



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

EXECUTIVE SUMMARY

**DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
TAX DEBT COLLECTION
July 1, 2015 to September 30, 2017**

We found that the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. While we found that the collection agency was achieving the guaranteed minimum revenue amounts per the contract, we noted weaknesses related to the billing process, unassigned cases, and terminated employees which present opportunities for revenue enhancement. We also noted the collection agency's caseworkers were not transferring cases within the appropriate stages of the collection cycle in a timely manner, and supporting documentation was missing from cases files. In addition, we found the logical access controls over TULIPS were adequate, except that any caseworker can transfer a case to the uncollectible status without supervisory approval. We further noted a disaster recovery plan has been developed by the collection agency in accordance with the contract.

We also observed the contracted contingency rate decreases as the amount of tax debt collections increase, thereby reducing the incentive to obtain year-end collections.

AUDIT HIGHLIGHTS

- The collection agency was assigned 452,000 cases as of June 22, 2017. Of these, 427,000 cases were not assigned to a caseworker, which means there was no communication with the taxpayer regarding their outstanding liability.
- We found that 37 state contract vendors had unassigned deficient tax debt cases but received payments from the state for services in fiscal year 2016. The state could have received up to \$135,000 in possible set-offs for these cases.
- The collection agency had 4,900 cases totaling \$2 million assigned to separated employees.
- Six investigators spend half of their time calculating the monthly billing to be paid to the collection agency. By simplifying the billing process these investigators would be freed to collect an estimated \$3 million.

AUDITEE RESPONSE

The department concurs with our findings and recommendations.

For the complete audit report click [here](#).