

Client Agency Policy & Operations Manual

SECTION: 80 Accounts Receivable Management & Reporting

NUMBER: SCS-80-010

TITLE: Accounts Receivable

EFFECTIVE DATE: 6-3-02

APPROVED: Signature on file with the State Controller's Division.

**PURPOSE and/or
RESULTS DESIRED:**

The purpose of this policy is to provide guidance to state agencies on the proper recording and accounting of receivables and revenues. Additionally, this policy serves as a guideline for agencies to effectively and efficiently use available resources to collect accounts receivable and be in compliance with state law.

AUTHORITY:

[ORS 291.015](#) Fiscal responsibilities of department; delegation of fiscal functions.
[ORS 293.227 – 293.233](#) Collection of debts owed to state agencies.
[ORS 293.235 – 293.245](#) Uncollectible debts.
[ORS 646.639](#) Unlawful debt collection practices.
[OAM Chapter 35](#) Accounts Receivable Management.

APPLICABILITY:

Client agencies assigned and/or contracting for accounting, budgeting, and financial reporting services with the State Controller's Division, DAS.

DEFINITIONS:

Receivable - Any revenue earned but not collected. Receivables generally arise from the sale of goods or the rendering of services, but may also include goods and services provided to other state agencies, local governments or non-profit organizations. It may also include amounts due to the state because of statutory requirements, such as penalties or taxes.

Delinquent account - A receivable for which payment has not been received by the due date.

Liquidated account - An amount owing to a state agency that meets all of the following four criteria:

- 1) the agency has determined the exact past due amount owing;
- 2) the agency has notified the debtor in writing of the amount owing, the nature of the debt, and has demanded payment;
- 3) the agency has advised the debtor of the debtor's rights of appeal under applicable laws, rules, or administrative procedures; and
- 4) the debtor has exhausted or failed to exercise any rights of appeal under the Administrative Procedures and Rules for agencies, [ORS 183.310 to 183.500](#) or comparable laws if the state creditor is not subject to [ORS 183.310 to 183.500](#), or by agreement of the parties or operation of law.

Skip tracing - Is used to locate a debtor who has moved without leaving a forwarding address.

Write-off - Is done only after all reasonable efforts to collect the money owed have been exhausted, including possible assignment to Department of Revenue if applicable ([ORS 293.240](#)). Accounts must be turned over to a private collection firm, unless they are exempt, before they can be written-off ([ORS 293.231](#)). Write-off of an account receivable is **not** a cancellation of the debt. If it becomes collectible in the future the state agency to which the money is due is responsible for collecting the debt pursuant to [ORS 293.245](#). [OAM 35.20.80](#) includes the criteria for writing-off debt as established by the Secretary of State

POLICY:

The State's policy is to collect all receivables due to state agencies and to establish procedures to effect the timely collection of all amounts owed. The agency head is responsible to ensure the guidelines in this policy are followed.

GUIDELINES:

Each state agency has a statutory duty to make all reasonable efforts to collect the full amount of money owed to it or accounts otherwise charged to it for collection. Whether a state agency's collection efforts are considered reasonable is determined by the circumstances and must comply with criteria for uncollectibility as established by the Secretary of State. "All reasonable efforts to collect" means the employment of all available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable that only a letter or telephone call would be required before writing off the debt.

I. Receivables Collection

A. Recording and accounting

1. The State's policy is to collect all receivables due its various agencies and to establish procedures to effect the timely collection of all amounts owed.
2. Agencies are required to actively and aggressively pursue the collection of all receivables owed to the state that are material and cost beneficial.
3. Agencies must know and comply with all applicable federal and state laws, and guidelines in consumer debt collection efforts, specifically the Oregon Unlawful Debt Collection Practice Act in [ORS 646.639](#) and the Federal [Fair Debt Collection Practices Act](#).
4. Aggressive collection using all applicable collection methods included in [OAM Chapter 35](#), may not be justified for receivables under \$100.

[Related OAMs](#)

[35.20.30](#)
[35.20.40](#)
[35.20.50](#)
[35.20.80](#)

B. Accounting procedures of the agency must include:

1. Billing for goods or services rendered or other receivables as quickly as possible, including the terms of sale and the possible use of cosigners and/or guarantors. This must also include a date certain declaring when the receivable is due.
2. A written, structured collection process specifying the formal collection process for receivables; periodically assessing collection effectiveness, and making any needed changes.
3. Documentation requirements for collection activities, effective management of

the receivable collection process, and provisions for an allowance for doubtful accounts.

4. Securing adequate information to locate each debtor, including cosigners and guarantors, in the event of default.

C. Telephone collections

1. State agencies are instructed to make telephone contact an integral part of their collection effort. The telephone is a cost-effective measure for soliciting payment. The personal contact of a telephone call often motivates debtors into providing payment.
2. Agencies must know and comply with all applicable federal and state laws and guidelines in consumer debt collection efforts, specifically the Oregon Unlawful Debt Collection Practice Act in [ORS 646.639](#) and the Federal [Fair Debt Collection Practices Act](#).
3. It is recommended that state agencies explore new technologies and collection practices that can be integrated with their telephone system that will improve efficiencies in their collection practices.
4. Refer to [OAM 35.20.30 PR](#) regarding details for the above processes.

D. Letter collections

1. State agencies are required to make letter contact an integral part of their collection effort. The letter is a cost-effective measure for soliciting payment. It is also an essential component for providing proper notification to the debtor before more stringent action is begun.
2. Notification is a paramount component to meeting legal due process requirements. Each agency's mailing practices should address proper notification, including the use of certified mailings and the handling of returned mail. Letters serve both to document the contact and place the debtor on notice. The letter can also serve as a gentle reminder to the debtor of an obligation that may have just been forgotten.
3. Agencies must know and comply with all applicable federal and state laws and guidelines in consumer debt collection efforts, specifically the Oregon Unlawful Debt Collection Practice Act in [ORS 646.639](#) and the Federal [Fair Debt Collection Practices Act](#).
4. Refer to [OAM 35.20.40 PR](#) regarding details for the above processes.

E. Skip tracing

1. Skip tracing is used to locate a debtor who has moved without leaving a forwarding address. Skip tracing can be expensive and time consuming; thus, the objective is to quickly find as many debtors as possible.
2. Control the amount of investigation time by making a judgment on the extent of tracing efforts in comparison to the potential recovery. Use professional judgment to determine how much time and effort can be spent on tracing a skip, and then choose the most effective and economical method of tracing.
3. Skip tracing resources include, but are not limited to:
 - i. The telephone book, which may contain a new address or telephone number.
 - ii. Telephone directory assistance operator if the correct name and phone

- number as well as the old address for the debtor is known.
- iii. City directories are available for most major cities and towns in the state.
 - iv. Reverse directories.
 - v. The Department of Motor Vehicles (DMV) can provide the last known address of the debtor if given the debtor's complete name and, if possible, the date of birth.
 - vi. The Corporation Division of the Secretary of State can provide the date on which the Articles of Incorporation were filed, if the corporation is in good standing and the name of the corporation's president and registered agent.
 - vii. Banks and finance companies have a wealth of information. Their policies vary concerning the type and amount of information they are willing to provide, but their information is usually current.
 - viii. Licensing boards, regulatory agencies, and professional associations may have information related to the services each provides.
 - ix. Online resources.

F. Write-off guidelines

1. State agency direct write-off authority
 - i. Secretary of State (SOS) has established guidelines regarding writing-off of debt. SOS will review all requests to write-off debt and will return any request which does not meet these guidelines
 - ii. SOS guidelines can be found in [OAM 35.20.80](#) and includes the required form to submit requests for debt write-off
 - iii. The Secretary of State delegates to each state agency the authority to write-off debts less than \$5,000. For any account over \$5,000, an agency must send a request for write-off approval to the Secretary of State.
 - iv. The agency must have written evidence in its files showing that all reasonable efforts to collect the debt have been made, and that the debt is uncollectible in accordance with criteria for uncollectibility formulated by the agency and approved by the Secretary of State and the Attorney General.
 - v. Write-off of debt does not apply to debts owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for reasons other than collectibility is by law made specifically applicable to such agency. It also does not apply to debts that legally have been finally canceled or discharged, such as a bankruptcy order. In this case the debt is non-existent.
2. Criteria for uncollectibility
 - i. Any debt, including interest and/or penalties, or any portion of the debt, may be considered uncollectible when the debtor has no money or other thing of value owing or held by any other state agency that has not been credited to the debt, and it is reasonable to conclude, after all reasonable efforts to collect the debt have been made, that one or more of the following is true:
 - a. The debtor does not and will not for the foreseeable future own or have the right to own assets from which the state agency could collect the debt;
 - b. It is reasonably estimated that the cost of collecting the debt would equal or exceed the amount of the debt;
 - c. The debtor is deceased and there are no assets in the debtor's estate from which the state agency could collect the

- d. The debtor is a corporation that is not and for the foreseeable future will not be engaged in any income-producing activity, and there are no assets from which the agency could collect the debt;
 - e. The debtor's estate is subject to a pending bankruptcy proceeding in which it is reasonable to conclude that the debt will be discharged and that the state agency will receive none or an insubstantial share of the assets of the bankruptcy estate;
 - f. The agency is and will be for the foreseeable future unable to collect the debt from the debtor or from anyone owing the debtor money or holding assets of or from the debtor.
3. Before an account may be written off using the procedures authorized by [ORS 293.240](#), the account shall be referred to a private collection firm, unless the account is prohibited by law from assignment to a collection firm or the agency has exempted the account from assignment.

II. Liquidated and Delinquent Accounts

A. Liquidated and delinquent

1. Reporting Responsibilities

- i. Each year, by October 1st, state agencies, unless exempt by statute, must report to the Legislative Fiscal Office the status of their liquidated and delinquent accounts for the previous fiscal year ([ORS 293.229](#)). The Legislative Fiscal Office is then required to compile the state agency reports and issue one report to the legislature by December 31st.
- ii. The agency head is responsible to ensure the accuracy and completeness of the information reported annually to the Legislative Fiscal Office.

2. Required reporting format

- i. When reporting liquidated and delinquent accounts each year, agencies are required to use the web-based reporting system using the instructions provided in the user manual. Because the reporting manual will be updated annually, state agencies are encouraged to obtain a new copy each year from the Legislative Fiscal Office or the Department of Administrative Service's State Controller's Division. A copy of the manual is available on-line via the State Controller's Division web site at: <http://scd.das.state.or.us/AR/lfo.htm>.

B. Assignment to Department of Revenue

- 1. The Department of Revenue can only collect liquidated debt. Each state agency desiring the collection services of the Department of Revenue shall submit to them only debts that are liquidated. For more information on the definition of liquidated, see [OAM 35 30 10.PO](#).
- 2. Restricted Program (Offsets)
 - i. Accounts assigned to the restricted program are for refund offsets only.
 - ii. When a file of liquidated debts is submitted to the Department of Revenue, the agency submitting the claims for offset shall inform the Department of Revenue of the designated person in the assigning agency to whom debtors may direct their request for a hearing. The assigning

[Related
OAMs](#)

[35.30.10](#)
[35.30.20](#)
[35.30.30](#)
[35.50.10](#)

agency's designee and telephone number will appear on the Department of Revenue's offset notification letter. The agency submitting the accounts for offset will hold hearings required by [ORS 293.250 \(3\)\(d\)](#), shall inform the Department of Revenue of its findings, and shall withdraw any claims from offset procedures if they are found not to be owed or not liquidated.

- iii. If, after offset is made by the Department of Revenue, the assigning agency finds that all or any portion of the payment should not have been received, the assigning agency shall refund the excess amount directly to the debtor in the case of all restricted accounts.
- iv. Assigning an account to the Department of Revenue's restricted program for offset while an account is also assigned to a private collection firm is permitted.

3. Unrestricted Program

- i. Accounts assigned to the unrestricted program are assigned with no restrictions as to the collection methods to be used.
- ii. When a list of liquidated debts is submitted to the Department of Revenue's unrestricted program, the agency submitting the accounts shall inform the Department of Revenue of the designated contact for the assigning agency. The Department of Revenue must have full authority over assigned accounts in order to deal successfully with the debtors. After an account is assigned, the Department of Revenue will charge the assigning agency for the full collection fee of the account if return of the account is requested due to any of the following:
 - a. Payment in full has been made to the assigning agency.
 - b. Payment plan was initiated by the assigning agency subsequent to account assignment.
 - c. Settlement offer was negotiated by the assigning agency subsequent to account assignment.
- iii. If, after a collection is made on an unrestricted account by the Department of Revenue, the assigning agency finds that all or any portion of the payment should not have been received, a refund may be made by Department of Revenue or the assigning agency, as agreed to by the agencies.
- iv. Assigning an account to both the Department of Revenue's unrestricted program and a private collection firm is prohibited.

4. Refer to [OAM 35.30.30 PR](#) regarding details for the above processes.

C. Assignment for outside collection

1. Before an account may be written off using the procedures authorized by [ORS 293.240](#), the account shall be referred to a private collection firm, unless the account is prohibited by law from assignment to a private collection firm, or the agency has exempted the account from assignment. This requirement applies only to accounts over \$100, however accounts with smaller balances may also be referred to private collection if it is deemed to be a cost effective means to recover the money owed.
2. A state agency must use a private collection firm that is on the current state contract list. The agency must enter into an agreement using a purchase order with the private collection firm. A state agency may employ more than one collection firm that has a contract with the state, but may not send the same account to multiple collection firms.
3. A state agency shall be deemed to have offered an account for assignment if the agency offers the account to collection firms through standard methods at a

generally acceptable industry rate for the type of account and no collection firm expresses interest in the account as offered. The state contract dictates what rate a private collection firm can charge. The current state contract states that all accounts sent to the private collection firm will be diligently pursued for collection.

4. Mandatory Collection Agency Transfer Account (MCAT) is an account that is:
 - i. Liquidated,
 - ii. Delinquent, and
 - iii. Not prohibited by law from being transferred to a collection firm.
5. The MCAT eligibility date of an MCAT account is the latter of any of the following dates that apply to the account.
 - i. The first day the account became both liquidated and delinquent.
 - ii. The date the account was referred to the Department of Revenue for Collection services pursuant to [ORS 293.250](#).
 - iii. The date an exemption has expired.
6. If no payments are received on an MCAT account during any one-year period following the MCAT eligibility date for that account, the agency must review the account
 - i. Unless the account is subject to an exemption, the agency must refer the account for outside collection. If the review of the account arises from an MCAT eligibility date based on a referral to the Department of Revenue or the expiration of an exemption exercised by the Department of Revenue, then the account must be offered for assignment to a private collection firm. Otherwise, the agency may refer the account to either the Department of Revenue for collection pursuant to [ORS 293.250](#) or to private collection firm pursuant to [ORS 293.231](#).
 - ii. If an agency exercises its option to exempt an account, no further action is required of the agency under this policy unless the agency determines that the exemption no longer applies. If the agency determines that an exemption no longer applies, the agency shall establish a new MCAT eligibility date and proceed with collection of the account. If an account has been referred to the Department of Revenue for collection, the Department of Revenue may exercise an exemption.

D. Exemption from assignment to a private collection firm

1. An agency may exempt from assignment to a private collection firm any MCAT account that meets the requirements set forth in [OAM 35.30.20](#) section 114. This includes, but is not limited to any MCAT that:
 - i. Is in litigation,
 - ii. Is owed by a debtor who is on public assistance,
 - iii. Is less than \$100 including penalties,
 - iv. Would, if assigned, result in a loss of federal funding or a loss of funding under a federal program,
 - v. Would constitute a hardship if assigned, and assignment would be inconsistent with an agency goal,
 - vi. Is one of multiple accounts owed to the agency by the same debtor, any one of which accounts has received a payment within the preceding one-year period, including accounts created and paid at the same time.
 - vii. Arises when a wage garnishment has been served on the debtor's employer and no funds are available to the agency because a wage garnishment or order to withhold earnings of higher priority currently prevents any funds from being applied to the agency debt.

2. When an agency determines an MCAT account can be exempt from assignment to a private collection firm (based on [OAM 35.30.20](#) section 114) the agency should document their conclusions on OAM form [75.35.01 FO](#), Agency Documentation for Self-Exempting Accounts. This form is not required to be filed with DAS, but may prove useful to explain the reasoning for exempting accounts in the event of an inquiry or in response to an audit of the agency's liquidated and delinquent accounts.
3. In addition to the exemptions specifically enumerated in [OAM 35.30.20](#) section 114, an agency may request DAS to approve one or more agency specific exemptions. A request for an agency specific exemption from assignment must be submitted on OAM form [75.35.02 FO](#), Request for Exemption from Assignment. This form should be used to:
 - i. Propose and explain the type of account to be exempted,
 - ii. Identify the exemption as permanent or temporary, and
 - iii. Explain the necessity or legal condition that requires the exemption.

III. Interagency Receivables

A. Billing and payment

[Related
OAMs](#)

[35.60.10](#)
[35.60.20](#)

1. Management of receivables between agencies is an important part of an agency's cash management process. Agencies are required to actively pursue the collection of all receivables owed to them that are significant and cost beneficial. The goal of each state agency shall be the timely production and distribution of its billings and the timely payment of billings received from other agencies. There shall be a shared responsibility and cooperation by both agencies to assure that goods and services requested and received are properly and timely billed and paid for. This policy provides for progressive action to facilitate the resolution of interagency receivables.
2. Accounting procedures of the agency must provide for:
 - i. Billing of goods or services rendered or other receivables as quickly as possible. (See sample invoice [OAM 75.35.03 FO](#).)
 - ii. A written, structured collection process specifying the formal collection process for receivables, including periodic assessment of collection effectiveness and the implementation of any needed changes based on those assessments.
 - iii. Documentation requirements for collection activities, including effective management of receivable collection and payment processing.
 - iv. For payment processed to another state agency: A written payment process that exhibits good business practices through timely invoice review and payment authorization, followed by prompt payment action.
 - v. Proper procedures to follow when an account is disputed. (See Interagency Invoice Inquiry [OAM 75.35.04 FO](#).)

B. Progressive action

1. The following progressive actions should be taken as directory, not mandatory. State agencies should select from the following policies those that best blend with their business practices for the type of receivables they collect. The state agency should then incorporate those selected policies into their own collection policies and make their written policies available to the agencies with which they do business.
2. Where a billing agency experiences delays in payments on properly billed receivables for interagency goods or services, the delinquent agency has failed to

pay or make arrangement for payment, and in particular where the delinquent agency has a repeated history of delinquent payments, the following progressive actions are authorized and encouraged. Progressive actions may include, but are not limited to:

- i. Proper notification of the billing agency's practice for applying payments.
 - ii. Dunning letters and/or phone calls to the Chief Financial Officer of the delinquent agency.
 - iii. Dunning letters and/or phone calls to the Director of the delinquent agency.
 - iv. A request for intervention by the State Controller. This intervention can include action by the State Controller to initiate a fund transfer from a delinquent agency to satisfy a delinquent interagency debt.
3. Refer to [OAM 35.60.10](#) and [OAM 35.60.20 PR](#) regarding details for the above processes.

IV. Duty to Collect

- A. Debts owed to the State are a form of property and, as such, are subject to the same principles that govern public funds and tangible property. Therefore, State officers and employees have an obligation to take all reasonable actions to collect funds owed the State.
- B. In the event an officer or employee fails to recover a debt owed to the state due to neglect, that officer or employee may be held strictly liable.
- C. Debts may be considered lost due to neglect when reasonable collection efforts are not completed in a timely and efficient manner in accordance with state laws, rules and regulations.
 1. Neglecting to collect a debt in a reasonable manner may be due to a failure to act in a timely manner including, but not limited to the following:
 - i. Failure to pursue a debt within the guidelines provided by statute or policies.
 - ii. Failure to commence litigation, if necessary, within the time permitted by law,
 - iii. Failure to collect on a court judgment for repayment before its expiration, or renew the judgment if possible.
 2. Neglecting to collect a debt in a reasonable manner may be due to the failure to efficiently collect debts owed the State including, but not limited to the following:
 - i. Agency failure to identify debts owed to it and pursue a cost efficient strategy for collection,
 - ii. Failure to properly write-off uncollectible debts in accordance with state statute ([ORS 293.240](#)),
 - iii. Failure to collect debt that has previously been written-off when the ability to collect such debt becomes possible ([ORS 293.245](#)).
 - iv. Discharging disputed debts for an amount that exceeds that which reasonably is in dispute,
 - v. Not using cost effective tools to collect the debt.

FORMS:

Write Off Request – [OAM 35.20.80](#)

Agency Documentation for Self-Exempting Accounts – [OAM 75.35.01 FO](#)

Request for Exemption from Assignment – [OAM 75.35.02 FO](#)

Sample Interagency Invoice – [OAM 75.35.03 FO](#)

Interagency Invoice Inquiry – [OAM 75.35.04 FO](#)

Account Contact Record -- [OAM 75.35.05 FO](#)