

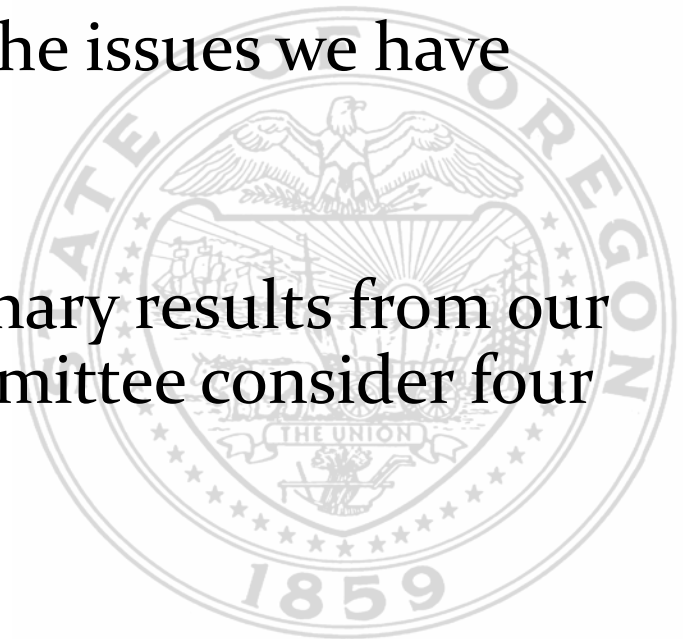
Statewide Collections Audit

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Introduction

- We are working on a performance audit of statewide collections, our fifth collections audit since 1997.
- SB 55 and SB 56 address some of the issues we have identified over time.
- Based on prior audits and preliminary results from our current audit, we suggest the committee consider four additions to SB55.



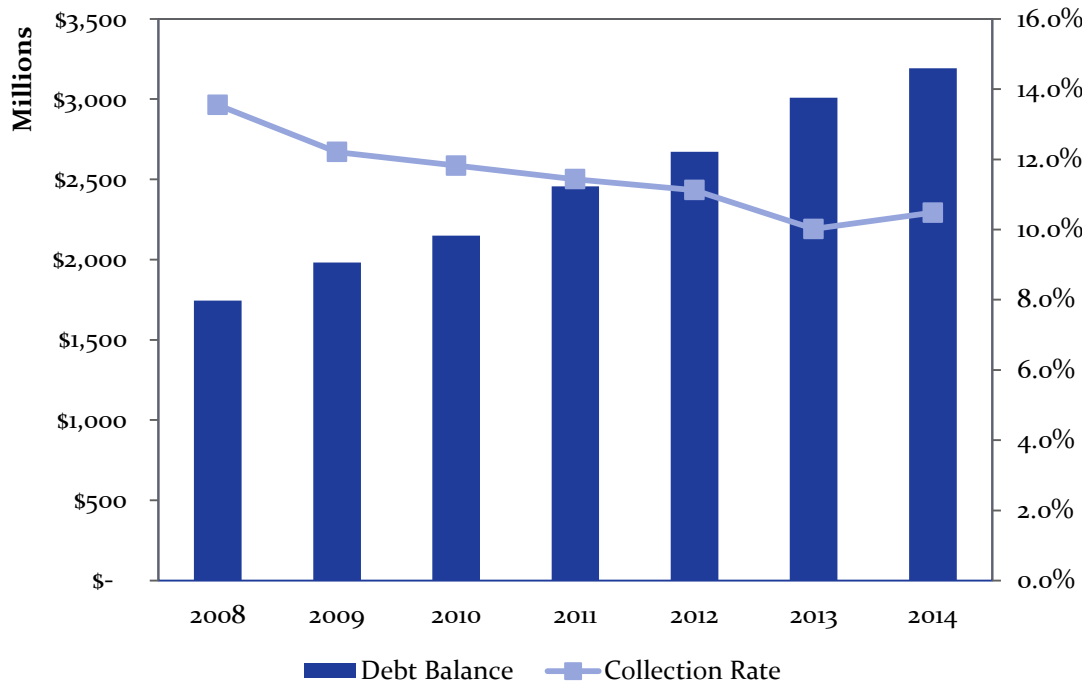
Suggested Additions, in Brief

- 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 10.5%.



Excluding DAS amounts, primarily interagency debt.



Background (continued)

- Based on agency management estimates, about half of the \$3.2 billion in delinquent debt may be uncollectible.
- A 13.5% collection rate in 2014 – the rate achieved in 2008 – would have raised an additional \$115 million.



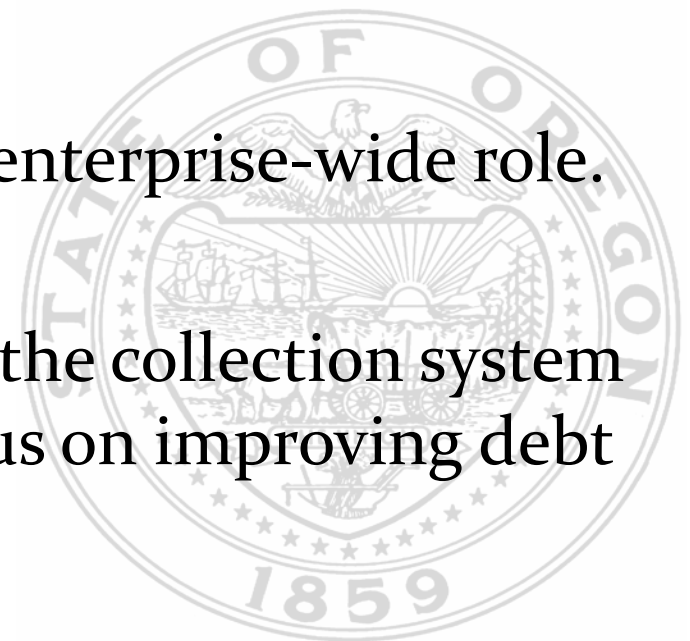
Addition 1: Establish a Central Oversight Authority

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



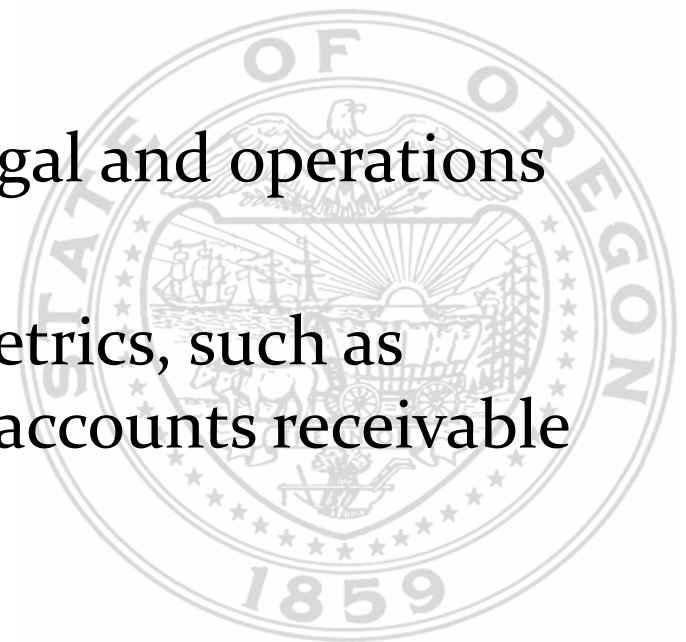
Rationale

- Our discussions with other states indicate that 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).



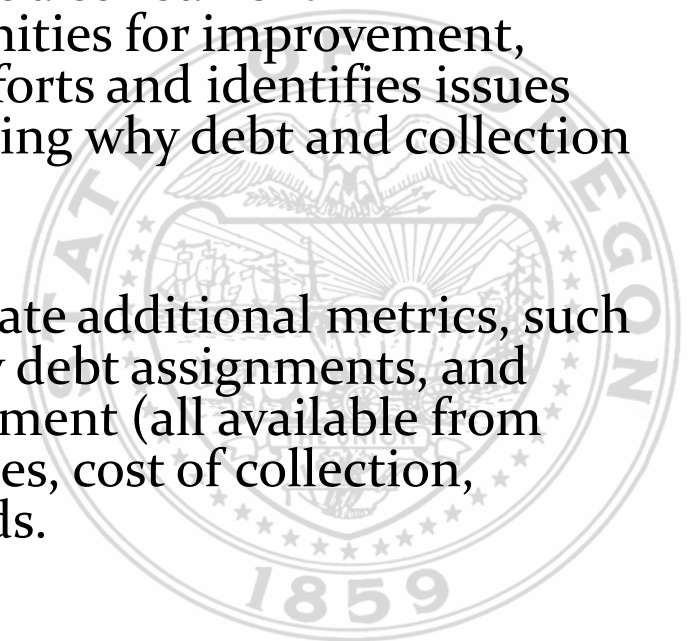
Addition 2: Improve Performance Reporting

- 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, agency debt assignments, and agency exemptions from 90-day debt assignment (all available from data agencies send to LFO), delinquency rates, cost of collection, collection FTE and collection agent caseloads.



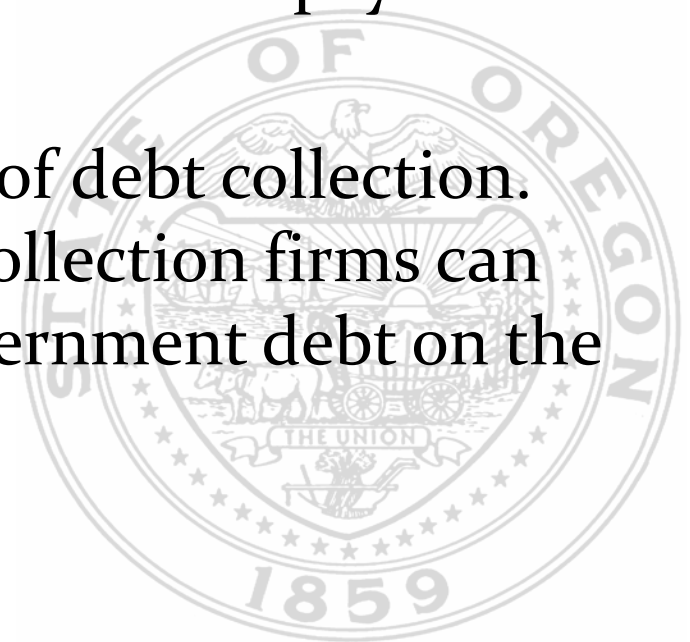
Addition 3: Address Other Agency Accounts

- Include a statement that state agencies have the authority to add OAA collection charges to debt assigned to OAA, unless otherwise prohibited by federal law.
- Retain the provision that allows local governments 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.



Addition 4: Authorize State Vendor Offset

- Include a provision authorizing offsets for payments to state vendors against their state debt.
- Consider additional statutory language to facilitate state vendor offset.



Rationale

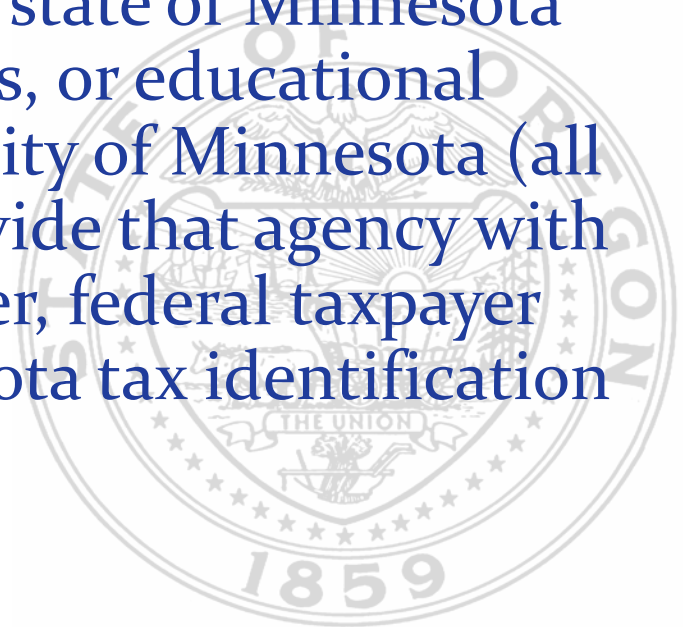
- The bill authorizes offsetting state payments to federal debtors, but not state payments to state debtors.
- The state is making payments to debtors who owe the state money.
- Our preliminary analysis indicates state vendor offset could bring in at least \$1 million a year.
- At least 29 states have implemented state vendor offset to improve collections.



Potential Vendor Offset Language

Minnesota's statutory language could be used to help facilitate vendor offset:

Notwithstanding any provision to the contrary, every person, organization, or corporation doing business (hereafter called vendor) with the state of Minnesota or any of its departments, agencies, or educational institutions including the University of Minnesota (all hereafter called agency) shall provide that agency with either their Social Security number, federal taxpayer identification number, or Minnesota tax identification number.



Questions?

