

# ACCOUNTS RECEIVABLE PERFORMANCE MEASURES

**Developing agency targets**



# AGENDA

- ▶ What is a performance measure?
- ▶ Why establish targets?
- ▶ Considerations when establishing targets
- ▶ Targets for quarterly performance measures
- ▶ Targets for required annual performance measures
- ▶ Targets for recommended annual performance measures
- ▶ Conclusion
- ▶ Resources

# WHAT IS A PERFORMANCE MEASURE?

- ▶ A performance measure is a numeric description of an agency's work and the results of that work.
- ▶ Performance measures are data that tell a story about whether an agency or activity is achieving its objectives and if progress is being made toward attaining policy or organizational goals.
- ▶ Accounts receivable (A/R) performance measures can help an agency monitor, understand and improve their accounts receivable collection processes.

# WHY ESTABLISH TARGETS?

- ▶ “What gets measured gets managed” Peter Drucker
- ▶ Developing targets allows agencies to demonstrate success for their accounts receivable process and identify opportunities for improvement.
- ▶ OAM 35.60.20 (117 and 118) require agencies to establish targets related to both the quarterly and annual accounts receivable performance measures.

# CONSIDERATIONS WHEN ESTABLISHING TARGETS

- ▶ Targets should be achievable but also be based on goals to:
  - ▶ Increase collection of accounts receivable
  - ▶ Reduce delinquencies
  - ▶ Increase efficiency in processing accounts receivable.

# CONSIDERATIONS WHEN ESTABLISHING TARGETS

- ▶ Agencies should review the data gathered and reported to analyze if there are seasonal impacts or fluctuations in expected A/R activities.
  - ▶ If historical data shows that 75% of A/R billings occur during three months in the summer is it then expected that roughly 75% of collections will occur in a similar period of time. Depending on the terms of the billing?
- ▶ Review current A/R processes for recent changes that could impact outcomes.
  - ▶ If an agency implements new payment options, how might that impact when customers will pay.

# CONSIDERATIONS WHEN ESTABLISHING TARGETS

- ▶ Consider impacts of policy or legislative changes on agency operations that include accounts receivable.
  - ▶ If a program area changes policy to require payment at the time of service instead of billing, the reduced volume of A/R will impact most measures but especially the A/R balances outstanding and amounts collected.
- ▶ Do the targets represent meaningful progress in improving A/R processes or creating efficiencies?
  - ▶ If the target is equal to past performance, then the agency is not working to improve their processes.

# TARGETS FOR QUARTERLY PERFORMANCE MEASURES

- ▶ The following performance measures are required to be reported quarterly
  - ▶ Receivable collections- this measure captures data for all agency A/R as well as the collections that are related to accounts that are liquidated and delinquent.
  - ▶ Receivables over 90 days past due as a % of total A/R- This measure captures balances as of a point in time and includes all agency A/R outstanding (even if not yet due or past due) and the portion of those that are over 90 days past due.



# QUARTERLY TARGETS FOR A/R COLLECTIONS

- ▶ Each quarter agencies establish a target for the next quarter collections as a percentage of available A/R and for the percentage of total collections that will be applied to a liquidated and delinquent debt.
- ▶ Once all the current quarter data has been entered in the Collections tab and the 90 days past due tab, the worksheet will show the value of total A/R collections target and the value of the liquidated and delinquent collection target based on the percentages established in the prior reporting period.

# A/R COLLECTIONS EXAMPLE

	A	B	C	D	E	F	G	
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>						
2								
3	<b>Accounts Receivable Performance Measures (ARPM)</b>					<b>Fiscal Year:</b>	<b>2022</b>	
4	<b>Required Quarterly ARPM:</b>					<b>Quarter ending:</b>	<b>September 30</b>	
5	<b>105. Total receivable collections</b>							
6								
7	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>							
8	<i>Description: Agencies shall measure their total A/R collected during the quarter and the amount of those collections that are applied to L&amp;D accounts. Record agency target percentages for the next quarter, once recorded do not change the percentage when submitting the next quarter report.</i>							
9								
10	<b>Measurement components</b>	<b>Current</b>	<b>Q1 (Jul-Sep)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	<b>Total</b>	
11	Total agency accounts receivable (A/R) collections	\$ 3,125,000	\$ 3,125,000				\$ 3,125,000	
12	Total liquidated and delinquent (L&D) collections	\$ 475,500	\$ 475,500				\$ 475,500	
13	L&D collections as a % of total collections	15.2%	15.2%	0.0%	0.0%	0.0%	15.2%	
14								
15	Agency target for <u>current</u> quarter - total A/R collections	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000	
16	Agency target for <u>current</u> quarter - total L&D collections	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ -	\$ 450,000	
17								
18	Actual A/R collections is higher (lower) than target	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000	
19	Actual L&D collections is higher (lower) than target	\$ 25,500	\$ 25,500	\$ -	\$ -	\$ -	\$ 25,500	
20								
21	<b>Agency Targets for Receivable Collections</b>	<b>Q1 (Jul-Sept)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	<b>Next FY - Q1 (Jul-Sep)</b>		
22								
23	Agency target Collection % - total A/R collections	80.0%						
24	Agency target Collection % - total L&D collections	15.0%						
25								
26								
27	<b>Agency comments: (Include comments as needed to describe any large variations from one quarter to the next)</b>							
28								

# QUARTERLY TARGETS FOR A/R COLLECTIONS

- ▶ To establish a target for the next quarter, begin by reviewing the calculated difference for the current quarter in rows 18 and 19.
- ▶ Determine if the target percentages were high or low compared to actual results.
- ▶ After factoring for the considerations mentioned in slides 5-7 and the accuracy of the target established for the current quarter, establish the % targets for the next quarter.

# QUARTERLY TARGETS FOR A/R COLLECTIONS

- ▶ The target percentage for the next quarter can be validated by entering a forecasted value for new A/R established in the 90 days past due tab for the next quarter

	A	B	C	D	E	F	G	
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>						
2								
3	<b>Accounts Receivable Performance Measures (ARPM)</b>					<b>Fiscal Year:</b>	<b>2022</b>	
4	<b>Required Quarterly ARPM:</b>					<b>Quarter ending:</b>	<b>September 30</b>	
5	<b>106. Receivables over 90 days past due as a % of total accounts receivable (A/R)</b>							
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>							
7	<i>Description: At the end of each calendar quarter, agencies shall determine the number and dollar value of accounts outstanding and the number and dollar value of those which are delinquent more than 90 days. Record agency targets for the next quarter, once recorded do not change the percentage when submitting the next quarter report.</i>							
8								
9	<b>Measurement components</b>	<b>Current</b>		<b>Q1 (Jul-Sep)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	
10	\$ Value of new A/R established during the quarter	\$ 1,000,000		\$ 1,000,000	\$ 1,110,500			
11								
12	<b>End of Quarter Accounts Outstanding:</b>							

# QUARTERLY TARGETS FOR A/R COLLECTIONS

- ▶ Go back to the Collections tab and review the calculated target for the next quarter. Compare this value to the forecasted collections and adjust the percentage until the target value matches the forecasted collections. (Be sure to go back and remove the forecasted new A/R established)

9							
10	<b>Measurement components</b>	<b>Current</b>	<b>Q1 (Jul-Sep)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	<b>Total</b>
11	Total agency accounts receivable (A/R) collections	\$ 3,125,000	\$ 3,125,000				\$ 3,125,000
12	Total liquidated and delinquent (L&D) collections	\$ 475,500	\$ 475,500				\$ 475,500
13	L&D collections as a % of total collections	15.2%	15.2%	0.0%	0.0%	0.0%	15.2%
14							
15	Agency target for current quarter - total A/R collections	\$ 3,000,000	\$ 3,000,000	3,688,400	\$ -	\$ -	\$ 6,688,400
16	Agency target for current quarter - total L&D collections	\$ 450,000	\$ 450,000	\$ 553,260	\$ -	\$ -	\$ 1,003,260
17							
18	Actual A/R collections is higher (lower) than target	\$ 125,000	\$ 125,000	\$ (3,688,400)	\$ -	\$ -	\$ (3,563,400)
19	Actual L&D collections is higher (lower) than target	\$ 25,500	\$ 25,500	\$ (553,260)	\$ -	\$ -	\$ (527,760)
20							
21	<b>Agency Targets for Receivable Collections</b>	<b>Q1 (Jul-Sept)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	<b>Next FY - Q1 (Jul-Sep)</b>	
22							
23	Agency target Collection % - total A/R collections	80.0%	80.0%				
24	Agency target Collection % - total L&D collections	15.0%	15.0%				
25							

# QUARTERLY TARGETS FOR A/R OUTSTANDING AND 90 DAYS PAST DUE

- ▶ Each quarter agencies establish a target for the next quarter accounts 90 days past due as a percentage of the total A/R outstanding.
- ▶ This target is established for both the # of accounts as well as the \$ value of accounts.
- ▶ When establishing the next quarter target, factor the accuracy of the target established for the current quarter and the considerations mentioned in slides 5-7 to determine how those will impact the collections and delinquency of accounts receivable.
- ▶ The goal should be to reduce the amount of A/R that becomes over 90 days past due.

# 90 DAYS PAST DUE EXAMPLE

	A	B	C	D	E	F	G	
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>						
2								
3	<b>Accounts Receivable Performance Measures (ARPM)</b>					<b>Fiscal Year:</b>	<b>2022</b>	
4	<b>Required Quarterly ARPM:</b>					<b>Quarter ending:</b>	<b>September 30</b>	
5	<b>106. Receivables over 90 days past due as a % of total accounts receivable (A/R)</b>							
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>							
7	<i>Description: At the end of each calendar quarter, agencies shall determine the number and dollar value of accounts outstanding and the number and dollar value of those which are delinquent more than 90 days. Record agency targets for the next quarter, once recorded do not change the percentage when submitting the next quarter report.</i>							
8								
9	<b>Measurement components</b>	<b>Current</b>		<b>Q1 (Jul-Sep)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	
10	\$ Value of new A/R established during the quarter	\$ 1,000,000		\$ 1,000,000				
11								
12	<b>End of Quarter Accounts Outstanding:</b>							
13	<b>Quantity of accounts</b>							
14	Total number of A/R accounts outstanding	1,500		1,500				
15	Total number of A/R accounts over 90 days past due	230		230				
16	A/R over 90 days past due as a % of total A/R	15.3%		15.3%	0.0%	0.0%	0.0%	
17								
18	Actual % of A/R over 90 days past due is lower (higher) than target:	-0.3%		-0.3%	15.0%	0.0%	0.0%	
19								
20	<b>Value of accounts</b>		<b>Prior FY Q4</b>					
21	Total \$ value of A/R outstanding	\$ 3,500,000	\$ 2,850,000	\$ 3,500,000				
22	Total \$ value of A/R over 90 days past due	\$ 335,050	\$ 285,000	\$ 335,050				
23	A/R over 90 days past due as a % of total A/R	9.6%	10.4%	9.6%	0.0%	0.0%	0.0%	
24								
25	Actual % of A/R over 90 days past due is lower (higher) than target:	0.4%		0.4%	9.0%	0.0%	0.0%	
26								
27	<b>Agency Targets for 90 Days Past Due</b>		<b>Q1 (Jul-Sept)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-Jun)</b>	<b>Next FY - Q1 (Jul-Sep)</b>	
28	Agency target: % of A/R over 90 days past due (quantity of accounts)		15.0%	15.0%				
29	Agency target: % of A/R over 90 days past due (value of accounts)	10.0%	10.0%	9.0%				
30								
31	<b>Agency comments: (Include comments as needed to describe any large variations from one quarter to the next)</b>							
32								

# ANNUAL TARGETS FOR REQUIRED PERFORMANCE MEASURES

- ▶ The following performance measures are required to be reported annually and must include targets for the next fiscal year.
  - ▶ Days to Assign- This measure shows the length of time from the mandatory collection agency transfer (MCAT) eligibility date as defined in OAM 35.40.10 to the date the account is assigned to either Department of Revenue under OAM 35.40.30 or to a private collection agency.
  - ▶ Days to Collect- This measure shows the length of time between the effective date of the receivable until the account is paid in full.
  - ▶ Write-offs as a % of available A/R- This measure shows the percentage of accounts receivable worked during the year that were written-off.



# ANNUAL TARGETS FOR DAYS TO ASSIGN

- ▶ Review the prior fiscal year data compared to the targets and evaluate why some accounts take longer than others to assign.
  - ▶ Example: Some accounts that have had payment plans in place but the debtor stopped making their payments and the account was assigned.

	A	B	C	D	E	F	G	H	
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>							
2									
3	<b>Accounts Receivable Performance Measures (ARPM)</b>						<b>Fiscal Year:</b>	<b>2022</b>	
4	<b>Required Annual ARPM:</b>								
5	<b>107. Days to assign</b>								
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>								
7	<b>Description:</b> Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in OAM 35.40.10, to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of ORS 293.231 and OAM 35.40.10 dictate the mandatory timeline for when an account is subject to assignment.								
8									
9	<b>Measurement components</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>	
10	Number of accounts assigned	15	48	65	8	6	0	142	
11	% of accounts assigned	10.6%	33.8%	45.8%	5.6%	4.2%	0.0%	100.0%	
12									
13	Agency target current fiscal year - % of accounts assigned	15.0%	30.0%	40.0%	10.0%	5.0%	0.0%	100.0%	
14	Difference between actual and target	-4.4%	3.8%	5.8%	-4.4%	-0.8%	0.0%	0.0%	
15									
16									
17	Agency target for next fiscal year - % of accounts assigned							0.0%	
18									

# ANNUAL TARGETS FOR DAYS TO ASSIGN

- Agencies should establish targets for days to assign with the goal of performing assignments (when required) as early as possible to maximize the collectibility of the account.

	A	B	C	D	E	F	G	H
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>						
2								
3	<b>Accounts Receivable Performance Measures (ARPM)</b>						<b>Fiscal Year:</b>	<b>2022</b>
4	<b>Required Annual ARPM:</b>							
5	<b>107. Days to assign</b>							
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>							
7	<b>Description:</b> Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in OAM 35.40.10, to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of ORS 293.231 and OAM 35.40.10 dictate the mandatory timeline for when an account is subject to assignment.							
8								
9	<b>Measurement components</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
10	Number of accounts assigned	15	48	65	8	6	0	142
11	% of accounts assigned	10.6%	33.8%	45.8%	5.6%	4.2%	0.0%	100.0%
12								
13	Agency target current fiscal year - % of accounts assigned	15.0%	30.0%	40.0%	10.0%	5.0%	0.0%	100.0%
14								
15	Difference between actual and target	-4.4%	3.8%	5.8%	-4.4%	-0.8%	0.0%	0.0%
16								
17	Agency target for next fiscal year - % of accounts assigned	20.0%	35.0%	35.0%	5.0%	5.0%		100.0%
18								

# ANNUAL TARGETS FOR DAYS TO COLLECT

- ▶ Review the prior fiscal year data compared to the targets and evaluate why some accounts take longer than others to collect (i.e. payment plan agreements).
- ▶ Evaluate agency billing practices for opportunities to collect earlier.

	A	B	C	D	E	F	G	H	I
1	Agency:	107 Department of Administrative Services							
2									
3	Accounts Receivable Performance Measures (ARPM)							Fiscal Year:	2022
4	Required Annual ARPM:								
5	108. Days to collect								
6	Agencies are to complete the gray boxes, information entered will populate the summary tab.								
7	Description: Agencies shall measure the total number of days required to collect an A/R in full. Agencies shall report the number and percentage of accounts paid in full in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, 1-3 years and over 3 years.								
8									
9	Measurement components	0-30 days	31-60 days	61-90 days	91-180 days	181-365 days	1 year - 3 years	Over 3 years	Total
10	Number of accounts paid in full	2,694	756	414	26	16	2	1	3,909
11	% of accounts paid in full	68.9%	19.3%	10.6%	0.7%	0.4%	0.1%	0.0%	100.0%
12									
13	Agency target for current fiscal year - % of accounts paid in full	65.1%	20.2%	12.1%	1.6%	0.7%	0.3%	0.0%	100.0%
14	Difference between actual and target	3.8%	-0.9%	-1.5%	-0.9%	-0.3%	-0.2%	0.0%	0.0%
15									
16									
17	Agency target for next fiscal year - % of accounts paid in full								0.0%
18									
19									
20	Agency comments:								
21									



# ANNUAL TARGETS FOR DAYS TO COLLECT

- ▶ Agencies should establish targets for days to collect with the goal of collecting as early as possible to avoid sending accounts to collection and possible lost revenue.

	A	B	C	D	E	F	G	H
1	<b>Agency:</b>	<b>107 Department of Administrative Services</b>						
2								
3	<b>Accounts Receivable Performance Measures (ARPM)</b>						<b>Fiscal Year:</b>	<b>2022</b>
4	<b>Required Annual ARPM:</b>							
5	<b>107. Days to assign</b>							
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>							
7	<b>Description:</b> Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in OAM 35.40.10, to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of ORS 293.231 and OAM 35.40.10 dictate the mandatory timeline for when an account is subject to assignment.							
8								
9	<b>Measurement components</b>	<b>0-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>Over 1 year</b>	<b>Total</b>
10	Number of accounts assigned	15	48	65	8	6	0	142
11	% of accounts assigned	10.6%	33.8%	45.8%	5.6%	4.2%	0.0%	100.0%
12								
13	Agency target current fiscal year - % of accounts assigned	15.0%	30.0%	40.0%	10.0%	5.0%	0.0%	100.0%
14								
15	Difference between actual and target	-4.4%	3.8%	5.8%	-4.4%	-0.8%	0.0%	0.0%
16								
17	Agency target for next fiscal year - % of accounts assigned	20.0%	35.0%	35.0%	5.0%	5.0%		100.0%
18								

# ANNUAL TARGET FOR WRITE-OFF AS A % OF AVAILABLE A/R

- ▶ Review the prior fiscal year data compared to the targets, while some accounts will be uncollectible for a variety of reasons, agencies should strive to minimize uncollectible accounts by ensuring appropriate processes for billing and collection are in place.

5	<b>109. Write-offs as a % of available accounts receivable (A/R)</b>		
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>		
7	<b>Description:</b> Agencies shall measure the percentage of available accounts that were written off during a period of time against the total available A/R (beginning balance plus new A/R established) during the same period. Agencies should only include write-offs where the debt is still legally enforceable. Do not include accounts that were discharged in bankruptcy, abated (compromised, settled or otherwise determined not to be owed), or that were cancelled under specific agency authority to cancel debts.		
8			
9	<b>Measurement components</b>		<b>Current</b>
10	Total \$ value of write-offs during fiscal year		\$ 450,000
11	Total \$ value of A/R at the beginning of fiscal year (beginning balance)		\$ 2,750,000
12	Total \$ value of A/R established during fiscal year (additions)		\$ 13,950,000
13	Write-offs as a % of total available A/R		2.7%
14			
15	Agency target for current fiscal year - write-offs as a % of total available A/R		3.00%
16			
17	Difference between actual and target:		-0.3%
18			
19	Agency target for next fiscal year - write-offs as a % of total available A/R		
20			



# ANNUAL TARGET FOR WRITE-OFF AS A % OF AVAILABLE A/R

- ▶ Agencies should establish targets based on the overall goal to collect as much of their receivables as possible.

5	<b>109. Write-offs as a % of available accounts receivable (A/R)</b>				
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>				
7	<b>Description:</b> Agencies shall measure the percentage of available accounts that were written off during a period of time against the total available A/R (beginning balance plus new A/R established) during the same period. Agencies should only include write-offs where the debt is still legally enforceable. Do not include accounts that were discharged in bankruptcy, abated (compromised, settled or otherwise determined not to be owed), or that were cancelled under specific agency authority to cancel debts.				
8					
9	<b>Measurement components</b>				<b>Current</b>
10	Total \$ value of write-offs during fiscal year				\$ 450,000
11	Total \$ value of A/R at the beginning of fiscal year (beginning balance)				\$ 2,750,000
12	Total \$ value of A/R established during fiscal year (additions)				\$ 13,950,000
13	Write-offs as a % of total available A/R				2.7%
14					
15	Agency target for current fiscal year - write-offs as a % of total available A/R				3.00%
16					
17	Difference between actual and target:				-0.3%
18					
19	Agency target for next fiscal year - write-offs as a % of total available A/R				2.50%
20					



# TARGETS FOR RECOMMENDED ANNUAL PERFORMANCE MEASURES

- ▶ The following performance measures are recommended (but not required) to be reported annually
  - ▶ Collection Return on Investment (ROI) (Note this measure is required for agencies that have a DAS approved exemption from assigning debts under OAM 35.40.10)- This measure shows the amount of A/R collected for each dollar of expense related to A/R management.
  - ▶ Recovery rate- This measure shows the A/R available to be collected, what percentage was actually collected.
  - ▶ Turnover rate- This measure shows how well accounts are moving through the collections process.

# ANNUAL TARGET FOR COLLECTION RETURN ON INVESTMENT (ROI)

- ▶ Review the prior fiscal year data compared to the targets.

5	<b>111. Agency Collection Return on Investment (ROI)</b>			
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>			
	<b>Description:</b> Agencies shall measure the amount of revenue received compared to the costs of their collection efforts to determine the collections ROI. The measurement is required for agencies that receive a DAS exemption from the assignment requirements of OAM 35.40.10; however, the measurement is recommended for all agencies.			
7				
29	Collection ROI formula = total A/R collections / (department costs + collection fees + legal fees)			
30				
31	Collection ROI=		\$	150,000
32		\$ 12,000	+	\$ 100
33		<i>Department Costs</i>		<i>Collection Fees</i>
34			+	\$ 1,200
35				<i>Legal Fees</i>
36	Collection ROI=		\$	11.28
37				
38	Agency target for current fiscal year - collection ROI		\$	10.00
39				
40	Difference between actual and target:			\$1.28
41				
42				
43	Agency target for next fiscal year - collection ROI			
44				
45				
46	Agency comments:			





# ANNUAL TARGET FOR COLLECTION RETURN ON INVESTMENT (ROI)

- ▶ Targets for Collection ROI should be based on projected A/R to be established, forecasted collections and process changes that are expected to impact staffing or other collection costs.
- ▶ Agencies should establish targets for ROI with the goal to increase the amount of collections made for each dollar spent on collecting A/R.

5	<b>111. Agency Collection Return on Investment (ROI)</b>			
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>			
	<b>Description:</b> Agencies shall measure the amount of revenue received compared to the costs of their collection efforts to determine the collections ROI. The measurement is required for agencies that receive a DAS exemption from the assignment requirements of OAM 35.40.10; however, the measurement is recommended for all agencies.			
7				
29	Collection ROI formula = total A/R collections / (department costs + collection fees + legal fees)			
30				
31	Collection ROI=		\$	150,000
32		\$ 12,000	+	\$ 100
33		<i>Department Costs</i>		<i>Collection Fees</i>
34			+	\$ 1,200
35	Collection ROI=		\$	11.28
36				
37				
38	Agency target for current fiscal year - collection ROI		\$	10.00
39				
40	Difference between actual and target:			\$1.28
41				
42				
43	Agency target for next fiscal year - collection ROI		\$	12.00
44				



# ANNUAL TARGETS FOR RECOVERY RATE

- ▶ Review the prior fiscal year data compared to the targets for both All Agency Receivables and Liquidated and Delinquent accounts.

113. Recovery Rate			
Agencies are to complete the gray boxes, information entered will populate the summary tab.			
Description: A collection recovery rate measures the amount collected over a period of time divided by the total receivables worked for a period of time.			
Measurement components		All agency receivables	Liquidated and delinquent accounts
Total collections during fiscal year	\$	220,000	\$ 25,000
Total receivable balance at beginning of fiscal year	\$	200,000	\$ 65,000
Total receivables established during fiscal year	\$	55,000	\$ 15,500
Recovery rate		86.27%	31.06%
Agency target for <u>current</u> fiscal year - recovery rate (%)		85.00%	33.00%
Difference between actual and target:		1.27%	-1.94%
Agency target for <u>next</u> fiscal year - recovery rate (%)			



# ANNUAL TARGETS FOR RECOVERY RATE

- Agencies should establish targets for Recovery Rate based on the assumptions already made for total collections and forecasted A/R to be established with the goal to increase collections. .

5	<b>113. Recovery Rate</b>			
6	<i>Agencies are to complete the gray boxes, information entered will populate the summary tab.</i>			
7	<b>Description:</b> A collection recovery rate measures the amount collected over a period of time divided by the total receivables worked for a period of time.			
8				
9	<b>Measurement components</b>	<b>All agency receivables</b>		<b>Liquidated and delinquent accounts</b>
10	Total collections during fiscal year	\$ 220,000		\$ 25,000
11	Total receivable balance at beginning of fiscal year	\$ 200,000		\$ 65,000
12	Total receivables established during fiscal year	\$ 55,000		\$ 15,500
13	Recovery rate	86.27%		31.06%
14				
15	Agency target for <u>current</u> fiscal year - recovery rate (%)	85.00%		33.00%
16				
17	Difference between actual and target:	1.27%		-1.94%
18				
19	Agency target for <u>next</u> fiscal year - recovery rate (%)	87.00%		33.00%
20				

# TARGETS FOR TURNOVER RATE

- ▶ Review the prior fiscal year data compared to the targets for both Agency Total and Assigned to Department of Revenue (and Private Collection Firms if applicable).

# TARGETS FOR TURNOVER RATE

5	<b>114. Account Turnover Rate (ATR)</b>	<b>Fiscal Year:</b>	<b>2022</b>
6	<b>Description:</b> The ATR is a calculation that indicates how well accounts are moving through the account assignment pipeline. An ATR of over 100% means that there are fewer accounts at the end of the year than at the beginning. The ATR should be evaluated for all agency accounts as well as accounts placed with Department of Revenue Other Agency Accounts or a private collection firm.		
7			
8			
9	<b>Measurement components</b>		<b>Number of accounts</b>
10	<b>Agency Total</b>		
11	Total number of accounts at the beginning of the fiscal year		1,000
12	Total number of accounts at the end of the fiscal year		900
13	Account turnover rate		111.11%
14			
15	Agency target for current fiscal year - account turnover rate (%)		110.00%
16	Difference between actual and target:		1.11%
18			
19	Agency target for next fiscal year - account turnover rate (%)		
20			
21	<b>Assigned to Department of Revenue</b>		
22	Total number of accounts assigned at the beginning of the fiscal year		75
23	Total number of accounts at the end of the fiscal year		73
24	Account turnover rate		102.74%
25			
26	Agency target for current fiscal year - account turnover rate (%)		105.00%
27	Difference between actual and target:		-2.26%
29			
30	Agency target for next fiscal year - account turnover rate (%)		
31			

# TARGETS FOR TURNOVER RATE

- ▶ When establishing a target for turnover rate, agencies should consider the impacts of projected changes in the volume of receivables to be established, changes in agency processes that would impact accounts required to be assigned or amounts projected to be collected by the agency.
- ▶ Based on the assumptions already made for total collections and forecasted A/R to be established calculate the next fiscal year target.
  - ▶ Is the volume of A/R established forecasted to increase or decrease? By how much?

# TARGETS FOR TURNOVER RATE

5	<b>114. Account Turnover Rate (ATR)</b> ←	<b>Fiscal Year:</b>	<b>2022</b>
6	<b>Description:</b> The ATR is a calculation that indicates how well accounts are moving through the account assignment pipeline. An ATR of over 100% means that there are fewer accounts at the end of the year than at the beginning. The ATR should be evaluated for all agency accounts as well as accounts placed with Department of Revenue Other Agency Accounts or a private collection firm.		
7			
8			<b>Number of accounts</b>
9	<b>Measurement components</b>		
10	<b>Agency Total</b>		
11	Total number of accounts at the beginning of the fiscal year		1,000
12	Total number of accounts at the end of the fiscal year		900
13	Account turnover rate		111.11%
14			
15	Agency target for current fiscal year - account turnover rate (%)		110.00%
16			
17	Difference between actual and target:		1.11%
18			
19	Agency target for next fiscal year - account turnover rate (%)		115.00%
20			
21	<b>Assigned to Department of Revenue</b>		
22	Total number of accounts assigned at the beginning of the fiscal year		75
23	Total number of accounts at the end of the fiscal year		73
24	Account turnover rate		102.74%
25			
26	Agency target for current fiscal year - account turnover rate (%)		105.00%
27			
28	Difference between actual and target:		-2.26%
29			
30	Agency target for next fiscal year - account turnover rate (%)		105.00%

# CONCLUSION

- ▶ Developing targets allows agencies to identify opportunities for improvement and demonstrate success for their accounts receivable process.
- ▶ Targets should be achievable but also be based on goals to:
  - ▶ Increase collection of accounts receivable
  - ▶ Reduce delinquencies
  - ▶ Increase efficiency in processing accounts receivable.
- ▶ When establishing targets agencies should consider:
  - ▶ Seasonal impacts or fluctuations in expected A/R activities
  - ▶ Changes in agency A/R processes that could impact outcomes
  - ▶ Policy or legislative changes that impact agency operations that affect accounts receivable
  - ▶ Do the targets represent meaningful progress in improving A/R processes or creating efficiencies?



# RESOURCES

- ▶ OAM 35.60.20- State policy on A/R performance measures-  
<https://www.oregon.gov/das/Financial/Acctng/Documents/35.60.20.pdf>
- ▶ Accounts Receivable Performance Measure Training-  
<https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>
- ▶ Questions? Contact [SWARM@DAS.Oregon.gov](mailto:SWARM@DAS.Oregon.gov)