



# Washington State Auditor's Office Performance Audit Description

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## State Debt Offset Program

### Program background

Although Washington uses many good debt collection practices, the state is nonetheless owed a substantial amount of money. As of December 2012, delinquent debt owed to just five state agencies equaled about \$1.5 billion – this is money that, if collected, could be used to fund government operations and vital services for Washingtonians. A significant amount of that debt is owed by companies with which the state does business and pays for products and services. One way to recover the money owed is to withhold it from the amount paid to those businesses, a practice known as debt offset. An efficient debt offset program could bring millions in recovered revenue to Washington, lessening the strain on the state budget.

Recent studies describe debt offset programs as one of the most effective strategies for debt collection. Several states have implemented offset programs and have recovered a substantial amount of money. For example, the centralized state debt offset program in Kansas collected \$37 million in fiscal year 2010. And in fiscal year 2012, the seven states that participate in a reciprocal offset program with the federal government recovered a total of \$53.8 million in delinquent debt.

### Scope and objectives

This audit will examine whether Washington could improve collection of business delinquent debt through a centralized state-federal debt offset program. The audit will analyze:

- How much business debt Washington could recover through 1) a state offset program; and 2) a federal offset program
- Barriers the state would need to overcome to implement a centralized debt offset program
- Leading practices for successfully implementing and administering the program

### Timing

We estimate audit results will be released in fall of 2014.