



Auditing for a Better Oregon

June 9, 2004

Deborah Lincoln, Director
Oregon Employment Department
875 Union Street NE, No. 305
Salem, Oregon 97311

Dear Ms. Lincoln:

During our audit of delinquent debt collections, we noted the following issue that we felt should be brought to your attention.

The Oregon Employment Department lacks the legal authority to hold officers of corporations liable for corporate debts payable to the Unemployment Insurance Tax Unit (Tax Unit). The Department of Consumer and Business Services (DCBS) currently has this type of legal authority. According to ORS 656.735, DCBS's authorizing statute for this authority, "... corporation and the officers and directors thereof shall be jointly and severally liable ..." for civil penalties and claim costs owed to the agency. DCBS officials reported that use of this authority has provided an effective collection tool.

Managers at the Tax Unit reported that they had written off as uncollectible debt more than \$1.6 million from closed corporations during fiscal year 2002, and \$2.7 million in fiscal year 2003. It is possible that some portion of the Oregon Employment Department's uncollectible debt could be recovered if it had legal authority similar to that provided by ORS 656.735.

We recommend that the Oregon Employment Department consider the feasibility of requesting a statute change that would grant authority to hold officers of corporations liable for unpaid taxes and penalties.

Sincerely,
OREGON AUDITS DIVISION

James D. Pitts
Audit Manager

JDP:bk

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