

DAS

DEPARTMENT OF
ADMINISTRATIVE
SERVICES

CHIEF FINANCIAL
OFFICE

STATEWIDE ACCOUNTS RECEIVABLE MANAGEMENT REPORT

FISCAL YEAR ENDING
JUNE 30, 2019





Oregon

Kate Brown, Governor

Department of Administrative Services

Chief Financial Office
155 Cottage Street NE
Salem, OR 97301
PHONE: 503-378-3106
FAX: 503-373-7643

December 23, 2019

To the members of the Oregon Legislative Assembly,

Enclosed is the Statewide Accounts Receivable Management Report as required by Oregon Revised Statute 293.252(1)(e). The report identifies important issues and significant trends in state agency debt collection practices and describes efforts by state agencies to improve the collection of liquidated and delinquent debt. This is the fourth report issued under the statute mentioned above.

Also enclosed as [Appendix B](#), is the report of liquidated and delinquent accounts written off, abated, or canceled as required by Oregon Revised Statute 293.234.

The following report and appendices reference liquidated and delinquent account activity reported by state agencies for the fiscal year ending June 30, 2019.

Sincerely,

George Naughton
Chief Financial Officer

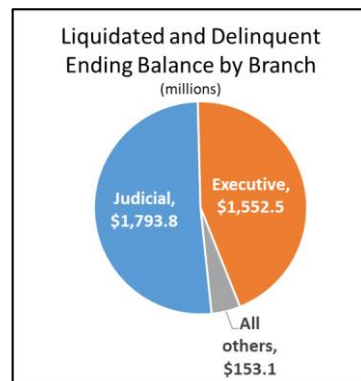
Executive Summary

“What gets measured, gets managed” is a business principle that means simply examining an activity changes the activity by forcing one to pay attention to it. Executive Branch agencies track performance measures related to accounts receivable management and report progress quarterly and annually. The establishment of these measures brought attention to accounts receivable practices within the agencies so they can better manage and improve those practices and the quality of data reported to the Legislative Fiscal Office (LFO).

In January 2018, Governor Brown established a performance benchmark that by June 30, 2019, state agencies would increase liquidated and delinquent (L&D) accounts receivable collections by \$50 million over the baseline established in fiscal year (FY) 2017. Overall, state agencies exceeded the benchmark by increasing L&D account collections by \$66.5 million over the two years.

FY 2019 was the first complete year for policy and legislative changes that are now part of a new normal for state agency accounts receivable management. Third party debt collection functions for Executive Branch agencies have been centralized at the Department of Revenue - Other Agency Accounts unit, which streamlined the process of collecting delinquent debt and resulted in account assignments to private collection firms occurring six months faster than before centralization. Additionally, debts owed to the state may now be recovered from vendor payments made by state agencies. In FY 2019, \$418 thousand in vendor payments were intercepted and applied towards a debt owed.

The statewide ending balance of L&D accounts for FY 2019 was \$3.5 billion, a 1.8% decrease from FY 2018. Executive Branch agencies reported an FY 2019 ending balance of \$1.6 billion, a 6.8% decrease from FY 2018. The primary drivers of this decrease were higher amounts of reversals (\$139.5 million) and write-offs (\$57.7 million) offset by increased additions (\$86.7 million).



State agencies reported that \$2.1 billion (59.4% of the \$3.5 billion ending balance of L&D accounts) were doubtful to ever be collected. These doubtful accounts continue to receive collection efforts until: a payment is received; the account is determined to be uncollectible according to state policy; or the account is canceled in accordance with statute.

Executive Branch agencies collected \$543.4 million in L&D accounts receivable during FY 2019, a 5.3% increase over FY 2018. Often when an agency reports an increase in L&D additions there is also an increase in the reported collections. Both additions and collections increased in FY 2019 when compared to FY 2018 (\$86.7 million and \$27.5 million respectively).

Executive Branch agencies reported \$30.1 million in accounts that were unassigned, non-exempt, without a payment in more than 90 days, a \$230.3 million decrease compared to FY 2018. Two agencies accounted for 68.4% of these accounts: due to a system programming error identified at the Oregon Employment Department, assignment of accounts did not occur

Fiscal Year 2019 Statewide Accounts Receivable Management Report

as expected (\$14.5 million); and the Department of Revenue delayed assigning accounts due to a pending garnishment or payment plan (\$6.1 million).

The Statewide Accounts Receivable Management (SWARM) team is encouraged by the progress made over the past four years in collecting L&D accounts receivable. FY 2020 brings opportunities for continued partnership between SWARM and state agencies to improve the collection of accounts receivable including a focus on billing practices, alternative payment options, and operational efficiencies with debt centralization. SWARM remains committed to collaborating with state agencies to improve accounts receivable management and debt collection statewide.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Table of Contents

Background	1
Statewide Efforts to Improve Collections	1
Governor’s Benchmark for Increased Collections	1
Accounts Receivable Performance Measures	2
Centralized Debt Collections.....	4
Vendor Coordination	5
Training.....	6
Accounts Receivable Honor Roll.....	6
SWARM Efforts.....	7
Data Analysis.....	8
Liquidated and Delinquent Account Analysis by Branch	8
Executive Branch Liquidated and Delinquent Accounts.....	9
Changes in Liquidated and Delinquent Account Balances.....	10
Unassigned Accounts Over 90 Days.....	15
Future of State Debt Collections.....	15
Acknowledgments	17
Appendix A – Accounts Receivable Management Overview	18
How the State Collects Debt	18
Collection Issues and Challenges	21
Statewide Accounts Receivable Management	23
Factors in Collecting Receivables	25
Collection Tools	27
Appendix B – Report of Accounts Written off, Abated, or Canceled	30
Appendix C – LFO Data by Branch of Government.....	34
Appendix D – Glossary of Terms	35

Background

As required by Oregon Revised Statute [\(ORS\) 293.252\(1\)\(e\)](#), the Department of Administrative Services (DAS) hereby submits the annual *Statewide Accounts Receivable Management Report* to the Legislative Assembly in conjunction with the Legislative Fiscal Office's (LFO) *Report on Liquidated and Delinquent Accounts Receivable*. This report identifies important issues and significant trends in Executive Branch agency debt collection practices and describes efforts by those agencies to improve the collection of delinquent debt. Also included within this document, is the *Report of Liquidated and Delinquent Accounts Written off, Abated, or Canceled* as required by [ORS 293.234\(1\)](#).

The accounts receivable data referenced in this report represents liquidated and delinquent accounts as of June 30, 2019, as reported by state agencies to LFO. The accounts include debts owed to state agencies by an individual or entity in which the debt was not paid by the original due date and the debtor was notified of the debt and given an opportunity to dispute the debt.

For reference purposes, background information about state agency collection processes and challenges are provided in the Accounts Receivable Management Overview ([Appendix A](#)); amounts certified by state agencies under [ORS 293.234](#) are included in the Report of Accounts Written off, Abated, or Canceled ([Appendix B](#)); the LFO Data by Branch of Government ([Appendix C](#)) includes data reported by state agencies that is summarized based on the respective branch of government; and the Glossary of Terms ([Appendix D](#)) provides definitions of terms that are **bold** in this report.

Statewide Efforts to Improve Collections

Since the establishment of the Statewide Accounts Receivable Management (SWARM) team in 2016, policy and legislative changes as well as Governor Brown's Executive Order have raised awareness and focus on accounts receivable management and the changes are now part of state agency procedures to collect **delinquent** accounts receivable. Fiscal year (FY) 2019 marked the first complete year of these changes, and the beginning of a new normal for state agency accounts receivable management. Executive state agencies reported Accounts Receivable Performance Measures for the second year and, in FY 2019, also reported their **collection** targets. Centralized debt collection functions at the Department of Revenue- Other Agency Accounts (DOR-OAA) unit occurred for all of FY 2019. Vendor coordination, which recovers debts owed to the state from vendor payments made by state agencies, also occurred for all of FY 2019. SWARM continued to offer agency training on accounts receivable management and reporting. Through SWARM's efforts, statewide accounts receivable policies were updated and administrative rules published to provide state agencies with guidance and best practices. SWARM expects these statewide improvements made to accounts receivable management processes to provide benefits for years to come.

Governor's Benchmark for Increased Collections

Section III of Executive Order 17-09, established that Governor Brown would set a debt collection benchmark to measure the performance of Executive branch state agencies debt collection activities. The benchmark established by Governor Brown in January 2018 was to increase Executive Branch collections of **liquidated** and delinquent (L&D) debts by \$50 million

Fiscal Year 2019 Statewide Accounts Receivable Management Report

by July 1, 2019, compared to FY 2017. Executive Branch L&D collections reported for FY 2019 were \$543.4 million, an increase of \$62.1 million over FY 2017 collections of \$481.3 million.

Accounts Receivable Performance Measures

“What gets measured, gets managed”¹ is a business principle that means simply examining an activity changes the activity by forcing one to pay attention to it. In FY 2018 the Department of Administrative Services-Chief Financial Office established a state policy that required state agencies to track performance measures related to accounts receivable management and report progress quarterly and annually. In FY 2019, state agencies began establishing targets for their Accounts Receivable Performance Measures (ARPM). The establishment of these measures and agency targets were designed to bring attention to accounts receivable practices within the agencies so they can better manage those practices and improve them.

The quarterly ARPM requires state agencies² to report:

- Total accounts receivable collections;
- L&D accounts receivable collections;
- Outstanding accounts receivable balances; and
- Outstanding accounts receivable balances over 90 days past due.

The annual ARPM requires state agencies³ to also report:

- The number of days to collect;
- Number of days to assign; and
- **Write-offs** as a percentage of total available accounts receivable.

Key information reported by Executive Branch agencies on the ARPM are as follows (Table 1 and Table 2):

Table 1.

Performance Measure:	For the year ended June 30, 2019	For the year ended June 30, 2018
Total accounts receivable collections ⁴	\$8.3 billion	\$5.5 billion
L&D account collections ⁵	\$564.5 million	\$534.3 million
Write-offs, as a percentage of all available accounts receivable ⁶	1.2%	0.5%
Average % of accounts assigned within 90 days of meeting the definition of L&D	70.1%	66.3%
Average % of accounts paid in full within 60 days of the effective date	68.5%	70.8%

¹ Drucker, Peter. *The Practice of Management*. New York: Harper & Row, 1954. Print.

² Executive Branch agencies subject to the OAM and Executive Order 17-09.

³ Executive Branch agencies subject to the OAM.

⁴ Total accounts receivable collections includes all amounts collected by the agency that are applied to an accounts receivable, including accounts that are L&D.

⁵ L&D account collections reported by Executive Branch agencies on the ARPM reports should match the collections reported annually to LFO; however, due to a variety of challenges identified on page 3, the ARPM data did not match LFO data.

⁶ Refer to page 10 for description of increased write-offs for DOR.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

- The percentage of agencies that met or exceeded their FY 2019 target for total accounts receivable collections was 61.8% (FY 2019 average target was \$89.7 million).
- The percentage of agencies that met or exceeded their FY 2019 target for L&D Accounts Receivable Collections was 49.2% (FY 2019 average target was \$8 million).
- Executive Branch agencies targeted, on average, that they would be assigning 82.3% of their accounts within 90 days. If an agency is receiving payment on an account, [ORS 293.231\(1\)](#) would not require assignment until 90 days from the date of receipt of the most recent payment on the account.⁷
- Executive Branch agencies targeted, on average, that 67.8% of their accounts would be paid in full within 60 days of the effective date.⁸

Table 2.

Performance Measure:	As of June 30, 2019	As of June 30, 2018
Total outstanding accounts receivable	\$1.9 billion	\$2 billion
Accounts receivable over 90 days past due, as a percentage of total outstanding accounts receivable	74.1%	65.7%

Agencies reported various challenges when completing their ARPM reporting:

- staff turnover made gathering and reporting data associated with ARPMs more difficult,
- smaller agencies appear to assign ARPM reporting to non-accountants that can have difficulty understanding ARPM concepts, and
- systems that were not designed to capture the data required for ARPM reporting increase manual tracking.

Because of these challenges, the data reported in the ARPM was, at times, inconsistent with the data reported to LFO. To address these data integrity issues SWARM provides agencies with a variety of tools and training to assist staff in identifying these discrepancies so that agencies may improve their data quality. SWARM expects to see general improvement in the data quality of both the ARPM and LFO data each year as agencies better understand and track their data as well as the relationships between the various required reports.

The setting of agency targets for the ARPM report has been a topic of many discussions between SWARM and state agencies. Since FY 2019 was the first year state agencies were required to establish targets they are still learning the process of evaluating their data to set targets that are meaningful and reasonable. SWARM expects that agencies' process for establishing ARPM targets will continue to be refined during FY 2020. State agencies are encouraged to use the annual ARPM data as a management tool for evaluating the effectiveness and efficiency of internal accounts receivable processes. If state agencies use the data effectively, they can make informed decisions about how they can improve agency procedures and allocate resources used to manage and collect accounts receivable.

⁷ Once an account has met the definition of being liquidated and delinquent, Executive Branch agencies must assign it to DOR-OAA not later than 90 days from the date the account was liquidated (if no payment was received on the account within the 90-day period) or 90 days from the date of receipt of the most recent payment on the account.

⁸The effective date of the receivable is either:

1. The date a state agency can recognize the revenue as described in [OAM 15.35.00](#) under the economic resources measurement focus and accrual basis of accounting (therefore the availability criteria is unrelated to this determination); or
2. The due date of a delinquent loan payment.

Centralized Debt Collections

During the 2017 Legislative Session, Senate Bill (SB) 1067 passed which included a provision to centralize the collection of Executive Branch L&D accounts receivable within DOR-OAA.⁹ The debt centralization portion of SB 1067 was formalized in statute under [ORS 293.231](#) and became operative July 1, 2018.

Debt centralization implementation focused state efforts to streamline the debt collection process. Prior to centralization, DOR-OAA collected accounts for 12 months before returning accounts to the originating agency, which was then responsible for assigning the account to a private collection firm (PCF). Centralization resulted in faster assignments from DOR-OAA to PCFs for Executive Branch agency accounts because DOR-OAA now assigns the accounts to a PCF directly if collections have been unsuccessful after six months, or sooner for some accounts.

One of DOR-OAA's methods of collection is through offset of tax refunds ("tax offsets"). Prior to centralization, when DOR-OAA returned an account to the agency, tax offsets no longer occurred unless the agency re-assigned the debt to DOR-OAA for tax offset only collections. Under centralization DOR-OAA continues to monitor for tax offsets, even after DOR-OAA forwards an account to a PCF.

DOR-OAA modified both systems and business practices to facilitate the legislative changes of SB 1067 and to create operational efficiencies. Once accounts are assigned to DOR-OAA they are consolidated with accounts due from the same debtor that have been assigned by other agencies and are then systematically evaluated and issued a collectibility score. The collectibility score is one element used to determine the most effective process for collecting these accounts. Higher collectibility scores or debts subject to **garnishment** are collected more effectively by DOR-OAA and all of the debtor's consolidated accounts may remain at DOR-OAA until the six-month statutory timeline expires. Meanwhile, lower scores or out-of-state debtors may be more effectively collected by a PCF and all of these accounts may be assigned directly to a PCF.¹⁰

Under centralization, DOR-OAA updated programming for certain collection related reports in order to meet legislative requirements (e.g. to notify an agency when DOR-OAA offers an account for assignment to a PCF). Opportunities remain for reporting enhancements that will assist the assigning agency to improve the accuracy of their LFO reporting (e.g. creating an agency level summary report for the fiscal year which shows account activity for DOR-OAA and the PCF that are in the same format as required by LFO¹¹). Additional opportunities exist for DOR-OAA to improve the management and reporting of account activity related to debts with joint and several liability. For example, DOR-OAA's system (GenTax) establishes an account for each debtor, as such, joint and severally liable debts have resulted in overpayments due to collections from multiple parties. State agencies currently must perform manual reconciliations to update records with DOR-OAA for the second party after funds are

⁹ Only Executive Branch agencies subject to ORS Chapter 293 are required to participate in the debt centralization efforts. Those agencies not subject to ORS Chapter 293 may opt-in to the services as desired.

¹⁰ Since not all accounts sent to DOR-OAA may be subject to garnishment, the matching of accounts for the same debtor does not include tax debts being collected by DOR. DOR may issue a warrant to collect delinquent taxes, which provides authority for DOR to issue garnishments.

¹¹ LFO reporting sections IIIa and IIIb.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

collected from the first party. If GenTax could systematically identify joint and severally liable arrangements, it would assist agencies to manage these accounts better.

Efforts to maximize the benefits of centralized debt collections will continue for several years as SWARM and DOR-OAA independently and collectively evaluate opportunities for enhancement.

Vendor Coordination

As directed by Governor Brown through Executive Order 17-09, during FY 2018 vendor coordination was established to intercept payments to vendors, who owe debts to the state, using an administrative hold and garnishment process. Vendor coordination includes a daily electronic file exchange and automated data match process to identify pending payments due to vendors that owe the state debt. Upon identification, the paying state agency notifies the Department of Revenue (DOR) of the match and DOR determines whether a garnishment should be issued to intercept the pending payment.

Before a state agency intercepts a pending payment, agency management must determine whether the payment is subject to garnishment and shall apply good judgment and independent thinking when it decides to not garnish a vendor payment, even if the garnishment is otherwise allowed by law or regulation (for example, when garnishment of funds would be contrary to an agency's mission). State agencies will continue to evaluate on a case-by-case basis whether agency-specific payments are subject to garnishment.

Vendor coordination planning identified three phases of implementation:

- Phase 1) recovery of DOR tax debts;
- Phase 2) recovery of state agency debts assigned to DOR-OAA; and
- Phase 3) recovery of non-state agency¹² debts assigned to DOR-OAA.

Phase 1 of the vendor coordination administrative hold and garnishment process was implemented in January 2018 for the Oregon Department of Transportation (ODOT) and June 2018 for agencies using the Statewide Financial Management Application (SFMA). Eighty-two state agencies, including Judicial Branch and Legislative Branch agencies were provided the ability to identify and intercept pending vendor payments to apply towards DOR tax debts owed to the state.

Recoveries under Phase 1 of Vendor Coordination totaled \$418 thousand¹³ (representing payment of 207 garnishments) during FY 2019 as compared with \$223 thousand, (representing payment of 68 garnishments) during FY 2018.

During FY 2019, Phases 2 & 3 of the vendor coordination program were evaluated for implementation feasibility and compliance with the Federal Privacy Act of 1974 (Privacy Act). The Privacy Act requires notification to (and authorization from) individuals of when and how their social security number will be used. It should be noted that the Privacy Act is not applicable to business debt (associated with a federal employer identification number).

¹² For the purpose of the Accounts Receivable Management Report, non-state agency is defined as: public universities, community colleges, school districts or other local government that are not a state agency.

¹³ The total vendor offset program amount reported by agencies to LFO for FY 2019 was \$544 thousand. This includes amounts that agencies offset internally from payments due to vendors that also owed that agency a debt.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

SWARM's evaluation considered business versus non-business debt, the cost of notification, and the likelihood of obtaining authorization. SWARM anticipates Phase 2 will be implemented (i) only for business vendors (who are not subject to the Privacy Act) and (ii) if DOR's cost for implementation justifies the potential recovery.

Based on SWARM's evaluation of Phase 3, given the cost of Privacy Act notification and the likelihood of obtaining the requisite authorization, it appears unlikely that state resources will be used to collect non-state debt.

SWARM continues to work with Executive Branch agencies to evaluate systems used to pay vendors outside of SFMA, the point of which is to determine whether (1) vendors paid outside of SFMA are also debtors of the state and (2) whether the cost for implementation justifies the potential recovery.

Training

Each year, SWARM evaluates the needs of state agency accounts receivable professionals to determine the most beneficial training needed by those agencies. Understanding that state agency accounts receivable professionals have limited time available to attend classroom training, SWARM maximizes the use of online training. Each training is published to the SWARM website¹⁴ and SWARM encourages managers and accounting professionals responsible for overseeing or processing accounts receivable transactions to partake in the training opportunities.

During FY 2019, SWARM published a three part training video series to assist state agencies with reporting ARPM data, setting ARPM targets, and using ARPM data as a management tool. SWARM also published three separate training videos that covered the following topics: offers in compromise, the use of social security numbers for debt collection, and the Servicemembers Civil Relief Act. Each training video was approximately 30 minutes long and is available for viewing at the convenience of the trainee. In addition, SWARM hosted the annual training on L&D Account Reporting, a recording of which was posted on the SWARM website.

Accounts Receivable Honor Roll

To recognize the efforts of accounts receivable professionals statewide, and encourage prioritization of accounts receivable management activities, the DAS Chief Financial Office (DAS-CFO) created the Accounts Receivable Honor Roll.

Beginning with FY 2019, SWARM distributed a list of accounts receivable reporting requirements and the respective due dates. State agencies that submit accurate reports by the required due dates will be eligible for Accounts Receivable Honor Roll recognition. Following the close of each fiscal year, DAS-CFO will notify the state agencies that achieved this recognition and send a certificate accompanied by a congratulatory letter. Additionally, by January 31, the list of Accounts Receivable Honor Roll recipients for the previous fiscal year will be published on the SWARM webpage.

¹⁴ <https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>, Accounts receivable training and workshops.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

State agency participation in submitting accurate and timely accounts receivable reports is an important component in meeting the statewide efforts to improve accounts receivable management processes and the integrity of L&D account data reported annually to LFO.

SWARM Efforts

SWARM acts as a clearinghouse for accounts receivable policies, best practices, and trainings in order to facilitate timely and accurate reporting and improving collections. This communication raises awareness and focus of agencies on statewide accounts receivable management. SWARM has also seen steady participation at the monthly Accounts Receivable Core Committee (ARCC) meetings, which provide opportunities for collaboration and sharing of best practices between agencies. In FY 2019, 38 agencies¹⁵ regularly participated in ARCC meetings.

During FY 2019, ARCC members assisted in the following deliverables by:

- Providing feedback and updates in the revision of 18 statewide accounts receivable management policies.
- Assisting in the development of eight Oregon Administrative Rules associated with exempting L&D accounts from assignment and the use of social security numbers for debt collection purposes.¹⁶
- Contributing content for SWARM's newsletter ("The *Buzz*"), distributed to **state government** accounts receivable professionals, stakeholders, and partners.

Two of the ARCC subcommittees completed efforts outlined in their respective charters during FY 2019. The *Performance Metrics Subcommittee* assisted SWARM in the identification of performance metrics to measure statewide accounts receivable management efforts. The *Policy Development and Review Subcommittee* reviewed existing accounts receivable policies, reflected in OAM Chapter 35, and assisted in the development of new statewide accounts receivable policies based on administrative or legislative changes. These committees are now in recess until their assistance is needed again.

During the 2019 legislative session, the legislature passed two bills that were introduced by DAS that influenced the collection and reporting of L&D accounts receivable. SB 72 (sections 14-21) modified specific sections of [ORS 293](#) to clarify the definition of a state agency related to applicability of debt management requirements. House Bill 2094 modified the state procurement statutes ([ORS 279A](#)) to include language from Executive Order 17-09 that allows agencies to consider, during evaluation of a bid or proposal, whether the proposer owes an L&D debt to the state.

In accordance with [ORS 279B.045](#), public contracts between the state and its vendors must include a representation and warranty from the contractor that the contractor has complied with the tax laws of this state. The public contract must also require a covenant from the contractor to continue to comply with the tax laws of this state. SWARM worked with DOR and DAS Procurement Services (DAS-PS) to secure an interagency agreement (IAA) that allowed information sharing between these two agencies for the purpose of determining if any of the state's contractors owed L&D taxes to the state. In August 2019, the IAA was executed and as a result, DAS-PS's contractors were matched against entities owing debt to the state. This first

¹⁵ These 38 agencies represent 99.3% or \$1.5 billion of the L&D ending balance reported by Executive Branch agencies to LFO.

¹⁶ [Oregon Administrative Rules, Chapter 122, division 85](#)

Fiscal Year 2019 Statewide Accounts Receivable Management Report

match determined that 45 vendors owed \$475 thousand to the state. DAS-PS is currently reaching out to these contractors to obtain compliance. SWARM will continue to monitor future matches, which are scheduled to occur once a year.

In addition to the efforts described above, SWARM worked closely with state agency accounts receivable professionals to improve agency-specific policies and procedures. Since state agencies have unique accounts, debtors, and processes, one-on-one coordination is an essential component in helping agencies incorporate general statewide accounts receivable management guidance into agency-specific policies and procedures. SWARM also developed an Agency Checklist for agencies to use on their LFO Reporting Worksheet and ARPMs which identified common errors, which the agencies would then be able to correct prior to submission.

Data Analysis

Liquidated and Delinquent Account Analysis by Branch

All agencies within state government, as well as some **special government entities**, are required to report L&D account activity to LFO annually.¹⁷ State agencies report L&D account activity to LFO in four sections: total L&D accounts; accounts assigned to DOR-OAA; accounts assigned to a private collection firm (PCF); and accounts exempt from assignment. Each of these components are evaluated to assess the overall status of L&D account activity.

Agencies are required to report the value of L&D accounts that they consider doubtful to be collected. These doubtful accounts are still going through the collections process and may become eligible for write-off. The balance of L&D accounts less the balance of doubtful accounts equals the adjusted ending balance. The adjusted ending balance represents the estimated value of L&D accounts potentially recoverable with reasonable effort over time and using collection tools available to the state. Based on data reported to LFO by all state agencies, \$2.1 billion, or 59.4%, of L&D account balances are doubtful to ever be collected.

The LFO report does not separate L&D debt balances by branch of government. In order to characterize where the balance of L&D debt resides, the *Statewide Accounts Receivable Management Report* separates the FY 2019 data reported to LFO by branch ([Table 3](#)). Agencies within the Legislative Branch, as well as the special government entities, are listed as “All Others”.¹⁸

¹⁷ [ORS 293.229](#) and [ORS 1.195](#) define the annual LFO reporting requirement.

¹⁸ Refer to Appendix B for a listing of agencies by branch of government.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Table 3.

Total Liquidated and Delinquent Accounts Receivable For the Year Ended June 30, 2019				
	Judicial	Executive	All Others	Total
Beginning Balance	\$1,752,620,499	\$1,665,802,675	\$146,748,495	\$3,565,171,669
Additions	193,936,583	940,128,577	63,414,025	1,197,479,185
Collections	(59,609,930)	(543,384,059)	(30,968,005)	(633,961,994)
Write-Offs ¹⁹	(6,393,311)	(91,821,840)	(13,646,122)	(111,861,273)
Adjustments	(67,845,505)	(47,463,883)	(9,490,380)	(124,799,768)
Reversals	(18,926,166)	(370,801,886)	(2,972,440)	(392,700,492)
Ending Balance	\$1,793,782,170	\$1,552,459,584	\$153,085,573	\$3,499,327,327
Doubtful Accounts	(1,516,463,447)	(519,039,321)	(44,270,434)	(2,079,773,202)
Adj. Ending Bal.	\$ 277,318,723	\$1,033,420,263	\$108,815,139	\$1,419,554,125

The statewide L&D accounts receivable ending balance of \$3.5 billion as of FY 2019 resides predominantly in the Judicial and Executive Branches. Though the SWARM team collaborates and provides accounts receivable management assistance to all state agencies, only Executive Branch agencies are subject to the accounting requirements set forth by DAS and documented in the Oregon Accounting Manual (OAM).²⁰ For this reason, the remainder of this analysis focuses on account activity associated with Executive Branch agencies.

Executive Branch Liquidated and Delinquent Accounts

Executive Branch agencies reported L&D accounts receivable totaling \$1.6 billion, a 6.8% decrease from FY 2018. The primary drivers of this decrease are a higher amount of **reversals** (\$139.5 million) and write-offs (\$57.7 million), offset by increased **additions** (\$86.7 million)²¹.

Five agencies represent 91.5% of the \$1.6 billion FY 2019 ending balance ([Table 4](#)).²²

Table 4.

Executive Branch Agency Ending Balances For the Year Ended June 30, 2019		
	Ending Balance	Percent of Ending Balance
Department of Revenue	\$ 778,802,056	50.2%
Department of Justice	383,836,554	24.7%
Oregon Employment Department	153,923,721	9.9%
Department of Consumer and Business Services	57,434,696	3.7%
Public Employees Retirement System	46,041,656	3.0%
Remaining agencies	132,420,900	8.5%
Total	\$1,552,459,584	100.0%

¹⁹ Write-off amounts identified in Table 3 for the Executive Branch do not match the amounts identified in [Appendix B](#) due to agency error, refer to footnote 42 on page 33 for more information. Some special government entities are not subject to [ORS 293.234](#); therefore, the amounts identified in the "Written off" column for special government entities will not match the amounts in "All Others" referenced in Table 3.

²⁰ The Judicial Branch, Legislative Branch, and special government entities are not subject to accounting policies established by DAS.

²¹ Refer to Table 5 for FY 2019 Executive Branch data compared to FY 2018.

²² Refer to [Appendix A](#) pages 25-26, for more information about the types of accounts reported by these five agencies.

Changes in Liquidated and Delinquent Account Balances

The comparison of Executive Branch agencies' L&D accounts receivable from FY 2018 to FY 2019 provides assistance in evaluating state agency effectiveness in managing accounts receivable over the last year ([Table 5](#)).

Table 5.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
	2019	2018	Net Increase/ (Decrease)²³
Beginning Balance	\$1,665,802,675	\$1,612,923,642	\$ 52,879,033
Additions	940,128,577	853,468,464	86,660,113
Collections	(543,384,059)	(515,929,670)	27,454,389
Write-Offs	(91,821,840)	(34,142,909)	57,678,931
Adjustments	(47,463,883)	(19,220,539)	(28,243,344)
Reversals	(370,801,886)	(231,296,313)	139,505,573
Ending Balance	\$1,552,459,584	\$1,665,802,675	\$(113,343,091)

Overall SWARM has noticed that agencies are becoming more consistent with the data reported to LFO. Agencies generally appear to have a better understanding of the accounts that meet the reporting criteria and have improved their methods of gathering the required data elements. While variation in L&D account activity from one year to the next is expected, SWARM analyzes the data to identify the largest changes and the factors that contributed to these changes. Below are some highlights of those changes.

Often when an agency reports an increase in L&D additions there is also an increase in the reported collections. Both additions and collections increased in FY 2019 when compared to FY 2018 (\$86.7 million and \$27.5 million respectively). The Department of Human Services (DHS) and the Oregon Health Authority (OHA) reported significant increases in these two categories; DHS additions increased \$42 million while collections increased \$32.9 million, and OHA additions increased \$26.2 million while collections increased \$16 million. Most of the increased additions were accounts owed from other state agencies that were paid after 60 days.

Of the \$57.7 million increase in write-offs for Executive Branch agencies, DOR accounted for \$66.5 million. DOR implemented new programming that systematically identified accounts that met criteria for write-off. The initial run of the new program occurred in May 2019 and resulted in \$65 million in accounts being written-off; 24.5% were related to accounts at least 10 years old, 41.1% related to accounts seven to nine years old, 33.7% related to accounts four to six years old, while less than 1% related to accounts one to three years old.

Agencies that have performed reasonable effort to collect L&D debt may write-off debts according to criteria approved by the Attorney General in [OAM 35.50.10](#). Agencies that record their write-off activity in SFMA must include the specific write-off criteria. During FY 2019, 93% of all write-offs recorded by Executive Branch agencies met one of three criteria ([Fig. 1](#)).

²³ The net increase / (decrease) reflects the difference between each row and is not intended to total.

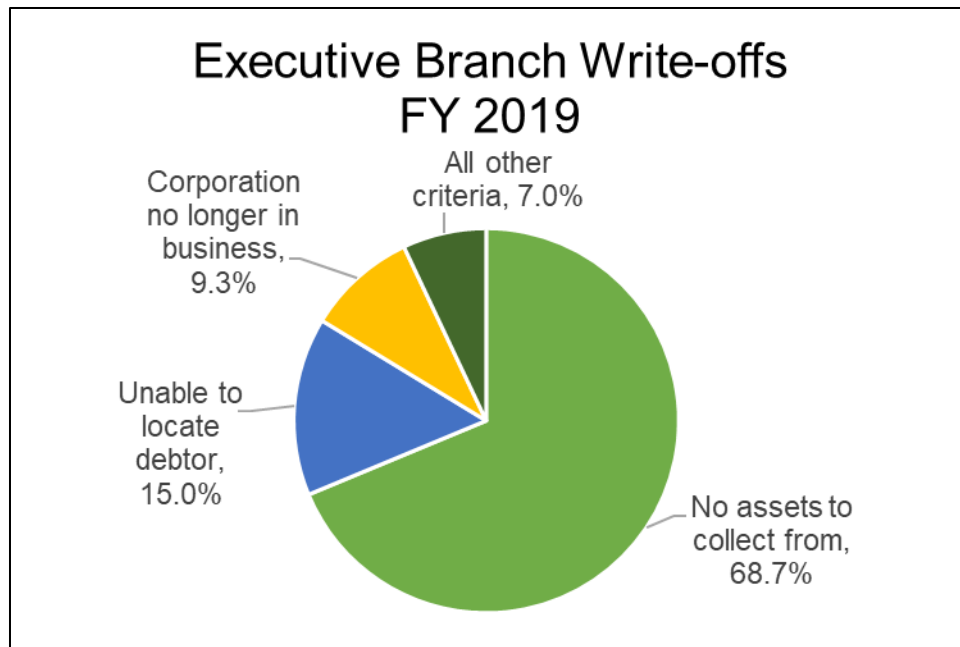


Figure 1.

The Public Employees Retirement System (PERS) accounted for \$25.2 million of the \$28.2 million decrease in **adjustments** reported by Executive Branch agencies compared to FY 2018. In FY 2018 PERS included an adjustment to increase their accounts receivable ending balance to correct for missing data from an earlier conversion to a new pension system.

Reversals in FY 2019 increased \$139.5 million when compared to FY 2018. The Department of Consumer and Business Services (DCBS) reported increased reversals of \$70.8 million, resulting from the agency’s lack of adequate supporting documentation for its accounts. After the agency noted the absence of supporting documentation in response to debtor disputes, the agency initiated program level audits of accounts previously reported as L&D to ascertain whether the agency had proper documentation to support the debt claims and determined that until accounts are document supported, these accounts were reversed because they did not meet the definition of “liquidated”. The DCBS audits represent a better understanding of the conditions required for L&D reporting and the need to ensure proper documentation of agency efforts during the collection of the debts.

Additionally, DOR reported increased reversals of \$76.1 million compared to FY 2018. One corporate tax failure to file assessment was reversed when the taxpayer filed an adjusted return.

[ORS 293.231](#) requires Executive Branch agencies to assign eligible accounts to DOR-OAA for collection action.²⁴ Assigning accounts to DOR-OAA allows agency staff to focus on the agency’s mission while allowing the collection specialists at DOR-OAA to focus on the collection of the debt. For this reason, SWARM encourages state agencies to assign accounts soon after the account meets the definition of L&D. Assignment activity varies from year to year due, in part, to the type and volume of accounts that become L&D during the fiscal year.²⁵

²⁴ For more information about account assignment requirements, refer to How the State Collects Debt in [Appendix A](#).

²⁵ For liquidated and delinquent account assignments to DOR-OAA and PCFs by all state agencies, refer to [Appendix C](#).

Fiscal Year 2019 Statewide Accounts Receivable Management Report

For example, an agency may have an increase in L&D account activity due to a procedural change which qualifies more accounts for assignment to a third-party collector. Categorical comparisons in assignment activity (e.g. additions, returns) are not relevant when evaluating whether agencies are effectively managing L&D accounts, since once the account is assigned the agency no longer has control over it. It should be noted that assignment activity variances from year-to-year help identify where procedural changes may have occurred. When evaluating whether accounts are being effectively managed, where the account resides in the collection lifecycle provides a more informative perspective. Executive Branch agencies reported outstanding assignments to a third-party for collection action totaling \$284 million, a decrease of \$126.7 million from FY 2018 ([Table 6](#)).

Table 6.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
Assigned to Department of Revenue-Other Agency Accounts			
	2019	2018	Net Increase/ (Decrease)²⁶
Beginning Balance	\$ 67,675,641	\$ 64,993,024	\$ 2,682,617
Additions	43,616,527	47,757,442	(4,140,915)
Collections	(3,037,844)	(2,825,286)	212,558
Forwarded to a PCF	(40,914,374)	-	40,914,374
Returned to Originating Agency	(38,574,993)	(42,249,539)	(3,674,546)
Ending Balance	\$ 28,764,957	\$ 67,675,641	\$ (38,910,684)
Assigned to Private Collection Firms			
	2019	2018	Net Increase/ (Decrease)
Beginning Balance	\$343,090,068	\$271,241,035	\$ 71,849,033
Additions	124,631,565	149,826,577	(25,195,012)
Collections	(16,200,681)	(16,045,147)	155,534
Returned to DOR-OAA	(863,639)	-	863,639
Returned to Originating Agency	(195,406,515)	(61,932,397)	133,474,118
Ending Balance	\$255,250,798	\$343,090,068	\$ (87,839,270)
DOR-OAA & PCF Ending Balance	\$284,015,755	\$410,765,709	\$ (126,749,954)

Despite a combined decrease of \$29.3 million in additions (\$4.1 million for DOR-OAA and \$25.2 million for PCFs), DOR-OAA and PCFs collected \$19.2 million (\$3 million from DOR-OAA and \$16.2 million from PCFs) on behalf of Executive Branch agencies; an increase of \$368 thousand compared to the prior fiscal year.

Under centralization, Executive Branch agencies assign L&D accounts to DOR-OAA for collection which may result in the account being forwarded to a PCF (\$40.9 million). PCF additions (\$124.6 million) exceed accounts forwarded to a PCF because accounts owed to

²⁶ The net increase/(decrease) reflects the difference between each row and is not intended to total.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

DOR for delinquent taxes are assigned directly to a PCF (\$62 million). Additionally, since FY 2019 was the first year of centralization some executive branch agencies had accounts that were returned by DOR-OAA in FY 2018 but had not yet been assigned to a PCF and therefore these agencies completed the assignment to the PCF in FY 2019. In the future it is expected that additions to a PCF should equal the accounts forwarded to a PCF by DOR-OAA plus the additions reported by DOR for delinquent taxes.

Not all L&D accounts are subject to the assignment provisions referenced in [ORS 293.231](#), agencies may exempt accounts from assignment that meet an administrative or statutory exemption criteria. A common misconception is that an exemption means the account cannot be assigned to collections; generally, this is untrue. Rather, assignment exemptions provide agencies the flexibility to determine alternative avenues to effectively collect a delinquent account. For example, several state agencies have an internal collections unit combined with unique tools which allow the agency to effectively collect its accounts. Specifically, DHS, DOR, ODOT, Department of Justice (DOJ), Oregon Employment Department (OED), and OHA have such specialized collection units and may exempt applicable accounts from third-party collection action to allow for recovery through actions such as the issuance of a **distrain warrant**. For FY 2019, Executive Branch agencies reported \$1.1 billion in accounts eligible for assignment exemption, an increase of \$357.9 million over FY 2018 ([Table 7](#)).

Table 7.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
Accounts Exempt from Assignment			
	2019	2018	Net Increase/ (Decrease)
Administrative Exemption	\$ 668,717,680	\$ 447,356,322	\$ 221,361,358
Statutory Exemption	428,237,320	291,652,477	136,584,843
Total Exemptions	\$1,096,955,000	\$739,008,799	\$357,946,201
Total L&D Ending Balance	\$1,552,459,584	\$1,665,802,675	\$(113,343,091)
Exemptions as a percentage of L&D Ending Balance	70.6%	44.4%	

DOR accounts for 89.3% of the \$357.9 million increase in exemptions from 2018. DOR's increase was mostly due to: an assignment exemption provided under [ORS 293.231\(6\)\(a\)](#)²⁷; accounts in litigation, bankruptcy or mediation; and wage garnishment or order preventing assignment.

Three agencies reported \$988.6 million (90.1%) of all Executive Branch agency exemptions for FY 2019 ([Fig. 2](#)).

²⁷ ORS 293.231(6)(a) requires DOR to assign L&D accounts that originate with DOR to a PCF not later than one year from the most recent payment on the account. Because the LFO reporting system requires agencies to report accounts that are "unassigned, non-exempt with no payment in over 90 days" DOR reports accounts that are over 90 days and less than one year as exempt from assignment under a DAS approved exemption.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

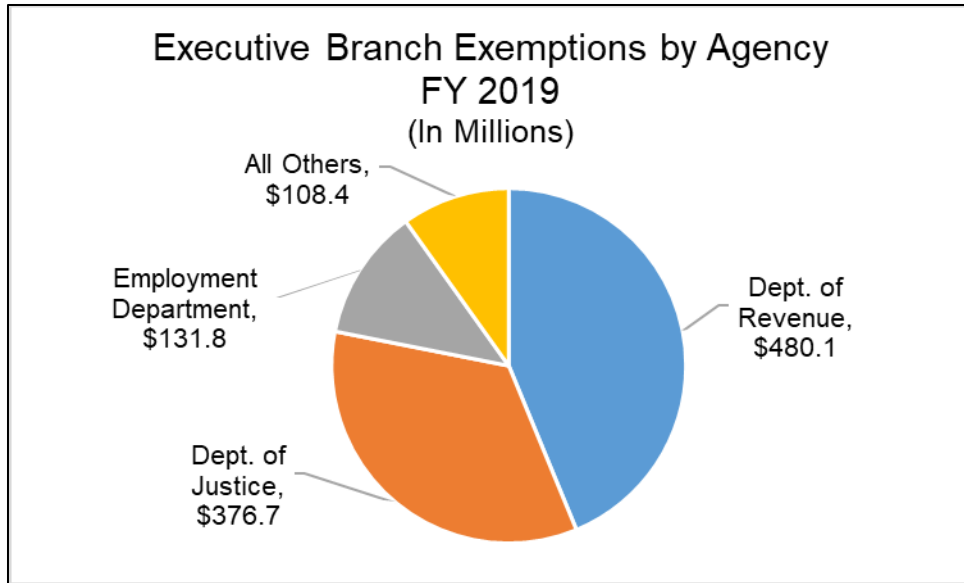


Figure 2

Of the \$1.1 billion total account exemptions reported in FY 2019, 90.5% were accounts affiliated with one of seven exemption categories ([Fig. 3](#)).

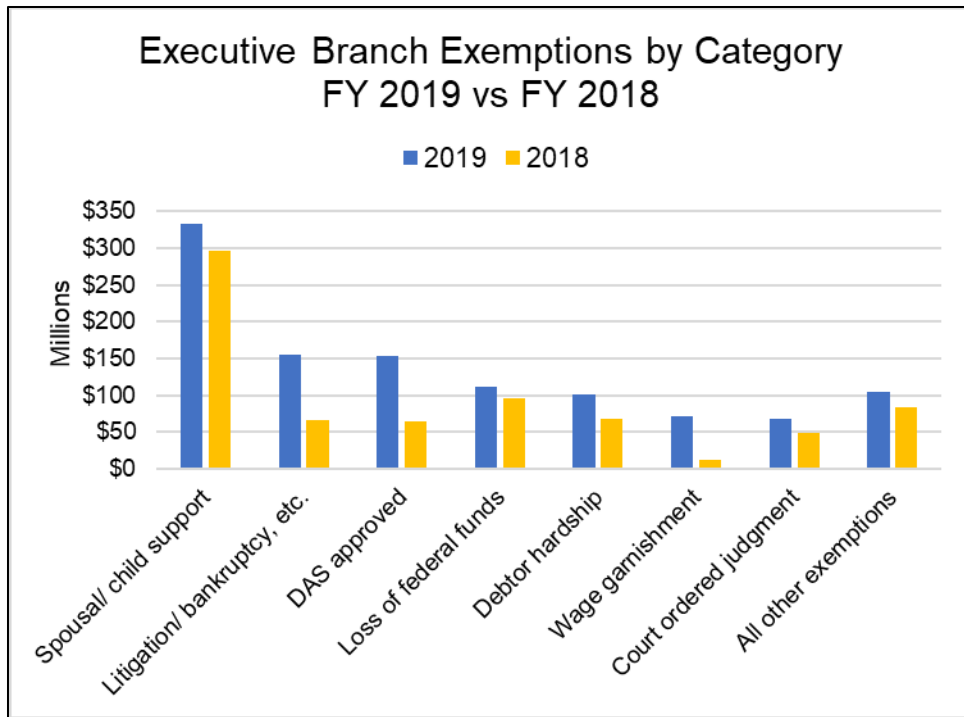


Figure 3

The value of account exemptions can fluctuate from one fiscal year to the next as the account status changes or as agencies improve their analysis of accounts eligible for exemption. As agencies continue to refine their tracking and reporting of L&D accounts the identification of accounts subject to an exemption becomes more accurate.

Unassigned Accounts Over 90 Days

Another component used to evaluate the effectiveness of state agency L&D account management is the balance of unassigned, non-exempt accounts without a payment for 90 days or more. In FY 2019, 33 Executive Branch agencies reported \$30.1 million in accounts that were unassigned, non-exempt without a payment for 90 days or more.²⁸ This is a significant improvement over the \$260.5 million reported in FY 2018.

State agencies that reported balances of unassigned, non-exempt accounts provided an explanation as to why the accounts were not assigned. Those explanations were consolidated into the following general categories:

- Agencies that are exempt from the assignment requirements of [ORS 293.231\(7\)](#) (\$252 thousand, 0.8%).
- Accounts previously assigned for collection and returned to the agency (\$234 thousand, 0.8%).
- Accounts that were subject to assignment, but the state agency did not comply with [ORS 293.231](#) (\$29.7 million, 98.4%).
 - OED identified a system programming error that did not assign accounts as expected (\$14.5 million).
 - DOR accounts were not assigned due to a pending garnishment or payment plan (\$6.1 million).
 - Of the remaining \$9.1 million accounts that were non-compliant with [ORS 293.231](#), the Bureau of Labor and Industries, the Department of Environmental Quality, and OHA accounted for \$7.2 million. Multiple agencies reported staff turnover that contributed to the agency's non-compliance with assignment requirements.

Overall, the LFO data reported by Executive Branch agencies demonstrates the continued focus on accounts receivable management practices and commitment to improved tracking and reporting of L&D accounts receivable. While opportunities still exist for improvement of accounts receivable tracking and reporting, the effects of agency efforts are becoming more evident as time progresses.

Future of State Debt Collections

For the last three and a half years, SWARM has focused on improving the collection of accounts that have become L&D. FY 2020 brings a new area of concentration for the SWARM team, working with agencies to improve their billing practices and to educate them on alternative payment options by implementing new technologies to make the accounts receivables process more efficient. This new focus will be to identify opportunities to reduce the number of accounts that become delinquent and result in collection activity. SWARM recognizes that agencies will continue to need training for new agency staff on the basics of debt collection in the government sector and refinement of agency's processes with their existing resources. The collection of L&D accounts receivable will continue to be an area that SWARM provides best practices and identifies opportunities to improve.

²⁸ Refer to the 2019 LFO Report on Liquidated and Delinquent Accounts Receivable for a list of these agencies and amounts reported.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Direction from the Legislative Assembly and the Governor's Office over the past few years contributed immensely to the improvement of accounts receivable management practices. Opportunities remain however for agencies to improve data quality, streamline processes, leverage system capabilities, and maximize recoveries. State agencies will continue their commitment to improve accounts receivable management processes in an effort to increase collections and reduce the amount of debt owed to the state.

One of SWARM's statutory responsibilities is to work with state agencies to improve the quality of data submitted annually to LFO. As part of this role, SWARM provides state agencies with tools to improve the tracking and reporting of L&D account data. Additionally, SWARM reviews each L&D account report submitted by the 132 state agencies required to report under [ORS 293.229](#). In FY 2019, the majority of reports initially submitted to LFO by state agencies continued to include errors that could have been mitigated through the use of tools provided by SWARM combined with an internal agency review process. As a result of SWARM's review, most of the errors were corrected before the statutory deadline of October 1.

Though legislative changes over the past three years have created many opportunities for statewide accounts receivable management improvements, SWARM continues to evaluate opportunities to maximize and enhance the use of existing technology. Many state agencies have accounts receivable resource limitations related to both people and systems. Understanding state agency resource challenges and identifying the commonality of state agency needs empowers SWARM to identify solutions to bridge the gap between resource limitations and effective accounts receivable management. SWARM will collaborate with DOR-OAA to identify ongoing opportunities for operational improvements to the services DOR-OAA provides to state agencies leveraging the benefits of centralized debt collection.

In an effort to create efficiencies and maximize the use of existing technology, SWARM works closely with Department of Administrative Services - Financial Business Systems (DAS-FBS), the team responsible for managing and maintaining SFMA. SWARM and DAS-FBS work collectively to evaluate system capabilities, establish workflow improvements, and implement system enhancements to reduce some of the manual tracking state agencies are required to perform to monitor and report accounts receivable activity for the large majority of Executive Branch agencies that use SFMA.

Throughout the next year, SWARM will continue to partner with DOR-OAA, and Executive Branch agencies to leverage the benefits of debt centralization, evaluate agency-specific processes to streamline accounts receivable management, and to maximize the use of SFMA to mitigate state agency resource challenges.

While continuing the efforts to support agencies in the collection of delinquent accounts receivable, SWARM is excited to begin a new area of focus in FY 2020. The SWARM team will begin working with agencies to improve their billing practices and to educate them on alternative payment options by implementing new technologies to make the accounts receivables process more efficient. While the collection of L&D accounts receivable will continue to be an area that SWARM provides state agencies with guidance and assistance, this new challenge will be to identify opportunities to reduce the number of accounts that become delinquent and require agency resources to perform collection activities.

Acknowledgments

SWARM appreciates the access to agency L&D accounts receivable data from LFO; this report would not be possible without LFO's support. DAS also extends thanks to state agencies for staff's professionalism and dedication to improving accounts receivable data and collection processes.

Appendix A – Accounts Receivable Management Overview

How the State Collects Debt

Applicability

The statutory requirements pertaining to collecting L&D debt are documented in two chapters of the ORS based upon the applicable branch of state government. The collection and assignment provisions of ORS Chapter 1²⁹ apply to agencies within the Judicial Branch and the provisions of ORS Chapter 293³⁰ apply to agencies within the Administrative or Executive Branch.³¹ Statewide policies and procedures pertaining to accounts receivable management are documented in OAM Chapter 35 and are applicable to Executive Branch agencies³² subject to report financial activity in the Comprehensive Annual Financial Report.

Executive Branch Agencies

Agencies have an obligation to bill in a timely manner for goods provided, or services rendered. When an account is not paid by the due date, it becomes delinquent. The state agency is then responsible for conducting preliminary collection activities. These activities include contacting the debtor by phone and letter to notify the debtor of the amount due and to request payment. The letters also serve to notify the debtor of: procedures and deadlines to dispute the debt; potential interest costs; possible account assignment to DOR-OAA; and the additional collection costs associated with assigning the account. Letters are a common method used to liquidate an account; however, accounts may also become liquidated as the result of: a court or administrative order; written agreement between the state agency and the debtor; or by the debtor acknowledging the debt in writing.

Once accounts move into a collection phase, agencies must follow a complex process based on federal and state requirements for due process. State agencies' internal processes involve phone calls, sending letters, and administrative proceedings when a debtor disputes a debt ([Fig. 4](#)).

Once state agencies complete internal collection processes and are unsuccessful in recovery, [ORS 293.231\(1\)](#) requires the state agency to use external sources to assist with ongoing efforts to collect the debt ([Fig. 5](#)). Once an account has met the definition of being liquidated & delinquent, Executive Branch agencies must assign it to DOR-OAA not later than 90 days from the date the account was liquidated (if no payment was received on the account within the 90-day period) or 90 days from the date of receipt of the most recent payment on the account.

Not all L&D accounts are subject to the assignment provisions outlined above; [ORS 293.231\(7\)](#) and [OAM 35.40.10](#) provide exemptions that may be applied at the discretion of the agency. Examples of assignment exemptions include, but are not limited to, accounts that are: secured by a consensual security interest; valued at less than \$100 including penalties; owed by an estate in which the agency received notice the estate closed; or owed by a debtor hospitalized in a state hospital.

²⁹ [ORS 1.194-1.202](#) documents the collection of court account requirements; including, but not limited to, account assignment provisions.

³⁰ [ORS 293.231](#) documents the account assignment requirements for Administrative or Executive Branch agencies subject to ORS Chapter 293.

³¹ Agencies identified in [ORS 293.229\(5\)](#) are exempt from the assignment provisions of [ORS 293.231](#).

³² [OAM 01.05.00](#) documents the scope and applicability of the OAM.

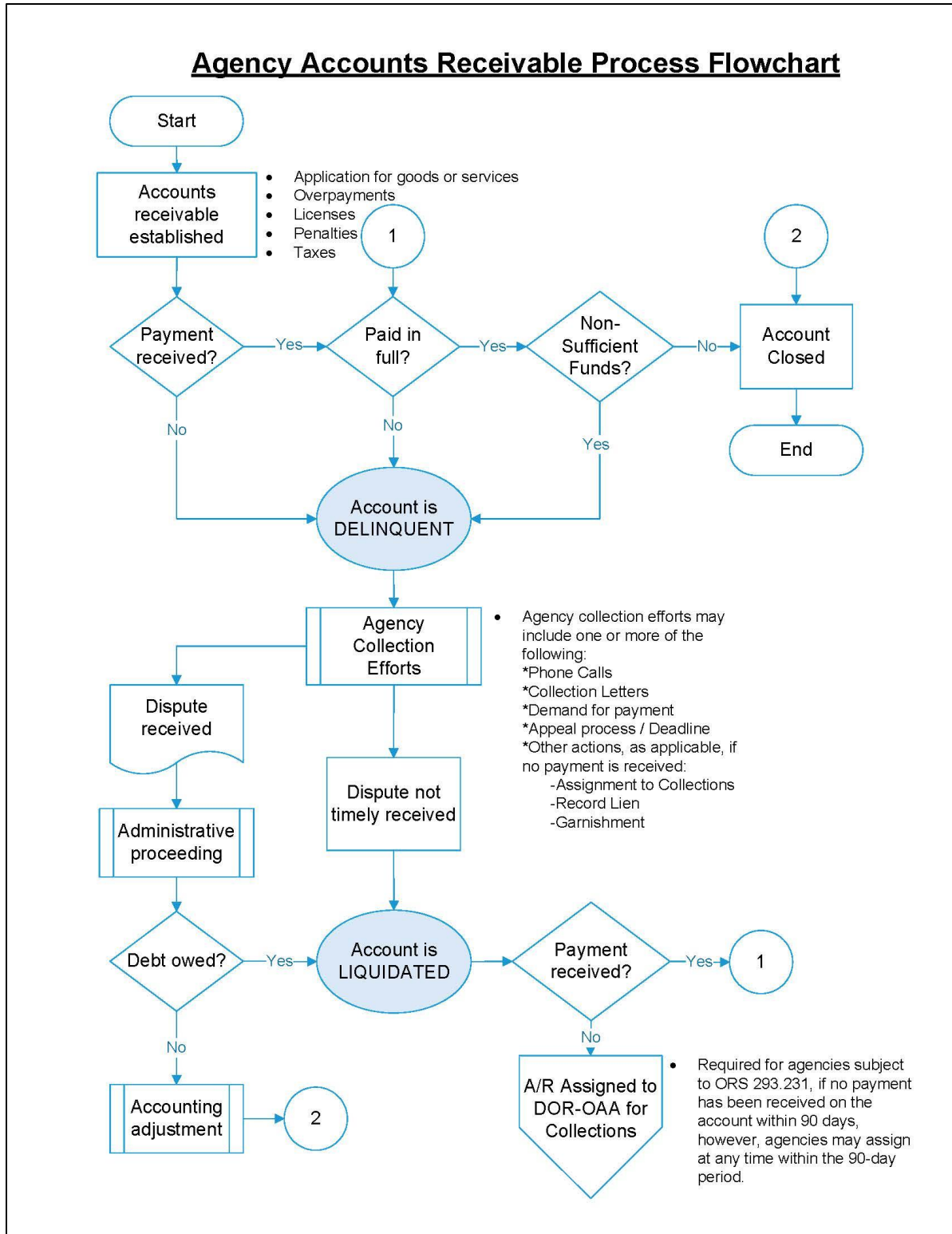


Figure 4.

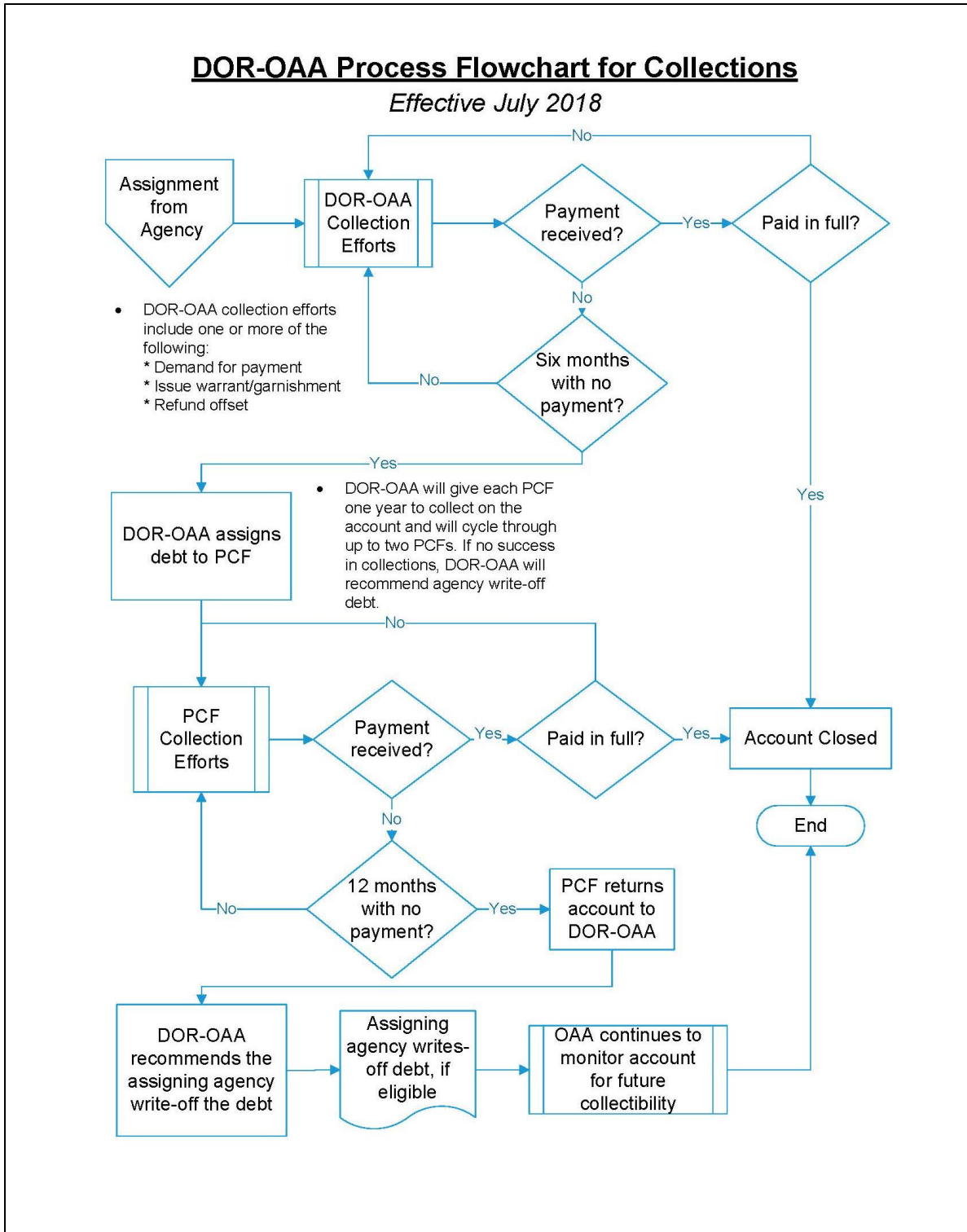


Figure 5.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Effective July 1, 2018, L&D accounts assigned to DOR-OAA (per [ORS 293.231\(3\)](#)) remain in full collection status for six months from the date of assignment or from the date of the last payment applied to the account. Per statute, if DOR-OAA does not collect a payment within that six-month period, DOR-OAA forwards the account to a PCF for additional collection services. If no payment is received within 12 months, the PCF is required to return the account to DOR-OAA, who forwards the account to a different PCF. If the second PCF is not successful with collections, DOR-OAA will recommend to the agency that the account be written-off.

The agency evaluates the account to determine if the account is uncollectible and eligible for write-off as per the Attorney General-approved criteria documented in [OAM 35.50.10](#). When the agency determines the account should be written-off, and the debt is removed from the agency's accounting records, the liability of the debt remains and the agency may pursue collection activities at a later date should the account subsequently become collectible due to a change in the debtor's circumstances (e.g. debtor becomes employed).

The external collections process is one that involves many steps and can take multiple years before resulting in a collection or determination of uncollectibility.

Judicial Branch Agencies

Per [ORS 1.197\(1\)](#), agencies within the Judicial Branch of state government shall offer to assign L&D accounts not later than one year from the date the account was liquidated (if no payment was received on the account within that year) or one year from the date of receipt of the most recent payment on the account.

Furthermore, per [ORS 1.197\(5\)](#), DOR-OAA has one year to collect on L&D accounts assigned by agencies of the Judicial Branch. If DOR-OAA does not collect a payment on the account within one year, or if one year has lapsed since the date of receipt of the most recent payment on the account, DOR-OAA must notify and return the account to the respective Judicial Branch agency who must then immediately offer to assign the account to a PCF. The Judicial Branch maintains an agreement with multiple vendors.

Some Judicial Branch L&D accounts may be exempt from the one year assignment provisions referenced above. As provided in [ORS 1.199\(1\)](#), the State Court Administrator may establish policies and procedures for exempting accounts in addition to the exemptions referenced in [ORS 1.198](#). Agencies of the Judicial Branch of state government are not subject to the statewide policies and procedures referenced in the OAM.

Collection Issues and Challenges

State agencies face several challenges impacting collection processes. In an effort to better understand these challenges, and to identify solutions for overcoming these challenges, one must analyze the type of challenges that exist: data availability; systems; standardization; and resources.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Data Availability

Data availability is an integral component to achieving successful collections of L&D debt. Accurate, complete, and current data increases the collectibility of any debt; however, the availability of the desired data varies depending upon the nature of the debt and the debtor. In the case of issuing a civil penalty to an individual for unlicensed practice, the individual may be operating under an alias or false identity; this impacts the ability of the agency to successfully collect the debt.

State agencies that provide goods or services are encouraged to obtain customer data prior to providing the goods or services in the event the account becomes L&D. Since the process associated with obtaining additional data may create added resource burdens, state agencies must evaluate the cost associated with collecting more data on the front end compared to the likelihood of collection activity. State agencies that accept checks as a form of payment also accept the risk that the check may be returned for non-sufficient funds. In these cases, the state agency may only have data available from the face of the check; which could be stolen, fraudulent, or outdated.

Systems

Systems, much like data, are an integral component to enable state agencies to successfully collect L&D debt. The majority of state agencies use a Microsoft Excel spreadsheet to track and report accounts receivable while the remaining agencies use legacy mainframe or third party software applications. Due to the complex nature of collection activities, an Excel spreadsheet is not an ideal mechanism for effectively and efficiently managing accounts receivable transactions.

Even robust systems, such as SFMA, have limitations, which require state agencies to maintain subsidiary systems to track the details associated with L&D accounts. For example, to comply with the statutory assignment provisions, agencies must track the date an account became delinquent as well as the date the account became liquidated. State agencies may use an aging report generated with data entered into SFMA to establish account delinquency; however, data associated with the date of liquidation is not available in SFMA. As a result, agency accounts receivable professionals must track the data points separately.

GenTax, the system purchased by DOR for tax administration, has many benefits to assist DOR with collecting tax and non-tax debts; however, since the system's primary function is tax administration, the collection functionality needed for DOR-OAA to provide information to client agencies is limited. Though GenTax includes improved collection functionality not previously available, the reporting limitations create challenges for DOR-OAA client agencies by requiring them to rely upon other, more manual, processes to effectively manage and reconcile accounts assigned for collections to DOR-OAA. As the state considers options to further enhance debt collections, investments may be necessary to either augment GenTax or acquire a portfolio management system.

Standardization

Standardizing processes is a challenge that some state agencies face when collecting L&D debt. Though agencies have the authority to establish internal processes to ensure compliance with applicable federal and state requirements, the diverse nature of business units may challenge the agency's ability to create standardized processes within the agency. Diverse

Fiscal Year 2019 Statewide Accounts Receivable Management Report

business units result in diverse types of debt with varying levels of requirements resulting in unique processes for each business unit or type of debt. This challenge makes it difficult for state agencies to efficiently standardize collection processes; an important factor when limited resources are available to conduct effective and efficient collection activities. Even though state agencies may have similar regulatory functions and authorities such as civil penalties, the diversity of issues within each agency may require varying methods when implementing those same authorities.

Resources

Resource challenges affecting state agencies include not only the availability of staff dedicated to the management and collection of debt but also the training and expertise of the available staff. Often, collection work in state agencies is completed by accountants responsible for accounts receivable billing. Though this may seem like a natural fit, collection work and accounting work are different functions and require different skillsets. In addition, the primary purpose of an accounts receivable accountant is to bill for goods or services provided and to record the applicable accounting entries in the general ledger. A debt collector requires a specific set of skills that include: research methods to locate debtors and collectible assets; negotiation methods; and enforcement processes, such as garnishment and **lien** recording. The skills required for debt collection are not commonly listed in job requirements for accounting positions. Many state agencies report that their priority is to bill for goods or services provided while collection activities are often conducted as time allows and as staff are available.

When an agency determines that the percentage of accounts that become L&D are immaterial compared to the percentage of accounts that are paid timely, it is not surprising that agencies prioritize their work accordingly.

In addition to the availability of dedicated staff, resource challenges also include staff knowledgeable about debt collection. Collection activities contain many complexities which make it difficult to effectively perform when only a portion of an employee's position is allocated to infrequently performing such tasks.

Collection staff need to be well versed in applicable federal and state regulations to ensure due process has been afforded the debtor and that appropriate notifications are made prior to escalating collection efforts. Appropriate notifications include potential consequences for failing to pay, such as: penalties; interest; garnishment; assignment of the account to collections and associated collection costs. Due process also provides many opportunities for the debtor to dispute or appeal the debt. Failure to provide proper notification to the debtor could result in the agency being legally liable for damages or penalties.

Statewide Accounts Receivable Management

[ORS 293.252](#) requires DAS to monitor state agency debt collection functions and assist state agencies in efforts to improve the collection of delinquent debts owed to state agencies. To meet the statutory requirements, DAS created the two-person SWARM team to provide training on processing and managing accounts receivable; offer technical assistance in resolving accounts receivable challenges; develop performance standards for state debt

Fiscal Year 2019 Statewide Accounts Receivable Management Report

collection and work with state agencies to improve the quality of data submitted to LFO. In an effort to improve the collection of delinquent debts and foster improved agency collaboration, SWARM developed the Accounts Receivable Core Committee (ARCC).

Accounts Receivable Core Committee

ARCC is comprised of accounts receivable representatives from state agencies who meet monthly to discuss current collection practices and assist SWARM in developing strategies to improve statewide accounts receivable management. ARCC also serves as a forum for state agency accounts receivable professionals to collaborate with peers from other state agencies and to discuss successful collection strategies, lessons learned, and best practices.

To assist in meeting the objectives of the ARCC, subcommittees are established as needed to address specific statewide accounts receivable management topics. The *Performance Metrics* and *Policy Development and Review* Subcommittees completed their work in FY 2019. During FY 2019, a new subcommittee, *PCF Contract Workgroup*, was formed.

The ARCC and its subcommittees include a diverse membership from large and small agencies, semi-independent agencies, and DOR-OAA. The work of the ARCC and its subcommittees are valuable components to improving statewide debt collections and overall accounts receivable management practices through the collaboration, partnership, and forward thinking of accounts receivable professionals.

Performance Metrics Subcommittee

The *Performance Metrics Subcommittee* achieved the goal to assist SWARM in the identification of performance metrics to measure statewide accounts receivable management efforts. Subcommittee members coordinated with SWARM to develop the accounts receivable performance measures that Executive Branch agencies report quarterly and annually. The *Performance Metrics Subcommittee* is now inactive and will be reconvened as needed to review and update the performance metrics.

Policy Development and Review Subcommittee

The *Policy Development and Review Subcommittee* completed the objective to assist SWARM develop new statewide accounts receivable policies based on administrative or legislative changes and review existing accounts receivable policies reflected in OAM Chapter 35. The *Policy Development and Review Subcommittee* is now inactive and will be reconvened as needed to review and update statewide accounts receivable policies.

PCF Contract Workgroup

The *PCF Contract Workgroup* was formed in 2019 to prepare the Request For Proposal (RFP) solicitation requirements, evaluate the RFP submissions and evaluate and revise the PCF contract as necessary, in consideration of the centralization model under [ORS 293.231](#).

Factors in Collecting Receivables

Key factors which influence the collectibility of an accounts receivable are: (i) the type of accounts receivable; (ii) the socio-economic status of the debtor; and (iii) the debtor’s ability and willingness to pay.

Types of Accounts Receivables

State agency accounts receivable include a diverse representation of legally enforceable claims for payment ranging from benefit overpayments to court-ordered restitution ([Table 8](#)).

Table 8.

Types of State Agency Accounts Receivable ³³	
Administrative hearing orders	Loans
Benefit overpayments (unemployment or public assistance)	Medical services
Contract or service level agreements	Restitution
Court orders (civil or criminal judgment)	Support orders (child or spousal)
Employee overpayments (current or former employee)	Taxes
Fees, fines and penalties	Tuition
Licensing (application or renewal)	

Generally, certain types of accounts receivable are easier to collect than others. For example, when a licensing agency can suspend or revoke a license if the debt is not paid, the debtor is more likely to voluntarily pay.

Typically, more than 90% of the Executive Branch outstanding balances of L&D accounts originate in the following five agencies.

Department of Revenue

Debt balances reported by DOR include taxes, fees, penalties and interest owed to the state by individuals and businesses. The debts are primarily payable to the General Fund. The majority of the debt balances reported by DOR are related to personal income taxes. Accounts collected by DOR-OAA are not included in this amount since they are reported by the agency that assigned the account.

Department of Justice

DOJ’s debt balances are comprised primarily of: (i) child support recoveries which are remitted to the custodial parent when collected; (ii) punitive damages awarded to the *Crime Victims Services Division*; and (iii) court **judgments** from the *Financial Fraud, Consumer Protection and Charities programs*. The debts are largely payable to Federal Funds and Other Funds.

Oregon Employment Department

Debt balances reported by OED include unemployment insurance (UI) benefit overpayments and delinquent UI employer-paid taxes. UI benefit overpayments result from administrative decisions that determine a claimant was not eligible to receive benefits. UI benefit

³³ The list in Table 8 represents the most common types of state agency accounts receivable; as such, this list is not all-inclusive.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

overpayments arise from claimant error, non-claimant error, or fraud. Both types of UI debts include amounts that have accumulated over many years and may have been subject to additional penalties and interest. The debts are payable to Other Funds.

Department of Consumer and Business Services

DCBS's debt balances result from a variety of programs ranging from workers compensation and occupational safety to financial regulation and building codes. Outstanding balances are fines or penalties related to regulatory enforcement. The debts are primarily payable to Other Funds.

Public Employees Retirement System

Debt balances reported by PERS include retiree overpayments which occur as a result of retiree death, legislative changes to retirement calculations, and administrative errors. The debts are payable to Other Funds.

Types of Debtors

State agency debtors range across the diverse socio-economic spectrum and can be either individuals, businesses, or organizations depending on the type of the debt ([Table 9](#)). State agencies often do not get to choose their customers or deny services based on ability to pay; therefore, a reactive approach to accounts receivable management is common.

Table 9.

Type of State Agency Debtors	
Corporations, partnerships, LLCs, etc.	Licensed professionals
Employed individuals	Not-for-profit organizations
Incarcerated individuals	Out-of-state individuals
Individuals in the care of a state hospital	Students
Individuals on state assistance	Unemployed individuals
Individuals on state medical assistance	Unlicensed individuals or businesses
Individuals with limited income	Veterans

The Debtor's Ability and Willingness to Pay

Collectibility of a debt expands beyond the type of debtor and includes evaluation of the debtor's ability and willingness to pay. A common matrix used by a PCF determines if the debtor is: able and willing to pay; able to pay but unwilling; unable to pay but willing; or unable and unwilling to pay ([Fig. 6](#)). Evaluating the probability of collection is valuable for determining the most cost effective and efficient method of pursuing the debt.

It is important to remember that over time a debtor's ability to pay may be subject to changes in their socio-economic status, while their willingness to pay typically does not change.

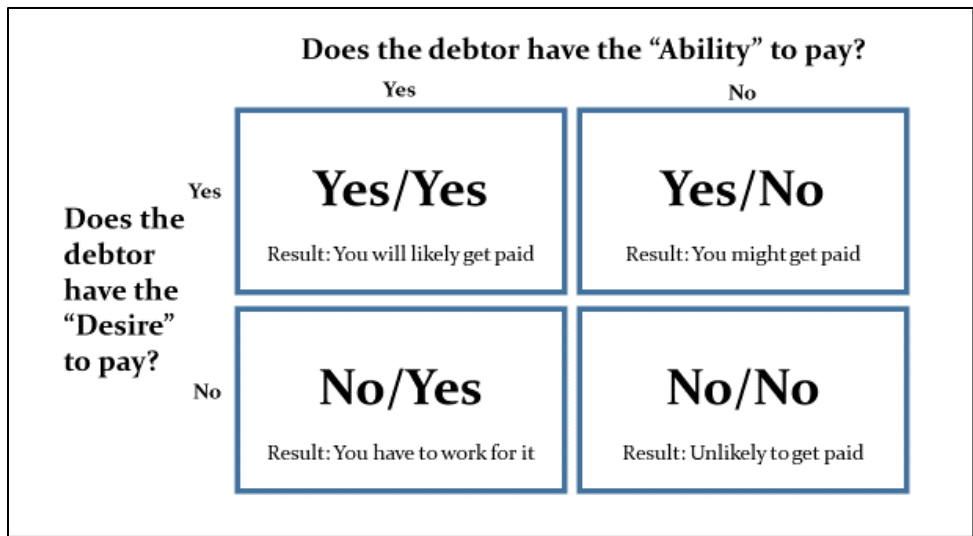


Figure 6.

For those debtors who are willing and unable to pay due to low-income or loss of employment, enforced collection of the debt through garnishment may prove difficult and could exacerbate their circumstances and create an unintentional hardship. In these situations, state agencies or PCF representatives may enter into repayment agreements that span longer periods of time. When a debtor is willing to pay but unable, monitoring the account and the debtor’s socio-economic status becomes pivotal since their ability to pay may change over time.

Alternatively, debtors who are unwilling to pay despite their ability, create more of a challenge to debt collectors because, as noted above, the debtor’s willingness to pay typically does not change over time. In these instances, more aggressive collection techniques should be exercised, such as issuing garnishments or placing a non-consensual lien against the debtor’s real property. However, these collection tools are only effective when the debtor has assets. Each factor referenced above impacts the ability of state agencies to effectively collect debts. By evaluating the nature of the debt, socio-economic status of the debtor, and the debtor’s ability and willingness to pay, debt collectors are able to maximize collection efforts by prioritizing and allocating collection resources to maximize efficiency and recovery.

Notwithstanding these factors, state agency representatives may also align collection techniques with the mission of the agency. For example, an individual who receives public assistance may become a debtor as a result of a benefit overpayment. Aggressive attempts to recover the overpayment while the debtor is still facing economic challenges may be contrary to the mission of the agency to provide public assistance.

Collection Tools

State agencies have several tools available for use in collecting debts ([Table 10](#)). Some tools are limited for use by agencies with unique statutory authority while other tools are available for use by all state agencies regardless of the nature of the accounts receivable.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Table 10.

Collection Tools³⁴	
Collection letter, demand notice	Non-consensual real property lien
DOR-OAA (full service collections)	PCF (full service collections)
DOR-Refund Offset (restricted collections)	Phone calls
Garnishment	Skip-tracing
Judgment	Unclaimed property claim

State agencies are responsible for performing preliminary collection activities which include: contacting the debtor by phone; sending collection letters or demand notices; and updating debtor contact information. When the debt becomes L&D, state agencies subject to the statutory assignment provisions under [ORS 293.231](#) must assign the account to DOR-OAA. Once accounts are assigned to DOR-OAA, full service collection activities commence.

Full service collection activities include the preliminary collection activities referenced previously, as well as: locating a debtor or debtor assets; recording real property liens;³⁵ offsetting state tax refunds; submitting a claim with the Department of State Lands against a debtor’s unclaimed property; obtaining judgments;³⁶ and issuing garnishments. State agencies with internal collection units perform full service collection activities prior to assigning an L&D account to DOR-OAA.

Many licensing and regulatory agencies have statutory authority to issue civil penalties against individuals or businesses that operate without a license or violate a statutory or administrative regulation. These agencies have additional tools available to collect debts. More specifically, upon issuance of a final civil penalty order, the agency may record the order in a county lien register thus enabling the agency to issue garnishments or record a lien against real property owned by the debtor.

DOR, OED, OHA, ODOT, DCBS, and DHS have distraint warrant authority that, similar to civil penalty authority, allows the agency to docket the warrant in a county lien register thus enabling the agency to issue garnishments or record a lien against real property owned by the debtor. Though a limited number of state agencies have distraint warrant authority, some L&D accounts assigned to DOR-OAA qualify for a distraint warrant to be issued using DOR-OAA’s statutory authority.³⁷ Any distraint warrants issued under DOR-OAA’s statutory authority will remain in place if or when DOR-OAA assigns the debt to a PCF. However, if the originating agency recalls the debt, the distraint warrant will be canceled by DOR-OAA.

³⁴ The federal Treasury Offset Program and lottery offset tools have been excluded from table 10 since they are available to a limited number of state agencies per federal or state law.

³⁵ Currently only for tax debt. DOR-OAA debts that meet identified program criteria are to be recorded in the future.

³⁶ Offered only for tax debt at this time. DOR uses the distraint warrant process to liquidate debts for collections purposes. When necessary, DOR will obtain judgments in other states for tax collections and when needed for any in state actions.

³⁷ Liquidated and delinquent accounts may qualify for DOR-OAA to issue a distraint warrant if the debt meets one of the following conditions: 1) judgment was entered on the debt; 2) the debt is a tax debt for which a distraint warrant was issued or the prerequisites of issuance were met; 3) liability for, and the amount of, the debt was established through an administrative proceeding; or 4) the debt is a non-complying employer’s debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice ([OAM 35.30.30](#)).

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Garnishment of Lottery Winnings

Oregon law³⁸ allows DHS, DOJ, and OHA to intercept Lottery winnings of debtors with outstanding moneys owed for delinquent child support obligations and for individuals who received an overpayment of assistance.

Federal Treasury Offset Programs³⁹

Five state agencies have authority granted by the federal government to participate in the *Treasury Offset Programs* (TOP), programs which intercepts federal payments to offset state delinquent tax debts, public assistance debts, and unemployment insurance debts. In Oregon, access to the TOP program is limited for use by DHS, DOJ, DOR, OED and OHA.

State Income Tax Program (SIT) - TOP offsets federal tax refund payments to payees who owe delinquent state income tax obligations and state tax refunds may be used to offset federal tax debts.

*State Reciprocal Program (SRP)*⁴⁰ - TOP offsets federal vendor and other non-tax payments to payees who owe delinquent debts to state agencies. In return, states offset payments to payees who owe delinquent debts to federal agencies.

Unemployment Insurance (UI) - In partnership with the U.S. Department of Labor, TOP offsets federal tax refund payments to: 1) payees who owe delinquent unemployment insurance compensation debts due to fraud or a person's failure to report earnings; and, 2) payees who owe UI employer tax debts.

Child Support Program (CS) - States submit delinquent child support obligations to the Office of Child Support Enforcement (OCSE), which in turn submits the debts to TOP for collection through the offset of federal tax refund and other eligible payments.

Supplemental Nutritional Assistance Program (SNAP) - The Department of Agriculture, Food and Nutrition Service (FNS), in collaboration with state offices administering the Food Stamp Program, submit food stamp recipient debts to Treasury for offset of federal tax refund and other eligible payments.

³⁸ [ORS 461.715](#) and [ORS 461.719](#).

³⁹ Bureau of the Fiscal Service; U.S. Department of the Treasury. (August 2019). "SRP: New Ways to Increase Your State's Collections" PowerPoint presentation; NASACT Annual Conference.

⁴⁰ U.S. Office of Personnel Management retirement payments is now being offered for matching against SRP, SIT and UI debts, when the state reciprocates their state retirement payments. Oregon is not participating in this program at this time.

Appendix B – Report of Liquidated and Delinquent Accounts Written off, Abated, or Canceled

[ORS 293.234](#) requires DAS to annually report to the Legislative Assembly the amounts of liquidated and delinquent debt that in the previous fiscal year were: written off under [ORS 293.240](#); canceled by DOR under [ORS 305.155](#); or **abated** by a state agency.⁴¹ The certified amounts reported by state agencies for FY 2019 are listed in alphabetical order by branch of government.

<u>Agency Name</u>	<u>Written off</u>	<u>Abated</u>	<u>Canceled</u>
Executive Branch Agencies			
Accountancy, Board of	\$ 563	\$ -	\$ -
Administrative Services, Dept. of	8,029	-	-
Advocacy Commissions Office, Oregon	-	-	-
Agriculture, Dept. of	12,724	-	-
Albacore Commission, Oregon	-	-	-
Alfalfa Seed Commission, Oregon	-	-	-
Appraiser Certification and Licensure Board	-	-	-
Architect Examiners, State Board of	-	-	-
Aviation, Dept. of	-	-	-
Beef Council, Oregon	-	-	-
Blind, Commission for the	-	-	-
Blueberry Commission, Oregon	-	-	-
Oregon Business Development Department	268,155	-	-
Chief Education Office	-	-	-
Chiropractic Examiners, Board of	-	10,000	-
Clover Commission, Oregon	-	-	-
Columbia River Gorge Commission	-	-	-
Construction Contractors Board	483,453	85,020	-
Consumer and Business Services, Dept. of	-	340,857	-
Corrections, Dept. of	59,917	-	-
Criminal Justice Commission, Oregon	-	-	-
Dairy Products Commission, Oregon	-	-	-
Dentistry, Oregon Board of	-	-	-
District Attorneys and their Deputies	-	-	-
Dungeness Crab Commission, Oregon	-	-	-
Education, Dept. of	-	-	-
Employment Dept.	3,868,811	21,817,443	-
Employment Relations Board	-	-	-

⁴¹ As defined in [ORS 293.234](#), the value of canceled accounts certified to DAS is limited to DOR tax debts. Other agencies with debt cancellation authority reported the value of canceled accounts as abated.

Fiscal Year 2019 Statewide Accounts Receivable Management Report

<u>Agency Name</u>	<u>Written off</u>	<u>Abated</u>	<u>Canceled</u>
Executive Branch Agencies (continued)			
Energy, Dept. of	4,621,967	-	-
Environmental Quality, Dept. of	10,723	188,958	-
Exam. For Engin. & Land Survey, Board of	-	-	-
Facilities Authority, Oregon	-	-	-
Film and Video Office, Oregon	-	-	-
Fine Fescue Commission	-	-	-
Fish and Wildlife, Oregon Dept. of	55	-	-
Forest Resources Institute, Oregon	-	-	-
Forestry, Oregon Dept. of	5,743	-	-
Geologist Examiners, State Board of	-	-	-
Geology and Mineral Industries, Dept. of	-	-	-
Government Ethics Commission, Oregon	5,630	38,000	-
Hazelnut Commission, Oregon	-	-	-
Health Authority, Oregon	438,878	6,177,114	-
Higher Education Coordinating Commission	-	-	-
Hop Commission, Oregon	-	-	-
Housing and Community Services Dept.	-	-	-
Human Services, Dept. of	2,228,586	729,440	-
Justice, Dept. of	12,440,737	-	-
Labor and Industries, Bureau of	179,123	-	-
Land Conservation and Development, Dept.	-	-	-
Land Use Board of Appeals	-	-	-
Lands, Dept, of State	-	-	-
Landscape Architects Board, State	-	-	-
Landscape Contractors Board, State	31,833	-	-
Library, Oregon State	-	-	-
Licensed Social Workers, Board of	-	-	-
Liquor Control Commission, Oregon	9,831	-	-
Long Term Care Ombudsman, Office of	-	-	-
Lottery Commission, Oregon	-	1,680	-
Marine Board, Oregon State	95	-	-
Massage Therapists, Board of	-	-	-
Medical Board, Oregon	40,054	-	-
Medical Imaging, Board of	-	-	-
Mental Health Regulatory Agency	-	-	-
Military Dept., Oregon	673	15,008	-
Mint Commission, Oregon	-	-	-
Mortuary and Cemetery Board	-	-	-
Nursing, Oregon State Board of	32,675	-	-

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Agency Name	Written off	Abated	Canceled
Executive Branch Agencies (continued)			
Occupational Therapy Licensing Board	-	-	-
Office of the Governor	-	-	-
Optometry, Oregon Board of	-	-	-
Orchardgrass Seed Producers Commission	<i>Did not report: Abolished June 30, 2019.</i>		
Oregon Naturopathic Medicine, Board of	-	30,000	-
Oregon Youth Authority	1,270	-	-
Parks & Recreation Dept., Oregon	-	-	-
Parole and Post-Prison Supervision, Board of	-	-	-
Patient Safety Commission, Oregon	-	-	-
Pharmacy, Board of	-	-	-
Physical Therapists Licensing Board	-	-	-
Police, Dept. of State	56,981	-	-
Potato Commission, Oregon	-	-	-
<i>Processed Vegetable Commission, Oregon</i>	<i>Did not report</i>		
Psychiatric Security Review Board	-	-	-
Public Employees Retirement System	1,866,221	4,030	-
Public Safety Standards and Training, Dept. of	-	-	-
Public Utility Commission	-	-	-
Racing Commission, Oregon	-	-	-
Raspberry & Blackberry Commission, Oregon	-	-	-
Real Estate Agency	-	-	-
Revenue, Dept. of	68,356,079	8,878,652	17,391,970
Ryegrass Growers Seed Commission, Oregon	-	-	-
Salmon Commission, Oregon	-	-	-
Secretary of State, Office of the	-	-	-
Sheep Commission, Oregon	-	-	-
Speech Lang. Path. and Audiology, Board of	-	-	-
Strawberry Commission, Oregon	-	-	-
Sweet Cherry Commission, Oregon	-	-	-
Tall Fescue Commission, Oregon	-	-	-
Tax Practitioners, Board of	-	291,718	-
Teacher Standards & Practices Commission	-	-	-
Tourism Commission, Oregon (Travel Oregon)	-	-	-
Transportation, Dept. of	2,177,673	253,103	-
Travel Information Council	-	-	-
Trawl Commission, Oregon	-	-	-
Treasurer, Office of the State	-	-	-
Veterans' Affairs, Dept. of	83,987	-	-
Veterinary Med. Examiners, Board of	-	-	-

Fiscal Year 2019 Statewide Accounts Receivable Management Report

Agency Name	Written off	Abated	Canceled
Executive Branch Agencies (continued)			
Water Resources Dept.	6,369	1,350	-
Watershed Enhancement Board, Oregon	-	-	-
Wheat Commission, Oregon	-	-	-
Wine Board, Oregon	-	-	-
Total Executive Branch Agencies⁴²	97,296,835	38,862,373	17,391,970
Judicial Branch Agencies			
Judicial Dept., Oregon	6,393,311	58,212,220	-
Judicial Fitness and Disability, Commission on	-	-	-
Public Defense Services Commission	-	-	-
Total Judicial Branch Agencies	6,393,311	58,212,220	-
Legislative Branch Agencies			
Legislative Administration Committee	-	-	-
Legislative Assembly	-	-	-
Legislative Commission on Indian Services	-	-	-
Legislative Counsel Committee	-	-	-
Legislative Fiscal Office	-	-	-
Legislative Policy and Research Office	-	-	-
Legislative Revenue Office	-	-	-
Total Legislative Branch Agencies	-	-	-
Special Government Entities			
Affordable Housing Assistance Corporation	Not subject to reporting requirement		
Eastern Oregon University	Not subject to reporting requirement		
Oregon Corrections Enterprises	324,505	579	-
Oregon Health & Science University	Not subject to reporting requirement		
Oregon Institute of Technology	Not subject to reporting requirement		
Oregon State University	Not subject to reporting requirement		
Portland State University	Not subject to reporting requirement		
SAIF Corporation	521,969	-	-
Southern Oregon University	Not subject to reporting requirement		
State Fair Council	Not subject to reporting requirement		
University of Oregon	Not subject to reporting requirement		
Utility Notification Center, Oregon	297	-	-
Western Oregon University	Not subject to reporting requirement		
Total Special Government Entities	846,771	579	-
Grand Total	\$104,536,917	\$97,075,172	\$17,391,970

⁴² The Department of Energy and PERS certification of amounts written-off were higher than the amounts reported to LFO due to agency error. The amount reported on the agency certification matches the amounts recorded in SFMA.

Appendix C – LFO Data by Branch of Government

State agency data reported by LFO is not separated by branch of government. Since this management report focuses on liquidated and delinquent account activity reported by Executive Branch agencies, the LFO data was separated by branch of government to provide a reconciliation between data referenced in the LFO report and data referenced in this report. Agencies within the Legislative Branch as well as special government entities are listed as “All Others”.

Total Liquidated and Delinquent Accounts Receivable For the Year Ended June 30, 2019				
	Judicial	Executive	All Others	Total
Beginning Balance	\$ 1,752,620,499	\$1,665,802,675	\$ 146,748,495	\$ 3,565,171,669
Additions	193,936,583	940,128,577	63,414,025	1,197,479,185
Collections	(59,609,930)	(543,384,059)	(30,968,005)	(633,961,994)
Write-Offs	(6,393,311)	(91,821,840)	(13,646,122)	(111,861,273)
Adjustments	(67,845,505)	(47,463,883)	(9,490,380)	(124,799,768)
Reversals	(18,926,166)	(370,801,886)	(2,972,440)	(392,700,492)
Ending Balance	\$ 1,793,782,170	\$1,552,459,584	\$ 153,085,573	\$ 3,499,327,327
Doubtful Accounts	(1,516,463,447)	(519,039,321)	(44,270,434)	(2,079,773,202)
Adj. Ending Bal.	\$ 277,318,723	\$1,033,420,263	\$ 108,815,139	\$ 1,419,554,125
Assigned to the Department of Revenue - Other Agency Accounts				
Beginning Balance	\$ 253,136,256	\$ 67,675,641	\$ 46,932,260	\$ 367,744,157
Additions	122,370,291	43,616,527	26,715,029	192,701,847
Collections	(33,249,056)	(3,037,844)	(9,657,206)	(45,944,106)
Forward to PCF	-	(40,914,374)	-	(40,914,374)
Return to Agency	(81,015,065)	(38,574,993)	(16,035,794)	(135,625,852)
Ending Balance	\$ 261,242,426	\$ 28,764,957	\$ 47,954,289	\$ 337,961,672
Assigned to Private Collection Firms				
Beginning Balance	\$ 976,132,626	\$ 343,090,068	\$ 64,064,078	\$ 1,383,286,772
Additions	171,753,158	124,631,565	24,075,571	320,460,294
Collections	(10,483,036)	(16,200,681)	(4,698,637)	(31,382,354)
Return to DOR	-	(863,639)	-	(863,639)
Return to Agency	(130,766,088)	(195,406,515)	(22,893,168)	(349,065,771)
Ending Balance	\$ 1,006,636,660	\$ 255,250,798	\$ 60,547,844	\$ 1,322,435,302
Accounts Exempt from Assignment				
Administrative	\$ 64,888,757	\$ 668,717,680	\$ -	\$ 733,606,437
Statutory	365,440,767	428,237,320	2,052,650	795,730,737
Total Exemptions	\$ 430,329,524	\$1,096,955,000	\$ 2,052,650	\$ 1,529,337,174

Appendix D – Glossary of Terms

Abated – An amount waived, settled, or determined not to be owed.

Additions – The number and value of accounts that became liquidated and delinquent (L&D) on or after July 1 of the reporting fiscal year.

Adjustments – Entries to increase or decrease a portion of the debt. Adjustments may be the result of an administrative error or when the debt is legally determined not to be owed (as in bankruptcy or an offer of compromise). Adjustments never result from write-offs.

Collections – (1) All payments received by an agency as payment towards billings or accounts receivable, including amounts received from collection agencies. (2) The process or activity of collecting on a debt either by the agency or a third party.

Delinquent ([OAM 35.30.30](#)) – An accounts receivable for which payment has not been received by the due date.

Garnishment – Legal proceeding that authorizes a third party to directly attach the debtor's funds, such as wages or a bank deposit, to satisfy a creditor's claim.

Judgment – A court order ruling that the debtor is indebted to and must make payments to the creditor of a specific amount.

Lien – A claim (which can include a judgment) or charge upon real or personal property for the satisfaction of some debt.

Liquidated ([OAM 35.30.30](#)) – An amount owing to a state agency that meets all of the following criteria:

- 1) an agency has determined an exact past due amount owing.
- 2) an agency has made a reasonable attempt to notify the debtor in writing of the amount owing, the nature of the debt, and has requested payment.
- 3) the debt meets one of the following conditions:
 - a) A judgment has been entered.
 - b) Is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met.
 - c) Liability for and the amount have been established through an administrative proceeding.
 - d) Is for a non-complying employer's debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice.
 - e) Arises from a promissory note.
 - f) Is due to a pre-existing agreement and the debtor has not objected within a reasonable time.
 - g) Has been unconditionally acknowledged by the debtor, both as to liability and amount.
 - h) The amount due is derived by a calculation of fees, collection costs, charges, penalties, or the like from a report or an application for a permit or license

Fiscal Year 2019 Statewide Accounts Receivable Management Report

submitted by the debtor in accordance with regulations and has not been disputed as to liability and amount.

- i) Liability has been established by an Administrative or Judicial proceeding, or by written acknowledgment from the debtor. The amount is based on an arithmetical calculation, and has been delivered to the debtor and the debtor has not objected within a reasonable time.

Reversals – Any account previously reported as L&D that no longer meets the definition of L&D as of June 30. For example, if the debtor disputes the debt, while the account is under review, it is not considered L&D. Note - Reversals are also used to correct reporting for accounts previously listed in the wrong fund type.

Special Government Entities (or “special government body”) – is defined in [ORS 174.117](#) to mean any of the following: a public corporation created under a statute of this state and specifically designated as a public corporation; any entity that is created by statute, ordinance or resolution that is not part of state government or local government; any entity that is identified as a governmental entity by the statute, ordinance or resolution authorizing the creation of the entity, without regard to the specific terms used by the statute, ordinance or resolution; a public university listed in [ORS 352.002](#).

State Government – As defined in [ORS 174.111](#), “state government” means the executive department, the judicial department and the legislative department.

Warrant (Distraint Warrant) – A legal document that establishes an agency’s right to collect state debts from a debtor.

Write-Offs – Accounts receivable that are determined to be uncollectible by management and have been removed from the agency's accounting records. If an agency has made all reasonable efforts to collect the money owed to it and has determined that the money and any interest and penalties on the money are uncollectible, the agency may write-off the debt on its accounts. Before determining that money is uncollectible, a state agency must adopt criteria for determining when money is uncollectible. The criteria must include the right of offset and must be approved by the Attorney General.