

EXECUTIVE DIGEST

COLLECTIONS OF AMOUNTS DUE THE STATE

INTRODUCTION

This report contains the results of our performance audit of Collections of Amounts Due the State, Department of Attorney General, for the period October 1, 1992 through June 30, 1995.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The Department of Attorney General is responsible for providing legal services to all State departments, agencies, boards, commissions, officers, and employees (clients). Also, the Department is authorized to intervene in any litigation when the public interest is involved.

Legal services provided to clients can involve assisting the clients in collecting amounts due the State. Such

efforts range from advising clients in the clients' own collection activities to completing lawsuits to enforce collection.

For the fiscal year ended September 30, 1994, the Department was authorized 526 full-time equated employees and had gross appropriations of approximately \$45.6 million.

Personnel resources allocated to collection activities depended on funding resource availability and the Department's priorities relative to its other activities and responsibilities.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the effectiveness of the Department's coordination, direction, and support of the collection services and resources provided to State agencies.

Conclusion: Our assessment indicated that the Department's coordination, direction, and support were generally effective. However, effectiveness could be improved in the areas of continuous quality improvement processes, coordination of collection activities, and continuing education (Findings 1 through 3).

Audit Objective: To assess the effectiveness of the collection methods used by selected divisions.

Conclusion: Our assessment indicated that the collection methods used were generally effective. However, effectiveness could be improved in the areas of collection

efforts, case tracking system consistency, and special assistant* direction and coordination (Findings 4 through 6).

Audit Objective: To assess the efficiency of the collection methods used by selected divisions.

Conclusion: Our assessment indicated that the collection methods used were generally efficient. However, efficiency could be improved in the areas of data analysis in decision making, selection of and fees paid to special assistants, and information availability on the State Treasurer Accounts Receivable (STAR) System* (Findings 7 through 9).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Department of Attorney General relative to collection of amounts due the State for the period October 1, 1992 through June 30, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Using information from various sources, we made a preliminary determination of the Department divisions most likely to be involved in the collection of amounts due the State.

We examined Office of the Auditor General reports, researched federal and other states' audit reports, researched collection-related academic and legal literature in

libraries, and studied literature dealing with the private sector's debt collection practices.

We analyzed Department information system-generated publications and reports. We also examined selected open and closed case files. Based on interviews and Department publications, reports, and case files, we focused our audit efforts on the following Department divisions: Collections, Michigan Employment Security Commission* (MESCC), Natural Resources, and Revenue.

AGENCY**RESPONSES**

Our report contains 9 findings and 10 recommendations. The Department's preliminary response to these findings and recommendations is included in its entirety in the agency preliminary responses section of this report. An Auditor General epilogue* is incorporated within the Department's preliminary response for selected issues.