

Oregon University System: Written-off Debt Review



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Secretary of State Audit Report

Summary

PURPOSE

The purpose of our audit was to determine if previously written-off debt by the Oregon University System should be reassessed due to the changing income circumstances of the debtors.

BACKGROUND

Written-off debt is debt an agency determines to be uncollectible after it has taken all reasonable efforts to collect. However, if a debt previously written off subsequently becomes collectible, state law requires state agencies owed the money to proceed with collection.

To determine if recent evidence of income for university debtors exists, we used data query software to match debtor and wage information for debtors with university written-off debts. However, we were not able to share specific match result information with the university system, as we do not have the statutory authority to share information with other state agencies for debt collection purposes.

RESULTS IN BRIEF

For fiscal year 2004, we found approximately 1,700 of 4,700 individuals (36 percent) with state university written-off debts were working in Oregon. Of the 1,700 working individuals, approximately 1,225, with a combined written-off debt totaling approximately \$1.12 million, earned more than the federal poverty guidelines of \$9,310 for the year or \$2,328 for a quarter. Over 60 percent of the 1,225 debtors had average quarterly income that was more than two times the federal poverty guidelines.

We also found state universities' policies and procedures for written-off debt included holds placed on student accounts and reporting of written-off debts to the Department of Revenue's Set Off Individual Liability (SOIL) program. This program compares the debtors against individuals receiving a tax refund, and applies any refund to the amount owed.

The results from our audit suggest a periodic and more active pursuance of written-off debt is warranted.

With the advent of new technological tools, such as the one we used, electronic matching of multiple debtors with pertinent collection information can be a cost-effective way to target further collection efforts. While the university system does not have statutory access to the wage information we used in our analysis, the Department of Revenue (department), through its Other Agency Accounts program, does. According to department management, periodic review of the universities' written-off debts would be reasonable and within the scope of their responsibility.

RECOMMENDATIONS

We recommend universities expand debt collection policies and procedures to include active and periodic review of written-off debt. Expanded policies and procedures could include electronic submission of written-off debt to the Department of Revenue's Other Agency Accounts program.

We also recommend the one university we found not using the SOIL program continue its efforts to enlist in the program.

AGENCY'S RESPONSE

The Oregon University System generally agrees with the recommendations.

OTHER MATTERS

During our audit, we contacted Department of Revenue (department) officials to determine how they could assist in the collection of written-off debt. Through these discussions department officials expressed interest in using data query software to facilitate the department's Other Agency Accounts collection processes. We conveyed specific information about this matter to the Department of Revenue in a management letter dated March 22, 2005 (No. 580-2005-03-01).

Background

The Oregon University System is the state’s public higher education system, comprised of seven institutions: Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, University of Oregon, and Western Oregon University.

Universities Have Policies and Procedures to Collect Past Due Debt

Universities have policies and procedures in place to collect on past due debt before the debt is written off. Collection efforts could last 60 days to seven years, depending on the university, amount of debt, and type of debt. Collection efforts take place internally, at independent collection agencies, and through the Department of Revenue’s Other Agency Accounts program.

Written-Off Debt is Debt Still Due to the State

Written-off debt is debt an agency determines to be uncollectible after it has taken all reasonable efforts to collect. However, if a debt previously written off subsequently becomes collectible, state law requires state agencies owed the money to proceed with collection.

To identify university debtors with recent evidence of income, we used data query software to match wage information to debtors with university written-off debts. However, we were not able to share the specific match result information with the Oregon University System, as we do not have the statutory authority to share information with other agencies for debt collection purposes.

Audit Results

Income Identified for Debtors Owing \$1.12 Million of Written-Off Debt

We found evidence of income above federal poverty guidelines for debtors owing \$1.12 million of the debts written off by the state’s universities.¹

Using information collected from the seven state universities, we identified approximately 4,700 individuals with written-off debts of \$25 or more that we could match against wage records. We compared the individual debtors to fiscal year 2004 wage records to identify individuals working in Oregon. Of the 4,700 debtors, we found nearly 1,700 (36 percent) were working in Oregon during the year. Employers ranged from private companies to public entities such as state agencies, school districts, and universities.

Of the 1,700 debtors, approximately 1,225 (73 percent) earned more than the federal poverty guidelines. The average income for one quarter ranged from \$2,332 to \$66,500. Over 60 percent of the 1,225 debtors had average quarterly income that was more than two times the federal poverty guidelines. We noted some debtors worked one quarter while others worked up to all four quarters we reviewed.

The 1,225 debtors had a combined debt totaling approximately \$1.12 million, with individual debts from \$25 to over \$17,000. Figure 1 shows the range of debt amounts, both individual and total, and the number of debtors in each range.

¹ 2004 Federal poverty guidelines issued by the U.S. Department of Health & Human Services, \$9,310 for the year or \$2,328 for a quarter. (<http://www.aspe.hhs.gov/poverty>)

Figure 1: Range of Debt Amounts for Debtors Earning Above Federal Poverty Guidelines

INDIVIDUAL AMOUNT OF DEBT	NUMBER OF DEBTORS	TOTAL AMOUNT OF DEBT
\$25 - \$49	240	\$9,000
\$50 - \$74	120	\$7,500
\$75 - \$99	110	\$10,000
\$100 - \$499	295	\$78,000
\$500 - \$999	140	\$104,000
\$1,000- \$5,000	285	\$656,500
Over \$5,000	35	\$257,000

Debts were for items such as tuition, fees, and services. We found one debtor had earned a total of over \$265,000 during the four quarters reviewed, and owed approximately \$1,000. We found another debtor had four quarters of wages totaling \$68,400, and owed \$2,300.

Written-Off Debt Collection Policies Limited

While state universities have policies and procedures to follow prior to writing off a debt, collection policies and procedures for written-off debt are limited.

After universities complete their due diligence to collect on past due debt, universities write off the debt. However, once the debt is written off, less intense procedures are performed. There are holds placed on the student’s account (in case the student contacts the university for transcript copies or enrolls in future classes) and most universities use the Department of Revenue’s Set Off Individual Liability (SOIL) program. This program compares the debtors against individuals receiving a tax refund. If an individual has a debt

and is due a tax refund, the SOIL program will apply the refund to the debt. Although the SOIL program provides a means to collect written-off debt, the program is solely limited to using tax refunds; it is not used to determine if an individual is employed or has resources available to pay on a debt.

We found six of the seven universities sent written-off debts to the SOIL program. According to officials at the university not using the SOIL program, this task was inadvertently discontinued after personnel changes. University officials contacted SOIL program staff and were in the process of reentering the program.

While the SOIL program does not actively attempt to collect on debt, the Department of Revenue (department) through its Other Agency Accounts program, does. Unlike the university system, the department has statutory access to the wage information we used in our analysis.

Periodic and More Active Pursuance of Written-Off Debt Warranted

The results from our audit suggest a periodic and more active pursuance of written-off debt is warranted.

With the advent of new technological tools, such as the one we used, electronic matching of multiple debtors with pertinent collection information can be a cost-effective way to target further collection efforts.

University personnel did not believe they had sufficient internal resources to review and collect written-off debt. However, they felt submitting written-off debt information to the Department of Revenue's (department) Other Agency Accounts program could be done electronically without overburdening their resources.

According to department management, periodic review of the universities' written-off debts would be reasonable and within the scope of their responsibility.

We recommend universities expand debt collection policies and procedures to include active and periodic review of written-off debt. Expanded policies and procedures could include electronic submission of written-off debt to the Department of Revenue's Other Agency Accounts program.

Agency's Response:

OUS will review and implement cost-effective additions to existing debt collection policies and procedures. This review will include accessing the Department of Revenue's Other Agency Accounts program for the electronic acceptance of OUS written-off debt.

We also recommend the one university we found not using the SOIL program, continue its efforts to enlist in the program.

Agency's Response:

Management at the university referenced in the report has scheduled data processing changes necessary for re-enlistment in the SOIL program.

Other Matters

During our audit, we contacted Department of Revenue (department) officials to determine how they could assist in the collection of written-off debt. Through these discussions department officials expressed interest in using data query software to facilitate the department's Other Agency Accounts program collection processes.

At the request of the department, we used data query software to match selected Other Agency Accounts debts to wage information. We communicated

specific information about this matter to the Department of Revenue in a management letter dated March 22, 2005 (No. 580-2005-03-01).

Objectives, Scope and Methodology

The purpose of our audit was to determine if previously written-off debt by the Oregon University System should be reassessed due to the changing income circumstances of the debtors.

We obtained and reviewed Oregon University System's written-off debt information for all seven state universities from the Banner System. We determined the data from the Banner System used in our analysis was sufficiently reliable for our purpose. We based this conclusion on a preliminary assessment of the data and prior reviews performed by our office. We used the data to perform analysis of Oregon University System written-off debt to determine if debtors had recent evidence of income. We considered debtors as individuals with debts totaling \$25 or more and a unique identifier to use in comparison to wage information.

We performed preliminary analysis of Oregon wage data used in our analysis and determined it was sufficiently reliable for our audit purpose. For our audit we included the most recent last four quarters of wages available, which included fiscal year 2004 (July 1, 2003 to June 30, 2004).

We interviewed university personnel to gain an understanding of the activities related to debt collection and write off. We also interviewed Department of Revenue officials regarding the responsibility and potential of written-off debt collections.

We researched statewide written-off debt publications and federal

poverty guidelines. Federal poverty guidelines for one person during 2004 are \$9,310 for the year, or \$2,328 for a quarter. We concluded a debtor matched the federal poverty guidelines if the debtor's average quarterly income for quarters worked was at least \$2,328.

We discussed the Other Agency Accounts and SOIL programs with Department of Revenue officials to gain an understanding of the agency's debt collection efforts relative to our audit objective.

We conducted our fieldwork from July 2004 to November 2004. Our audit was conducted in accordance with generally accepted government auditing standards.



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The courtesies and cooperation extended by the officials and staff of the Department of Revenue and the Oregon University System were commendable and much appreciated.

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