



Georgia Department of Audits and Accounts Performance Audit Division

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Why we did this review

This follow up review was conducted to determine the extent to which the Office of Planning and Budget and the State Accounting Office addressed the recommendations presented in our September 2015 performance audit (Report #13-26).

The 2015 performance audit compared Georgia's system for debt collection management to a set of components necessary for an effective debt collection system.

The report was also intended to serve as a guide for state entities to use in reviewing their debt collection management strategy to ensure the system is operating in an effective manner.

About Debt Collection Management

A debt collection management system is the structure, policies, and procedures used to maximize the amount of revenues that are ultimately collected.

Collection policies establish when a debt is considered delinquent, and how and when delinquent debts are pursued. Collection procedures generally begin with contacting a debtor at standard intervals to request payment and may escalate to imposing consequences for continued non-payment.

Follow-Up Review Components of Effective Debt Collection

Issues raised in original audit have been partially addressed

What we found

Since our 2015 performance audit, the Office of Planning and Budget (OPB) and the State Accounting Office (SAO) have taken steps to address report recommendations.

The original audit found that each state entity was responsible for developing its own policies, procedures, and methods to manage and collect its overdue non-tax debt. The report noted that state-level leadership was needed so that there is sufficient assurance that appropriate efforts and methods are being employed across all state entities. While SAO is charged by law with the responsibility of ensuring the collection of debt owed to the state, its efforts had been limited to collecting information for the purpose of issuing the state's financial reports as opposed to providing tools and guidance related to the actual collection of debt. Insufficient efforts to collect debt owed to the state may result in uncollected debt.

Both OPB and SAO generally agreed that there were opportunities to improve state processes overall and that specific improvements could be made to non-tax debt collection efforts. Since the original audit's release, SAO has revised statewide non-tax debt collection policies to provide more guidance to agencies. In June 2017, SAO issued a revised policy outlining the process for agencies to write-off receivables and provides criteria for determining when receivables should be considered uncollectible debt. The original policy was limited to directives for defining how to disclose uncollectible receivables in financial statements, how to age an outstanding receivable and discussed the various accounting methods. The revised policy contains guidance for writing off

uncollectible debt and outlines criteria based on whether the debt is under or over \$100. The revised policy establishes the write-off limit for the University System of Georgia, Technical College System of Georgia, health insurance funds, and the Department of Labor.

SAO reported that it assessed the state's non-tax debt after the 2015 performance audit. It found that the three agencies (University System of Georgia, Technical College System of Georgia, and State Road and Tollway Authority) with the largest non-tax debt balances (not related to federal offset programs) have debt collection mechanisms in place to collect outstanding debt. In addition, it found high debt balances in intergovernmental receivables across the state. However, these balances are eventually paid and do not pose a significant risk.

SAO also indicated that it adopted a new form within the annual Comprehensive Annual Financial Report (CAFR) process for state entities to report unrecorded receivables and payables. SAO reported that it has not identified any material unrecorded receivables using this process. SAO began using the Unrecorded Receivables and Payables form during fiscal year 2016 and includes the data collected in the CAFR annually. Prior to developing this form, SAO did not have a process for collecting data regarding unrecorded receivables.

The General Assembly passed legislation that increases the tools available to certain agencies for collecting non-tax debt. In 2015, the General Assembly passed legislation (House Bill 275) that added the Georgia Lottery Corporation as a claimant agency for debt collection by offset. State law authorizes claimant agencies to request that the Department of Revenue offset any income tax refund due to an individual taxpayer against the certified debt the taxpayer owes to the claimant agency or court. Claimant agencies, which may request payment for debts greater than \$25, are awarded funds according to their priority order. House Bill 150, which was passed in 2018, added the State Road and Tollway Authority (SRTA) as a claimant agency to collect debt owed for violations through setoff by the Department of Revenue.

OPB and SAO noted that the state participates in federal tax, unemployment, child support, and Supplemental Nutrition Assistance Program debt offset programs; however, the state does not participate in the non-tax debt offset program at the federal level. SAO concluded that it would not be in the best interest of the state to expand the federal offset program.

In the original audit, we recommended that the state consider either implementing state-level collection guidelines, establishing a central agency to provide debt collection management services, or continuing decentralized debt collection with improvements made by individual state entities. OPB and SAO continue to disagree with the recommendation to create a centralized debt collection function within the state. According to OPB and SAO, having a decentralized approach for debt collection does not necessarily indicate an inefficient or ineffective process. OPB and SAO expressed concern that our previous performance audit did not calculate the expected return on investment resulting from a centralized debt collection function.

OPB & SAO Response: SAO noted that this report “accurately reflects the actions taken and the positions of management.” OPB did not have any comments regarding the report.

A copy of the 2015 performance audit report may be accessed at <http://www.audits.ga.gov/rsaAudits>.

The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at www.audits.ga.gov.