

PUBLIC TESTIMONY SUMMARY
I-900 STATE AUDITOR'S PERFORMANCE AUDIT:
Debt-Offset Programs:
A tool to help Washington collect delinquent debt
(December 4, 2014)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on December 10, 2014

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Title: Debt-Offset Programs: A tool to help Washington collect delinquent debt

Audit Scope and Objectives:

SAO indicates it designed this audit to answer three questions:

1. Can a state debt-offset program help Washington collect delinquent business debt?
2. Can participation in the U.S. Treasury's State Reciprocal Program help Washington collect delinquent business debt?
3. What actions would Washington need to take to develop and implement effective debt-offset programs?

SAO Findings

- A state debt-offset program could have helped Washington more quickly recover about \$4 million in delinquent business debt in one month.
- Accurate and complete taxpayer data is key to maximizing collections with a debt-offset program.
- Washington could benefit from participating in the U.S. Treasury's State Reciprocal Program.
- Washington could maximize collections with the federal program by collecting complete and accurate taxpayer information and removing a statutory barrier to data sharing.
- Nine states that use their offset programs to collect delinquent business debt recommend the following to develop and implement effective debt-offset programs:
 - Pass legislation that includes key components.
 - Develop processes that are clear and standardized and automate them as much as possible.
 - Provide initial and ongoing training to staff at both the lead and the participating agencies.

SAO Recommendations:

To implement effective debt-offset programs, SAO recommends:

1. The Legislature authorize state agencies to require federal Taxpayer Identification Numbers (TINs) and share payment and debt data for the purposes of conducting state and federal debt offsets, allowing individual agencies to immediately enhance existing collection efforts.

2. The Legislature authorize state agencies to participate in the U.S. Treasury’s State Reciprocal Program.
3. The Legislature establish a workgroup with a directive to develop a proposal for the design and implementation of a state and the federal reciprocal debt-offset programs. To efficiently and effectively implement and administer the programs, the workgroup should:
 - o Design the programs using the leading practices recommended by other states and the U.S. Treasury’s State Reciprocal Program requirements
 - o Identify ways for agencies to obtain accurate federal TINs
 - o Identify necessary process changes and system upgrades
 - o Estimate necessary resources
 - o Identify statutory changes
 - o Report its progress to the Legislature and the Governor’s Office by June 30, 2016
4. Taking into account the workgroup’s June 2016 report, the Legislature authorize a single comprehensive statute to offset debts owed by businesses with payments to those businesses.

Agency Responses in Audit Report?	Yes, beginning on page 21
Legislative Action Requested?	Yes. All four of the above recommendations are to the Legislature.

Agencies Testifying:

Office of Financial Management (Tracy Guerin, Deputy Director)

Summary of Testimony from Audited Agencies:

We’ve provided the Committee with information on the amount of money Washington agencies have recovered by participating in three programs within the federal Treasury Offset Program. We are considering requesting legislation in 2016 to remove some barriers for participation in an additional federal offset program.

The social implications of an automated debt offset program are important, since we are talking about small businesses, boarding homes, nursing homes, etc. If we were to just do an automated grab or seizure of property, it has the potential to put these entities out of business, putting them at risk of then needing social services, or creating a risk of their not serving our under-served or at-risk populations. The agencies feel strongly that, while it may make sense to look at a centralized or automated debt collection opportunity, we need to remain aware of the human factors so that we don’t have unintended consequences.

We have moved forward on an effort to replace our core financial management system. The effort includes a look at our business processes to make sure they are as lean as possible. When we look at the debt offset module of the system, we will work with the agencies reviewed in the audit and others to ask how our business processes can work to collect debt in the most appropriate and socially responsible way.

Other Parties Testifying:

(No other parties signed in to testify)

Summary of Testimony from Other Parties:

(No other parties signed in to testify)