

HOUSE COMMITTEE ON AUDITS

March 22, 2005 Hearing Room D

8:30 A.M. Tapes 45 - 47

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

STAFF PRESENT: Jim Keller, Committee Administrator

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2474 – Work Session

Charge-Off Audits – Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 45, A

002 Chair Krummel Calls the meeting to order at 8:35 a.m. and opens the work session on HB 2474.

HB 2474 – WORK SESSION

007 Jim Keller Explains HB 2474 and notes that there is no revenue or fiscal impact or subsequent referrals.

013 Rep. Butler States he had asked the deputy administrator about the vendor collected administrative fees and there is an established policy in place.

029 Chair Krummel Requests staff to distribute the information to the committee.

032 Rep. Butler **MOTION: Moves HB 2474 to the floor with a DO PASS recommendation.**

035 **VOTE: 5-0-0**

AYE: In a roll call vote, all members present vote Aye.

Chair Krummel The motion CARRIES.

REP. BUTLER will lead discussion on the floor.

035 Chair Krummel Closes the work session on HB 2474 and opens the informational meeting on charge-off audits.

CHARGE -OFF AUDITS – INFORMATIONAL MEETING

059 Cathy Pollino Secretary of State Audits Division. Provides background to explain what the department has done in terms of charge off audits. Explains the three categories the department reviews in terms of charge-off audits. Describes the types of debt the department looks at. Explains the work the department has previously conducted.

153 Rep. Butler Inquires how the department matches the data.

156	Pollino	Responds the initial match is the social security numbers.
167	Rep. Butler	Comments the Department of Human Services had stated social security numbers were not collected.
175	Pollino	Responds about the requirements to provide the social security number.
181	Rep. Butler	Comments that most agencies cannot collect social security numbers. Provides an example on how departments go about tracking data.
242	Pollino	Comments the Audits Division spent half of their time on legality issues in regards to collecting information to conduct the audit. Notes the information came from the Department of Higher-Ed and the Department of Employment, but they could not provide the information to the agency to collect due to confidentiality. Comments on the complexity of confidentiality.
278	Rep. Butler	Comments on legislation allowing databases to be compared in regards to the complexity of confidentiality.
306	Chair Krummel	Inquires if the department was able to distinguish the difference between providers who had been over-paid and the percentages thereof.
314	Pollino	Responds she will find the information and provide it at a later time.
320	Sandy Hilton	Audit Manger, Secretary of State Audits Division. Submits the Oregon University System (OUS) Written-off Debt Audit Report (EXHIBIT A) and the Debt Collections Audit Report (EXHIBIT B) . Explains the results of the audit. Refers to (EXHIBIT A, page 2) and explains the range of debt chart.
399	Rep. Butler	Inquires if there are adequate controls over the management of the debt.
413	Hilton	Responds the internal controls are outside the scope of the audit.

TAPE 46, A

003	Hilton	
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		Continues to present the results of the OUS Audit Report. Explains the recommendations. Explains the procedures for debt tracking and matching.
062	Hilton	Explains the recommendations for the data collection efforts.
069	Rep. Rosenbaum	Refers to page two and inquires about the threshold that invokes the collection.
079	Hilton	Responds they do not look at anything under \$25.00 and the department does look at the amount of effort to collect.
086	Rep. Rosenbaum	Comments on the concentration of the review.
095	Pollino	Responds there are other options to notify departments inexpensively.
101	Rep. Butler	States that he would like to know the nature of the debt and the collection activity at the university level.
121	Chair Krummel	Inquires if the lack of communication is due to barriers in state or federal law.
126	Rep. Butler	Comments on the ways to receive information and comments on the steps needed to address issues in regards to accessing information for collection purposes.
152	Chair Krummel	Responds it is an issue to be addressed. Inquires about the amount of debt due to student loans and promissory notes from students and library fines.
161	Hilton	Responds the codes including housing, student loans and miscellaneous items.
185	Chair Krummel	Comments on the payment mechanisms and the consequences for non-payment.
220	Mike Green	Controller, Oregon University System. Responds the information regarding the debts incurred can be provided later.

233	Chair Krummel	Inquires if the internal controls are strong enough and if not, is there something the legislature can help with, to allow the University System to collect on debt.
241	Green	Responds the controls are strong. Comments on student accumulations and the roll over debt policies for students.
268	Chair Krummel	Inquires about needing assistance for access.
274	Green	Responds the information source is minimal but concurs with the Audits Division in regards to issues over collecting the debt.
290	Larry Hinton	Section Manager, Oregon Department of Revenue. States the Department of Revenue now looks at data from employment, because of the audit. Comments about a request for a high level of automation to allow access to wage information. Comments on the confidentially challenges. Comments that when a person is asked for a SSN, the person has to be informed as to the reason.
374	Chair Krummel	Inquires about assistance for access to information for collection purposes.
385	Hinton	Agrees that it would be helpful. Notes they have been working on feasibility study in regards to non-compliance. Comments many states have combined the Department of Revenue with the Department of Employment to help with the access problems.

TAPE 45, B

004	Hinton	Responds to the difference between written-off debt and cancelled debt within the departments. States the Department of Revenue does not write-off debt, but can cancel debt.
023	Rep. Butler	Clarifies that the debt is only cancelled after all other efforts to collect have been exhausted.
025	Hinton	Concurs.
034	Rep. Butler	Inquires if Oregon is unique in regards to collections.
038	Hinton	

Responds numbers have been compared for the age of debt accounts turned over to private collections.

060	Rep. Butler	Inquires if the mechanisms are in place to collect debt.
068	Hinton	Responds Oregon is usually above average.
081	Chair Krummel	Inquires if the private collection agencies are restricted to file lawsuits against obligators.
091	Hinton	Responds he is unsure. Comments the tools for the private sector are limited.
104	Chair Krummel	Inquires if that is a legislative barrier.
109	Hinton	Responds about jurisdictional barriers.
121	Rep. Butler	Inquires about the efforts for debtors who leave the state.
143	Hinton	Responds about the broken arrangements and payment arrangements.
154	Chair Krummel	Inquires if the department has sold the papers on the debt.
165	Hinton	Responds they have not discussed selling receivables.
181	Fred Ruby	Attorney for the Civil Recovery Section, Oregon Department of Justice. Comments on the work they have conducted to assist agencies to collect unpaid debt. Comments on the administration action process and how the department fits into the system.
239	Randall Jordan	Oregon Department of Justice. Explains the department's role in the collection process.
257	Chair Krummel	Inquires about the uncollected debt and the reason therefore.
273	Ruby	Responds that Mr. Dufrene would be the person to talk to.
283	Chair Krummel	Inquires about limitations in regards to accessing the information needed in order to collect on debts.

294	Jordan	Responds the limitation lies with the Federal Privacy Act. Comments on programs used in other states that are not implemented in other states.
358	Rep. Rosenbaum	Inquires about uniform advice in regards to operating standards.
363	Hinton	Responds about the information requests and the requirements for using the information for collection purposes. Notes that other agencies have to be instructed in the past to use the information for another purpose. Notes that the information has to be tailored to past practices and does tamper with the collection process.

TAPE 46, B

004	Rep. Butler	Reiterates the position of having an examination in regards to having the access to information for collection purposes.
022	Jon Dufrene	Manager, Statewide Financial Services, State Controller's Division. Submits and refers to the chart from the Legislative Fiscal Office's Annual Report on Liquidates and Delinquent Accounts Receivable (EXHIBIT C) . Explains the internal controls in regards to cash handling. Comments on the collection process and the reports concluded. Refers to the Report on Liquidated and Delinquent Accounts Receivable from the Legislative Fiscal Office (EXHIBIT D) .
138	Chair Krummel	Inquires if he thinks there is effective training in regards to collecting debt.
147	Dufrene	Responds periodically.
155	Chair Krummel	Inquires if the agencies are effectively going after the debt.
160	Dufrene	Responds about the role of the agencies.
167	Matt Markee	Oregon Collector's Association. States that the first legislation in regards to receivables for the state was in 1999 and the legislation created the fiscal report. Discusses the actions the private sectors can take in regards to collecting debt.
197	Chair Krummel	Inquires if the guidelines have been set in place.

201	Matt Markee	Explains the process private sectors have in regards to collections. Comments on legislation in terms of collection tools. Explains the timeframes and exemptions in regards to state agencies. Explains the collection rates and the calculation process.
305	Jim Markee	Oregon Collector's Association. Comments on the process they can and cannot take to collect debt. Comments on the motivation level of the debtor.
358	Chair Krummel	Inquires if there are other bills dealing with collections from private sectors.
364	Jim Markee	Responds it is an issue for administration. State he has attempted legislation for everything they can.
376	Chair Krummel	Inquires why credit reporting is not allowed.
383	Dufrene	Responds that within the statewide collection contract there is the provision for credit reporting.

TAPE 47, A

003	Chair Krummel	Requests Mr. Dufrene to work with Mr. Markee in regards to credit reporting. Explains that he would like a copy of the report in regards to garnishments. Comments he would like information regarding legislative assistance to motivate debtors to pay debts. Asks Mr. Dufrene to communicate with Jim Keller and requests the progress and any information by April 3rd 2005. Comments on the aging of accounts. Closes the informational meeting on charge-off audits and adjourns the meeting at 10:45 a.m.
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EXHIBIT SUMMARY

- A. Charge-Off Audits, OUS written-off-debt audit report, Sandra Hilton, 5 pp
- B. Charge-Off Audits, debt collection audit report, Sandra Hilton, 13 pp
- C. Charge-Off Audits, chart, Jon Dufrene, 1 p
- D. Charge-Off Audits, report, staff, 20 pp