that the AO be held more accountable for the approaches, the cost, and the timeliness associated with this project?

Ms. KOONTZ. We think, first, that the AO needs to be able to show precisely what it has spent to date on the current NFC approach and how the funds have been spent. We want to see how it plans to continue Phase I and within what costs and time frame. And also, for Phase II, what it plans to accomplish, how, and in what time frame. We think that the AO should provide the latest status of the NFC project, particularly with regard to the enhancements that they are doing.

Senator MCCAIN. Senator Dorgan?

Senator DORGAN. Ms. Koontz, just give me your general impression of where we end up with all of this. You have evaluated what we wanted to do and what has been so far, and you provided a report that suggests some relatively modest progress and substantial concerns about where we are headed.

I said last year at this hearing that if one decided to say to the Pentagon, "all right, now we would like you to build a television set." A hundred thousand dollars later, we probably still would not have a television set because they would have gone off and designed their own specs for the knobs and so on.

I am wondering if that is not what has happened with the National Fine Center, and I am wondering if we ever, under the current circumstance, get to where we want to get with the National Fine Center. What is your impression?

Ms. KOONTZ. I think it is difficult for us to have confidence at this point that the AO can definitely fulfill the mandate that Congress laid out for them for the National Fine Center. Our concern basically is because of the lack of plans and documentation that we expected to see. It is very difficult to evaluate a project without that kind of documentation and without a road map for where the AO wants to go and how they plan to get there.

Senator DORGAN. As I understand it, this is a very, very decentralized and disjointed system. At the hearing last year, the proposition was we have to do two things. One, we have to find out what is owed, and you have to consolidate the records to figure out who owes money and how much do they owe. Then, you have to try to

collect it. So that is a two-step process, and the first step is not complete, obviously.

Ms. KOONTZ. Correct.

Senator DORGAN. We do not have good records of who owes what. They are disjointed and scattered all around the country.

I guess the question this leads to is, I think, the question Senator McCain has asked publicly, about if this does not get one to the desired goal, what about privatizing that kind of collection?

Ms. KOONTZ. Are you talking about privatizing the collection process or privatizing the development of the Fine Center?

Senator DORGAN. The collection process.

Ms. KOONTZ. The collection process? Privatizing the collection process for criminal debt is not something that we have studied in depth, so there is not a lot I can add there except that we did a study last year looking at the use of private attorneys to collect the civil debt. I think there were a couple points in there that are maybe relevant here.

First is that, generally, when you use private firms or counsels to collect debt, they get a portion of the debt as part of their payment, and there would probably need to be some kind of legal change in order to define how those folks would be paid because the money normally either goes to victims or it goes directly to the Crime Victim Fund.

Also, as I understand, when it relates to criminal debt, that there is some concern over the protection of certain sensitive information, for example, grand jury information. Those are factors that one might want to consider in moving forward with privatization.

Senator DORGAN. One of the questions that we asked last year at the hearing was how they proceeded to begin to deal with the issue, and the answer was, well, the first thing to do is deal with all the users. Find out what their needs are. They did this assessment of what the users wanted, what kind of a system they would work with and think would be appropriate.

I think you would be a fool to set up a system that was not cognizant of the needs of the users. However, on the other hand, you also need some leadership, once you have assessed what the wants are of the users, to distinguish between wants and needs and decide as a matter of leadership what the system will look like. It will resolve these issues. Here is what we are going to spend on it. Here is how we are going to develop it. That is the leadership component of making the decisions, once you have gotten all the information.

From your perspective, is there a deficiency here in the leadership side of it, the decision making process at the top? How would you assess where the problems rest at this point?

Ms. KOONTZ. With regard to the requirements for the project, I would say a weakness there has been that the functional requirements for this project have really never been finalized. I think you saw some concern about this in the comments on the GAO report. I think that DOJ pointed this out, that a requirements document that is years old has never been updated and never been finalized.

Senator DORGAN. What do you mean by functional requirements? Does that relate to, for example, the issue of whether, when this is done, the Justice Department might be able to access the information?

Ms. KOONTZ. That is part of it.

Mr. SPENCER. Functional requirements are the operational parts of what you expect to happen based on the requirement that you need. For example, how do you intend to transmit information over a line, the protocol, the details of that particular requirement. In other words, the requirement for shipping data from the Judicial District to the Fine Center, back and forth, how you intend to do it functionally. They may have had a set of requirements, but as far as we could tell, it was an incomplete set of requirements. The functional requirements are very similar.

Senator DORGAN. I have no further questions. Thank you.

Senator MCCAIN. Ms. Koontz, as you know, I have introduced legislation that would privatize the collection of delinquent debt. If you have not had a chance to look at it, I would like you to look at it and get back to us on what you think the viability of that proposal is.

Senator Smith?

Senator SMITH. Thank you, Mr. Chairman.

Ms. Koontz, do you have any date in mind when you feel that the National Fine Center could be fully operational? I came in late and you may have indicated that.

Ms. KOONTZ. The only date that I can pass on with certainty is that I understand from the AO that Phase I of the NFC implementation will be completed in August of 1996. I understand that completion of the Phase II, which is the phase that will provide more of the management and financial reporting, won't be completed for 3 to 5 years.

Senator SMITH. Two phases?

Ms. KOONTZ. Two phases.

Senator SMITH. Do you have any specific suggestions in terms of the codification, any specific changes that you would like to see us make in the Act itself to help you?

Ms. KOONTZ. That is not something we studied. Maybe that is something that we could look at, though, and provide for you at a later time.

Senator SMITH. In your statement, you indicate a number of actions that you believe that the Administrative Office of the U.S. Courts and the Department of Justice should take. You used terms like "work with" and "generally agree with", et cetera. It seemed like you might have been maybe glossing over a little bit some differences. Are there significant problems? Do you find any fault with one agency over the other in terms of their working relationship?

Ms. KOONTZ. I'm not sure that I could lay the blame with either party specifically, but there appears to be a communications problem between the Department of Justice and the AO. I think we saw that very clearly when we received the Justice comments on our report, that there was a very big divergence of opinion on how well the Fine Center is progressing. But I certainly can't lay the blame at one or the other's feet at this point.

Senator SMITH. But a little improvement is possible?

Ms. KOONTZ. I think on both sides.

Senator SMITH. I do not have any further questions at this point, Mr. Chairman. Thank you.

Senator MCCAIN. Sometimes a failure of communications is a description of a fist fight. [Laughter.]

Ms. KOONTZ. I do not think that has happened yet.

Senator MCCAIN. Do you think that this time frame of 3 to 5 more years before Phase II is implemented is satisfactory?

Ms. KOONTZ. I cannot comment on whether 3 or 5 years are reasonable, just because we do not have the level of specificity to say exactly what Phase II is at this point. So I would not be comfortable making an opinion as to time frames.

Senator MCCAIN. Do you have specific recommendations as to how they can speed up the process?

Ms. KOONTZ. Speed up the implementation of the Fine Center? I think that by following the recommendations that we have already laid out, I think that should speed things up. I think one of the benefits of them working together to come up with plans for Phase II and to decide on reconciliation and to decide on collectibility are ways of improving the communications, and I think if the communications are improved, that should also help this move forward more quickly, as well.

Senator MCCAIN. Thank you very much.

Senator Dorgan?

Senator DORGAN. No. Thank you very much.

Senator MCCAIN. Thank you very much, Mr. Jenkins and Mr. Spencer. Thank you, Ms. Koontz.

[The prepared statement of Ms. Koontz appears on page 39.]

Senator MCCAIN. Our next witnesses will be Mr. Dick Ames, who is the Assistant Director for Finance Budget of the Administrative Office of the U.S. Courts and Mr. Gerald Stern, who is the Special Counsel, Financial Institution Fraud, Department of Justice.

Senator DORGAN. Mr. Chairman, while they are coming up, might I say to Ms. Koontz that I hope in the months ahead, as we continue to review the circumstances of this National Fine Center and the funding, that we can call on the GAO for continued evaluation. It is very helpful to us to be able to do that and I know that other members of the Committee would be interested, as well.

Senator MCCAIN. Mr. Ames, welcome.

TESTIMONY OF RICHARD A. AMES, ASSISTANT DIRECTOR FOR FINANCE AND BUDGET, ADMINISTRATIVE OFFICE OF THE U.S. COURTS; ACCOMPANIED BY JOHN BENOIT, PROJECT DIRECTOR, NATIONAL FINE CENTER

Mr. AMES. Thank you. First, I would like to introduce my colleague on my right, John Benoit. John is a longtime Federal Government employee with in-depth experience in putting in place business processes like the Fine Center project. He has been the Project Director since we testified a year ago.

Senator MCCAIN. Welcome, sir.

Mr. AMES. I have two thoughts here that I would like to pursue. First, I would like to give a brief summary of the written remarks and then add a few comments at the end.

As background, after a 4-year planning and development effort, which took longer than the AO expected or wanted but produced many valuable lessons learned, the AO began the implementation phase on April 26, a year ago. At that time, my office took respon-

sibility for the project. About 2 months later, this Committee had a hearing on criminal debt collection. I testified, and at that time, the Committee expressed concern that the project was moving too slowly, concerns that have been voiced again in the opening remarks.

We take those concerns seriously, and because of those concerns, and because we believe in this project and the importance of the overall effort, we have been moving forward with a maximum-speed plan, from our perspective, focused on how we put something in place quickly, starting from that point in time, a year ago, April 26.

At the hearing, I reported on a two-phase implementation plan that we had developed. The first phase would put in place the basic mechanisms we all want so we can answer the hard questions, rather, the easy questions—how much criminal debt is outstanding? Who owes how much? Where do we stand on collecting it? How much is collectable? How should we prioritize our efforts? How can we change our processes to do even better?

What this Phase I system would do, simply, is for the first time, establish an account for every single criminal debtor at the time of the judgment and commitment order; to provide monthly billing to notify those who are delinquent or in default; to provide monthly reports to all those who need them, particularly all the people in the courts working on criminal debt collection, but also to Congress, to DOJ, and to others; to disburse the monies that we receive. What was our focus in moving forward? Three words. We borrowed them from Nike, “Just do it”.

Building on the lessons learned in the planning and development phase, our concepts were straightforward. Start simple, start small, modify as we go full speed ahead, but let us get started, and I think that is the sense that we are hearing today, that that was the right thing to do.

Well, to do that, given that 4 years had been spent developing a grand design which no one could figure out how to implement, we believe that the leadership has been provided that Senator Dorgan was questioning, because we said, this is what we are going to do. We are going to do a two-phase plan. We know how to do a two-phase plan. We will start simple; we will start basic. These accounting processes that we are talking about are not rocket science, and we understand that, nor is this an automation project, the kind which the GAO team normally audits.

Instead, this is basically business process implementation in a very difficult environment. What do I mean? The environment is difficult because the action is at the local level. We have 94 District Court units. You have a Chief Judge, U.S. Attorneys Office, Probation Office, clerks. Those are the key players who have to work together, just like a football team. It is very important that they do.

However, we all recognize that the way the Judiciary and the Department of Justice operate, that there is a great deal of autonomy provided to U.S. Attorneys, to judges, and to individual court units on how they will do business. So one of the challenges that anyone would face in implementing this effort is to understand and develop a single uniform business approach to do these things, if

we are going to have a National Fine Center, when that is counter-cultural to all involved.

Senator MCCAIN. Hold on for one minute. There is only one person that assesses the fine, is that not correct, the judge?

Mr. AMES. The judge establishes the fines within the sentencing guidelines, that is correct.

Senator MCCAIN. Then would not all that would be necessary for that information to be relayed to the National Fine Center?

Mr. AMES. That is what we are doing.

Senator MCCAIN. What is all this about U.S. Attorneys and clerks and people like that? How do they enter into it?

Mr. AMES. What we have found as we visited and worked with the first 25 courts, that one of the big challenges was that each of the courts tended to have different ways of doing what we would all consider to be a very basic, simple process. The judges use different judgment and commitment orders, for example. We can only automate one of those.

Senator MCCAIN. You do not care what methodology the judge uses. All you care about is what the fine is.

Mr. AMES. That is correct, but if we are going to develop an automated solution, which we all want, it is practical to develop one approach as opposed to attempt to develop a whole series of approaches, and it does not apply only to the judgments themselves but the way each of the offices work, including how well they work together or do not work together. There is tremendous variation among each of the courts and the way the offices work.

Senator DORGAN. Can I just follow up on that? What I do not understand is all of these judges and all of the U.S. Attorneys Offices are Federal employees, are paid by the Federal Government and responsible to the Federal Government. It seems to me that the question that Senator McCain asked is "Form 1," if you are going to number forms.

Form 1 is the fine the judge assessed that defendant. If there are 4,000 fines assessed in America today—I suspect there are that many in Federal courts—if there are 4,000 fines, there would be 4,000 Form 1's sent in and punched into the system. I am trying to understand, I think, what Senator McCain asked. How much more difficult can that be?

Mr. AMES. That is a good example because it shows where we start from. The first challenge was to get Form 1.

Senator DORGAN. But I could do that this afternoon, I would suspect.

Mr. AMES. You may be able to create it, but the question is, how do you get everyone to agree to use it and do so?

Senator DORGAN. I think I could do that tomorrow morning.

Mr. AMES. We need you.

Senator DORGAN. The fact is, these folks get their paycheck from the Federal Government, all of them. So I do not think it is a big problem deciding that they are going to levy fines as a Federal officer, that they have a responsibility to fill out a form that says this person was assessed a \$250,000 fine. That form goes into the system and then there is a collection effort made to collect the fine. I am just trying to understand—

Senator MCCAIN. I guess what we are saying, Mr. Ames, and I do not mean to get too adversarial here, but it really does not matter to you what system or what relationship exists within your office. All you should care about, my understanding is, is what the fine is and then embark on the collection of that fine.

Perhaps there is something I do not know here and you can illuminate us on that. In other words, what additional information at the National Fine Center do they need except the size of the fine and who it was levied against?

Mr. AMES. What I am describing is the need to develop basic uniform business processes and to implement them and get them utilized in every court, in every key office within every court, across two branches of Government.

Senator MCCAIN. Please proceed. I apologize for interrupting you.

Mr. AMES. The basic approach I was suggesting that we have taken and said we would take a year ago, and I am referring in these remarks not to something new but to something that we been following, a philosophy and concept we have been following since the implementation phase began in April of 1994. I will just repeat it for continuity. Our basic driving concepts were "Just do it;" start simple, start small; modify as we go; full speed ahead.

So accordingly, we began with the smallest courts, developed simple business processes, utilized an initial off-the-shelf accounting package (that we already knew) in our central processing, and we did that so that we could get started quickly. We did all these things so we could get started—rather than wait until we developed a more sophisticated approach. We entered data manually and we exchanged information by mail, phone, or fax. But the focus was on action, on getting started and moving forward, as opposed to waiting or looking for reasons to take a "time-out" or even stopping.

So in line with that philosophy, we described an implementation plan last year and a time table that would bring 23 courts onto a central Fine Center processing unit in the first year, by this April 26, and all 94 courts by next August 26, 2 years after the first court.

The implementation plan we discussed last summer included a Phase II effort, which is simply an enhanced system, including more comprehensive management information capabilities, like the kind that Linda Koontz was describing, with wide scale, on-line access.

Phase I implementation clearly had to be our first priority, but we said last summer that as we proceeded over the next 2 years to finish Phase I, we would begin work to develop plans for the Phase II enhanced processes and systems and that we would provide some of those Phase II requirements during the Phase I implementation effort. In fact, during the first year, we have actually made more progress on Phase II than we had originally expected. We never said that we would have a Phase II plan in detail early.

Obviously, others, including the Department of Justice, would have preferred even more progress, but it is very difficult. If we use the construction of a building as an example, Phase I is the foundation and the structural steel. Phase II are the upper floors, and we

don't know how to do the upper floors without first doing the foundation and structural steel.

At the time of the hearing a year ago, there was no central fine processing center and no courts were on it, as you pointed out, so let me report briefly on what has been achieved during the past year. In detail, it is in the written testimony.

But in summary, we have met all of the commitments that we made—in full and on time. Highlights: We developed business processes, established a central processing unit, we have trained courts, and we have brought 25 courts onto the new processing center by—we were supposed to bring 23 on by April 26. We have brought 25 on by April 1, so we are slightly ahead.

Financial status since the year-ago hearing: at that time, we reported that we had spent \$5.7 million since the inception of the project. Since then, we have spent \$2.5 million more. So in total now, we have spent \$8.2 million, and for 1995 our spending is within budget.

I will not go into all of the specific accomplishments that were required to get these 25 courts on because those are in the written record, other than to say that several of the accomplishments are important because they represent an acceleration of work, versus our plan, that is required to implement the Phase II management information enhancements.

An example is the new central processing unit software. I pointed out earlier, we had started with something we had and knew how to use, and that while we were using that to bring on the first small courts, with our other hand, we were evaluating successor software that would have full capability to handle all 94 courts and to handle all of the cases, new and old.

On top of that, we found one that has a terrific capability for analytic and reporting usages which will be invaluable for Phase II. That came on in April. It is functioning now. All 25 courts are on it. All new courts will be on it. So that is already in place and that is essentially a pull-ahead of the Phase II, but the important thing, despite that, is to do Phase II, we must successfully do Phase I. That is the foundation.

Where do we go from here? Our next objective is to get 38 courts up by August 26, a month from now, basically. We are on target and we will achieve that objective. Our next milestone is to have 58 courts up by the end of this calendar year, and then all 94 courts by next August 26, 1996. We expect to meet those objectives. And we expect to meet the Phase II objectives that we have described earlier.

I agree with what Linda said, totally agree with what she said about the broad point that there are challenges ahead. There is no question. We face great challenges—

Senator MCCAIN. Do you agree with her when she says she finds it difficult to have confidence that you will be able to carry out these responsibilities?

Mr. AMES. I said that I agreed that there are great challenges ahead, but I accept—

Senator MCCAIN. Since you were agreeing with her, I just wondered if you agree.

Mr. AMES. I accept your point and your challenge, and I am confident that we will meet these objectives and that we will succeed. I say that truthfully and simply.

For Phase I, the challenges ahead are that the court implementation milestones, and by the way, one of the things we did openly at the hearing a year ago, we knew we were in a position where people, including ourselves, were unhappy with the progress, so a decision point was there a year ago. Do we keep riding this horse, meaning the AO, to do this or do we change horses? All we had going for us was that we had completed the planning and development effort and we were 2 months into the implementation stage. Why should you trust us?

We laid out 120-day milestones and a clear plan so that you could measure whether we did what we said—or whether we made up something for the hearing, went back, and worked on something else. We have met each of those milestones. We take them very seriously. They are the key performance indicator so you can tell and others can tell, do we mean what we say? Do we walk our talk? We are very, very serious about that.

But as we move forward, meeting those next hurdles are more difficult than meeting the earlier hurdles. Why? Because we are bringing on larger numbers of courts in each 120-day milestone. They are bigger courts and more complex courts. We are starting to bring on the old preexisting cases initially now for the first 25 courts and the doors are open for doing that with each additional new court that comes on, to bring new and old on just as fast as the data can be reconciled and brought in, so the volume of work is going to increase very sharply.

At the same time we are doing that, we have other things to do, and that is to work on all of the things that we need to put in place to bring on the larger courts and to move on with Phase II. These local area networks that you were referring to, those are critical to have in place in order to support the higher volume, and we are testing those over the next couple of months. We have ordered equipment only for the testing at this point in time, but we are confident the test will work, and we will be installing that equipment over the next several months so that early next calendar year, that will be in place, and we will need that. That also is a Phase II pull-ahead, as well as a requirement for the larger courts.

But the preexisting cases all by themselves are a major challenge to bring on because of the work required to reconcile them and because, in some cases, the same people who will be converting to the new process also will be reconciling the old cases. But that is only an issue during the transition period.

The third challenge that we face for Phase I is doing the network application servers, doing the new improved software, putting in place the telecommunications that we need, and each of those is an important stand-alone effort, but we are confident that we can accomplish all these and we will have all of these accomplished and the Fine Center will be in place in the context of the Phase I promise by next August.

What will that do? What that will do is, for the first time, we will have the entire criminal debt database. And let me make just one other point. While the Fine Center is coming on-stream, are we

receiving much criminal debt through the Fine Center? The answer is, no, hardly any, \$3.5 million in the first 6 months this year out of a total of \$110 million that the Judiciary has received in the six-month period. But that was the plan. We never expected to do more than that. That should not be a surprise.

Now, what about in the next fiscal year? Are we going to be receiving tons of money through the Fine Center? Not nearly all of it. Certainly a lot more than \$3.5 million, but once we are at the end of August 1996 and have all of the old cases on, we will have all of the criminal debt captured, whether it is being received now, while the Fine Center is being developed by the Judiciary, which has received \$110 million already, or by the Justice Department or by the Treasury, all of it will be coming through the Fine Center.

For the first time, we will be able to add it all up and slice it and dice it and provide you the information you would like to have, the Department of Justice, they would like to have, the Crime Victims Fund, the information they would like to have. For the first time, we will have a base point so we can measure the criminal debt collection effort.

From there, we will be able to measure and demonstrate whether or not the Fine Center is increasing criminal debt collection by looking at the totals collected, and I believe they will increase. I believe that the Crime Victims Fund investors will get not only their money back but a very handsome return on that money.

Senator MCCAIN. Does that conclude your statement?

Mr. AMES. Yes, sir.

[The prepared statement of Mr. Ames appears on page 42.]

Senator MCCAIN. Thank you very much.

Mr. Stern, welcome.

TESTIMONY OF GERALD M. STERN, SPECIAL COUNSEL, FINANCIAL INSTITUTION FRAUD, DEPARTMENT OF JUSTICE

Mr. STERN. Thank you. I will quickly just summarize a few points, Senator McCain, Senator Dorgan, and Senator Smith.

I am Gerald Stern. I am the Special Counsel for Financial Institution Fraud for the Department of Justice. The Attorney General has also designated me to oversee the Department's efforts in debt collection. I testified before Senator Dorgan a year ago. I welcome this opportunity to be back this year to give you our perspective on where we have come in a year.

The Department of Justice is responsible for enforcement of criminal judgments. When the debtor is in default and has not satisfied a criminal fine, assessment or restitution, then the Department steps in, finds, and seizes the defaulted debtor's property. To enforce this collection, a U.S. Attorney's Office must have quick access to accurate information on the current amount of the debt, evidence that the debtor is in default, and the debtor's location.

I think, Senator Dorgan, you phrased it properly. This is a real time situation. We have to have the information immediately, particularly if you have discovered a particular bank account and you want to seize it before it gets moved. Only with this quick and current information can the U.S. Attorney request the court to issue a garnishment order or some other post-judgment remedy.

With the enactment of the Criminal Fines Improvement Act of 1987, Congress delegated the responsibility for receipt of all criminal fine, assessment and restitution payments to the Judicial Branch and mandated that the Administrative Office of the Courts establish a National Fine Center to provide an automated and centralized debt and payment tracking system. This center was to provide this accurate and current information to all those charged with enforcement of collection—the Office of U.S. Probation, the Department of Justice, its Bureau of Prisons, and the U.S. Attorneys Offices.

The establishment of a computerized on-line interactive access National Fine Center, if completed, would allow the Department of Justice to concentrate on a distinct number of debtors, namely those who have failed to pay or who have defaulted on their payment plans. This would relieve our attorneys and our paralegals from the clerical work they are now involved in, of processing and tracking debts from debtors, in fact, from debtors who are not even in default, people we would not even be bringing enforcement actions against. We are spending time on that when what we really should be doing is spending our time on the enforcement efforts against those who are in default.

The effective enforcement action on these defaulted debtors will depend on the Department's having quick and easy access to accurate up-to-date information which is to be maintained by the National Fine Center.

In February of 1994, the AOUSC and the Department of Justice jointly agreed to a detailed Phase II functional requirements document to set forth the Department of Justice's requirements as a user for the National Fine Center. To ensure that the system meets the statutory requirements the Congress has required, and "can be designed, tested, and implemented in courts nationwide," the requirements document provided, among other things, that the Department of Justice would have on-line interactive access to the National Fine Center.

At some point after that, the AO apparently abandoned the development of the on-line interactive access system set forth in the requirements document. As an alternative, in February of this year, the AO proposed to fulfill the need for an on-line system with this local area network, LAN system, which has been mentioned. The Fine Center Project Director has advised the Department that this LAN system will be more efficient and less costly than the type of on-line interactive system envisioned by our jointly agreed upon requirements document and that it will provide the Department with the on-line access required to perform its enforcement function.

We certainly hope it will work. However, we have informed AOUSC that until this LAN system has been tested and is operational, the Department of Justice cannot agree to the implementation of the larger districts on the National Fine Center in this Phase I interim system.

Senator MCCAIN. You clearly would have preferred the on-line system?

Mr. STERN. Absolutely. We need an on-line, interactive, real-time system, which is what we now have in each U.S. Attorneys Office,

because we are doing that because we have to. Nobody else is doing it for us.

Senator DORGAN. Mr. Stern, I am sorry to interrupt, but I thought the reason we have to be involved in all this is because there is not a system, let alone a real-time system, in each U.S. Attorneys Office.

Mr. STERN. No. The problem is, each Attorneys Office is doing it without having a national system which allows us to do what you would like to do with any Citibank or any other major one, call up the data for the entire nation, find out how much debt is owed, which of these debts are collectible or not collectible, what is the particular way in which we can go after these debts.

I think the idea of the national computerized system is a superb one. We completely support it. I supported it when I testified last year. The Phase II of that, which was supposed to be this system which would allow us to actually do the work of enforcing the collection of the debts, is where the on-line interactive system was.

Senator MCCAIN. If I may interrupt, we do things in a little bit of an unauthorized fashion, but the fact is, this is a very important point and maybe it would be appropriate to have Mr. Ames respond at this point as to why the supposed agreement—the Department of Justice wrote the GAO in February 1994 that a requirements document was jointly adopted by the AO and DOJ. That document set forth the plans for the implementation of the NFC system.

During the fall of 1994, the AOUSC and DOJ, that this requirements document was no longer guiding the development of the system. I take it that was the on-line access portion.

Mr. STERN. Yes, sir, that was the major issue.

Senator MCCAIN. Mr. Ames, perhaps you want to respond to that right now.

Mr. AMES. Thank you. I appreciate the opportunity.

There are two basic points in the response. First of all, the February document is not what it is purported to be. It is not a detailed requirements document. What do I mean by that? Let us suppose that you told me you wanted to buy a vehicle. That is about the level of specificity of that document. How do I implement that? I do not know whether you mean a two-door or a four-door. I do not know whether you want a car, truck, tractor, or semi-tractor trailer, let alone whether you want an eight-cylinder or a six-cylinder or what color, et cetera.

Senator MCCAIN. The Department of Justice did not make it clear to you that they wanted an on-line system?

Mr. AMES. Yes, in that degree of specificity, and then they also said that we withdrew. But, in fact, with one hand they said they wanted that, and then not too long thereafter they said, however, you *do* understand that it is impossible to have and we will not let you have, direct on-line, system-to-system connectivity between the Fine Center systems and the Department of Justice systems. That is a "job-stopper" right there.

So once they said that, they established a requirement that they wanted on-line interconnectivity. Then they established a rule that said, but you cannot do it in any way that would be practical, cost effective, efficient. So then our challenge was, we agreed that they need on-line interactive—

Senator MCCAIN. So then you went to the LAN system?

Mr. AMES. Right, but it was not intuitively obvious at the time how to get around that requirement, and so it took a fair amount of time to develop a way to find a substitute way to achieve that without incurring huge costs or an impractical approach. We could have set up telephone modems and thousands of telephone lines—

Senator MCCAIN. But the bottom line is, you decided to go to the local area network computer, is that right?

Mr. AMES. That is our current direction and that is the approach we are testing and that is the approach we believe. We think that will provide the on-line interactive connectivity that we all need to make this system effective. So we have no quarrel with that requirement. We agree, but I do not like the spin that has been put on it.

Senator MCCAIN. It is your turn to spin, Mr. Stern.

Mr. STERN. When they suggested the LAN system in February, we asked for some details on it. By May of this year, Dick and I meet almost monthly—I try to do it even more than that—I finally sat down and wrote Dick when we did not have one of our meetings and I said that our current plans call for the implementation of 24 districts in this Phase III. Completion of Phase III implementation will result in 49 districts participating in the NFC project.

We think it is impractical and unwise to implement any additional districts beyond these 49 unless and until, and I listed four requirements I thought necessary if this LAN system they were proposing was coming on line.

One, that the Fine Center is fully automated for the first 49 districts. I did not think we should go beyond 49 in a non-automated way, and that the new districts will be implemented on that fully-automated system. That was my first point.

Second, that all 49 districts and all districts to be implemented can communicate electronically with the Fine Center so that paper establishment forms and maintenance forms are no longer required. We are, at the moment, in an interim system where we are doing paper at the same time that our courts or our U.S. Attorneys are required to continue with their old system.

Three, that the existing cases in the U.S. Attorney data base for the 49 courts would be successfully transferred to the National Fine Center. Dick is right, that is a major problem. We ought to make certain we get it done with the 49 courts before we go further.

And four, that summary information is transferred and may continue to be transferred by tape from the National Fine Center to the AOUSC central system for the 49 districts. The problem here was, and I think Mr. Ames has pointed it out again today, we have been dealing with small courts, small U.S. Attorneys Offices. As we move into the bigger ones, this will not work. This present system, where we do manual at the same time that we are trying to do the old system, it cannot work in a big district. There are not enough people available or enough time when you get thousands of debts.

Just to be more specific, North Dakota, 175 criminal debts were opened in fiscal year 1994. They are in this Phase I interim system. A district of that type can continue to deal with the old and

the new at the same time. Arizona, at 2,084 debts, criminal debts opened in fiscal year 1994, we cannot allow the U.S. Attorneys Office in Arizona to be brought onto a new system when it has not been tested yet in the smaller districts.

So I have constantly, since this May 25 letter, been suggesting that what we need to do is try the LAN system. It has not been tested anywhere yet. Try the LAN system in these smaller courts, make certain that it works, make certain that we have this interplay back and forth, the on-line access, use it as a pilot. Forty-nine districts would be in the range of maybe 25 percent of the criminal debts in this country on our inventory. Then roll out the system with the bigger courts and the bigger U.S. Attorneys Offices.

Truthfully, that is where we have had a communications breakdown. I am a customer. I am relying upon my supplier. I cannot stop him from proceeding with what he is doing but I can continually suggest that, OK, the LAN system may be a good idea. Let us try it out in a small 49-district situation and see if it works.

Senator MCCAIN. What is wrong with that logic, Mr. Ames?

Mr. AMES. I think this is helpful because what you have heard is an opportunity to see the challenge that exists when you have one group, namely the Administrative Office, who understands that it has the responsibility for implementing the National Fine Center project with a number of customers, including a very large one, the Department of Justice.

But the Department of Justice has been, while helpful in some ways, challenging in other ways, and this is an example of the challenge. We have had a tremendous amount of input from the Department of Justice about what they want, but much of what they want comes in a later stage of the plan. What we have trouble getting from—

Senator MCCAIN. Before we stray off on that, let us just address Mr. Stern's specific point of trying this LAN system with 49 districts and then see if it works before we expand it. That is clearly in Phase I, is it not?

Mr. AMES. Let me try a shorter answer. We believe our responsibility is to figure out how to implement this and to do it, and the Department of Justice's responsibility is two-fold, to identify their requirements in a way that we can meet them in the specificity required and on a timely basis and it is not to tell us how to do it, to speculate whether what we are going to do will work or not. It is our responsibility to make it work. We want them to deal with what we have to do now to take the next step, not what we have to do 10 months from now.

I do not know if that answered your question or not. If it did not, please ask me again.

Senator MCCAIN. It does to an extent, but it seems to me that if I went to a computer store and I said, I want you to set up a certain system in my home or in my business, then I would be interested in making sure that one part of it worked before I purchased the next part of it. I would be interested in the mechanics and modalities of it because I would be paying the bill for it. I am the one that should be driving the problem. It is not the seller, the buyer should be, because what you are supplying should be tailoring my needs and very specifically so.

I think that Ms. Koontz's comment about a communications problem here is becoming more and more abundantly clear. It is very hard for me or other members of this Committee to make a judgment here, but it seems to me that we should not have to be ventilating these differences in a Congressional hearing. Maybe it is a little bit unorthodox, but there is such division of opinion here that I think each should be given a chance to respond, since there seems to be a fairly wide gap here in that aspect of the problem.

Mr. AMES. I may be able to better illustrate my point by giving you a couple of examples. We have needed strong support from the Department of Justice, initially to orient and train the courts and to persuade the courts about the importance of this priority and to get the U.S. Attorneys Office in each court to be a willing participant. It was a challenge to gain that support on a real time basis when we needed it.

It has been a challenge to get the old cases entered for the 25 courts already on the system. We were able to get the new cases on those courts, and we could have brought the old cases on in the same way we brought the new cases on, and, in fact, that is what many of the courts preferred to do. They wanted to reconcile the cases gradually and feed them in as they got them done.

But the Executive Office of the U.S. Attorneys, as opposed to each U.S. Attorney, had a different view and wanted to do it one-time nationally, electronically and it has resulted in a several-month delay. I do not know when we are going to get those cases, but there is not any reason why they cannot be on now, other than this difference of priorities within the Department of Justice.

Lastly, we have been working for some time on automating the complex penalty and interest calculations, and in order to do that, we need detailed input and agreement on processes that are internal to the Department of Justice and the U.S. Attorneys Offices. We finally got those at a time when we had already done a lot of the work and then they changed them, so we have to redo it and we still do not have it done.

That is what I mean about timely input, as opposed to worrying about some of the Phase II enhancements which we are going to do, and will do, and must do in order to bring the progressively larger courts on. We understand what we have to do, and we know when to do it, and we will do it.

Senator MCCAIN. This is kind of open-ended, I guess, but there is not a standard formula for interest and fines?

Mr. AMES. While there is a lot that is standard, there is also flexibility for interpretation. An example would be when somebody gets out of jail, when do we start the clock and how do we decide whether they are in default? Another would be, what do you do—

Senator MCCAIN. There is not a standard for that?

Mr. AMES. There is a standard but there is also room for interpretation.

Senator MCCAIN. Thank you.

Mr. Stern, I would like you to continue with one of the longest opening statements we have had.

Mr. STERN. Actually, I think I am at the end. We have been able to communicate. We have been meeting quite often. This letter of May 25 is only one of 6 or 7 times in which I have reiterated the

very same point. It is not a question of communication. It is a question, I cannot make my supplier do something different than the supplier wants to do, which their view is that they would like to continue to bring each court on and measure this as success.

I have been able to persuade the U.S. Attorneys to proceed with that so long as we have been dealing with smaller districts in the hopes that we would eventually be able to have a system available that would work in the bigger districts. We do not have such a system yet.

Mr. Ames said it correctly. The next hurdles are the more difficult. That is what he just testified. We are getting to the bigger, more complex courts. That is true. The volume is going to be bigger because we are bringing the older cases on. He said it would be critical to have in place this work on the Phase II LAN system to support the higher volume. That is absolutely right. My point is, we should not go beyond this first 25 percent of all the debts until we have in place this LAN system tested and working.

Truthfully, for the courts that are on-line, the districts that are on-line already, this has been somewhat of a double-tracking problem. They have had to keep the old system in place while they work on the new system.

I will be real specific. What they have to do is fill out a 4-page maintenance form to send to the National Fine Center. That is in addition to what they are already doing on their own system in putting the information in and going after the debt. That might be OK in a smaller district, but you get to a bigger district, to have them doing that at the same time, I do not think makes sense.

That is why I said, I think it is unwise and impractical to proceed beyond this, what I consider a 25 percent pilot. Let us see if it works and then roll it out with all the other districts. I do not see that there is any great advantage in saying that another court is on-line if it is not on-line with a system that is usable by us.

[The prepared statement of Mr. Stern appears on page 47.]

Senator MCCAIN. Just one second, Mr. Ames.

Ms. Koontz, since you have made the mistake of staying here, do you have a view on that? [Laughter.]

Ms. KOONTZ. I think the discussion about the access the Department of Justice is seeking to the National Fine Center does point out some of the flaws, shall we say, in the "Just do it" approach. I think that one thing that may have helped this situation and what one normally does in systems development, would be to agree on the requirements up front and agree, also, on how we will meet these requirements in the future, before we start implementing. I think, had that been done, we probably would not be having these disagreements today.

Senator MCCAIN. Yes, sir?

Mr. AMES. Three points now. The first is that as soon as the old cases are on for the 25 existing courts, there is no reason for the Department to run a duplicate system, and they would not have had to up to this point in time except by their own choice.

Two, with respect to the point that Ms. Koontz just made, I would reiterate the earlier point I made, which is, in my opinion, this is much more of a business process implementation than a systems process—and it's not rocket science, and that what we all

need, meaning everybody involved in this and particularly the folks in the courts, is time to practice.

The sooner we get courts' feet wet which we have done by bringing on the new cases first and then the old and buying time, start getting information in, but buying time to develop, learn, and adjust as we go—we provide exactly that important practice. It's much easier for people to work their way gradually into a new way than to go like a light switch, from light to dark in a split second.

Senator MCCAIN. Is that not Mr. Stern's argument?

Mr. AMES. No. I hear it just the opposite. I hear it really as a—

Senator MCCAIN. He says, wait and see if it works with the 49 before you continue to expand the LAN system.

Mr. AMES. Right. He said to wait. That is loud and clear. One of the things we learned during the first 4 years, which has been a frustration to me, to you, and to most of the others involved in this, is that there has been too much waiting, too many reasons to hold off, too many reasons to go slow, and as long as we know we are going in the right direction and as long as we are not making serious mistakes, my assessment is that we are a lot farther along today than we could have been. We could have easily not had the first court up yet, if we continued to wait for all those who wanted to wait for something.

Senator MCCAIN. I am not sure that is a fair depiction of Mr. Stern's position here, and I am not trying to take sides, but I do not think he is saying you should not have brought it. I think he wants to test the present system before it is expanded into the other courts.

Mr. AMES. We are testing as we go, sir.

Senator MCCAIN. I thank you.

Senator Smith?

Senator SMITH. It is very frustrating. It kind of reminds me of John Madden trying to describe a reverse play that does not succeed. The ball is handed off three or four times and then there is an incomplete pass in there somewhere where the quarterback gets the ball back and we are back where we started from with no gain. He would have the chart up there with the diagram when he was doing it.

If there is a communications problem, Mr. Stern, or, frankly, Mr. Ames, communications is a two-way street, is it not? If one continues to blame the other for the problem, you are never going to resolve it. You have to look in the mirror, right?

Mr. AMES. I could not agree more.

Mr. STERN. I do not blame them for the problem. I am saying we have a problem and I propose a solution. I cannot impose a solution. I can only propose a solution.

Senator SMITH. Who can impose one?

Mr. AMES. I think we are, if I might answer your question. Compared with a year ago, we have made dramatic progress because we have gone from nothing to something—on our way to completion in only 14 more months, and I say "only" 14 more because it is 14 months since we have started. So I think we have made—"we" being the aggregate we, not the AO, all players—I think we have come a long way, from not even understanding the game to have 25 courts playing and to be well along in doing everything

that Mr. Stern has said that we need to do. We plan to do all that. We are doing it, and we will have these things in place in order to implement it.

Senator SMITH. Assuming that the comment that Senator McCain made in his opening statement about \$4.5 billion in uncollected debt, assuming that is relatively accurate, how much of that is truly realistic?

Mr. AMES. We do not know. That is why we need the Fine Center.

Senator SMITH. You can get an idea, can you not? If you fine a white collar criminal who has tremendous assets and serves 6 months and gets out, I think you have a better shot at it than someone who is—maybe you do not. It is relatively accurate, is it not? If you break this out into percentages, what is the percentage between white collar and non-white collar?

Senator MCCAIN. Mr. Stern might know that.

Mr. STERN. I think an easier way to answer your question, Senator Smith, is that we have asked each of the U.S. Attorneys' Offices to review all of the debts under a new suspense policy which we have sent out as of April of this year. When I was here last year, Senator Dorgan asked me about this question and he was right. Much, if not most of this debt, is probably not collectible. What we ought to be doing is focusing our attention and priorities on the collectible portions of that debt.

What we discovered when we asked the U.S. Attorneys to suspend the debts was that under our then-present rules, if you were in jail, our procedures did not allow for suspension of the debt, or if you were paying any nominal amount, it did not allow for any suspension.

Senator SMITH. I am far from an expert on this and I am not trying to be confrontational, but it would just seem to me, without making any editorial comment upon the justification for the fine or the fine being linked to the crime, which is the judge's prerogative and I do not challenge that, but it just seems to me, as a relative layman, sitting here and hearing both of you, it sounds to me as if somebody imposes a fine, a judge, which is probably unrealistic to collect and then we set up this process that both of you fight about as to how not to be able to collect it.

Somehow, interject there and tell me where I am off base on that.

Mr. STERN. The first answer is that we are collecting a significant amount of fines. In fact, our collections this year for the Crime Victims Fund actually are up over last year. So we are actually still out there collecting. U.S. Attorneys do that. The issue with respect to the National Fine Center is how to do it more efficiently, how to make certain we have real-time information on what we are doing with respect to this debt.

Senator SMITH. Can you attach? Do you attach wages?

Mr. STERN. Oh, yes. We garnish wages.

Senator SMITH. Just a curiosity question, and it is not meant to be confrontational so please do not take it that way. Just out of curiosity, Mr. Stern, you are Special Counsel for Financial Institution Fraud, yet you were placed in charge of this project rather than

someone from the Criminal Division. Was there any particular reason for that?

Mr. STERN. I guess the reason is the Attorney General asked me to do it. That is the simple reason.

The more complicated reason is that this is a coordinating effort within the Justice Department itself. We deal with the Justice Management Division, I deal with the Criminal Division, I deal with the U.S. Attorneys Offices, and in my position at the Deputy Attorney General's Office, I have a little more say and a little more response from the various groups I deal with, including AOUSC, so I think that was why she did this.

Senator SMITH. I do not really have any more questions.

Senator MCCAIN. Thank you.

Just two quick questions, Mr. Ames. How much money do you project being spent before this system is fully operational?

Mr. AMES. We do not have a detailed projection that would take us all the way through fully operational.

Senator MCCAIN. Do you have an estimate?

Mr. AMES. We have spent \$2.5 million since the last hearing and we would expect to spend about another \$1.7 million between now and the end of the fiscal year. As we start to buy equipment, like the network application servers, then the expenditures will start to increase over the next fiscal year, and we are presently putting a budget in place for that right now, but it is based on an equipment survey, as well, which is underway.

Senator MCCAIN. Should we not have an estimate of the total cost of any plan that we enact?

Mr. AMES. You mean a total forecast of how much? We believe that the funding that has already been allocated will be adequate.

Senator MCCAIN. Which is?

Mr. AMES. Which is we have allocated, as of this moment, about \$19 million with another \$6 million coming in this fiscal year, so that would make it a total of \$25 million. That would be, we believe, adequate to implement this whole system.

Senator MCCAIN. So again, how much money do you expect to be spent before the system is fully operational?

Mr. AMES. I cannot answer that question, and I will give you an illustration why. In order to make the kind of projections that you are talking about, it would require that we would have taken the time out, not have 25 courts up, but instead have figured out how we were going to do it. We did not know until—and we still do not know for sure—that we will be using the network application servers and that is not something that we knew 6 months ago because we were still inventing the concept.

So it is hard to make projections if you have not gotten all of the pieces developed, but because it is not rocket science, it is not as challenging as getting a man to the moon. We believe that the funding room that we have is adequate.

The other side of the equation is, we are being extraordinarily frugal with the Crime Victim Fund's money.

Senator MCCAIN. Mr. Ames, the taxpayers of America have a right to know how much a project is going to cost. We do not say, build a B-2 bomber and they say, gee, we are going to develop it as we go along. We do not do things like that, Mr. Ames. Congress

and the taxpayers of America need to know how much this is going to cost. One reason is to know what the cost-benefit ratio is here.

I do not know what kind of a time out you need in order to make an estimate of what the cost of a project would be, but I would almost demand that you provide to the Congress and the American people an estimate of how much this is going to cost. Frankly, I do not remember an occasion where I have heard of embarking on a project and not knowing what the cost would be, or at least having an estimate of what the cost would be.

Mr. AMES. I apologize. I misunderstood your question. I made it much more complex.

Senator MCCAIN. I asked it twice. I will try one more time.

Mr. AMES. Thank you.

Senator MCCAIN. How much money do you project being spent before the system is fully operational?

Mr. AMES. I appreciate your patience. We expect that we will complete the project within the—for \$25 million and that is our estimate.

Senator MCCAIN. Your estimate is that it will cost \$25 million to make the project fully operational? Thank you very much.

Where is the plan for Phase II?

Mr. AMES. We have not completed the plan for Phase II, nor had we—we have not reached that point in the time table where we had said we would.

Senator SMITH. Mr. Chairman, could I ask a question? Senator Dorgan, I know it is your time.

Senator MCCAIN. Go ahead, Senator Smith.

Senator SMITH. This is just a follow-up question along that line. Mr. Bien, who is going to testify, I guess, after you, from Andersen Consulting, in his statement says—I am kind of preempting his statement here, but it said that 18 months ago, his firm determined that the full implementation of this whole Fine Center could be done at about \$10 million lower than what you have done.

Was that information available to you? Do you agree with it or disagree with it?

Mr. AMES. The first time I heard about that was this morning, when we received or obtained that statement. I had not been aware of the Andersen Consulting proposal before, and I would have a question about the \$15 million, and the question would be whether that included all of the equipment, because much of the \$25 million will be equipment. We need to make sure we can compare apples with apples there.

Senator MCCAIN. A final comment, and I promise it is a final comment. Mr. Stern is the customer and you are the supplier. It seems to me, unless you get into something which is technically not feasible or prohibited by cost, that you should, to a large degree, try to accommodate the needs and requirements of the user, not the supplier. That is just, I think, the way we do business in life.

Senator Dorgan?

Senator DORGAN. I agree with that, and it is important to use the word “need” rather than “want”. If one goes and circulates to find out what are wants, then the sky is the limit. The question is, what are the needs within the resources that are available.

As I understand where we are, we have \$4.5 billion or so owed to the Federal Government in fines and restitution orders against people who have committed crimes, and 90 to 95 percent of those are not collected. Last year during the hearing, we were talking about one of the districts, I believe in the Carolinas, where you were doing some work. We went into the judicial district and found out that, for somewhere between 30 and 36 percent of the fines and restitutions, there were no addresses in that district for the people who owe the money.

You start asking, "are these collectible?" Not if you cannot find the folks, they are not collectible. You have a criminal justice system in which the person has been brought into the system, has been judged guilty of a crime and assessed a fine, and then all of a sudden, we cannot find the person? We do not have an address?

If I owe somebody money—I want to owe this system money, I think. I think they are the least likely system to collect money in the United States. The reason I make this point is that Mr. Stern pointed out that this system exists out there. I have a hunch that it does not exist at all and that is why we are here, trying to figure out how can you construct a system that does exist.

It would not be much of a system if in the judicial district, they do not have addresses for a third of the folks who are on their list of who owes them money. That is a system where it is chaos. They cannot possibly manage a system like that.

Would you not agree that we just have a chaotic system out there that is failing?

Mr. STERN. I think, more specifically, we ought to point out that one of the benefits of this National Fine Center to date has been this effort that the Administrative Office has been involved in to get an automated judgment and commitment order that every judge would agree to use. That is quite a big step forward.

I do not think Mr. Ames has been given enough credit for how difficult his job is in dealing with many different judges, each of whom wants to do it his own way. So that has been a big step forward, and I think you probably have more in the way of addresses now than you did at the time of the audit.

Senator DORGAN. You are going to really confuse us if you start complimenting Mr. Ames. [Laughter.]

Mr. STERN. All I am doing is proposing a solution to a particular problem.

Senator DORGAN. I understand. When I received my MBA, I worked in the aerospace industry for a company. I was just thinking about if the folks that I worked with in that company were confronted with this challenge. Again, I was going back to last year's testimony in which I think Mr. Ames, or Mr. Wray, I guess, said that one of the problems in getting this started was it took over a year to reconcile 2,500 accounts in one of the districts. I asked the question, "how can it take a year to reconcile 2,500 accounts?"

It seems to me that our expectations of a bureaucracy in the Judicial Branch here, combined or connected to the Executive Branch may not be able to be fulfilled. Maybe the bureaucracy here is so convoluted that you cannot plug things together. I would hope that is not the case.

I would hope that you can tell folks who collect their paycheck from the Federal Government, notably judges, among others, that this is the way you have to do things. You assess a fine, you send the form in. The form gets sent to this place and it gets recorded. Somebody in this area starts trying to collect with dispatch against someone who might be disposing of assets, even as the form is sent in. I do not understand how it is so complex.

Mr. Ames, I did not mean to say that I could do it this morning or tomorrow morning. I do not want to make light of the dilemma one has in constructing a new system, but we also understand that this is being done with money that represents an investment from the Victims Fund. Frankly, they do not think that they are getting a whole lot for the investment they have made.

I guess the central question that we want to ask today is, are we going to get to a destination, and if we get to a destination, do we have Mr. Stern saying, "I am sorry, we need real-time information. We need a set of circumstances you are not going to offer." We are going to get to that destination and you will have a customer that is not getting the product. We will have a customer who says "we are not going to use this. We are going to set up a separate companion system." We already know the system you have, Mr. Stern. You do not have addresses for 35 percent of the folks. That is not a system I want in the future.

I am just wondering if we are going to get to some future that represents what Congress expects with this money. Give us some confidence about that, if you can. If not, maybe we should just decide that this was a giant mistake. We can find another way to get this done quicker and better.

Mr. Ames?

Senator SMITH. Turn it over to a collection agency and let them chase them down.

Mr. AMES. The confidence would be as follows. A year ago, we had no courts up. All you had was our promise. We told you what we would do. We laid out milestones so you could measure us. We have done more than we promised. We are halfway there, 14 out of 28 months for Phase I. Phase I finishes August 26, 1996. When it is finished, we will have most of what we have been talking about today.

Early next calendar year, with the network application servers in place and functioning and with the software that we have developed and have out there now, and with the telecommunications interfaces that we are putting in place, we will have next calendar year, and by August, before August, what Mr. Stern has asked for. So a lot of the discussion today has been "point-in-time."

One of Ms. Koontz's comments were that we were doing a lot of things manually, her opening point, including calculating penalty and interest. We have already gone by those. That was as of November/December. Today, those are all being done in an automated way. We have got our final software solution, which runs the central processing unit, in place. It is proven; it is running.

So there is a lot to be confident about and there is a lot of reason to expect, if we were to have a hearing next August, that we would be able to report success, that the Fine Center will be in place, Phase I completed, and looking back at today's record, we would

find that, in fact, all those issues, many of them, had been solved and we had the base point to move forward for the first time, and we got it only 2 years from roughly the time of the first hearing on this subject, June 28, a year ago, which you chaired.

Senator DORGAN. I want to have confidence in this, but I understand, too, that we are talking about a very small percentage increment here that has been put on the system. It is like trying to climb Mount Everest and we are still at the hotel, let alone getting to first base camp, and talking about how well things are going. Everybody says things are going fine the night before you start the trip.

I am just wondering whether we are talking about, if you are halfway through Phase I and have really no plan, as you have indicated to Senator McCain, with respect to Phase II in the next 3 to 5 years to get where we all want to get, I am wondering if we all have the confidence—

Mr. AMES. Our plan for Phase I, which we described a year ago, was this kind of a plan, and we are on track for that and confident we will meet it. I would not be saying today in open forum that we plan to meet it if we were not confident we could do it. All I can offer you is our track record to date, which is a lot more for you to go on than you had a year ago, which was a promise, no performance.

Senator DORGAN. Mr. Chairman, I shall not ask more questions, but let me tell you this. I want, at the end of this process, I want there to be a system where, when somebody who bilks us—and you, Mr. Stern, would know better than most about how we were bilked in the 1980s with junk bond scams and colossal amounts of criminal activity in the S&L industry, and we convict somebody like that and levy a fine, I want that person to feel hot breath behind their neck with a collection effort that says, if you have money, we are going to get it. You are going to pay this fine the Federal Government levied against you for defrauding people in this country.

Frankly, my own sense is, with the current system, most of those folks are probably mopping their brow saying, “I am sure glad it is the Feds I owe that to because they are the least likely folks to collect it.” We want to change that and the question is not whether, it is how, and that is the purpose of this hearing.

Mr. Chairman, I have no further questions.

Senator MCCAIN. Thank you, Senator Dorgan.

Thank you all very much.

Senator MCCAIN. We will put our third and fourth panel together here. It is Mr. Ken Bien, who is the Director of the Americas Justice and Public Safety Team of Andersen Consulting, Mr. Mike Insko, who is the President of Margate Systems, and Mr. David Beatty, who is Executive Director of the National Victim Center.

Welcome to the witness, Mr. Bien. Thank you for being here today and I thank all three of you for your patience.

TESTIMONY OF M. KENNETH BIEN, DIRECTOR, AMERICAS JUSTICE AND PUBLIC SAFETY TEAM, ANDERSEN CONSULTING

Mr. BIEN. Thank you. Senator McCain and members of the Committee, thank you for the opportunity to testify about how the pri-

vate sector would implement a solution to support the efforts of the U.S. Department of Justice and the Administrative Office of the U.S. Courts to collect criminal debts and fines.

For over 2 decades, working with national, State, provincial, and local governments, Andersen Consulting has designed and implemented criminal justice solutions through technology and change management. We work with clients to help integrate people, processes, strategies, and technologies in order to improve efficiency and achieve their organizational mission. Andersen Consulting employs more than 32,000 professionals in 152 offices in 47 countries.

As Director of Andersen's Justice and Public Safety Practice, I have managed the development of numerous National and State-wide solutions to many of the challenges facing the criminal and civil justice systems today. Each of these approaches represents a unique public-private sector partnership.

I will summarize my remarks and would like to ask that my written statement be entered into the record.

Senator MCCAIN. Without objection. Thank you, Mr. Bien.

Mr. BIEN. The main point of my testimony today is simple. Regardless of whether the Government or the private sector or some combination thereof actually performs the work necessary, it is possible to put in place an effective nationwide collection system for criminal debts within 18 months for \$15 million, more than \$10 million less than the current estimates for a system.

When the Criminal Fines Improvement Act was passed in 1987, the intentions of the U.S. Congress were noble, but good intentions also require good strategy, good planning, and good implementation. We are here today because, 8 years later, we are still awaiting the system that fulfills the good intentions of Congress.

I am here today because in 1993, crime victims groups expressed their concerns to Andersen Consulting about their perceived lack of progress by the National Fine Center in establishing an effective system to collect billions of dollars.

Later in 1993, I contacted the project team from the National Fine Center to try and better understand the challenges they face in implementing the Crime Fines Improvement Act. These meetings resulted in our development of a proposal to the National Fine Center in January 1994. That proposal outlined a public-private sector solution to the immense problems associated with integration a collection system for 94 Federal Districts which would, among other things, reconcile \$4.5 billion in existing debts.

What constitutes successful implementation? Simply, there are three factors we proposed. First, a cost-effective, proven, and available solution that would meet the business requirements of the Crime Fines Improvement Act.

Second, rapid implementation of collecting past-due debts and establishing a system to collect these debts in the most expedient time to benefit victims.

Third, we propose a system that would be easily expandable to meet the substantial increases in criminal fines and debts.

Here is a brief conceptual overview of the solution proposed by Andersen Consulting 18 months ago, and this is found on page 6 of Appendix A of my written testimony.

Once the fine has been assessed by the convicted offender, the Clerk of the Federal District Court enters that information into the NFC processing center. This information is processed overnight with a payment book, much like a car or a house payment coupon book, sent immediately to the convicted offender through certified mail with receipt acknowledged.

On a monthly basis, the offender would send the payment and the coupon to a centralized bank lockbox to be processed against the existing debt by the central processing center. The central processing center prepares and disseminates payments to either the VOCA fund for victim compensation and assistance or directly to the victim of the crime to fulfill restitution orders.

The center will handle all accounting, payment receipt and application, interest and penalty computation, victim and convicted offender reporting, and be used as the national central data repository. In addition, the enforcement activities by the U.S. Attorney and others would be connected on-line real-time basis to the central processing center for that information.

The project that we proposed in January 1994 entailed an 18-month solution which would meet Congress's mandates. It included a 1-month needs assessment to define the overall system requirements based on the knowledge transfer from proven existing solutions; development of a prototype, which would include a long-term plan and business approach, selection of appropriate hardware, and modification of existing software, and defining effective collection processes.

To pilot the solution, we would establish the central processing center and implement the pilot program in five districts, one small, two medium, and two large. Finally, we would roll out the solution nationwide to the remaining districts.

Eighteen months ago, our proposal cost was \$15 million for a solution that today would have placed all 94 Federal Districts on-line in a national integrated collection system.

Senator MCCAIN. Who did you make that proposal to?

Mr. BIEN. To the Manager of the National Fine Center team, the Project Manager at that time.

Senator MCCAIN. What happened to your proposal?

Mr. BIEN. I was notified by him that it was not accepted.

Mr. Chairman, through the approach we proposed to the National Fine Center 18 months ago and outlined here today, we have the opportunity to make criminals fully accountable for their actions and to ease the financial, physical, and emotional burdens that crime victims now endure.

Whether Andersen Consulting or some other entity performs the work, my point is that it can be done quicker and more economically. It is never too late to do it right.

I will be pleased to answer any questions that you or the Committee may have.

[The prepared statement of Mr. Bien appears on page 49.]

Senator MCCAIN. Does the cost, your proposed cost, include cost of equipment? That is what Mr. Ames wondered.

Mr. BIEN. Yes, sir, it did. What you are talking about is client server types of applications which are work stations, personal computers, and network systems.

Senator MCCAIN. You heard Mr. Stern's concerns about on-line access?

Mr. BIEN. Yes, sir.

Senator MCCAIN. Does your proposal include that?

Mr. BIEN. Absolutely. Under enforcement, the U.S. Attorneys as well as the other interested enforcement agencies would have on-line access to the records necessary to do the enforcement.

Senator MCCAIN. Your organization is not a fly-by-night outfit?

Mr. BIEN. No, sir. [Laughter.]

Senator MCCAIN. You have been around for some time?

Mr. BIEN. We are about 70 years old. Andersen Consulting is one of the world's largest systems integrators.

Senator MCCAIN. How many employees do you have?

Mr. BIEN. Thirty-two thousand throughout the world.

Senator MCCAIN. And you do this kind of work for businesses and corporations?

Mr. BIEN. We do this for many of the Fortune 500 companies in the United States and many of the largest companies in the world. We work both with the public sector as well as the private sector. About 15 percent of our business is with the public sector and 85 percent is with the private sector.

Senator MCCAIN. When you say the public sector, do you mean the Federal Government or do you mean all Government?

Mr. BIEN. All Government, Federal, State, and local.

Senator MCCAIN. Thank you very much.

Mr. Insko, welcome.

TESTIMONY OF MICHAEL A. INSCO, PRESIDENT, MARGATE SYSTEMS, INC.

Mr. INSCO. Thank you, Senator.

Senator I would like to indicate to you that I am President of a small company by the name of Margate Systems, which has, in effect, developed and installed restitution systems that are used throughout the country and answers many of the problems that we have heard discussed today. In fact, we participated with Andersen Consulting 18 months ago in a proposal.

Before I became President of Margate Systems, I was an elected prosecuting attorney and, in fact, was an elected prosecuting attorney in the State of Missouri for 12 years. I have been very active in the victims movement for the last 20 years. I started the first victim witness program in the four-State region of Missouri, Iowa, Nebraska, and Missouri [sic].

I continue this day to lecture for the National Victim Center, the National Organization of Victim Assistance, the Association of Paroling Authorities, International, the American Probation Association, and the American Restorative Justice Association, which is formerly the American Restitution System, which has, in fact, endorsed our software. I have also been very involved with victims' rights to the extent that I authored Missouri's constitutional amendment for victims' rights that was passed in 1992.

I have been following the National Victim Center since 1990 and it has certainly been a very frustrating endeavor. I would like to direct my remarks and organize them in basically two prongs. The first is outcome measurement. What is it that we have gotten from

the National Fine Center? As victims, what is it that the victims have got? And secondly, is the National Fine Center any closer today than it was 18 months ago or, for that matter, 10 years ago?

I would strongly answer, in my experience, that the National Fine Center is no closer today to being a reality than it was 10 years ago. I also indicate to you that I believe that victims have made a very, very poor investment of their money in a system that has only cost them money and, in fact, has not returned anything to them.

Victims have invested \$6.7 million with the National Fine Center and they have collected \$6.4 million, a net loss of \$300,000 for victims. That is assuming that that \$6.4 million would not have been collected anyway. We do not know that that \$6.4 million would not have been collected, and I would suggest that that is probably the case, simply because, according to the testimony I have heard today and in my experience with what the National Fine Center is doing, they are not doing a collection system, they are doing an accounting system, which I would like to go into in a little more detail down the line.

Frankly, one of the main problems and one of the things that I think Congress and certainly yourself should be given more respect is that you should be given some baselines. How in the world are you supposed to judge the success or failure of anything without any baselines? There are statistical ways to create a sample to find out what kind of money is out there.

In our experience, when these numbers, \$4.5 million are thrown around, that is just an average. We really do not know. The Fine Center does not really know how much money is out there. In fact, we were told that it is somewhere between \$1.6 billion and \$6 billion, and I do not see anything that has changed that, and I do not see any way that anybody has any better information than that information 18 months ago.

It seems to me that the way this should be measured is the amount of money that is collected, period. How much money has been collected for victims? Until we get that baseline, we will not be able to judge it. To have someone sit here and tell me that they are going to spend X-amount of dollars or that they have put so many people to work is only a measurement of process. It does not tell me how successful they have been.

I want a measurement of the outcome. I want to know how much more money is going to go to victims' groups in the State of Missouri and the State of Arkansas or the State of Arizona. I want to know how people are going to be helped by this money. Certainly, until we get this kind of baseline, we cannot judge success or failure. We do not even know what types of cases we have. We do not know what the amount of money is, so we cannot judge success or failure.

Another point that I would like to look at in terms of outcome measurement is that inaction here is enormously costly. If you can see the graph, I have tried to demonstrate here that as each day goes by, more money becomes either uncollectible because of statute or limitations or becomes unenforceable because of the inability to find these people, that that \$4.5 million gets smaller and smaller and smaller.

In fact, if the truth be known, I believe that in the past 18 months, more money has fallen off the table than it would take to fund this entire project.

What is possible? There are a lot of States and counties in this country that are really doing a fairly good job at this stuff. Washington State does a really good job, for example. Ventura County, California, they consistently have a collection rate—and we are talking difficult collections, people who are not even on supervision, and the vast majority of these people are on supervision—they collect in excess of 88 percent. The National Fine Center is collecting less than 10. There is huge potential for the sake of victims here.

Secondly, is the National Fine Center any closer today than it was 18 months ago or than it was 10 years ago? According to what I have heard today and what I can see, I simply believe that they are not. In fact, we are probably further away from a solution today than we were 18 months ago.

The reason I say that is, first of all, look what it is that the victims have gotten for their money. They have gotten an expensive bureaucracy that has, because of the samples that they have chosen, they have the number of accounts per person is less than 100. Typically, around the country, collection specialists manage between 1,000 and 2,500 cases for collection.

Also, if you will take a look at the GAO report, you will see that there are no collections specialists proposed and that 60 percent of the staff are managers and accountants. In other words, it is bureaucracy, as I have always known bureaucracy, bureaucracy as we hope is not true but seems to be true in Washington, and that is whoever dies with the most employees wins.

Also, secondly, it seems to me that the technology that they are suggesting here is totally inappropriate. First of all, we started off with Peach Tree software, which is something you or I can go out this afternoon and buy for \$99. It is a small business accounting package. It has very limited facility here.

So now we are moving to this central processing unit which is Solomon, which is general ledger accounting, which is probably one-tenth of the work, if that, of what needs to be accomplished by the Fine Center. Once again, the Fine Center appears to be driven by financial management people who do not understand the business of collecting money. They only understand the business of general ledgers.

To suggest that these commercial packages can be enhanced is unrealistic. In fact, even if you could surmount the problems of licensure, I can guarantee you that the producers of these commercial packages would refuse to allow you—the source code that you got, they would refuse to guarantee. It just does not make sense. It is like looking at an automobile and saying, this could be the space shuttle with just a few enhancements. It is not going to happen. It is unrealistic. The road is a dead end and it only leads to failure, and I think to continue down this road, 18 months from now we will be asking the very same questions that we are asking today and that we asked 18 months before.

Thirdly, there is no plan. First of all, stakeholders have not been consulted. I agree in a technical sense that the Department of Justice is a customer, but do you know who the real customer here is?

Do you know whose money is being used? It is victims'. Have victims been consulted? No. Has anybody discussed before you any way in which victims can be made aware of the standing of their case, to know whether or not the restitution is coming to them? It has not even crossed anyone's mind, and certainly there is no methodology.

For example, Andersen Consulting has come to a methodology like this after decades of experience. You just do not create solutions by throwing people at it. It appears to me that the AOUSC is trying to produce a system by just simply throwing money and people at it, on the same theory that if you put enough monkeys and you put enough typewriters in a room, you are going to come up with Shakespeare. It does not work.

Secondly, there is no serious depositive benchstones or milestones to measure incremental progress or failure. In other words, we have an annual report where things really are not that much further along. GAO spends all of their time trying to figure out what is going on. You certainly have to spend your time figuring out what is going on. We need a plan. We need a positive, comprehensive plan.

Finally, in answer to the question, are we any closer, I do not believe that they can solve this problem if they do not understand the problem. It is very clear to me, the mere fact that they have chosen something like Solomon software tells me that they really do not understand the complexity of the process involved.

Nothing within Solomon, for example, answers the case management piece, which is a very important part of collection, nor does it answer the problem of how the distribution of these processes is going to be handled from probation, from parole, to clerks, court clerks, to the National Fine Center, to the Assistant U.S. Attorneys, and certainly scalability.

That is what the Department of Justice is talking about. There is no appreciation for the understanding that an organization, let us say, in Vermont that may handle a case every third day, that somehow that is different than New York City. It is suggesting that scalability is a big problem, and it is not just quantitative. Scalability becomes a quantitative problem.

The processes as seen by the National Fine Center seem to be that they receive and disburse money and that they do general ledger reporting about that money. There is much, much more involved, and I would suggest that the required processes look much more like this chart here, far more complicated. I can tell you that this chart is very simplified, a very simplified version of the processes necessary to make a restitution system work. This is true whether it is restitution in the Federal Government, in the State of Missouri, or in the State of North Dakota.

To make these processes work, they have to be integrated between the case management or tracking piece, the financial piece, and the enforcement piece. It is like layers of a puzzle and the whole puzzle has to be there. Unless you solve all 3, you do not have an answer to the entire question.

In terms of case management, I see nothing to indicate that AOUSC understands the importance of managing multiple defendants and multiple victims, which commonly occurs, that they un-

derstand that it is necessary to link and unlink defendants to their victims based upon joint and several liability or partitioned liability, for example.

They do not understand the business of assignees. There are huge amounts of money that are due insurance companies here. You need to be able to understand how to allocate to responsible officials, and most importantly for what we have been talking about here today, you need to track all of this information so that you can truly come up with an answer as to how to calculate those interests and those penalties.

If you do not have that case tracking information, you are not going to be able to do that, which means you are not going to be able to ever reconcile an account, and I have heard nothing here today that says that they understand these things or the requisites to do that.

Financially, it is the same thing. Sure, general ledger reporting is good, but there is a lot more involved. There is security involved around cash drawer reconciliation. You have to manage the business of receipts. You have to manage the business of daily deposits or bank lockboxes, and you have to manage the business when money is paid. You have to manage the business of allocating that money, where you have multiple priorities that are set both by law and by the judge.

In other words, in the Federal Government, like most organizations, like most jurisdictions, there are priorities as to how that money is to be set out. And within those priorities, you have to distribute the money on a pro rata basis. There is nothing in a Solomon package, for example, that answers that, and, in fact, would require huge manual calculations.

Of course, you need to be able, like any other human system, you need to be able to reverse, you need to be able to do special transactions so you can reverse mistakes and keep a proper record of them. You also need to be able to provide for escheats in the Federal Government, just like there would be in any other jurisdiction.

And certainly, thirdly, an important process is the business of enforcement. We need more than to just keep track of the money that comes in. Somebody has to be actively working those cases, and the business of enforcement should be a complete continuum, all the way from a dunning letter because the payment is 10 days late, to the use, the full use, of a U.S. Attorney's power to garnish or cite for contempt of court. It needs to be a continuum. You need to be able to use legal sanctions.

You need to be able, like, for example, the system that we have does. It produces payment books, so people just send their payment book in, just like they do in their mortgage payment.

Also, the system needs to address those things that are not addressed here, including the distribution of processes. You have numerous organizations who are involved in the collection and accounting of this money and each of those has a section of those processes, so that, for example, the U.S. Attorney may only have a collection responsibility. A U.S. clerk may have only the responsibility for accounting. But you need to be able to address those and distribute those on a district basis and on a national basis, and I do not hear anything here that addresses those problems.

Finally is the issue of scalability, which I have discussed before, which simply is that because of the large geographic dispersion here, because of the large number of files and the large number of users, it really creates a quantitative difference and that we need to be able to create a system that is robust to be able to handle something more than a jurisdiction in which there is only 1 new case every third day.

Thank you.

[The prepared statement of Mr. Insko appears on page 69.]

Senator MCCAIN. Thank you very much, Mr. Insko. I appreciate very much you all being here.

Mr. Beatty, I can see by the lights there that I am required to go to the Senate floor and the hour is late. We are going to have to have you come back another day, if you do not mind.

Mr. BEATTY. That is fine, sir.

Senator MCCAIN. Maybe we would have a better attendance here at that time. I did read your statement and I will read it again and I appreciate you being here.

[The prepared statement of Mr. Beatty appears on page 90.]

Senator MCCAIN. I thank you for your testimony, Mr. Insko and Mr. Bien.

Before Senator Dorgan left, we discussed that he and I are going to revisit this issue soon. We are very concerned. We appreciate, obviously, the GAO's involvement. We are very concerned, Mr. Ames, about the progress of this project and we are not happy with where we are. You all have helped us a lot today.

Thank you very much. This hearing is adjourned.

[Whereupon, at 4:19 p.m., the Committee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF LINDA D. KOONTZ

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the Administrative Office of the United States Courts' (AOUSC) efforts to centralize criminal debt accounting and reporting within the National Fine Center (NFC). Under the Criminal Fine Improvements Act of 1987, AOUSC was required to establish a criminal debt accounting and reporting system. The system was expected to (1) automate and centralize criminal debt processing for all 94 judicial districts and (2) replace the fragmented approach for receiving criminal fine payments and alleviate long-standing weaknesses in accounting for and reporting on criminal monetary penalties.

As discussed in our May 1995 report entitled, *National Fine Center: Progress Made but Challenges Remain for Criminal Debt System* (GAO/AIMD-95-76), AOUSC has made progress in centralizing new criminal debt information in 25 of the smaller judicial districts. We believe, however, that there are significant challenges ahead that will require extensive planning and coordination between AOUSC, the Department of Justice (DOJ), and other system users if AOUSC is to successfully implement a system to centralize criminal debt processing for all 94 districts.

First, Mr. Chairman, I would like to briefly address AOUSC's initial efforts to centralize criminal debt and implement a system, and then discuss additional actions needed by AOUSC and DOJ to complete NFC implementation. My comments regarding additional actions will focus on the need to

- complete planned software enhancements to AOUSC's current NFC system,
- reconcile existing debt accounts and enter the resulting amounts into the NFC system,
- determine the collectibility of both new and existing criminal debt accounts, and
- define specifically how and when the objectives described under phase II of the NFC project will be accomplished.

AOUSC Has Begun Centralizing Criminal Debt

In April 1994, AOUSC began its current two-phased implementation approach that emphasized using an off-the-shelf accounting system which could be enhanced rather than developing a system totally in-house. Under phase I, AOUSC plans to install an off-the-shelf accounting system to establish debtor accounts, bill debtors, record receipts, pay victims, and report on a limited scale for criminal debts. AOUSC plans that by the end of phase I in September 1996, the NFC system will have complete data for all 94 judicial districts. This recognizes entering new criminal debts as they become available and existing debts as they are reconciled. Once the selected system is fully operational under phase I, AOUSC plans to expand the system during phase II to improve users' access to NFC information and increase management information reporting capabilities.

Since April 1994, AOUSC officials have (1) established a process for centralizing and maintaining federal criminal debt accounts, (2) developed a formal training program for judicial district staff, (3) selected an off-the-shelf accounting system, and (4) begun processing new criminal debt information for 25 of the smaller judicial districts using the selected system, 2 more than AOUSC had initially planned in April 1994. AOUSC's implementation schedule calls for 15 additional judicial districts to be added to NFC by the end of August 1995. According to AOUSC officials, 24 staff are currently assigned to the NFC project and, since its inception, they will have either expended or obligated about \$10.9 million for NFC by the end of fiscal year 1995.

There are additional actions that AOUSC and DOJ need to take to complete NFC implementation.

AOUSC Has Not Completed Planned Phase I Software Enhancements

Currently, only a small fraction of criminal debt accounts are on the NFC system. AOUSC officials recognize that, before the larger courts and existing criminal debts are added, software enhancements will be needed so that NFC can effectively support certain billing, payment receipt, and disbursement functions, most of which NFC staff now do manually. For example, one enhancement will automate the calculation of interest and penalties. Automating such interest and penalty calculations, which are required by legislation, would save time and eliminate errors inherent in manual calculations.

Another enhancement involves developing an automated interface to enable judicial districts to provide account data to NFC in automated formats. These improvements would reduce manual data entry tasks now performed by NFC staff and the corresponding risk of errors. Other enhancements include (1) automating transaction data from debtor payments sent to lock boxes and payments made through the Bureau of Prisons Inmate Financial Responsibility Program and (2) establishing an interface between NFC and a DOJ system to allow DOJ staff increased access to account information. Since the issuance of our report, AOUSC officials have progressed in developing the needed enhancements; however, none are operational.

Existing Criminal Debt Accounts Have Not Been Reconciled

While AOUSC has begun entering new account information, a major challenge will be reconciling existing criminal debt accounts, which have been separately maintained by judicial district staffs within Clerk of the Court offices, probation offices, and U.S. Attorneys' Offices, and entering the resulting amounts into the NFC system. The NFC system will not contain complete criminal debt information for its users and the Congress until it also includes complete and reliable data on the estimated \$4.5 billion in existing criminal debt.

AOUSC has drafted a reconciliation strategy to guide the performance of reconciliations in the judicial districts. However, the strategy has not been agreed to by DOJ and judicial district officials. AOUSC has not established time frames for beginning and completing reconciliations in all judicial districts or estimated the resources needed to perform the process. In addition, the reconciliation strategy does not set forth steps to be followed if addresses and/or social security numbers are missing from debtor account information. This information is essential for efficient billing and collecting of criminal debts.

Recently, AOUSC indicated that the strategy for reconciling existing accounts and transferring them to NFC, while not yet approved, had been provided to the 25 districts currently on the NFC system. According to AOUSC and DOJ officials, the transfer of these accounts is to begin at the end of July 1995. At this time, we have not reviewed the judicial districts' implementation of the reconciliation process.

Collectibility of Criminal Debt Has Not Been Determined

While not specifically required by the Criminal Fine Improvements Act of 1987, a critical area that AOUSC and DOJ have not yet addressed is that of determining the collectibility of criminal debt accounts. Currently, AOUSC records all new criminal debt in its NFC system as accounts receivable without a determination by AOUSC or DOJ as to whether such debt is collectible. Also, AOUSC officials have not established within the NFC system an allowance for doubtful or uncollectible receivables¹ to properly account for and report on those receivables determined to have a low probability of collection. Without such allowances, decisionmakers, including the Congress, may be led to believe that substantially greater amounts are collectible.

AOUSC will need to work with DOJ to ensure that realistic determinations of collectibility are made on new criminal debts as the accounts are established, based on available information, and on those that have become delinquent or are in default.² In addition, there is a need to review existing debt accounts that are legally enforceable, but which may be uncollectible. Although AOUSC has no authority to

¹Uncollectible accounts are those fines, restitutions, special assessments, and court costs that should not be considered as valid accounts receivable for financial reporting purposes. The allowance for doubtful or uncollectible receivables account represents those receivables that are unlikely to be collected and results in a decrease to the accounts receivable account balance. This allowance would not affect the enforceability of the debts.

²A fine becomes delinquent if a debtor's payment is more than 30 days late. A fine is in default if a payment is delinquent for over 90 days.

make adjustments to accounts or to write off debts, it could categorize certain debts as uncollectible for accounting and reporting purposes.

Court officials told us that sufficient information is often available at the time of sentencing to determine the offender's ability to pay and, therefore, whether or not a monetary penalty imposed is likely to be collected. For example, in the 1993 bombing of the World Trade Center in New York City, each of the four defendants received 240 years in prison and \$250,000 in fines. Although \$1 million of outstanding fines resulted from this case, DOJ and AOUSC officials said the probability of collecting these fines is low. Currently, however, DOJ reports these debts as being fully collectible.

Without distinguishing between collectible and uncollectible criminal debt accounts, NFC will be unable to accurately report on the composition of the outstanding criminal debt balance. Similarly, users who are responsible for collecting debts will not have the ability to effectively target collection resources and realistically assess their performance unless information is available to distinguish debts which are likely collectible, and thus should be rigorously pursued, from uncollectible debts.

According to AOUSC and DOJ officials, DOJ has recently instituted a new policy intended to improve its ability to determine collectibility of criminal debts. We have not analyzed the policy or the extent to which it has been implemented.

AOUSC Has Not Determined How to Accomplish Phase II Objectives

AOUSC recognizes that the NFC system established during phase I will have to evolve to a more sophisticated financial information system during phase II to improve the management of criminal debt collection activities. AOUSC officials told us that they have begun working with DOJ and other system users to define the necessary information and reporting requirements. While they plan to address this more fully, at this time, AOUSC officials have not determined what additional enhancements will be needed.

According to AOUSC officials, the future NFC system is to (1) provide a repository of national statistical information on criminal debt collection, (2) produce reports to accommodate the management information needs of the Congress, the judiciary, the executive branch, and other entities, (3) provide the Clerk of the Court offices, probation offices, U.S. Attorneys' Offices, and the Bureau of Prisons with easy access to account information so that the maximum level of debt collection can be achieved, and (4) provide a means to account for the collection of bail bond and collateral forfeiture actions, as required by the Criminal Fine Improvements Act of 1987. AOUSC officials believe that, if they successfully implement phase II, they will have fully met the act's requirements.

Conclusions and Recommendations

The approach AOUSC has taken has enabled it to begin centralizing new criminal debt information in 25 of the smaller judicial districts. However, to fully centralize criminal debt for all 94 judicial districts and provide the information needed to improve the government's ability to collect what is owed, we believe that AOUSC will need to

- complete planned NFC system enhancements, such as the one needed to perform interest and penalty calculations, and various interfaces to facilitate the exchange of information between NFC and its users;
- work with DOJ to finalize a reconciliation strategy to include time frames and resources for reconciling existing criminal debt accounts at judicial districts and entering the reconciled information into the NFC system;
- fully define a strategy for addressing additional actions needed to enable the NFC system to (1) provide a repository for national criminal debt statistical information, (2) produce reports to accommodate management information needs, (3) facilitate communication between NFC and its users, and (4) account for bail bond and collateral forfeiture actions; and
- work with DOJ to develop and implement a methodology for determining the collectibility of all criminal debt.

AOUSC generally agreed with our findings and recommendations and has begun to address these issues.

Mr. Chairman, that concludes my testimony. I would be happy to answer any questions you or Members of the Committee may have at this time.

PREPARED STATEMENT OF RICHARD A. AMES

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you to discuss the National Fine Center.

Before I begin, I would like to mention a little about my own background. I joined the Administrative Office in February, 1994. Most of my prior experience was in the private sector, where I spent 6 years as Chief Financial Officer of the Union Pacific Railroad Company, and 22 years with Ford Motor Company in a variety of financial management positions.

I also would like to introduce John Benoit, my colleague, who is the full-time Project Director for the National Fine Center and is in charge of project implementation. John has 16 years of federal government experience, primarily at the Treasury Department and HUD, where he successfully implemented several national financial systems and projects.

I would like to begin by saying that John and I and our entire National Fine Center Project team share your sense of urgency regarding this project. The swift and successful implementation of this project continues to be one of the Administrative Office's highest priorities. The development of processes to establish accounts for criminal debtors, issue monthly bills, receive payments, assess penalties and interest, disburse receipts, monitor payments, and provide accurate and timely management information on criminal fines and penalties owed to this government and to victims of crime is important to the fair and efficient administration of justice. We are working very hard to make this a reality.

As you know, our role as the recipient of the funds paid to the National Fine Center is significantly different from that of the Department of Justice which enforces the collection of the funds. Our intent is to provide the Department of Justice with accurate data which will enhance their collection effort.

We are pleased to be here today to report on the current status of the National Fine Center. As background, I first appeared before this Committee on June 28 last year to discuss the National Fine Center. At that time, I had been with the Administrative Office for about 5 months and had been involved with the Fine Center for about 3 months. The Administrative Office had completed the planning and development phase of the Fine Center project, and my office assumed responsibility for the project on April 26, 1994 when we began the project implementation stage.

At the June, 1994 hearing, the Committee expressed concern that the project was moving too slowly. In response, I reported on the two-phase implementation plan we had developed. The focus of Phase I was "just do it!". Building on lessons learned from the planning and development phase, the concept of Phase I of the implementation effort was to start simple, start small, modify as we go, and "full speed ahead".

Accordingly, we began with the smallest courts; developed simple business processes; utilized an initial off-the-shelf accounting software package with which we were familiar (while we evaluated, selected, modified, and tested the software package that would have capacity and capability to meet requirements for all 94 courts); entered data manually, and exchanged information by mail, phone and fax.

In summary, the focus was on action i.e., to get started and keep moving forward—rather than to wait (or stop) until ultimate solutions were developed for the overall two-phase plan (or for issues encountered along the way). In line with this philosophy, we described an implementation plan and timetable that would bring 23 courts onto a central National Fine Center processing unit in the first year (i.e. by April 26, 1995) and all 94 courts by August 26, 1996—2 years after the first court.

The implementation plan we presented last summer included a Phase II effort which is an enhanced system that will include more comprehensive management information capabilities, along with wide-scale, on-line access. While Phase I implementation clearly was our first priority, we said last summer that as we proceeded during the next 2 years with Phase I, we also would begin work to develop plans for the Phase II enhanced processes and systems and also provide some of the Phase II requirements. During the first year, we have made more progress on Phase II than we originally expected—although the Department of Justice would have preferred even more progress. Last summer, we said we would complete Phase II implementation within 42–60 months. We intend to meet this commitment.

As we reflect on our project experience over the past year, we are even more convinced that the two-phase approach we are taking is the best way to proceed. Our experiences have reinforced repeatedly the wisdom of three valuable lessons learned in the prototype testing operations conducted during the original planning and development effort:

1. Fully accommodating the myriad desires originally identified by the future users resulted in a "grand design" that would cost too much and take too long to implement—if it could be implemented at all;
2. Even if we spent the time and money on the "grand design", it might not work;
3. A valuable, efficient system could be developed within a relatively shorter time period by concentrating on primary user needs—with a much higher likelihood of success and lower cost than attempting the "grand design".

At the time of the hearing a year ago, there was no central fine processing center. Against this background, let me report on what has been achieved during the past year since that hearing. In summary, we have met our commitments—in full and on time; here are some of the highlights:

- *Court Implementation Plan:* We said we would develop business processes, establish a central processing unit, train courts, and bring 23 courts onto the new processing center by April 26, 1995. Along the way, we met each of our 120-day milestones and had 25 courts on the new center by April 1, 1995. Actually, this is slightly better than we promised a year ago; details are shown in Attachment 1.
- *Financial Status:* Since the year-ago hearing, we have spent an additional \$2.5 million. Over half of this was spent on project personnel and contractor support; most of the rest was spent on travel for court orientation and training, and for project equipment. Since project inception, spending now totals \$8.2 of the \$19 million authorized by Congress. Further, our fiscal year 1995 spending is within budget.
- *Fine Collection:* Today, the National Fine Center is tracking a total of \$46 million in new criminal debt for 25 courts. Accounts have been established for over two thousand criminal debtors. When preexisting cases for these 25 courts are added over the next few months, we estimate that the Fine Center will be tracking about \$400 million in criminal debt and about 18,000 criminal debtors for these 25 courts. We are relying on the Department of Justice to bring these preexisting cases onto the system. These results are consistent with the strategy we set in April, 1994: "Get all 94 courts up ASAP", which required starting right away with small courts and simple processes—as described earlier.

Meanwhile, while the National Fine Center project is being implemented, the Judiciary received a total of \$60 million for deposit in the Crime Victims Fund during fiscal year 1994. This was up \$36 million, or 133 percent— from fiscal year 1993. During the first 6 months of fiscal year 1995, the Judiciary has received \$110 million. This is up \$49 million, or 80 percent from the same period a year ago. Thus, criminal debt collection efforts continue while the National Fine Center project is being implemented.

Major Accomplishments: Many actions were required to bring 25 courts onto the central processing unit and to provide the capability to bring additional larger courts into the National Fine Center. Highlights during the past year include:

- *Business Processes:* We established and implemented accounting and business processes and procedures for use in both the courts and center.
- *Central Processing Unit:* We designed the unit, hired and trained staff, installed equipment and began administrative operations in D.C. to support court criminal debt collection activities.
- *Court Training:* We hired and trained a team to develop and deliver training programs to courts.
- *Systems Development and Support:* We hired and trained a team to develop and implement hardware and software applications and telecommunication interfaces for court units, the central processing unit, and customers.
- *Disaster Plan:* We developed and installed back-up capability and duplicate files to protect against a disaster in the D.C. system.
- *Central Processing Unit Software:* We selected, modified and installed a new software package with full capability to process all existing criminal debt cases nationwide, while providing greatly enhanced analytic and reporting flexibility and capability. In April, this new system replaced the original software which did not have adequate capacity to meet full requirements but was adequate to permit us to begin fine center operations a year ago.
- *Pre-existing Cases:* With April installation of the new processing software, we now have full capability to bring on reconciled, preexisting cases from the 25 courts now on the Fine Center.
- *Court Software:* We have developed, and we are introducing, new software to assist courts in processing criminal debt information. Examples include *Informs* which facilitates transmission of required information to the center, and a pack-

age to automate the new judgment and commitment procedure being implemented July 31 which will provide one-time data entry and facilitate court operations.

- *Data Interchange:* We developed a plan, which will be tested during the next few months, to manage system-wide data interchange through individual, court-based, network application servers. This will provide data capacity, improved access to all users, and enhanced analytical support.
- *System Equipment Requirements:* We are completing a court-by-court evaluation of all hardware requirements to identify and procure all necessary incremental equipment to ensure systems capability.
- *External Affairs:* We have invested substantial resources in answering questions and communicating the importance of the National Fine Center Project, our plan, progress, and next steps to the Judiciary, customers, media (only upon inquiry), Congress, and GAO.

Phase II: Several of the above accomplishments represent an acceleration of work required to provide the Phase II management information enhancements discussed earlier. Examples include the new central processing unit software and network application servers. Of course, the entire Phase I effort provides the foundation for Phase II.

Court Implementation Outlook: For Phase I, our next objective is to have 38 courts on the central processing unit by August 26; we are "on target" to achieve that objective. Subsequently, our objectives include 58 courts by December 26, 1995 and all 94 courts by August 26, 1996 (Attachment 2). We expect to meet these objectives. For Phase II, as discussed earlier, we are farther along than we expected to be, and we are committed to achieve complete implementation of Phase II within the 42-60 month objective (from April 26, 1994) that we stated at the prior hearing.

Challenges Ahead:

Although much has been accomplished and we are slightly ahead of our implementation schedule, there is much more to be done, and we face many challenges ahead. For Phase I, meeting the court implementation milestones will be increasingly difficult because central processing unit volume and complexity are increasing and the largest courts, which are still ahead, will be more difficult to bring into the center. Reconciling pre-existing cases and incorporating them into the system will increase both volume and complexity, both locally and centrally, until the transition is completed. Further, developing, testing, and installing network application servers; new improved software; and telecommunication interfaces are each major tasks.

For Phase II, our challenge is to work with the Department of Justice and others to determine how new and better information and new analytic capability can best be utilized to improve criminal debt collection. Opportunities include evaluation of debt collectibility, improved prioritization of debt collection efforts, and re-examination and refinement of the entire broad, cross-branch, multi-activity, Federal Government criminal debt/law enforcement effort.

* * *

Thank you for the opportunity to appear before you today, and for the support and interest you have shown in this very important project. With your continuing support, we intend to meet our project implementation objectives. I am happy to answer any questions you may have.

Current NFC status -- ahead of schedule

<u>Project Milestone</u>	<u>Completion Date</u>		<u>Courts Converted</u>	
	<u>Actual</u>	<u>Objective</u>	<u>Actual</u>	<u>Objective</u>
After 4 mos.	8/1/94	8/26/94	2	1
After 8 mos.	12/1/94	12/26/94	11	10
After 1 year	4/1/95	4/26/95	12	12

Cumulative Courts Converted into National Fine Center

	<u>Actual</u>	<u>Objective</u>
After 4 mos.	2	1
After 8 mos.	13	11
After 1 year	25	23

NFC Phase I Completion Plan

<u>Project Milestone</u>	<u>Completion Objective</u>	<u>Courts Converted</u>	
		<u>During Period</u>	<u>Cumulative</u>
After 16 mos.	8/26/95	15	38
After 20 mos.	12/26/95	20	58
After 24 mos.	4/26/96	20	78
After 28 mos.	8/26/96	16	94

PREPARED STATEMENT OF GERALD STERN

Mr. Chairman, Senator McCain, members of the Committee, I am Gerald M. Stern, Special Counsel for Financial Institution Fraud for the Department of Justice. The Attorney General has designated me to oversee the Department's efforts in debt collection. I appreciate this opportunity to update the Committee on the Department's perspective on the National Fine Center.

The Department of Justice has long been responsible for the enforcement of criminal judgments. When a debtor is in default and has not satisfied a criminal fine, assessment or restitution, the Department finds and seizes the defaulted debtor's property. To enforce this collection, a U.S. Attorney's Office must have quick access to accurate information on the amount of the debt, evidence the debtor is in default, and the debtor's location. Only with this information, can the U.S. Attorney request the Court to issue a garnishment order or some other post judgment remedy. Traditionally, the Department of Justice obtained such debtor information from the Clerks of the Court who were responsible for receipt of criminal fines, assessment and restitution payments, as well as processing and tracking those payments. However, between 1984 and 1987, some payments also were received by the Department of Justice. In some large offices processing and tracking became a full time task leaving little time for the Department of Justice to locate and seize assets.

With the enactment of the Criminal Fines Improvement Act of 1987, Congress clarified the traditional roles by delegating the responsibility for receipt of all criminal fines, assessment and restitution payments to the Judicial branch and mandated that the Administrative Office of the Courts establish a National Fine Center to provide automated and centralized debt and payment tracking system. This Center was to provide accurate and current information to all those charged with enforcement of collection: the Office of U.S. Probation, the Department of Justice, its Bureau of Prisons and the U.S. Attorneys Offices.

The establishment of the National Fine Center will allow the Department of Justice to be concerned only with a distinct group of debtors, namely those who have failed to pay or who have defaulted on their payment plans. These debtors will be turned over to the Department for its enforcement efforts. Effective enforcement action will depend on the Department's easy access to accurate debtor information maintained by the National Fine Center.

To ensure that the National Fine Center, once established, meets the needs of the Department of Justice, we have attempted to work closely with the Administrative Office of the U.S. Courts (AOUSC). For the past year, I have met at least monthly with both Dick Ames, the AOUSC's Assistant Director and Chief Financial Officer, and John Benoit, the NFC Project Director. The Department has detailed Assistant U.S. Attorneys and a paralegal specialist to work with the AOUSC team and to train the district based personnel on the operations of the Fine Center. Recently the Department provided a DOJ computer specialist to further assist the Fine Center.

In February of 1994, AOUSC and the Department jointly agreed to a detailed Phase 2 Functional Requirements Document to set forth the Department's requirements for the National Fine Center. To ensure that the system meets the statutory requirements and "can be designed, tested and implemented in courts nationwide," the Requirements Document provided, among other things, that the Department of Justice will have on-line-interactive access to the National Fine Center.

At some point, the AOUSC apparently abandoned the development of the on-line interactive access system set forth in the Requirements Document. As an alternative, in February 1995, AOUSC proposed to fulfill the need for an on-line system with a LAN (local area network). The Fine Center project director has advised the Department that this LAN system will be more efficient and less costly than the type of on-line interactive system envisioned by the Requirements Document and that it will provide the Department with the on-line access required to perform its enforcement function. We certainly hope it will work. However, we have informed AOUSC that until the LAN System has been tested and is operational, the Department cannot agree to the implementation of the larger districts on the National Fine Center, currently scheduled for the period December 1995 through August 1996. AOUSC believes it will have the pilot LAN system operational in September and it will be able to bring new districts directly on to the LAN system as of December 1, 1995.

There are two other issues raised by the GAO audit I wish to address. The first is the collectibility of the criminal penalties imposed by the courts. The Department of Justice determines the collectibility of criminal debts in a continuous process. This spring, the Department issued new guidelines on the suspension of uncollectible debts to the United States Attorney's Offices. We review suspended cases periodically to determine whether the debtor's circumstances have changed.

We obtain up-to-date financial statements from debtors and establish new payment plans when appropriate. By the end of fiscal year 1995, we anticipate that the U.S. Attorney's Offices will have completed a review of their entire criminal debt inventory. Before the end of the calendar year, we should know the percentage of the debt balance currently deemed collectible.

The GAO report has emphasized that the various components now tracking criminal fine payments should reconcile their records prior to establishing the debt at the Fine Center. While progress in transferring existing debt to the National Fine Center is essential to permitting the Fine Center to fulfill its duty to account for and report the amount of outstanding debt, it is also true that the sooner the Department's debt collection agents stop processing and tracking payments, the sooner they can focus on the task of enforcing payment and seizing property from defaulted debtors. Therefore, the Department has developed a program to permit electronic transfer of existing cases to the National Fine Center. While in some districts, the Clerk of the Court, the Office of U.S. Probation and the U.S. Attorney's Office each keeps payment records and these records may be inconsistent, in the many districts in which the U.S. Attorney's Office tracks payments and balances for the entire district, we have determined that the U.S. Attorney's Office has the correct debt balance on every case. The districts being implemented on the Fine Center are using the newly developed Department of Justice program to transfer electronically the cases to the Fine Center, and we anticipate that certain of their data such as court numbers will be converted to the Fine Center format by September.

Conclusion

As this Committee has recognized, the Department needs a fully operational on-line computerized National Fine Center so our attorneys and paralegals can enforce criminal fine judgments rather than track and process payments. The Department will continue to work with AOUSC to achieve this result. We welcome the Committee's interest and assistance in ensuring that the National Fine Center meets its mandated goals.

TESTIMONY OF

**M. KENNETH BIEN
DIRECTOR,
AMERICAS JUSTICE AND PUBLIC SAFETY
PRACTICE
ANDERSEN CONSULTING**

Submitted to

**SENATE COMMITTEE ON GOVERNMENTAL
AFFAIRS**

on

Criminal Debt Collection Efforts

July 19, 1995

TESTIMONY OF
M. KENNETH BIEN
DIRECTOR, AMERICAS JUSTICE AND PUBLIC SAFETY PRACTICE
ANDERSEN CONSULTING

Submitted to

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

Hearing on Criminal Debt Collection Efforts

July 19, 1995

Introduction

Senator McCain and members of the Committee, thank you for the opportunity to testify on how the private sector would implement a solution to support the Administrative Office of the U.S. Courts in collecting criminal debts and fines.

For over two decades -- working with national, state, provincial and local governments -- Andersen Consulting has designed and implemented criminal justice solutions through technology and change management. We are a global management and technology consulting organization whose mission is to help our clients in many fields change in order to be more successful. We work with clients from all levels of government to help integrate people, processes, strategies and technologies in order to improve efficiency and achieve their organizational mission. Andersen Consulting employs more than 32,000 professionals in 152 offices and 47 countries. In 1994, our worldwide revenues exceeded \$3.2 billion.

As director of Andersen's Justice and Public Safety Practice, I have managed the development of numerous national and statewide solutions to the many problems facing criminal and civil justice agencies -- solutions that include case management, law

enforcement and court support systems as well as family violence tracking and response systems. Andersen is also pioneering an integrated justice approach that would link various criminal justice entities through technology into one cohesive, unified system.

Executive Summary

Let me summarize my main points. The Criminal Fines Improvement Act, passed eight years ago, offered urgently-needed new help to crime victims, by using a portion of federal criminal fines to assist victim services and compensation. Two years ago, victims' rights organizations maintained that an effective system for fine collection that could realize the promised benefits of the Act was still not in place -- some six years after passage of the new law.

The Administrative Office of the U.S. Courts estimates that by 1995 it will spend \$25.2 million to complete an interim system. Eighteen months ago, Andersen Consulting contacted the project team from the National Fine Center, which led to our proposing a practical solution to the problems of implementing within eighteen months an effective fine collection system for \$15 million. Most of what I have to say will describe that system, for purposes of suggesting that an economical solution is possible.

My main point is simple: regardless of whether the government, or the private sector, or some combination thereof, actually performs the work necessary, it is possible to put in place an effective collection system within eighteen months for \$15 million -- more than \$10 million less than current estimates for an incomplete system.

Problems and Current Status of Implementation

In passing the 1987 law, the intentions of Congress were noble and sensible -- to provide greatly-needed additional funding to support victim services and compensation, *not* at

taxpayers' expense, but through fines assessed against federal offenders. But turning good intentions into action also requires good planning, detailed implementation and training.

Eight years after the Criminal Fines Improvement Act, the public still awaits implementation of a system to fulfill Congressional intent. I am here today to give you a private-sector perspective on what is possible.

In 1993, crime victims' rights organizations expressed their concerns to Andersen Consulting about the National Fine Center's perceived lack of progress, not only in collecting more than \$4 billion in outstanding criminal debts, but also in establishing an effective system to collect millions of dollars in future fines that could support efforts to help victims -- among them, rape crisis centers, MADD chapters, battered women's shelters, and prosecutor-based victim/witness programs. Later in 1993, I contacted the Project Team from the National Fine Center to try and better understand their challenges in implementing the Act. After these meetings, we developed a January 1994 proposal to the NFC that outlined a public-private sector solution to the immense problems associated with integrating a collections system for 94 Federal districts; reconciling \$4.5 billion in existing debts; automating interest and penalty calculations on these outstanding debts; and developing a long-range plan to ensure successful implementation of the 1987 Act.

What is "successful implementation"? We proposed three factors to define success:

First, a *cost-effective, proven and available solution* that would meet the business requirements of the Criminal Fines Improvement Act, not only in the short term, but over years to come.

Second, rapid implementation of *collecting past due debts* and establishing a system to collect these debts most expeditiously in order to benefit victims today, plus *establishing a process to keep current* the government's collections for victim assistance and compensation.

Third, a system that is *easily expandable* to meet growing demands for offender and systems financial accountability.

Here is a brief overview of the processing solution proposed by Andersen Consulting eighteen months ago (see Appendix A):

- After a fine has been assessed against a convicted offender, the Clerk of the Federal District Court will enter that information into the NFC Processing Center.
- This information will be processed overnight, immediately sending a payment book -- much like a car or house payment coupon book -- to the convicted offender through certified mail with receipt acknowledged.
- Each month, the offender will send his or her payment and monthly coupon to a centralized bank lockbox that the Central Processing Center will process against that person's existing debt balance.
- The Processing Center will prepare and disseminate payments either to the Victims of Crime Act (VOCA) fund for state victim compensation and assistance, or directly to victims of crime to fulfill restitution requirements. The Center would handle all accounting, payment receipt and application, interest and penalty computation, victim and convicted offender reporting, national central data repository, and technical network and application maintenance.

Unquestionably, collection enforcement is a large challenge. Fortunately, Senator McCain's recent bills address the significance of accountability in collections. Our proposed solution can meet these new requirements, which include:

- S. 397, which authorizes the AOUSC to contract with private entities, on a contingent fee basis, to collect assessments that are more than 120 days in default.

Privatizing debt collection, as Senator McCain noted in his floor statement of February 13, 1995, has proven to be effective. In a pilot program to collect civil debts in seven jurisdictions by 18 private law firms, \$9.2 million in defaulted civil debts was collected at a cost of only \$2.4 million.

- The Crime Victims Assistance Improvement Act, which doubles the mandatory assessment fine on convicted federal felons; imposes an enforceable payment schedule for crime fines and restitution orders; increases the statute of limitations for fine collection from five to 20 years; and prohibits delinquent federal debtors from collecting federal benefits.

Clearly, the Crime Victims Assistance Improvement Act would not only substantially increase potential collections -- an increase easily accommodated by our proposed system -- but the Act would also halt federal financial assistance to those who shirk their financial obligations to crime victims. Andersen Consulting has gained extensive experience in debt set-off processing from work with state lotteries, such as the Virginia Lottery. Quite a few jackpot winners have been dismayed to receive checks for much less than they expected, because the set-off balance has been withheld for child support, delinquent fines, and outstanding taxes.

The project approach we proposed (see Appendix B) had four phases:

- A one-month needs assessment to define overall system requirements based on knowledge transfer from proven solutions that are already in operation.
- Development of a prototype, to include a long-term plan and business approach, appropriate hardware and software, and definition of effective collection processes.
- A pilot program phase in which a Central Processing Site would be opened to implement the pilot program in five districts: one small, two medium and two large districts. The pilot would help define procedures to reconcile existing debts and “fine tune” the pilot for nationwide application.

- Finally, we would roll out the solution nationwide in the remaining districts.

Eighteen months ago, our proposed cost was \$15 million for a system that could have placed all 94 federal districts on-line in a national integrated collections system. Compare this figure to AOUSC's estimated \$25.2 million completion cost through Fiscal Year 1995 for an interim system.

Today, all 94 federal districts could be on-line in a national system. Yet the General Accounting Office's May 1995 report on the National Fine Center states that, since 1990, the Center has expended \$6.7 million to collect less than that -- \$6.4 million -- in criminal fines and debts.

Mr. Chairman, I have described a practical approach to implementation that relies on proven, existing technology. Whether we or some other entity perform the work, my point is that it can be done, and done economically. This program has a great opportunity to do the right thing, and to do it soon -- to make criminals fully accountable for their actions, and to ease the physical, financial and emotional burdens that crime victims endure.

I would be pleased to answer any questions that you or other members of the Committee may have.



Appendix A

National Fine Center Restitution Manager and Demonstration and Project Discussions

January 5, 1994

Agenda

- Introductions
- Meeting Objectives
- Comprehensive System Demonstration
- Project Approach
- Contracting Options
- Next Steps

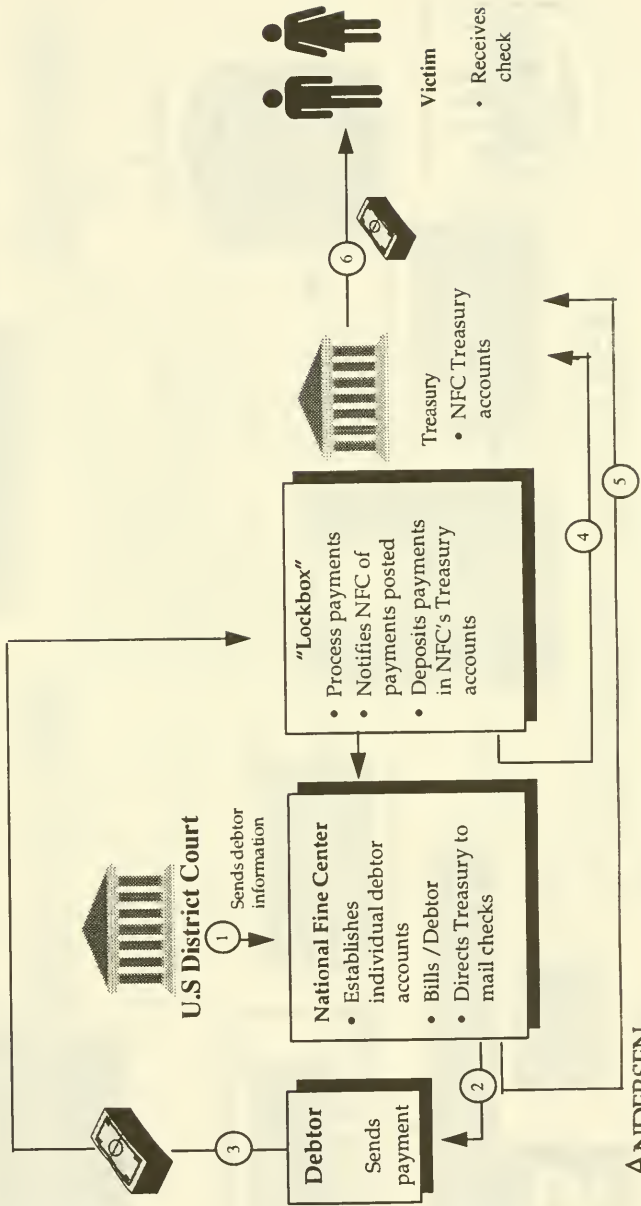
Introduction

	Title	Project Role
Andersen Consulting		
Ken Bien	Manager, National Justice Practice	Project Director
Steve Pendergrass	Manager, Government Industry	Implementation Manager
Stan Gutkowski	Partner, Federal Systems	Federal Contracts
Jeff Peck	Partner, Federal Services	Court Analyst
Margate		
Mike Insco	President, Margate Systems Restitution	Restitution Manager Lead Consultant
Chris Partezana	Systems Support Manager	Restitution Manager Technical Analyst

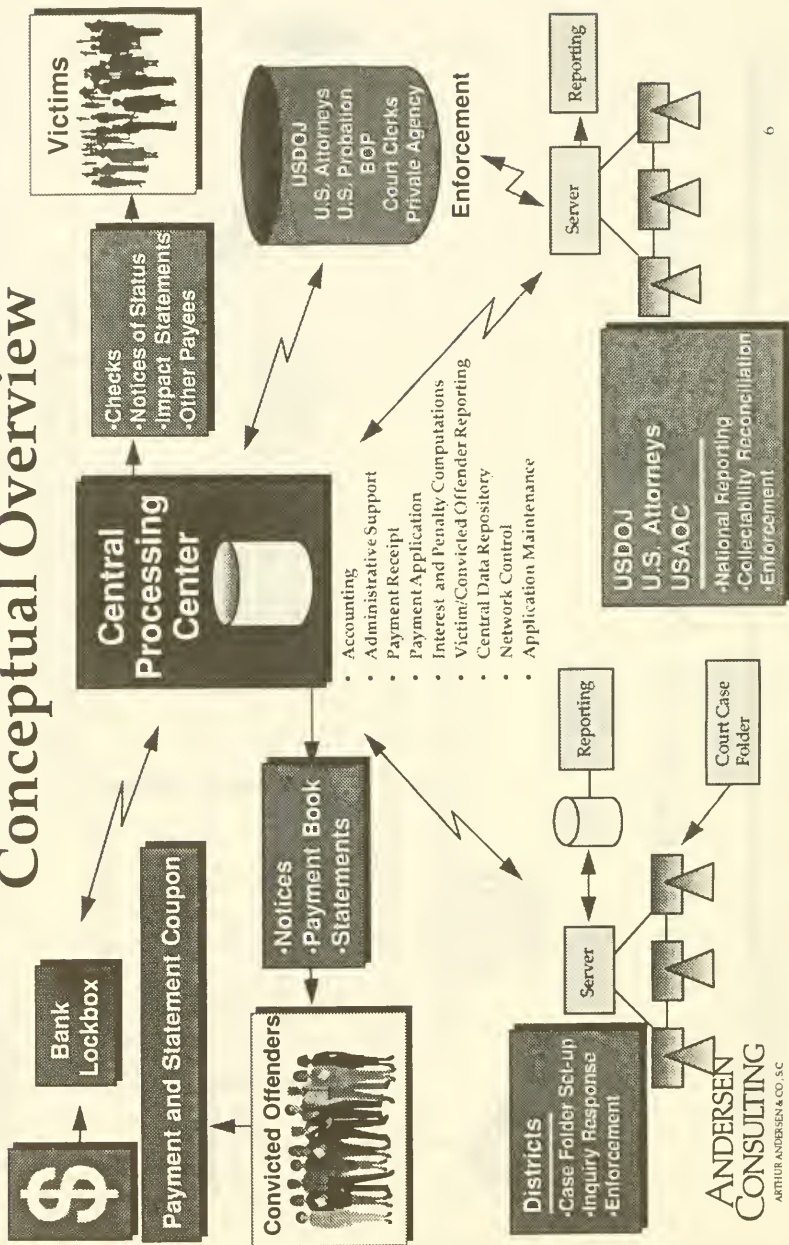
Meeting Objectives

- Ensure Mutual Understanding of Project Goals
- Provide a Comprehensive System Demonstration
- Explore Project Approach
- Discuss Contracting Options
- Determine Next Steps

Summary of NFC Operations



Conceptual Overview



Folder Management

Folder	
» Status	Costs and Fees
» Type of Liability	» Multiple Costs and Fees
» Allocation Hold	» 1,000 Priority Levels
Defendant	» Preset Payees
» Multiple Defendants	Victim/Assignee
» Multiple Addresses and Address History	» Multiple Victims
» Personal and Demographic Information	» Multiple Assignees
» Contact and Contact History	» 1,000 Priority Levels
Responsible Official	» Multiple Addresses and Address History
» Multiple Officials, Organizations, and Type	» Contact and Contact History
» Maintenance	» Enforced Financial Integrity
Case	» Victim Notification and Impact Letters
» Multiple Cases and Charges	Payment Scheduling
» Dispositions	» Ability to Pay Worksheets
» Fines	» Independent
	» Automatic Interest and Penalty Calculations
	Linking/Unlinking
	Ledger

Financial Management

Cash Drawer	
» Security	
» Reconciliation	
Receipts	
» Multiple Forms of Payment	
» Attached to Payor	
» Supports Payment Book or Statement	
» Attach Unassigned Receipts	
Receipts	
» Incorrect Receipts	
» Cash Error Suspense	
Post	
Deposit	
	Disbursements
	» Hold Issue Amount
	» Multiple Payors Per Check
	» Check Register
	Checking Reconciliation
	Special Transactions
	» Void, Unclaimed Checks
	» Reverse Allocation
	» Reverse Payments (Refund and Transfer)
	» Escheat Unclaimed Funds
	Allocate
	» Multiple Payors and Payees
	» Joint and Several or Partitioned
	» Multiple Priority Levels
	» Prorata
	» Fair Share
	» Payall
	Ledger

Enforcement

Defendant Delinquency/Revocation Notices

Defendant Past Due Reports

Folder Case History

Statements/Payment Book File

Aging Reports

» By Court

» By Defendant

» By Responsible Official

Collection Summaries

» By Court

» By Defendant

» By Responsible Official

Customized and Adhoc Reports

Restitution Manager Features

General Features

- Integrated System
- User Defined by District
 - » Officials
 - » Courts
- Enforced Financial Integrity
- Three Security Levels
- User Friendly
- Help Table Look-up
- Ad hoc Injury and Reporting Capability
- Audit Trails

Technical Features

- SQL compliant relational database management system
- Referential Integrity
- PC Based
- Open System Interfaceable to Other Systems
- Compatible with Major Networks

Special Features

- Interest and Penalty Calculations
- Automatic Capitalization
- Default Dates
- Fast Path Navigation
- Bookmarks
- Counters
- Default Entry
- Automatic Selection and Entry From Table Look-Up

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CONSULTING**
ARTHUR ANDERSEN & CO., S.C.

Project Approach

Month 1

Needs Analysis

- Project Organization
- Define System Requirements
- Survey Available Systems
- Select Vendor and Approach
- Negotiate Vendor Contracts
- Plan Phase II
- Obtain Approval to Proceed

Months 2 to 5

Prototype

- Determine Business Approach
- Prepare Security and Performance Plan
- Determine Technical Architecture and Network
- Prototype System
- Code Modifications
- Acceptance Test
- Prototype
- Determine Conversion Approach
- Define Implementation Requirements
- Determine Hardware/System Software Requirements
- Prepare Training and Change Plan
- Preparing Testing and Acceptance Plan
- Prepare Pilot Schedule

Months 5 to 9

Pilot

- Establish Central Site
- Prepare Sites (5)
- Install HW/SW
- Train Users
- Convert Data
- Reconcile Existing Accounts
- Monitor Production
- Revise Plans/Approaches As Necessary
- System Acceptance
- Prepare Rollout Schedule
- Obtain Rollout Approval

Months 9 to 18

Roll Out

- Prepare Training Sites
- Install HW/SW
- Train Users
- Convert Data
- Reconcile Existing Accounts
- Monitor Production
- Project Acceptance

Proposed Cost:
\$15 million

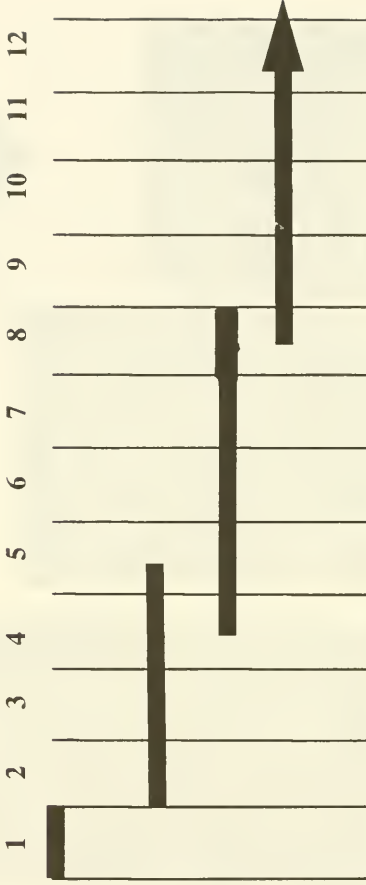
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CONSULTING**

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Project Schedule

PHASE

1994



I. Needs Analysis

II. Prototype

III. Pilot

IV. Roll Out

Introduction

*President of Margate Systems, Inc.
Elected Prosecuting Attorney for 12 years
Created and Implemented Restitution Systems Nationally
Consult to American Restorative Justice Association,
 formerly American Restitution Association
Lecture for National Victim Center, NOVA, APAI, APPA, ARJA
Started First Victim Unit in 4 State Region, 1975
Authored Missouri Constitutional Amendment for Victim Rights
Have Followed NFC since 1990*

*Testimony of
Michael A. Insko*

*Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995*

National Fine Center

Collection and disbursement of restitution, costs, fines, and fees

■ Outcome Measurement

Negative Return

There is no Baseline

Inaction is Enormously Costly

■ Is the NFC Any Closer?

Expensive Bureaucracy, Inappropriate Technology, No Plan
Important Issues Not Addressed

Required Processes

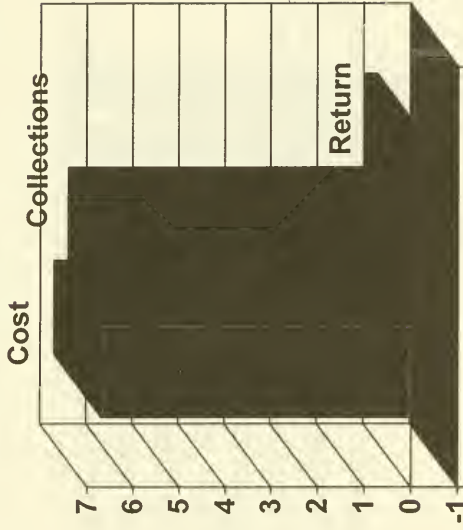
Distribution of Process

Scalability

*Testimony of
Michael A. Insco*

*Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995*

Negative Return



Victims have invested \$6.7 million with NFC to collect \$6.4 million, a net loss of \$300,000.

*(Assuming the \$6.4 million would not have been collected anyway. There is no baseline.)
Testimony of*

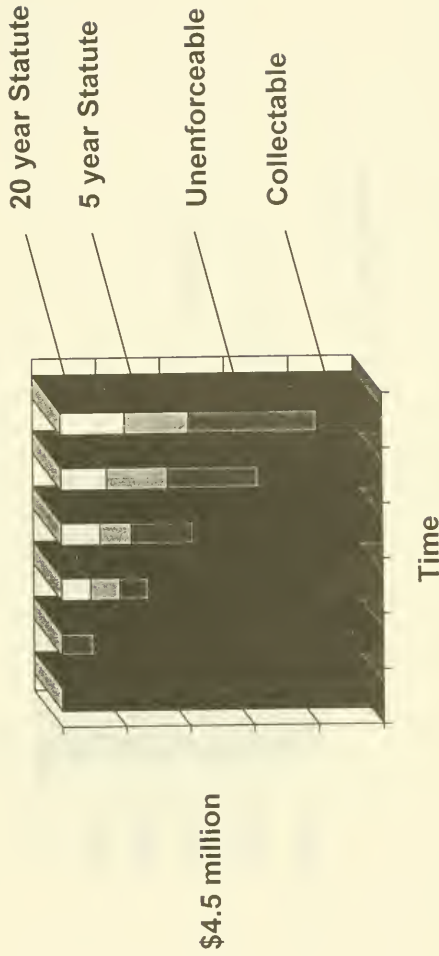
Michael A. Insco

*Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995*

There is no Baseline

*Amount of money collected should be the Primary criterion
Congress and victims deserve an objective report card.
Measurement of people deployed and money spent
is not appropriate.
There can be no way to measure success or failure.
No measurement of case type
No measurement of case aging
No measurement of amounts collected*

Inaction is Enormously Costly

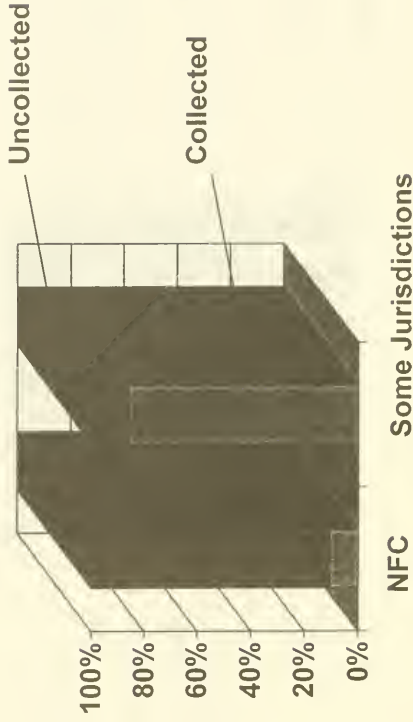


As each day passes without a system, millions of dollars become uncollectable and unenforceable. The NFC could have been paid for many times over by the monies which have become unavailable.

Testimony of
Michael A. Insko

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

What's Possible



Some jurisdictions report overall collections as high as 85%

Is the NFC any Closer?

As the AOUSC proves it's inability to learn, the solution slips farther away.

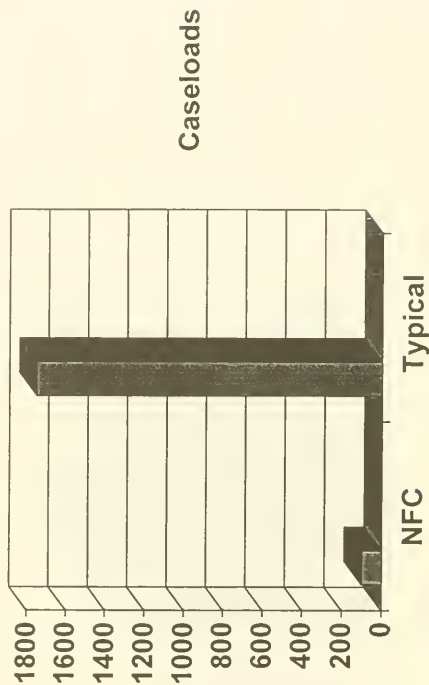
*Expensive Bureaucracy
Inappropriate Technology
No Plan
Important Issues are Not Addressed*

Testimony of
Michael A. Insco

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Closer?

Expensive Bureaucracy



*NFC has a caseload of less than 100 accounts/person
Typical caseloads around the country often range 1000-2500 accounts/person.
(note that NFC proposes no collection specialists and that 60% of staff are managers and accountants)*

Testimony of
Michael A. Insco

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Closer?

Inappropriate Technology

Peach Tree (small business accounting)

Solomon (general ledger accounting)

Enhancement of Existing Commercial

Packages is unrealistic

This Road is a Deadend, It Leads to Failure

Closer?

No Plan

*Stakeholders, victims, not Included
No Methodology for Software Life Cycle Study*

Analysis

Design

Testing

Implementation

No Benchmarks or Milestones to Measure Incremental Progress

Testimony of

Michael A. Insco

*Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995*

Closer?

Important Issues Not Addressed

You can't solve a problem you don't understand.

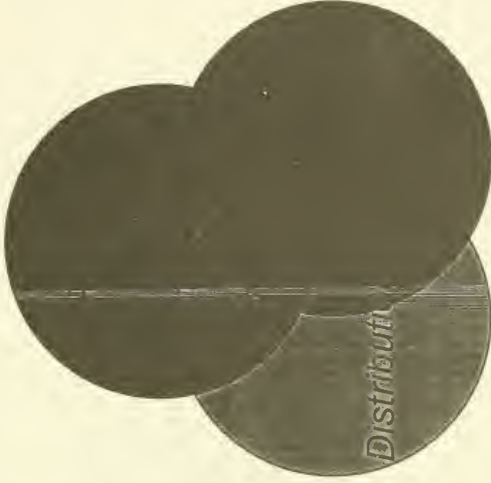
■ Process

Case Management
Financial
Enforcement

■ Distribution of

Process

■ Scalability



Testimony of
Michael A. Insco

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Closer?/Issues not Addressed/Process

Processes

As seen by the NFC

Receive	Disburse
General Ledger/Reporting	

Testimony of
Michael A. Insko

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Required Processes

Data Entry		
Case Management - Case, Defendant, Victim, Charges, Fees		
Receive	Allocate	Disburse
Reversal - Unclaimed, Escheat, Correction		
General Ledger/ Reporting		
Collection Activities		

Closer?/Issues Not Addressed/Process

Integrated Processes



Testimony of
Michael A. Insko

Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Case Management

- Defendants
- Victims
- Link and Unlink
- Restitution Amounts
- Assignees
- Cases, Charges, & Counts
- Responsible Officials
- Costs, Fines, Fees
- Liability Types
- Interest Type
- Dates

Testimony of

Michael A. Insko



Senate Committee on Governmental Affairs
National Fine Center
July 19, 1995

Financial

- Cash Drawer
- Receipt
- Reconciliation
- Deposit
- Allocation
 - Pro rata
 - Priorities
 - Equal Contribution
- Disbursement
- Checkbook
- Special Transactions
 - Reversals
 - Refund
 - Unclaimed
 - Escheat

■ Ledger/Reports

Testimony of

Michael A. Insko

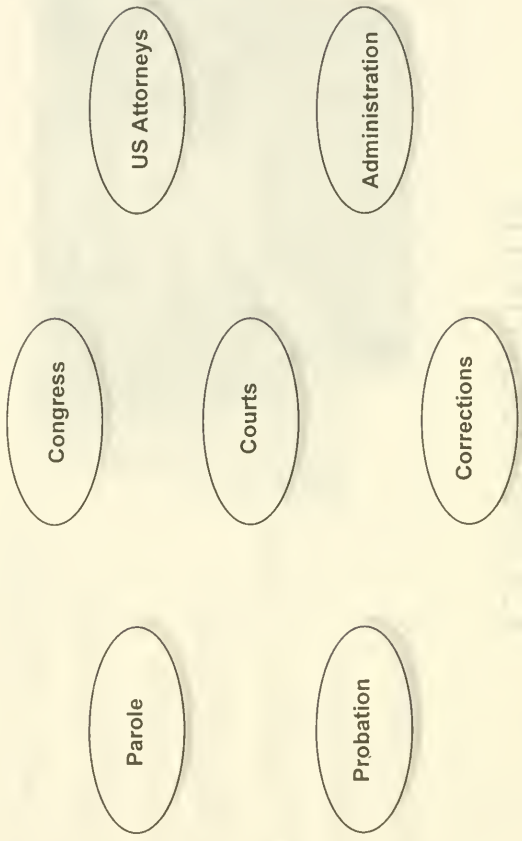


Enforcement

- Aging Reports
- Notification
- Delinquency Letters
- Address/Phone Verification
- Legal Sanctions
- Payment Schedules



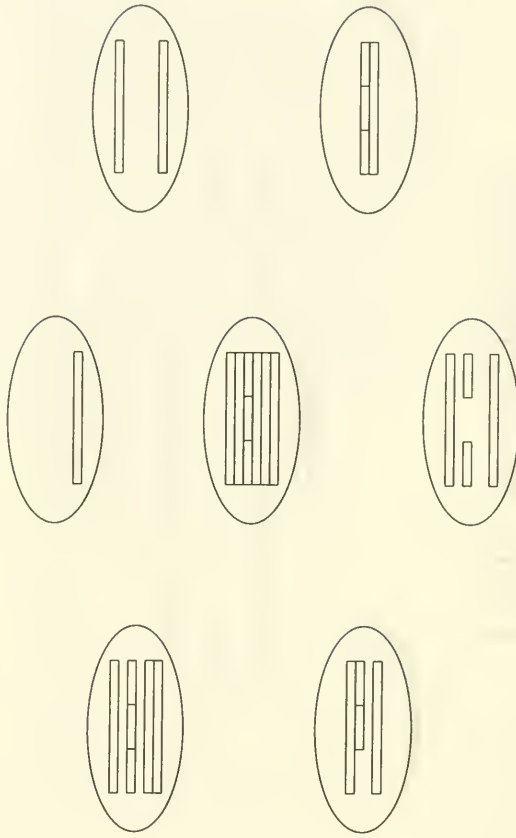
Participating Organizations



The Processes

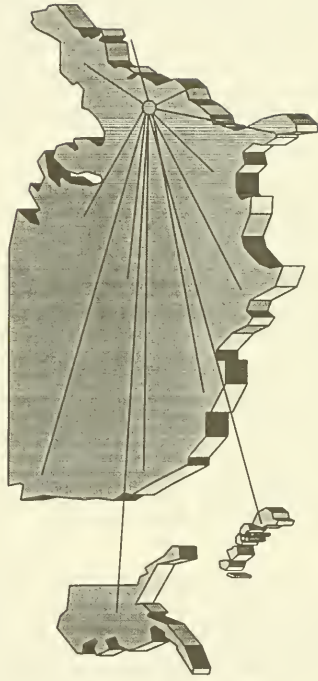
Data Entry		
Tracking - Case, Defendant, Victim, Charges, Fees		
Receive	Allocate	Disburse
Reversal - Unclaimed, Escheat, Correction		
General Ledger/ Reporting		
Collection Activities		

Distributed Processes



Scalability

- Geographic
- Large Number of Files
- Large Number of Users



PREPARED STATEMENT OF DAVID BEATTY

I would like to thank Chairman McCain and the other members of the Committee for inviting me here to address the issue of the National Fine Center's role in federal criminal debt collection.

My name is David Beatty. I am the Director of Public Policy for the National Victim Center.

By way of background, the National Victim Center is a non-profit organization which works directly with more than 8,000 victim organizations and agencies which provide assistance and services to hundreds of thousands of violent crime victims each year.

Many of these victims and victim organizations benefit directly or indirectly from the federal debt collection efforts through the Victims of Crime Act (VOCA) Fund.

Since the creation of the VOCA Fund in 1984 by the Victims of Crime Act, victims and service organizations and agencies have come to rely on contributions from the VOCA Fund as an indispensable part of their funding base.

The Fund has literally become the keystone of the over-arching victim services network in the U.S. and a primary source for direct financial assistance for incalculable numbers of crime victims. As such, no other federal legislation has had a greater impact on the lives of our nations' crime victims than the Victims of Crime Act, through the VOCA Fund.

Objective and Operation of the VOCA Fund

The original objective and operation of the VOCA Fund was fairly simple and straight forward from its inception.

The authorizing Act provided that federal fines and appearance bond forfeitures owed by offenders be allocated to the Victims of Crime Fund. In addition, the Act established a special penalty assessment for individuals and corporations convicted of federal offenses which were also to be paid into the Fund.

Federal courts, prison system officials, and U.S. Attorneys were given the primary responsibility for enforcement of orders to collect not only fines, fees and assessments, but also for collecting court-ordered restitution.

Once deposited into the Fund, the Office for Victim Assistance was empowered to distribute these monies to the States in the form of formula/block grants. These block grants were primarily designated for two specific purposes:

1. To provide financial support to individual crime victims through state victim compensation programs; and
2. To provide financial assistance to direct victim service providers (or sub-grantees) through state distribution programs.

Impact of the Federal Victim Compensation Program

In many ways, the state crime victim compensation programs supported by the Fund arguably have a greater measurable impact on individual victims than any other government-sponsored program.

Violent crime leaves most victims not only psychologically traumatized and physically devastated, but also financially destitute. Medical and counseling bills, often amounting to tens of thousands of dollars, are incurred by victims often at the same time they are suffering a loss of income due to their absence from work or due to an incapacitation which resulted directly from their victimization.

In 1989, the estimated cost of violent crime to victims was \$1.5 billion. For the majority of victims who do not have private insurance or financial assets to fall back on, compensation may be the only hope they and their families have of avoiding financial ruin.

Apart from their implications for victims' financial conditions, such resources are often critical to victims' physical and psychological recovery. Compensation can have a dramatic impact on the quality of life for victims struggling to recover from their victimization.

Compensation can provide victims with the medical procedures necessary to allow them to escape lives of constant physical pain they suffer as a result of injuries inflicted upon them by their perpetrators.

Compensation allows child victims to seek the counseling they need to prevent their mental and emotional retreat into a silent world of fear, mistrust, trauma and self-blame.

Compensation also affords victims the physical therapy they require to enable them to return to work so they can continue to support themselves and their families.

Indeed, these funds can mean the difference between financial ruin and economic survival for many of the victims fortunate enough to receive this assistance.

While compensation is of critical importance to the physical, emotional and financial well-being of crime victims, the collection and distribution of court-ordered restitution can play an equally valuable role in the recovery of many crime victims.

Impact of Restitution

In some respects, restitution offers more restorative value to federal crime victims than does government sponsored compensation programs.

By requiring offenders to pay their victims for the harm resulting from their criminal acts, restitution provides a measure of direct accountability that helps satisfy crime victims' desire for justice while engendering a greater sense of personal responsibility among perpetrators.

Studies have indicated that in many cases there is a positive correlation between restitution and recidivism rates. Offenders who are held financially responsible to their victims seem to develop a greater appreciation for the human consequences of their acts in a way that deters further criminal behavior—particularly among young and first time offenders who commit lesser crimes.

But apart from serving the greater interests of justice, restitution serves a more practical purpose in the lives of Federal crime victims—they help provide the critical resources that are essential to their recovery. As stated by the President's Task Force on Victims of Crime:

. . . No amount of money can erase the tragedy and trauma imposed on [victims]; however, some financial redress can be an important first step in helping people begin the often lengthy process of recovery. For some, this modest financial assistance can be the lifeline that preserves not only some modicum of stability and dignity but also life itself. . . .

Currently restitution is a vastly under-utilized approach to restorative justice. Restitution in criminal cases is rarely ordered, rarely collected and rarely distributed. This is due in part to judicial reluctance to order it and in part to the inadequacy of administrative resources and systems.

However, several proposals currently pending in Congress, which would make full restitution mandatory in every criminal case, may dramatically reverse the current policies regarding the frequency with which federal restitution is ordered, placing unprecedented demands on current administrative structures.

These federal proposals, including the growing number of similar measure being introduced at the state level, are evidence of the growing public sentiment in favor of holding offenders responsible for the harm they inflict on their fellow members of society.

Impact of the Federal Victim Assistance Program

Yet crime victims need more than to recoup their financial losses—they also need the assistance of victim service providers and advocates. Since the 1970s, victim assistance organizations and entities throughout the nation have provided support and assistance to crime victims, including crisis intervention, counseling, emergency financial assistance, personal advocacy, emergency shelter, transportation, child care, employer intervention, and information about the criminal justice process.

These support services are critical to a victim's psychological and emotional well-being. Information and counseling offered by experienced service providers help victims cope with the stress and trauma associated with the crime and their participation in the criminal justice process. In fact, their intervention is often critical to gaining the victim's cooperation and effective participation in the prosecution of violent offenders.

More than 8,000 victim service organizations and agencies constitute the backbone of the victims' movement. Yet the vast majority of organizations and agencies are forced to operate on extremely limited budgets. For many, VOCA money has become an indispensable portion of their funding base.

Indeed, VOCA funding is the life-line that keeps many victim organizations afloat. Though the average grant to such organizations is relatively small (averaging less than \$20,000), for agencies operating on a shoestring, VOCA contributions often represent a considerable portion of their annual operating budgets. State funding and private donations comprise the remaining portion of their funding base.

Together, these organizations and agencies serve millions of crime victims each year, representing every category of victimization from child abuse and domestic violence to sexual assaults and drunk-driving to simple assaults and homicides.

In many cases, victim advocates operating out of prosecutors' offices are the only officials in the criminal justice system specifically assigned to protect the rights and interests of crime victims. Many of these system based advocacy programs are direct beneficiaries of VOCA Funds.

Growth of VOCA Funding and the Demand for Assistance

Funding for victim compensation and victim assistance programs has increased dramatically during the last 10 years.

VOCA Fund collections alone have grown from \$68 million in 1985 to a high of \$221 million in 1992.

This year VOCA will distribute almost \$64 million to state victim compensation programs and \$79 million to states for victim assistance programs.

As funding has grown, so have the number of victim compensation and victim assistance programs.

In 1986, approximately 2,000 service organizations existed to provide victims with assistance and advocacy. We have witnessed a 400 percent increase in that number over the last 9 years.

Yet despite the growing number of victim service organizations, the demand for such services continue to outstrip the supply by a considerable margin.

In other words, there simply are not enough resources to meet the basic needs of our nation's crime victims.

Let me mention a few examples to illustrate the critical shortage of victim services across the country.

Typical is the case of the Jefferson County Domestic Violence Shelter in Arvada, Colorado. In 1993 alone, 524 domestic violence victims were turned away for lack of space, including 222 children.

Washington State recently funded a program to provide assistance to male victims of sexual assault (young males being the most common target of pedophiles). The program had resources to serve about 50 clients. Within 3 months, it had received applications from more than 500 victims.

Even in the city that has been witnessing the most highly publicized domestic violence trial in this nation's history, domestic violence victims are still grossly undeserved. The Los Angeles District Attorney's office files over 6,000 domestic violence cases each year. Since this represents only those cases that are reported, the actual number of domestic violence cases in Los Angeles is much higher. Yet, the combined number of beds available in all the domestic violence shelters throughout Los Angeles County total fewer than 420, which means more than 5,500 women are left to fend for themselves. Some end up living in their cars—some end up living on the streets. It's tragic and ironic that these women feel safer on the streets of Los Angeles than they do in their own homes.

Despite the nation's growing awareness and concern over the issue of domestic violence, resources allocated to address the problem are woefully inadequate. Domestic violence continues to take a back seat to other concerns as is evidenced by the fact that there are more animal shelters in the United States than there are domestic violence shelters.

Perhaps the greatest tragedy of this famine of funding is that there are thousands of individuals willing to work at subsistence salaries or to volunteer full-time in order to provide the services and assistance crime victims are literally dying for.

For example, Tennessee only has enough money to support a modest salary for one full time victim advocate for drunk driving victims—this in a state that saw 480 deaths and several thousand injuries due to drunk driving last year alone. Despite the overwhelming case load, Karen Lynch is making a difference in the lives of victims. Just ask the women who became suicidal after her sister was killed by a drunk driver who ran a red light. Ms. Lynch was able to provide the crisis intervention that likely saved that young women's life.

Sexual assault victims in Tennessee fare no better. The State's six rape crisis centers serve an estimated 3,000 sexual assault victims spread over 94 counties. Faced with such overwhelming numbers, centers are left with no alternative than to turn victims away.

Despite the request of service providers seeking funds to develop programs to provide assistance to under-served or unserved victim populations, most states simply lack sufficient resource to support such noble undertakings.

In fact, virtually every state is forced to reject applications from prospective service providers seeking VOCA assistance. Rejections run as high as 40 percent in some states, leaving entire populations and geographic regions with virtually no victim services.

Growing Need During the Economic Squeeze

The demand for victim assistance and services has grown dramatically in recent years. This is due in part to a greater awareness among victims of the availability services and in part to the greater willingness of victims to report crimes to authorities. The growing pressure placed on existing services by this increased demand is occurring just as available resources for such services are declining.

Virtually every program administrator and service provider to whom I have spoken in the last year indicated that financial support from every source has diminished considerably.

Many private contributors and charitable foundations are being forced by their own dwindling funds to either curtail their contribution to victim organizations or withdraw their support altogether.

State funding for both victim assistance and victim compensation are being scaled down as a direct result of budget cuts or reductions in the collection of fines and fees earmarked for victim services.

Bearing in mind the fact that many organizations are forced to operate on marginal budgets, the reduction in funding could harbor disastrous repercussions for their operations and survival. Many are already being forced to curtail services, while others are forced to divert scarce resources away from victim services toward fundraising. Sadly, some are simply being forced to close their doors.

Compensation programs too suffer from a chronic lack of funding. Numerous states, where the victim compensation fund is insufficient to cover compensation claims, have been forced to create waiting lists. Some victims have to wait up to a year or more before they receive their first check—this despite the fact that the need for financial assistance is most acute in the first few weeks following victimization. When compensation for medical assistance and counseling do finally arrive, years after the fact, it is often too late to have any real impact. As one advocate put it, "Compensation delayed is compensation denied."

Due to the severe economic downsizing in both their public and private funding bases, victim service agencies find themselves in the position of ever-increasing reliance on VOCA Funds.

The financial crunch is quickly becoming a financial crisis for almost all victim service organizations. Organizations are not only losing ground due to the crisis, but many are threatened with extinction.

The need for additional Federal assistance is becoming absolutely imperative if victim services are to survive. Every possible source of additional revenues should be fully explored. Ways to enhance fines, fees and forfeitures as a funding source should be carefully examined. However, increasing the amount owed by offending individuals and entities will have no effect unless these debts are actually collected.

By conservative estimates, there are more than \$4.5 billion in outstanding criminal debt currently in the United States. If even 3 percent of that amount could be secured by additional collection efforts, the resulting \$135 million would go far to ease the current financial crisis.

Role of the Fine Center

The extent to which VOCA funding can assist crime victims is directly proportional to the amount of federal fines ordered and collected. The fine collection process involves a series of successive steps carried out by various criminal justice officials. From the moment a fine is ordered, the debt must be recorded, fines must be collected either with the cooperation of the offender or through execution and enforcement; the collected proceeds must be processed and disbursements must be made to the VOCA fund or to crime victims directly.

As with all with all linear processes, the chain is only as strong as its weakest link. Historically, there has been a consensus that administration has been the weak link in the Federal criminal debt collection process. It was for this reason that the Federal Fine Collection Center was created. As described in its own educational booklet the Fine Center was intended to be;

. . . a centralized, automated data base of current information on the payments of fines, restitution, forfeitures of bail bonds or collateral, and assessments imposed by the courts in all felony and some misdemeanor cases.

Its stated purpose was to:

. . . perform the accounting and administrative support for fine and restitution collection, including the acceptance of payments, the furnishing of current balances, the computation of interest and penalties, the dispatch of monthly statements and notices to debtors, the tracking of delinquencies and defaults, and the generation of national statistics on fines.

and, through the use of modern technology to;

provide for the faster, more efficient collection of money and the elimination of duplicate records and efforts.

To date, AOUSC has spent 6 years and at least \$6.7 million to develop and implement the Federal Fine Collection Center. By the end of fiscal year 1995, they will



have spent or obligated \$10.9 million—all of which was allocated directly from the VOCA fund.

Fine Center's Progress

When the Victims of Crime Act originally designated a portion of the criminal debt proceeds to the AOUSC to assist with further collection efforts, it did so with the support of crime victims. Even though these substantial sums could have otherwise been used to assist crime victims and victim service programs in the short term, victim advocates understood that before the money could be spent it must first be collected. They assumed that by spending a little now to establish an efficient and effective collection system, it would return greater sums to the fund by way of increased collections in the long run.

Members of the victims movement believed that the millions spent to improve the collection process was a good investment that would not only pay for itself, but which would yield far greater dividends over time.

When I testified before this committee last year, I suggested the analogy between investment in the Fine Center and investment in a business venture. I've heard AOUSC staff use similar phraseology.

Given the many parallels between the two, I feel the analogy is not only useful in understanding the purpose underlying the project, but a very appropriate means by which to evaluate it.

As we've heard from the testimony given today, the answer to the question of whether the Fine Center is succeeding as an enterprise depends on who you ask and by what standard success is measured.

It is my opinion that the progress and success of the Fine Center's centralization and automation program as such be measured by the same standards as those used to evaluate similar projects in the real world.

I believe that the members of this committee, acting as the *de facto* board of directors of this enterprise, have the right to hold those in charge of managing it to the same performance standards as would their counterparts in the private sector.

I can think of no reason why the members of this committee should expect anything less of its managers simply because they are part of the public sector.

Crime victims, as the primary beneficiaries and stakeholders, if not the stockholders, of this enterprise, should not have to expect any less, and shouldn't expect their elected leaders to accept anything less.

Indeed, I think one of the primary purposes of this hearing today is to determine whether those in charge of the projects have met expectations—whether or not they are getting the job done.

To get the answer, we can start by looking at the Annual Report or, in this case, the GAO Report.

I must admit from the outset, I found the contents of this report troubling, particularly in light of the testimony we have heard here today.

As the report states, the primary mission of the Fine Center is to centralize and automate the criminal debt collection process. The GAO recounts how AOUSC developed a plan to establish a Fine Center in Raleigh, North Carolina expressly for that purpose.

AOUSC spent 4 years and \$5 million allocated from the VOCA fund attempting to establish a centralized automated information system. But when its attempts to develop and install a nationwide computer system failed, the project plan was abandoned.

Had this been the private sector project, and the management team had spent 4 years and \$5 million and then had no functioning system to show for, it is doubtful whether those responsible would have been given more time and more money to try again.

But this committee, I believe, in an effort to give those involved the benefit of the doubt, granted them a temporary reprieve. Despite the fact that members of this committee expressed their dissatisfaction with the progress of the project during last years hearing, this committee granted AOUSC an additional year to develop and begin implementation of an alternate plan. GAO has reported the results of those efforts.

The GAO has summarized the current status of that plan and the process by which it is being implemented. In essence, it describes a process whereby the Clerk of Court staff fill out forms containing basic information about each case and mail them to the fine center. In addition, Clerk of Court staff, probation offices, and U.S. Attorney offices are required to submit manually prepared account maintenance forms to the NFC when information about the debtor or account changes. NFC staff enter the information into an accounting software package it purchased off the shelf for several thousands of dollars. The package performs basic account calculations

and generates a billing which is then sent to the offender. However, NFC staff calculate interest rates and penalties for these accounts by hand. Upon receipt of payment, NFC staff manually calculate what percentage of such payments are to be paid to the victim before such disbursements are made.

I don't pretend to be a computer systems specialist, but I doubt that anyone who is could honestly say that such a process meets their definition of an automated system. But more importantly, I have to wonder how any corporate CEO presented with such a system by his IMS department would react.

I also wonder what his reaction would be if he had waited 5 years and had spent more than \$7 million dollars for such a system. I think I know what the stockholders would say.

The GAO report also indicates that 25 judicial districts are currently sending information on new criminal debt accounts to the NFC. The AOUSC considers these jurisdictions to be "on the system". They are also quick to point out that this is two more jurisdictions than they had originally scheduled—which means that they are not only on target, but actually ahead of schedule.

Setting aside for the moment the question of whether these jurisdictions on the system are truly part of a "centralized" and "automated" system, they still only represent barely a quarter of the total number of districts.

Again, considering the investment of time and money, would this be considered acceptable performance by private sector standards?—particularly when you consider that these are the 25 smallest districts.

In the end, the true test of the current debt collection system is what it actually has collected. Again, the GAO reported that in the 13 districts for which they had information, the system has collected 6 percent of the outstanding balance in those districts. While the information is not available, the amount collected as a total percentage of the outstanding debt in all 94 judicial districts would surely be much lower.

Again, we are being asked to settle for a 6 percent solution. Would the chairman of the board in a private enterprise be willing to settle for a 6 percent solution?

If a collection system in national retail chain collected less than 6 percent of its accounts receivable in less than a third of its stores and 0 percent in the remaining two-thirds over a year, would it be considered acceptable performance?

In the real world, such performance would not only be considered a failure, but would surely have caused the business to fail after only a few months of operation.

It is ironic that in our current situation it's the victim service organizations and agencies that are closing their doors as the result of our failed fine collection system. More importantly its crime victims who are ultimately paying the heaviest price for our failures.

The real tragedy of these failure is not so much the millions of VOCA dollars that have been wasted during the course of this program or even the millions of dollars of criminal debt that never were or never will be collected. What breaks my heart is the thought of the thousands of crime victims who were denied the essential assistance they so desperately needed, simply because the AOUSC was unable to solve a basic account automation problems that is solved everyday in the private sector in far less time with far less money.

Even more frustrating is the fact the AOUSC seemed to be surrounded by solutions. Private firms such as Anderson consulting who specialize in solving such problems apparently offered AOUSC a solution more than a year ago. Even within their own department, automated systems such as the CVB system and the civil system, currently about to go on line, seem to offer ready-made solutions to NFC's current information management dilemma. Yet these solutions have largely been ignored.

AOUSC has said here today that they are well on their way to solving the criminal debt collection problem. They said they are confident that they can complete the system. But the question remains—when and at what cost?

They indicate that they are not scheduled to begin the second phase of the automation process until September of 1996. In effect, they are asking Congress to wait at least another year. More importantly, they are asking crime victims to wait at least another year before they can reap the full benefits of a completed collection system.

The problem with this is that crime victims and the programs that serve them don't have a year to spare.

My question is, "Who is going to tell them?"

Who is going to tell the women on the waiting lists at virtually every domestic violence shelter in the nation that they are going to have to wait another year to escape the brutality and abuse that is a daily part of their lives?

Who wants to explain to a rape victim in Tennessee who was turned away from a rape crisis center why technical difficulties with computer systems in Washington is the reason she can't get the help she needs to put her shattered life back together?

Who wants to explain to a drunk driving victim who has been permanently paralyzed that they are being denied their right to restitution because the system lacks the administrative capability to collect and disperse restitution payments in their part of the country?

AOUSC says they need more time, but all these victims are out of time. And for the thousands of Americans who will be victimized this year, next year or the year after that will be too late.

This committee has the power to decide the fate of this criminal debt collection program, but I urge the members of this committee to remember that it is the crime victims who literally have to live or die with whatever decision is made.

For me, it comes down to this bottom line: Congress has given AOUSC the money and the time they've needed to get the job done. In fact, you've extended that deadline once already. Despite these dispensations, the completion date is still years away.

The question now seems to be if those responsible for the project have the means and the motivation can get the job done in a timely fashion and, more importantly, whether they should be given the opportunity?

I can't help but wonder what a board of directors of a private enterprise would decide if faced with the same decision under the same set of circumstance.

I think I can state without fear of contradiction that crime victims, as the primary stakeholders of the project, have little confidence left in those with whom they placed not only their money but their trust.

After 6 years and \$7 million, crime victims are still waiting for an answer.

I'd like to close by reading a portion of the introductory passage of an information booklet published by AOUSC.

When a defendant ignores a court-imposed fine or restitution order, punishment is evaded, not unlike an inmate who escapes from prison.

. . . Imagine the outrage if those responsible for an escaped prisoner's capture sat idly by and made no attempt to locate the fugitive. The reaction should be similar for unpaid fines and restitution orders.

That pretty much sums up the sentiment of every victim and victim service provider I've spoken to about this issue. Every day we delay, more money slip through our fingers, and more offenders slip out from under their responsibility.

Speaking on behalf of the crime victims movement, I implore this committee to take decisive action to fulfill the promise of its legislative mandates by taking steps to insuring the establishment of a fully functional criminal debt tracking and collection system at the earliest possible date.

It seems like it is the least that can be done for those Americans our society failed to protect. And since 5 out of 6 Americans will become victims of crime during their lifetime, we owe it to ourselves and the rest of our nation's citizens.



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