

Cabinet Agencies' Performance Audit Action Item(s) & Status

Collection of State Debt

(See also [cabinet agency response](#) for full context to Washington State Auditor's Office (SAO) [report](#), August 2008)

Agencies included in the performance audit: Department of Community, Trade and Economic Development (CTED); Ecology (ECY); Employment Security (ESD); Labor and Industries (L&I); Revenue (DOR); Transportation (WSDOT) and Office of Financial Management (OFM).

SAO Issues Summary:

- 1A. The Housing Trust Fund program at the Department of Community, Trade and Economic Development should improve its timeliness for restructuring loans.
- 1B. The Department of Community Trade and Economic Development could improve collections by implementing more collection best practices.
- 2A. The Department of Ecology does not consistently use collection best practices in the Toxics Cleanup Program when attempting to collect on delinquent debt owed to the state.
- 3A. The Employment Security Department could improve the amount it collects from delinquent Unemployment Insurance taxpayers by using more collection best practices.
- 3B. The Employment Security Department did not retain Unemployment Insurance Tax Collection records in accordance with state records retention laws.
- 4A. L&I Collection success could be improved if collection efforts are made within 30 days after the account becomes delinquent.
- 4B. Consistent use of collection best practices could improve L&I collection results on claims benefit overpayments.
- 4C. L&I collection agents have large caseloads that decrease the effectiveness of collection efforts.
- 4D. L&I does not use accounts receivable aging reports to monitor the collection of delinquent Industrial Insurance Premiums and Claims Benefit Overpayments.
- 5A. WSDOT's Risk Management Office could improve collections by using more collection best practices.
- 5B. WSDOT's Risk Management Office does not make sufficient collection efforts on its "traffic-control only" accounts, resulting in unnecessary write-offs.
- 5C. WSDOT's Risk Management Office does not process all highway damage claims in a timely manner.
- 5D. WSDOT's Ferries Division could improve its collection efforts by consistently applying collection best practices.
- 5E. WSDOT's agency-wide collection policies and procedures should be updated to reflect collection best practices.

The table below shows the current status of action items the agency initiated to address issues identified in the performance audit report. Please see the [cabinet agency response](#) for additional context and any additional steps already taken.

For an explanation of the columns below, [see the legend](#).

Issue	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
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Issue	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
1A	Completed	Modify contract language to require quarterly, instead of annual, payments.	CTED COMM	N/A	Yes	No	No	Implemented. Commerce provides work outs to facilitate repayment of loans for delinquent debtors.
1A	Completed	Determine benchmarks and set goals for loan in "workout."	CTED COMM	7/09	Yes	No	No	Commerce's consultant completed a study. Best practices show no national trends. These are complex real estate transactions. Each has a variety of circumstances. Without the resources, it will be difficult to make any progress on collection timelines. update: Commerce developed and implemented benchmarks to ensure the logical and timely processing of renegotiated contracts.
1A	Completed	Evaluate options for improving timeliness.	CTED COMM	7/09	No	Yes	Yes	Requested legislation that would have provided flexibility around funding and provided additional staff wasn't passed.
1B	Completed	Send invoices in advance of providing services.	CTED COMM	N/A	Yes	No	No	Commerce sends invoices prior to the payment due date.
1B	Completed	Draft funding and invoicing procedures that address all of the actions listed in the recommendation.	CTED COMM	N/A	Yes	No	No	Implemented. Commerce issues delinquent notices as a standard practice. Commerce makes telephone calls and sends delinquent notices to aid in the collection process. Commerce creates and uses aging reports.
1B	Completed	Fully implement new procedures.	CTED COMM	10/08	Yes	No	No	EFSEC's new procedures were completed and implemented October 1, 2008. Commerce updated policy 2.11, Loans and Receivable Collections and Write-Off Policy and Procedures, May 2012.
2A	Completed	Update receivable write-off	ECY	N/A	Yes	No	No	

Issue	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
		policy.						
2A	Completed	Begin collection efforts 30 days after the due date.	ECY	N/A	Yes	No	No	
2A	Completed	Document collection efforts by site managers.	ECY	N/A	Yes	No	No	
2A	Completed	Evaluate recommendations and add new policies and procedures as appropriate.	ECY	10/08	No	No	No	
2A	Completed	Fully implement new policies and procedures.	ECY	12/08	No	No	No	
3A	Completed	Issue revised policy clarifying documentation requirements for UI Tax Collection activities, including all phone contacts. Incorporate into new Collections Manual.	ESD	N/A	Yes	No	No	
3A	Completed	Send billing statements and make phone contacts with delinquent employers within 30 days.	ESD	N/A	Yes	No	No	
3B	N/A	N/A	ESD	N/A				As noted in the audit, the ESD took immediate corrective action in December 2006, and now retains copies of the billing statements.
4A	Completed	Issue revised collections policy.	L&I	N/A	Yes	No	No	
4A	Completed	Add automated computer reminder that will alert staff when an already overdue account receives an additional debt.	L&I	10/08	Yes	No	No	
4A	Completed	Change our computerized legal exception report to notify supervisors if a warrant is not issued within 45 days of final	L&I	10/08	Yes	No	No	

Issue	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
		assessment.						
4B	Completed	Revise claims overpayment procedures, and collections and training manuals.	L&I	N/A	Yes	No	No	
4B	Completed	Triage cases owing less than \$100.	L&I	9/08	Yes	No	No	
4B	Completed	Close older cases as appropriate.	L&I	10/08	Yes	No	No	
4B	Completed	Assign additional staff from another collection unit to assist with older case review.	L&I	8/08	Yes	No	No	
4C	Completed	Make final decisions on permanent assignment of staff to various debt types, as well as overall needs for collection staffing.	L&I	3/09	No	Yes	No	
4D	Completed	Use accounts receivable aging reports.	L&I	N/A	Yes	No	No	
4D	Completed	Use more complex aging data and analysis programs to help analyze caseloads of claim overpayment collections.	L&I	N/A	Yes	No	No	
5A	Completed	Complete update of Enterprise Risk Management's policies and procedures.	WSDOT	12/08		No	No	This item is complete - Collection policies and procedures were updated for the Enterprise Risk Management (ERM) Manual.
5A	Completed	Document collection efforts, especially for collection efforts beyond the Enterprise Risk Management Office (i.e., Attorney General's Office, collection agency).	WSDOT	12/08		No	No	This item is complete - Collection policies and procedures were updated for the Enterprise Risk Management (ERM) Manual.
5B	Completed	We will follow legislative direction regarding possible	WSDOT			No	Yes	This item is complete - Agency requested legislation was submitted to the Governor

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		revisions to the law.						for consideration. HB 1433 was passed by the Washington State Legislature and was signed by the Governor 5/17/09.
5C	Completed	Update policies and procedures to reflect that repair estimates should be submitted weekly.	WSDOT	3/09		No	No	This item is complete - Collection policies and procedures were updated for the Enterprise Risk Management (ERM) Manual
5C	Completed	Obtain accident reports from the Washington State Patrol via electronic access.	WSDOT	N/A		No	No	This item is complete - Enterprise Risk Management implemented this action step before the audit was complete.
5D	Complete	Update Ferries Division policies and procedures.	WSDOT	12/08		No	No	This item is complete - Since the audit AFS coordinated efforts within the Department to strengthen collection practices and associated internal controls. Chapter 2, Section 4.6, Collection of Past Due Receivables, of the Accounting Manual (M13-82) has been updated to reflect agency wide collection practices, which includes collection best practices identified in the performance audit.
5D	Complete	Evaluate options for reducing caseloads.	WSDOT	12/08		No	No	This item is complete - Since the audit AFS coordinated efforts within the Department to strengthen collection practices and associated internal controls. Chapter 2, Section 4.6, Collection of Past Due Receivable, of the Accounting Manual (M13-82) has been updated to reflect agency wide collection practices, which includes collection best practices identified in the performance audit. Caseloads of Ferries Collections were evaluated and 1 additional staff was added, taking the Ferries Collection staffing level from 1 FTE to 2 FTEs.

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5E	Complete	Incorporate best practices, as applicable, to agency-wide policies and procedures.	WSDOT	12/08		No	No	This item is complete - Since the audit AFS coordinated efforts within the Department to strengthen collection practices and associated internal controls. Chapter 2, Section 4.6, Collection of Past Due Receivables, of the Accounting Manual (M13-82) has been updated to reflect agency wide collection practices, which include collection best practices identified in the performance audit.
5E	Complete	Evaluate current use of collection agencies and opportunities to maximize value of this resource.	WSDOT	12/08		No	No	This item is complete - Since the audit AFS coordinated efforts within the Department to strengthen collection practices and associated internal controls. Chapter 2, Section 4.6, Collection of Past Due Receivables, of the Accounting Manual (M13-82) has been updated to reflect agency wide collection practices, which includes policies on referrals to collection agency and legal actions.