

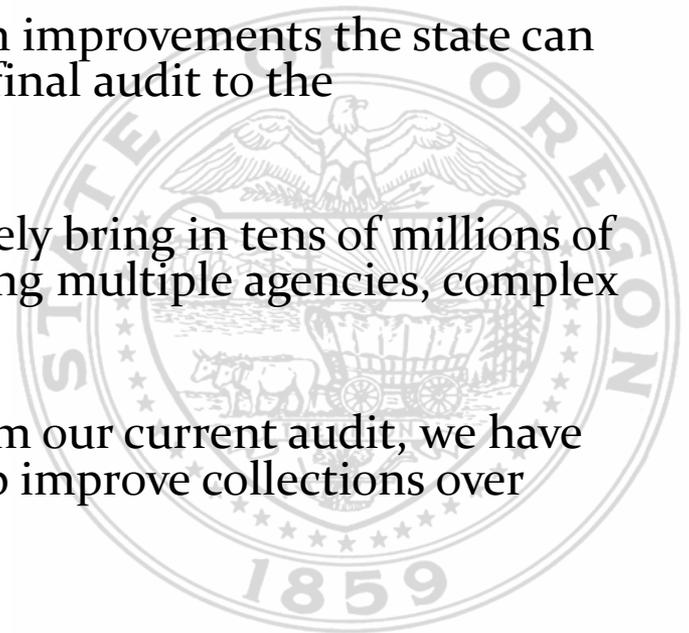
Statewide Collections Audit

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Introduction

- We are working on a performance audit of statewide collections, our sixth audit involving collections since 1997.
- Our audit began at the Department of Revenue and is using DOR data. But it includes eight other large creditor agencies in addition to DOR.
- The audit will be issued this summer, focusing on improvements the state can make to increase collections. We will deliver the final audit to the Subcommittee.
- We do not see “quick fixes” that would immediately bring in tens of millions of dollars. Improving collections is difficult, involving multiple agencies, complex legal issues, and rapidly changing technology.
- Based on prior audits and preliminary results from our current audit, we have identified four legislative changes that could help improve collections over time.



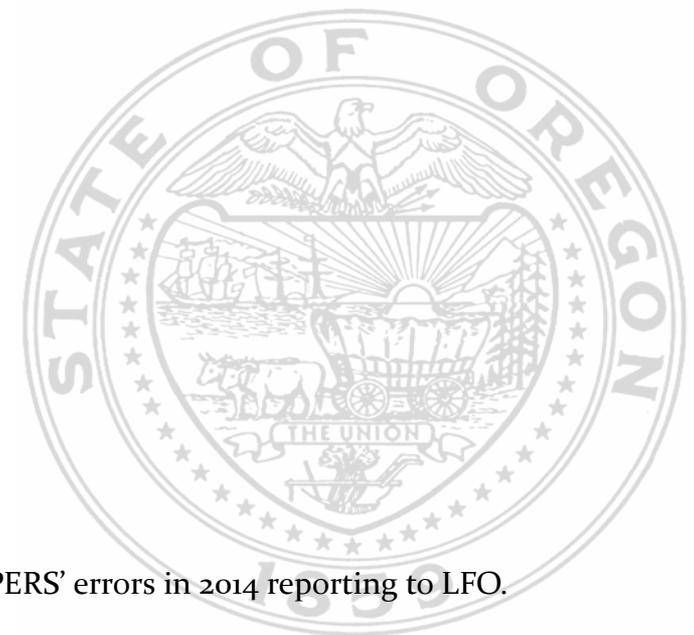
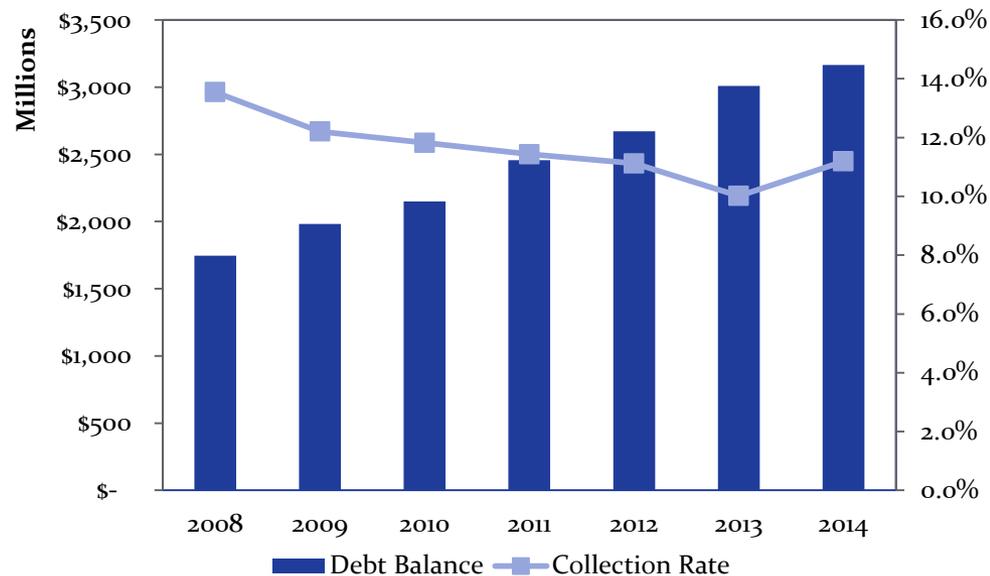
Suggested Changes, in brief

- Establish a central oversight authority.
- Improve performance reporting.
- Address Other Agency Accounts at DOR.
- Authorize state vendor offset.



Background

- Oregon's delinquent debt rose from \$1.7 billion at the end of fiscal year 2008 to \$3.2 billion in 2014, while statewide collection rates dropped from 13.5% to 11.2%.



Excluding DAS amounts, primarily interagency debt; Adjusted to correct PERS' errors in 2014 reporting to LFO.

Background (continued)

- Based on agency management estimates, about half the \$3.2 billion in delinquent debt may be uncollectible.
- But a 13.5% collection rate in 2014 – the rate achieved in 2008 – would have raised an additional \$87 million.



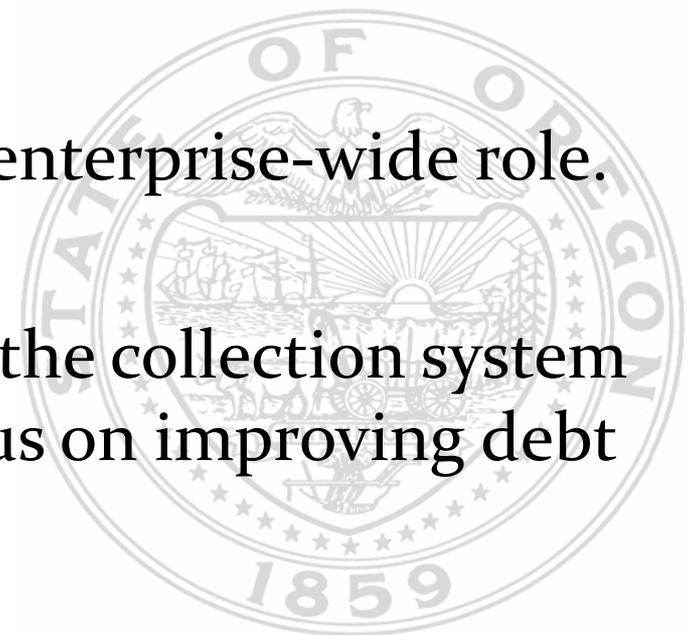
Establish a Central Oversight Authority

Designate DAS as the agency overseeing the transparency and improvement of Oregon's delinquent debt collection efforts.



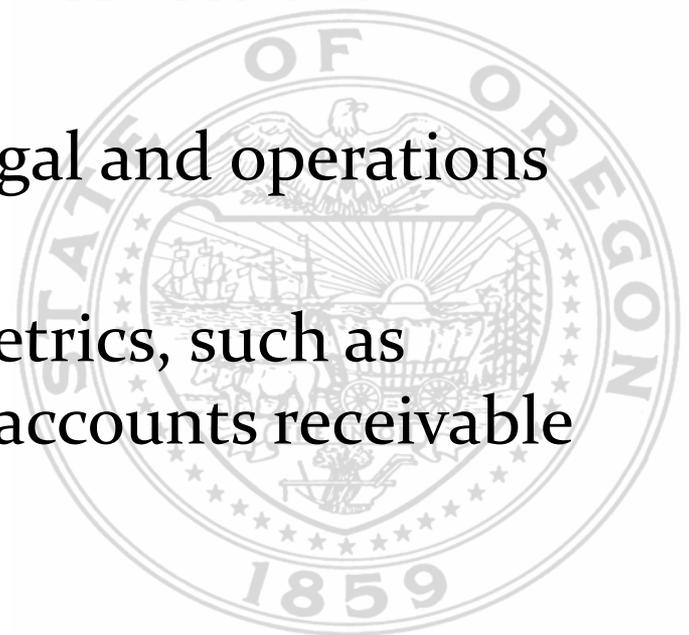
Rationale

- Our discussions with other states indicate an enterprise-wide authority with strategic reporting responsibilities could help make collections a higher priority and improve accountability and transparency.
- DAS is well positioned to take an enterprise-wide role.
- DAS oversight and monitoring of the collection system could help create a long-term focus on improving debt collection.



DAS's Role: Improving Performance

- Identify opportunities for operations improvements and help agencies implement best collections practices.
- Promote debt assignment based on collections performance.
- Track and help resolve complex legal and operations issues surrounding collections.
- Develop standard performance metrics, such as delinquency rates (the percent of accounts receivable that becomes delinquent).



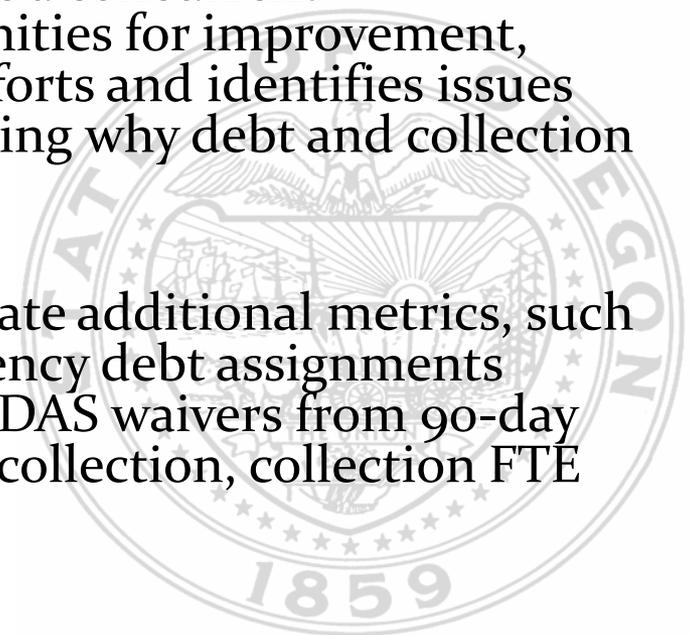
Improve Performance Reporting

- Authorize DAS to conduct more analysis of collection operations and publicly report more performance information, in consultation with LFO, other state agencies and private collection agencies.



Rationale

- LFO's annual reports on delinquent debt are useful. Further analysis and reporting could improve the transparency of Oregon's debt collection efforts and encourage agencies to make improvements.
- As part of its oversight role, DAS can provide a concurrent management report that identifies opportunities for improvement, details the status of agency improvement efforts and identifies issues and trends raised by LFO's reports – explaining why debt and collection rates are going up or down, for example.
- DAS and its partners can analyze and integrate additional metrics, such as individual agency collection rates and agency debt assignments (available from data agencies send to LFO), DAS waivers from 90-day debt assignment, delinquency rates, cost of collection, collection FTE and collection agent caseloads.



Address Other Agency Accounts

- Authorize state agencies to add OAA collection charges to debt assigned to OAA, unless otherwise prohibited by federal law.
- Allow local government to send debt to OAA for offset against tax refunds.



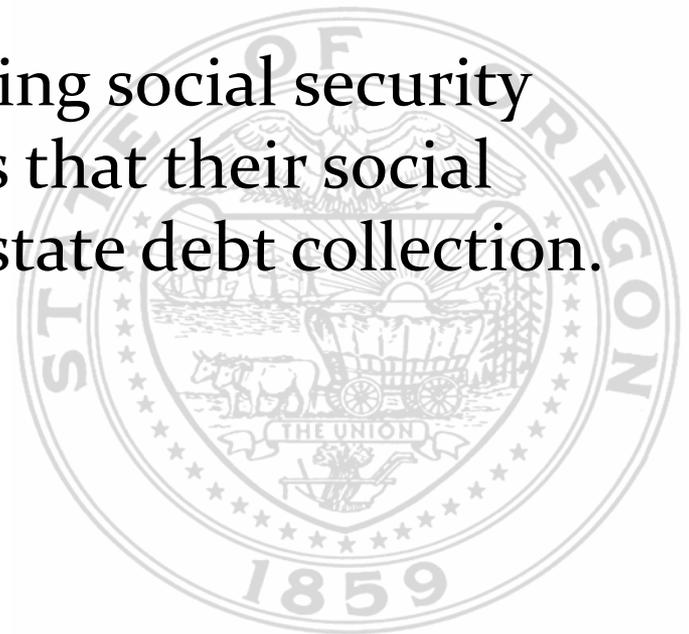
Rationale

- Adding OAA collection charges ensures that debtors are covering the cost of debt collection at the state's central collection unit, not agencies and taxpayers.
- Refund offset is a proven method of debt collection. Government agencies or private collection firms can still pursue collection of local government debt on the offset list.



Authorize State Vendor Offset

- Allow agencies to offset payments to state vendors against their state debt.
- Direct state agencies when collecting social security numbers to disclose to individuals that their social security number may be used for state debt collection.



Rationale

- The state is making payments to over 9,100 debtors who owe the state money.
- Our preliminary analysis indicates state vendor offset could bring in at least \$1 million a year.
- At least 29 states have implemented state vendor offset to improve collections on businesses and at least 40 states have developed a state vendor offset program for individuals.



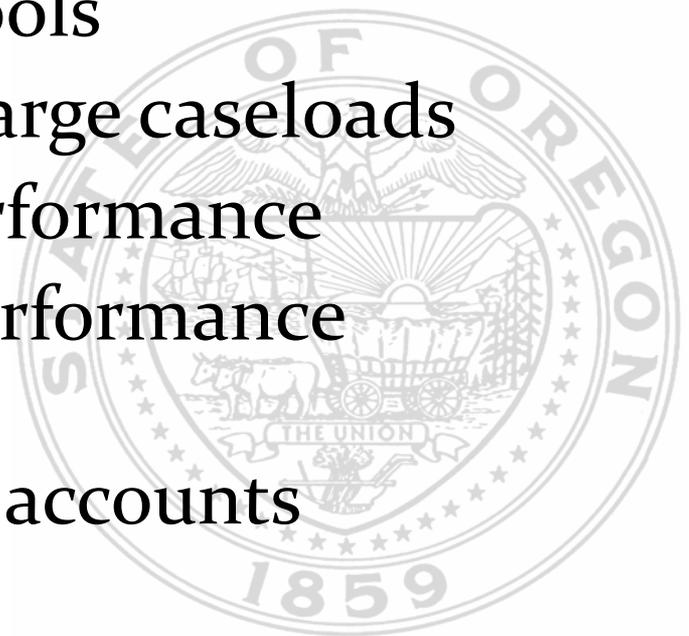
Previous Audits

- We have issued five prior audits on collections since 1997.
- To date many of the recommendations we proposed in prior audits have either not been fully implemented or have been raised as concerns in the current audit work.



Previous Audit Recommendations

- Implement vendor offset
- Expand access to reports of new hires
- Increase access to collection tools
- Address insufficient staffing/large caseloads
- Improve evaluation of PCF performance
- Implement a statewide A/R performance measure
- Periodically review written off accounts



Questions?

