DAS
DEPARTMENT OF ADMINISTRATIVE SERVICES
CHIEF FINANCIAL OFFICE

STATEWIDE ACCOUNTS RECEIVABLE MANAGEMENT REPORT

FISCAL YEAR ENDING JUNE 30, 2022

Oregon
Tina Kotek, Governor

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February 1, 2023

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 seventh report issued under the statute mentioned above.

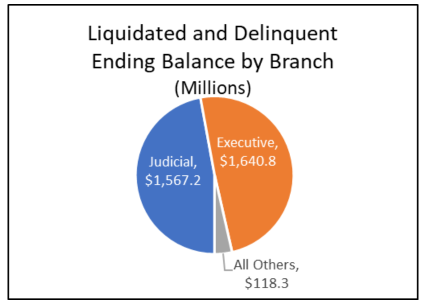
The following report and appendices reference liquidated and delinquent account activity reported by state agencies for the fiscal year ending June 30, 2022.

Sincerely,

George Naughton
Chief Financial Officer

Executive Summary

Liquidated and delinquent (L&D) accounts collections statewide in fiscal year (FY) 2022 were $465.8 million, an increase of $31.6 million (7.3%) compared to FY 2021. Executive Branch agencies collected $396.9 million, an increase of $21.3 million (5.7%) compared to FY 2021.



The statewide ending balance of liquidated and delinquent (L&D) accounts receivable for FY 2022 was $3.3 billion, a 3.3% decrease from FY 2021. Executive Branch agencies accounted for 49.3% of the statewide ending balance.

State agencies reported that $2 billion (59.5%) L&D accounts were doubtful to ever be collected. While considered doubtful to be collected, these accounts continue to receive collection efforts until either a payment is received, the account is determined to be uncollectible according to state policy, or the account is canceled in accordance with statute.

Some agencies continue to be challenged with data integrity issues. For example, Executive Branch agencies reported collections of $396.9 million of L&D accounts receivable during FY 2022 as part of their report to the Legislative Fiscal Office (LFO), while submitting in the Accounts Receivable Performance Measures (ARPM) total collections of L&D accounts receivable in the amount of $433.5 million, a difference of $36.6 million. The Oregon Employment Department (OED) is the primary cause of this difference, with L&D collections reported in the ARPM that are $38.7 million higher than the L&D collections reported to LFO. This discrepancy in the data is smaller than the difference reported for FY 2021, and OED expects this difference will be resolved with their new software modernization implementation.

Executive Branch agencies reported $86.8 million in accounts that were unassigned, non-exempt, and without a payment in more than 90 days, a $95.2 million decrease compared to FY 2021. While the balance of unassigned accounts is significant, 75.4% are associated with accounts where the Department of Revenue issued a garnishment or established a payment plan prior to the one-year clock. If no payments are received within 60 days, the account is then assigned to a private collection firm.

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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.

The accounts receivable data referenced in this report represents liquidated and delinquent (L&D) accounts as of June 30, 2022, 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), the LFO Data by Branch of Government (Appendix B), and the Glossary of Terms (Appendix C) provides definitions of terms that are **bold** in this report. The agencies who earned recognition of the Accounts Receivable Honor Roll for Fiscal Year (FY) 2021, 2020 and 2019 are listed in Appendix D. Appendix E reports whether state agencies of the Executive Branch that are subject to the statutory requirement to assign L&D accounts to the Department of Revenue (DOR) complied with the statute in FY 2022.

Statewide Efforts to Improve Collections

Since the establishment of the Statewide Accounts Receivable Management (SWARM) team in 2016, policy and legislative changes have raised awareness and focus on accounts receivable management and the changes are now part of state agency procedures to collect **delinquent** accounts receivable.

Accounts Receivable Performance Measures

In FY 2018 the Department of Administrative Services-Chief Financial Office established Oregon Accounting Manual (OAM) policy 35.60.20, which requires most Executive Branch state agencies to track performance measures related to accounts receivable management and report progress quarterly and annually.[1] In FY 2019, state agencies began establishing targets for their Accounts Receivable Performance Measures (ARPM). 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 agencies to report:

- Total accounts receivable **collections**;
- **Liquidated** and **delinquent** (L&D) accounts receivable collections;
- Outstanding accounts receivable balances; and
- Outstanding accounts receivable balances over 90 days past due.

[1] OAM 01.05.00 documents the scope and applicability of the OAM.

The annual ARPM requires agencies 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 for Executive Branch agencies, as reported on the ARPMs, are as follows (Table 1 and Table 2):

Table 1.

Performance Measure:	For the year ended June 30, 2022	For the year ended June 30, 2021	For the year ended June 30, 2020
Total accounts receivable collections[2]	$9 billion	$8.1 billion	$6.4 billion
L&D account collections[3]	$433.5 million	$550.5 million	$578.4 million
Write-offs, as a percentage of all available accounts receivable	0.3%	0.9%	0.9%
Average % of accounts assigned within 90 days of meeting the definition of L&D	49.7%	53.7%	53.2%
Average % of accounts paid in full within 60 days of the effective date	71.2%	66%	68.9%

The increase in total accounts receivable collections ($9 billion from $8.1 billion), occurred primarily at five agencies; DAS, Oregon Employment Department (OED), Oregon State Lottery, Department of Revenue (DOR) and Oregon Department of Transportation (ODOT).

The FY 2022 decrease in L&D account collections ($433.5 million from $550.5 million), occurred primarily at the Oregon Employment Department (OED). OED uses data from a legacy system to create the ARPM reports each quarter and due to the way that system stores the data, the agency is required to make assumptions regarding the L&D status of accounts each quarter. OED reported ARPM L&D collections of $219 million in FY 2021 and $85 million in FY 2022, however, based on the agency reports to LFO L&D collections in FY 2021 were $42.9 million and $46.1 million in FY 2022.

Analysis of state agency ARPM targets:

- The percentage of Executive Branch agencies that met or exceeded their FY 2022 target for total accounts receivable collections was 42.4% (FY 2022 average target was $155 million).
- The percentage of Executive Branch agencies that met or exceeded their FY 2022 target for L&D accounts receivable collections was 43.6% (FY 2022 average target was $31.9 million).
- Executive Branch agencies targeted, on average, that they would be assigning 49.8% of their accounts within 90 days. If an agency is receiving payment on an account, ORS

[2] Total accounts receivable collections include all amounts collected by the agency that are applied to an accounts receivable, including accounts that are L&D.
[3] 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 the data reported to LFO.

293.231(1) does not require assignment until 90 days from the date of receipt of the most recent payment on the account, therefore it is reasonable that not all accounts would expect to be assigned within 90 days.

Table 2.

Performance Measure:	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020
Total outstanding accounts receivable	$2.5 billion	$2.6 billion	$2 billion
Accounts receivable over 90 days past due, as a percentage of total outstanding accounts receivable	71%	65.4%	76.4%

It is expected that agencies will see changes in outstanding receivables from one year to another. The change in total outstanding accounts receivables from FY 2021 to FY 2022 was a decrease of $120 million, however the accounts receivable balance over 90 days increased by $62.7 million, which resulted in the increase in the percentage of accounts receivable over 90 days past due.

If an agency is receiving payment on an account, ORS 293.231(1) does not require assignment until 90 days from the date of receipt of the most recent payment on the account, therefore it is reasonable that not all accounts would be assigned within 90 days.

Executive Branch agencies reported collecting $433.5 million in L&D accounts receivable in the ARPM (Table 1), while also reporting collections of $396.9 million in the LFO report (Table 3), a difference of $36.6 million. OED is the primary cause of this difference, with L&D collections reported in the ARPM that are $38.7 million higher than what they reported to LFO. This difference is a result of assumptions regarding the L&D status of accounts that the agency makes when reporting the quarterly ARPM collections while the annual LFO reporting is programmed in the legacy system. OED expects this difference will be resolved with their software modernization implementation. Eight agencies reported cumulative collections of $2 million to LFO but are not subject to the ARPM reporting requirements.

Establishing agency ARPM targets has been a topic of many discussions between SWARM and state agencies. Even though agencies have been required to develop targets since FY 2019, the process of evaluating their data to set meaningful and reasonable targets continues to be a challenge for some agencies resulting primarily from staff turnover. 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.

Vendor Coordination

As directed 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 a debt to the state. Upon identification, the paying state agency notifies 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 mainly comprises recovery of DOR tax debts through the administrative hold and garnishment process. Eighty-two state agencies, including Judicial Branch and Legislative Branch agencies have been provided the ability to identify and intercept pending vendor payments to apply towards DOR tax debts owed to the state.

Vendor Coordination recoveries totaled $766 thousand[4] in FY 2022 and $2.2 million has been recovered since implementation in 2018.

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 website[5] and SWARM encourages managers and accounting professionals responsible for overseeing or processing accounts receivable transactions to partake in the training opportunities.

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) awards the Accounts Receivable Honor Roll to state agencies that submit accurate reports by the required due dates and attend the required annual training[6]. Each fiscal year DAS-CFO notifies the state agencies that achieved this recognition and sends a certificate accompanied by a congratulatory letter addressed to the agency's director. Additionally, the list of Accounts Receivable Honor Roll recipients for the previous fiscal year is published on the SWARM webpage.

Of the 122 agencies who were eligible to earn recognition on the Accounts Receivable Honor Roll for FY 2021, 96 agencies (79%) were awarded this distinction representing, a 4% increase compared to FY 2020. The full list of FY 2021 awardees is listed in Appendix D.

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.

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[4] The total vendor offset program amount reported by agencies to LFO for FY 2022 was $906 thousand. This includes amounts that agencies offset internally from payments due to vendors that also owed that agency a debt and are not included in the DOR garnishment process.
[5] https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx, Accounts receivable training and workshops.
[6] Each year SWARM distributes a list of accounts receivable reporting requirements and the respective due dates.

SWARM Efforts

SWARM acts as a clearinghouse for accounts receivable policies, best practices, and trainings to facilitate timely and accurate reporting and improving collections. These efforts raise state agency awareness and focus on accounts receivable management.

SWARM works closely with state agency accounts receivable professionals to improve agency-specific policies and procedures. Because state agencies tend to have accounts, debtors, and processes that are particular to the mission of the agency, 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 regularly reaches out to agencies to offer one-on-one accounts receivable training at the convenience of the agency and on topics chosen by the agency.

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.[7] State agencies report L&D account activity, depending on whether the agency is subject to centralization, to LFO in three or four of the following categories: total L&D accounts; accounts assigned to the Department of Revenue Other Agency Accounts Unit (DOR-OAA); accounts assigned to a private collection firm (PCF)[8]; 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 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 which 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 billion, or 59.5%, 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, this *Statewide Accounts Receivable Management Report* separates the FY 2022 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”.[9]

[7] ORS 293.229 and ORS 1.195 define the annual LFO reporting requirement.
[8] Beginning in FY 2020, agencies subject to centralization are no longer required to report accounts assigned to a private collection firm (PCF) since these assignments are determined by DOR-OAA.
[9] Refer to Appendix D for a listing of agencies by branch of government.

Table 3.

Total Liquidated and Delinquent Accounts Receivable For the Year Ended June 30, 2022	Judicial	Executive	All Others	Total
Beginning Balance	$1,709,104,694	$1,607,541,334	$124,786,917	$3,441,432,945
Additions	122,873,220	841,250,005	40,758,832	1,004,882,321
Collections	(42,250,665)	(396,904,444)	(26,666,434)	(465,821,543)
Write-Offs[10]	(18,840,760)	(42,000,704)	(8,694,654)	(69,536,118)
Adjustments	(203,655,718)	(255,244,620)	(8,723,467)	(467,623,805)
Reversals	-	(113,798,514)	(3,189,684)	(116,988,198)
Ending Balance	**$1,567,230,771**	**$1,640,843,057**	**$118,271,510**	**$3,326,345,338**
Doubtful Accounts	(1,310,518,371)	(635,065,338)	(32,001,290)	(1,977,594,999)
Adj. Ending Bal.	**$ 256,712,400**	**$1,005,777,719**	**$ 86,260,220**	**$1,348,750,339**

The statewide L&D accounts receivable ending balance of $3.3 billion as of FY 2022 is comprised predominantly of 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 OAM.[11] 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, with four agencies representing 91.7% of the ending balance (Table 4).[12] The ending balance is virtually unchanged from FY 2021, as shown in Table 5, which provides more detail on the differences between the two fiscal years.

Table 4.

Executive Branch Agency Ending Balances For the Year Ended June 30, 2022	Ending Balance	Percent of Ending Balance
Department of Revenue	$ 784,955,921	47.8%
Department of Justice	317,993,473	19.4%
Oregon Employment Department	274,083,476	16.7%
Department of Consumer and Business Services	127,672,607	7.8%
Remaining agencies	136,137,580	8.3%
Total	**$1,640,843,057**	**100.0%**

[10] The total write-off amounts identified in Table 4 are $8.3 million more than the amounts reported on the *FY 2022 Write Off, Abated and Canceled Certification Report*, delivered to the Joint Committee on Ways and Means on December 29, 2022, due to universities and Oregon Health Science University which are not subject to ORS 293.234; and do not submit write off, abated and canceled debt certifications to DAS.
[11] The Judicial Branch, Legislative Branch, and special government entities are not subject to accounting policies established by DAS.
[12] Refer to Appendix A for more information about the types of accounts reported by these four agencies.

Changes in Liquidated and Delinquent Account Balances

The comparison of Executive Branch agencies' L&D accounts receivable from FY 2021 to FY 2022 helps to evaluate 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	2022	2021	Net Increase/ (Decrease)[13]
Beginning Balance	$1,607,541,334	$1,634,119,381	$ (26,578,047)
Additions	841,250,005	852,505,310	(11,255,305)
Collections	(396,904,444)	(375,580,561)	21,323,883
Write-Offs	(42,000,704)	(61,561,565)	(19,560,861)
Adjustments	(255,244,620)	(247,728,682)	(7,515,938)
Reversals	(113,798,514)	(194,212,549)	(80,414,035)
Ending Balance	**$1,640,843,057**	**$1,607,541,334**	33,301,723

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.

L&D **additions** decreased by $11.3 million in FY 2022 while L&D collections increased by $21.3 million compared to FY 2021. DOR additions decreased by $77.7 million due in part to the 2020 kicker credit claimed by taxpayers on the 2021 tax returns, reducing the tax liability owed. Meanwhile, DOR collections increased by $38.7 million as part of a resumption of normal collection activity (after reporting reduced collections in FY 2021 due to pandemic relief granted) and a modest increase ($3.1 million) in tax offsets resulting from the kicker credit. Oregon Department of Forestry (ODF) additions decreased in FY 2022 by $57.5 million and collections decreased by $39.1 million because of the agency determination that accounts reported through FY 2021 did not meet the definition of L&D and therefore should not have been reported, therefore, accounts that would have previously been reported as additions and collections were not included in FY 2022. The removal of the previously reported balances, totaling $9.7 million are reported as reversals by ODF in FY 2022. OED additions increased by $114.3 million, and collections increased by $3.2 million, due to an unprecedented increase in the number of unemployment claims filed during the pandemic, which was followed by an increase in overpayment setups. Adding to the increased claim volume, several state and Federal programs or additional benefits were added, doubling the amount of money paid out to claimants each week. There was a corresponding increase in fraud tied to pandemic-related federal benefits. The increased workload resulted in backlogs that delayed the detection and or setup of overpayments by OED staff. DAS collections increased $17.4 million, as during the first year of a biennium it is common for DAS to experience increased collections because billings for agency assessments are issued in the first year of the biennium.

The $19.6 million decrease in write-offs for Executive Branch agencies was largely associated with three agencies that experienced large increases during FY 2021 and the current year

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

activity returned normal. Those three agencies are the Construction Contractors Board (CCB), the Department of Consumer and Business Services (DCBS), and the Department of Justice (DOJ). Those three agencies accounted for $17.5 million of the year-over-year decrease.

Adjustments can either increase or decrease debt and occur when amounts are set up incorrectly, amounts are determined to be uncollectible (due to bankruptcy, for example) or amounts are determined not owed (due to settlements in compromise, for example). In FY 2022 Executive Branch agencies reported adjustments that decreased debt $255.2 million, a change of $7.5 million or 3% compared to FY 2021.

Reversals in FY 2022 decreased $80.4 million from FY 2021. DOR reported decreased reversals of $76 million, due to multiple factors, including reversing a smaller amount of previous additions related to enforcement activity as these were paused or delayed during the pandemic. In addition, in fiscal year 2021, the department updated its reporting to no longer add accounts to the department's balance that were appealed timely, but not received until after the balance had been liquidated. In line with that change in reporting, the department had previously reversed large amounts associated with appealed accounts. These appealed accounts, having already been removed and no longer being added to the department's ending balance, contributes to an overall reduction in the amount the department reports in the reversal category.

ORS 293.231 requires Executive Branch agencies to assign eligible accounts to DOR-OAA for collection action.[14] 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 FY.[15] 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 $357.6 million, an increase of $110.9 million from FY 2021 (Table 6).

[14] For more information about account assignment requirements, refer to How the State Collects Debt in Appendix A.
[15] For liquidated and delinquent account assignments to DOR-OAA and PCFs by all state agencies, refer to Appendix B.

Table 6.

Executive Branch Liquidated and Delinquent Accounts Receivable
Fiscal Year Comparison

Assigned to Department of Revenue-Other Agency Accounts

	2022	2021	Net Increase/ (Decrease)[16]
Beginning Balance	$ 145,427,345	$ 132,295,796	$ 13,131,549
Additions	32,953,032	64,427,959	(31,474,927)
Collections	(10,535,933)	(6,919,594)	3,616,339
Returned to Originating Agency	(17,933,806)	(44,376,816)	(26,443,010
Ending Balance	**$ 149,910,638**	**$ 145,427,345**	4,483,293

Assigned to Private Collection Firms[17]

	2022	2021	Net Increase/ (Decrease)
Beginning Balance	$101,245,270	$212,625,115	$ (111,379,845)
Additions	211,997,197	80,298,323	131,698,874
Collections	(11,492,638)	(9,914,641)	1,577,997
Returned to DOR-OAA	(17,338)	(43)	17,295
Returned to Originating Agency	(94,040,769)	(181,763,484)	(87,722,715)
Ending Balance	**$207,691,722**	**$101,245,270**	106,446,452
DOR-OAA & PCF Ending Balance	**$357,602,360**	**$246,672,615**	110,929,745

Under centralization, most Executive Branch agencies assign L&D accounts to DOR-OAA for collection which may result in the account being forwarded to a PCF[18]. Since FY 2020 agencies no longer report these accounts as forwarded to a PCF, or as returned to DOR-OAA. DOR-OAA still assigns accounts to a PCF and, as of June 30, 2022, DOR-OAA had $46.6 million of agency accounts assigned to a PCF. Of the $207.7 million PCF ending balance, $205.4 million is owed to 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, some state agencies have an internal collections unit combined with unique tools which allow the agency to effectively collect its accounts. Specifically, Oregon Department of Human Services (ODHS), DOR, ODOT, DOJ, OED, and the Oregon Health Authority (OHA) have such specialized collection units and may exempt applicable accounts from third-party collection actions when attempting recovery through actions such as the issuance of a **distraint warrant** and garnishment. For FY 2022, Executive Branch agencies

[16] The net increase/(decrease) reflects the difference between each row and is not intended to total.
[17] Only includes accounts assigned to a PCF directly by agencies and does not include the $46.6 million in accounts assigned by DOR-OAA to a PCF as of June 30, 2022.
[18] Subject to the requirements of ORS 293.231 (3)(a)

reported $885.9 million in accounts eligible for assignment exemption, a 5.9% increase from FY 2021 (Table 7).

Table 7.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
	Accounts Exempt from Assignment		
	2022	**2021**	**Net Increase/ (Decrease)**
Administrative Exemption	$ 614,718,158	$ 516,349,615	$ (165,899,213)
Statutory Exemption	271,215,317	320,508,528	(115,216,730)
Total Exemptions	**$ 885,933,475**	**$ 836,858,143**	**$ (281,115,943)**
Total L&D Ending Balance	**$1,640,843,057**	**$1,607,541,334**	**$ (26,578,047)**
Exemptions as a percentage of L&D Ending Balance	**54%**	**52.1%**	

Three agencies reported 88.9% ($787.3 million) of all Executive Branch agency exemptions for FY 2022 (Fig. 1).

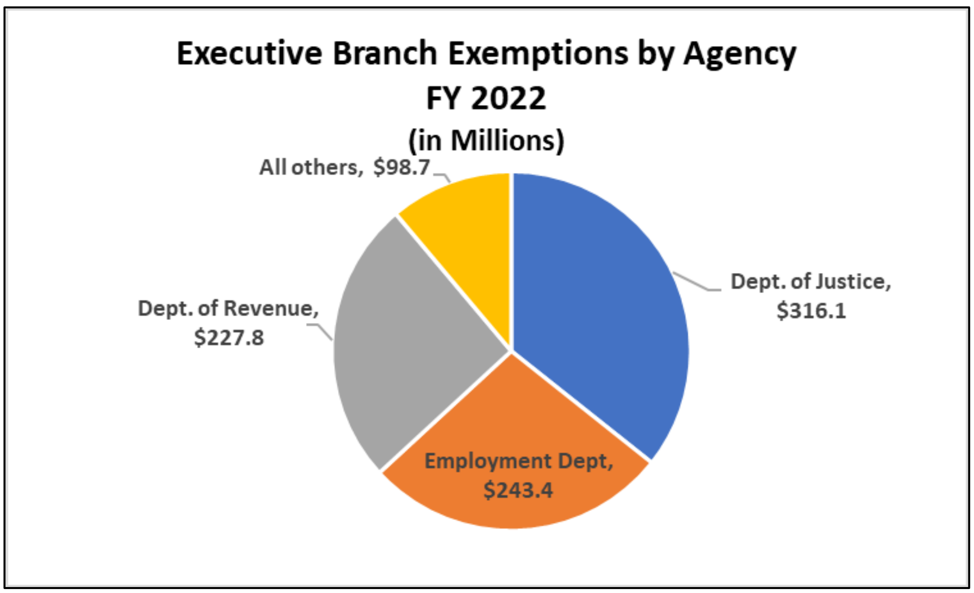

Figure 1.

Of the $885.9 million total account exemptions reported in FY 2022, 74.4% were accounts affiliated with one of five exemption categories (Fig. 2).

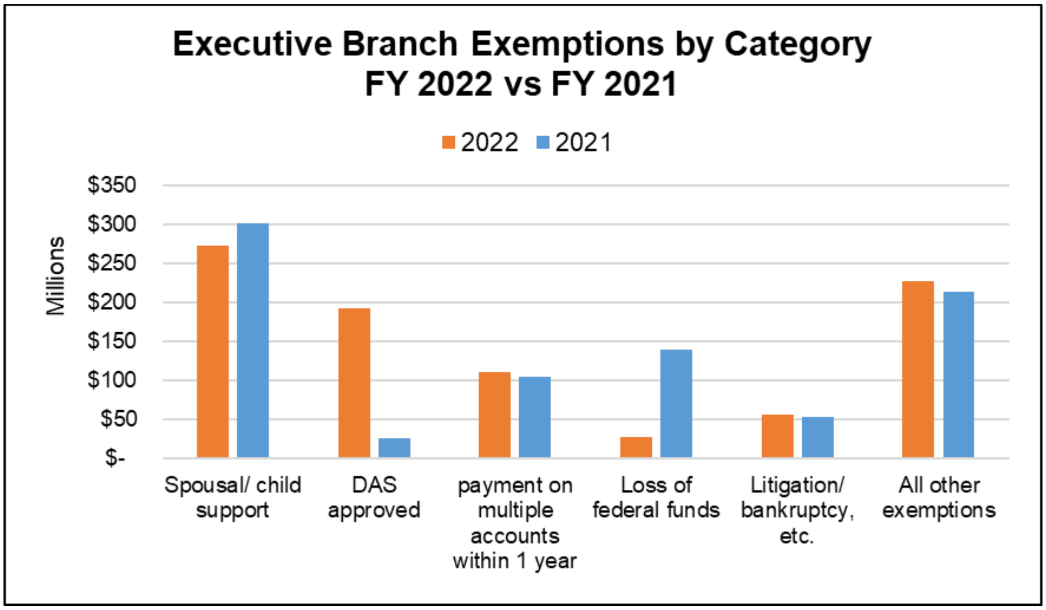

Figure 2.

The increase in DAS approved exemptions as well as the decrease in loss of federal funds is associated with a change in reporting by OED. Since February 2017 OED requested, and DAS approved, an exemption for accounts from the Unemployment Insurance program that are subject to a United States Department of Labor restriction on assignments to third party collectors until such time as the state determines the account to be uncollectible. OED could be subject to a loss of federal funding if assignments occurred outside of the federal requirements. OED reported accounts as exempt from assignment under the loss of federal funds exemption category until FY 2022 when these accounts were reported under the DAS approved exemption category.

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 2022, Executive Branch agencies reported $86.8 million in accounts that were unassigned, non-exempt without a payment for 90 days or more.[19] This is a significant decrease compared to the $182 million reported in FY 2021, agencies with the largest reported accounts are:

- DOR reported $65.4 million (75.4%) due to accounts where a garnishment or payment plan was issued before the one-year clock to assign accounts to a PCF ended. Accounts which do not receive a payment within 60 days of the date the garnishment or payment plan was issued are then assigned to a PCF.
- DCBS reported $13.8 million (15.9%) in unassigned accounts of which 80 percent have been previously assigned to DOR and returned recommended for write-off, the agency is reviewing these accounts in accordance with state policy and 20 percent that have recently been moved from a legal action, or active status, and need to have their amounts verified and coded to be sent to DOR.

[19] Refer to the 2022 LFO Report on Liquidated and Delinquent Accounts Receivable for a list of these agencies and amounts reported.

Of the remaining $7.6 million (8.7%) in accounts that were unassigned, non-exempt without a payment for 90 days or more agencies provided an explanation as to why the accounts were not assigned. Those explanations were consolidated into the following general categories:

- Accounts previously assigned for collection and recently returned to the agency ($4.3 million, 5%), these accounts are pending review for write-off eligibility.
- Accounts that were subject to assignment, but the state agency did not comply with ORS 293.231 ($2.8 million, 3.3%).
- Agencies that are exempt from the assignment requirements of ORS 293.231(7) ($424 thousand, 0.5%).

Future of State Debt Collections

Statewide L&D collections significantly decreased starting in FY 2021 primarily due to changes in reporting by a few agencies as well as impacts from the COVID-19 pandemic. However, collections in FY 2022 started to increase. Staff turnover and extended vacancies continue to create challenges for agency accounts receivable management. 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.

Now that the pandemic is behind us, state agencies will be able to refocus their efforts on improved L&D collection efforts. SWARM will continue to focus on collaboration across state government to implement best practices and new technologies to improve accounts receivable management, but beginning in FY 2023 there will be increased discussion with agencies about the importance of data integrity and efforts to improve L&D collections.

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 1[20] apply to agencies within the Judicial Branch and the provisions of ORS Chapter 293[21] apply to agencies within the Administrative or Executive Branch. Statewide policies and procedures pertaining to accounts receivable management are documented in OAM Chapter 35 and are applicable to Executive Branch agencies[22] subject to report financial activity in the Annual Comprehensive 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. 3).

If state agencies internal collection processes 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. 4). 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 is closed; or owed by a debtor hospitalized in a state hospital.

[20] ORS 1.194-1.202 documents the collection of court account requirements; including, but not limited to, account assignment provisions.
[21] ORS 293.231 documents the account assignment requirements for Administrative or Executive Branch agencies subject to ORS Chapter 293.
[22] OAM 01.05.00 documents the scope and applicability of the OAM.

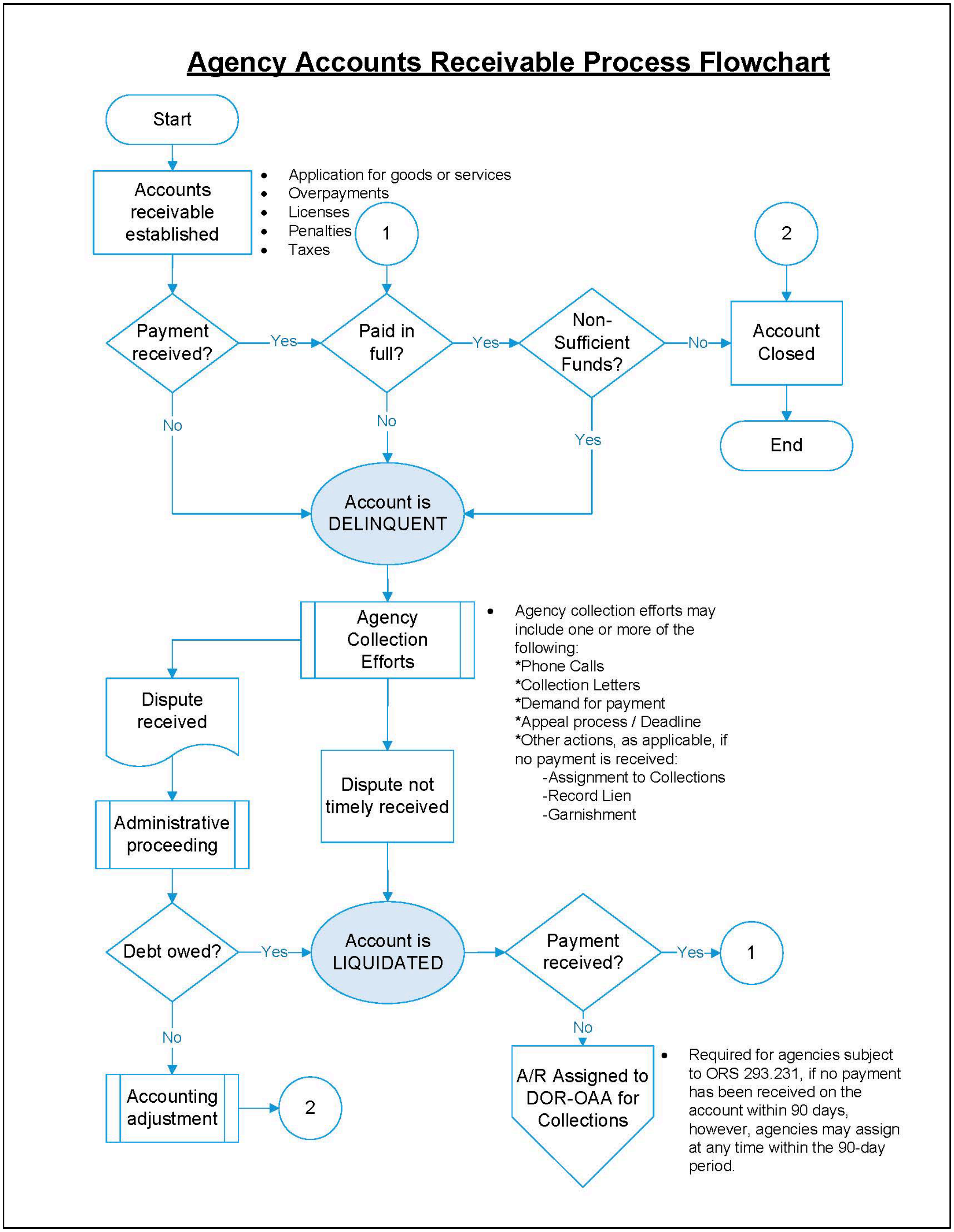
Agency Accounts Receivable Process Flowchart
Start
Accounts receivable established
Application for goods or services
Overpayments
Licenses
Penalties
Taxes
1
2
Payment received?
Yes
Paid in full?
Yes
Non-Sufficient Funds?
No
Account Closed
End
No
No
Yes
Account is DELINQUENT
Agency Collection Efforts
Agency collection efforts may include one or more of the following:
*Phone Calls
*Collection Letters
*Demand for payment
*Appeal process / Deadline
*Other actions, as applicable, if no payment is received:
-Assignment to Collections
-Record Lien
-Garnishment
Dispute received
Administrative proceeding
Dispute not timely received
Debt owed?
Yes
Account is LIQUIDATED
Payment received?
Yes
1
No
No
Accounting adjustment
2
A/R Assigned to DOR-OAA for Collections
Required for agencies subject to ORS 293.231, if no payment has been received on the account within 90 days, however, agencies may assign at any time within the 90-day period.

Figure 3.

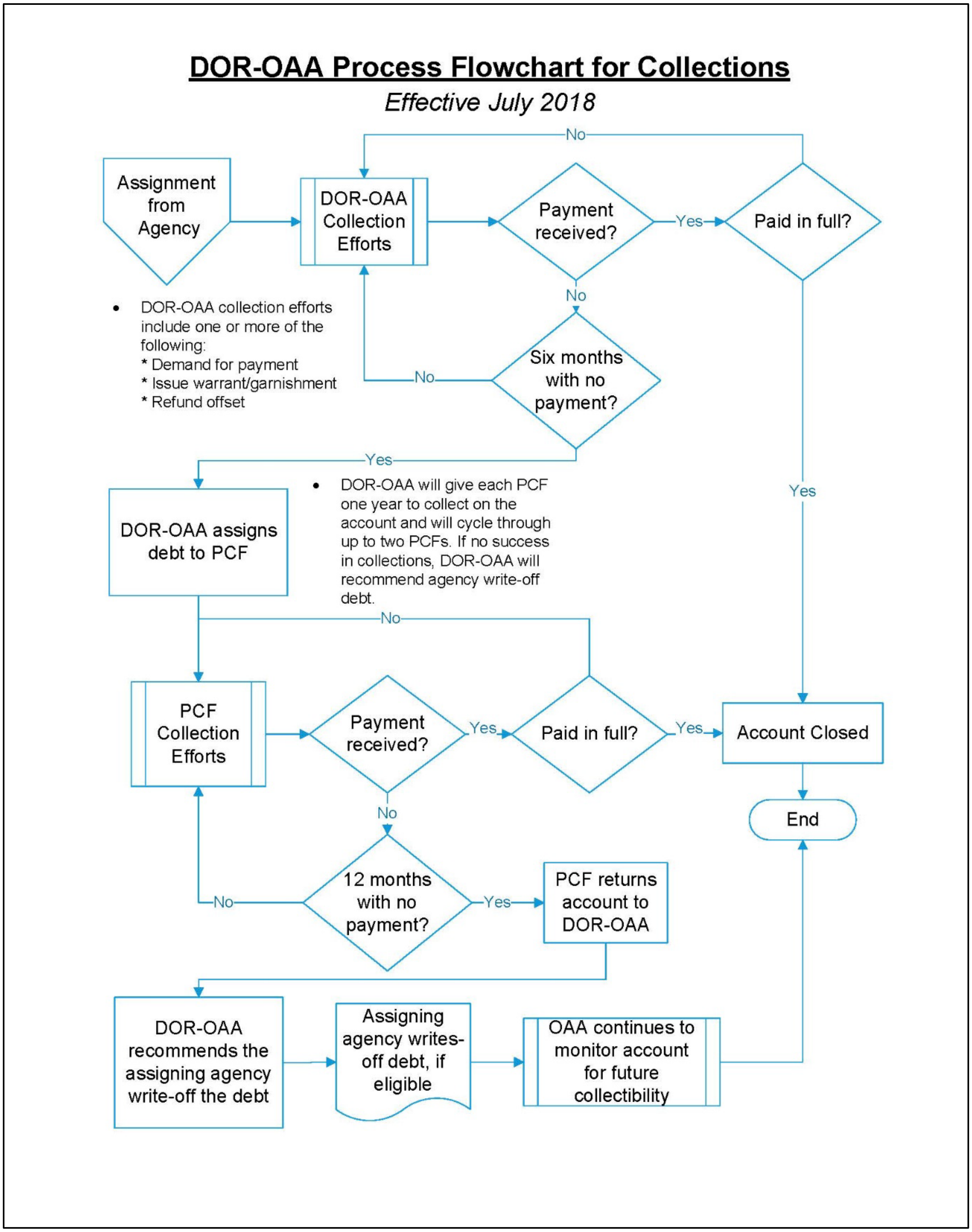
DOR-OAA Process Flowchart for Collections
Effective July 2018
Assignment from Agency
DOR-OAA Collection Efforts
Payment received?
Yes
Paid in full?
No
No
Six months with no payment?
No
DOR-OAA collection efforts include one or more of the following:
* Demand for payment
* Issue warrant/garnishment
* Refund offset
Yes
DOR-OAA assigns debt to PCF
DOR-OAA will give each PCF one year to collect on the account and will cycle through up to two PCFs. If no success in collections, DOR-OAA will recommend agency write-off debt.
Yes
No
PCF Collection Efforts
Payment received?
Yes
Paid in full?
Yes
Account Closed
End
No
12 months with no payment?
No
Yes
PCF returns account to DOR-OAA
DOR-OAA recommends the assigning agency write-off the debt
Assigning agency writes-off debt, if eligible
OAA continues to monitor account for future collectibility

Figure 4.

Since 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, the debt is removed from the agency's accounting records. However, because the liability of the debt continues after the account has been written-off, the agency has the option of maintaining the account assignment with DOR-OAA, to collect any tax offsets or kickers for which the debtor may be eligible. An additional benefit of maintaining an assignment with DOR-OAA, is the "New Hire" report[23], which indicates when a debtor secures employment, thus providing DOR-OAA the ability to continue pursuing collection activities.

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

Centralized Debt Collections

Senate Bill (SB) 1067 (2017 regular session) included a provision to centralize the collection of Executive Branch L&D accounts receivable within DOR-OAA.[24] that became operative July 1, 2018.

Debt centralization 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.

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 collectability score. The collectability score is one element used to determine the most effective process for collecting these accounts. Higher collectability scores (including debts subject to garnishment) are collected more effectively by DOR-OAA and all the debtor's consolidated accounts may remain at DOR-OAA until the six-month statutory timeline expires. Meanwhile, lower scores (and out-

[23] ORS 25.793 Authorizes the Division of Child Support of the Department of Justice to enter into agreements with the Department of Revenue for the provision of information reported by an employer.
[24] 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.

of-state debtors) may be more effectively collected by a PCF and all of these accounts may be assigned directly to a PCF.[25]

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.

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 is not successful in their collection activities 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.

Data Availability

An integral component to achieving successful collections of L&D debt is the availability of accurate, complete, and current data, however, the availability of the desired data varies depending upon the nature of the debt and the debtor. For example: when a civil penalty has been issued to an individual for unlicensed practice, the individual may be operating under an alias or false identity, which, in turn 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

[25] 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.

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

Much like data integrity, the systems on which accounts are tracked are also an integral component in the successful collection of 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. While state agencies may use an aging report generated with data entered in SFMA to establish account delinquency; the data necessary to determine the date of liquidation is not available in SFMA. As a result, agency accounts receivable professionals must track these 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, even advanced systems such as GenTax require enhancements over time to meet unique and complex issues related to statewide accounts receivable management, collection, and reporting. Though GenTax has recently improved collection functionality not previously available, client agencies must continue to rely upon manual processes to effectively manage, reconcile, and report on accounts assigned for collections to DOR-OAA.

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 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 affect 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 quite different functions and require different skillsets. In addition, the primary purpose of an accounts receivable accountant is to accurately and timely bill for goods or services when provided and to record the applicable accounting entries in the general ledger. A debt collector requires a unique set of skills that include: investigation skills to locate debtors and collectible assets; negotiation skills; and enforcement capabilities, 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 when provided while collection activities are often conducted as time allows and as staff are available.

When an agency determines 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, when only a portion of an employee's position is allocated to infrequently performing debt collection tasks, the challenge includes maintaining up-to-date collection techniques in addition to the availability of dedicated staff.

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 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 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

Comprised of accounts receivable representatives from state agencies, ARCC meets every other month 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.

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

Factors in Collecting Accounts Receivables

Key factors which influence the collectability 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[26]	
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)	

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 to avoid a suspension.

In FY 2022, 91.7% of the Executive Branch outstanding balances of L&D accounts originated in the following four 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*

[26] The list in Table 9 represents the most common types of state agency accounts receivable; as such, this list is not all-inclusive.

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 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 and are primarily 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

Collectability 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. 5). 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.

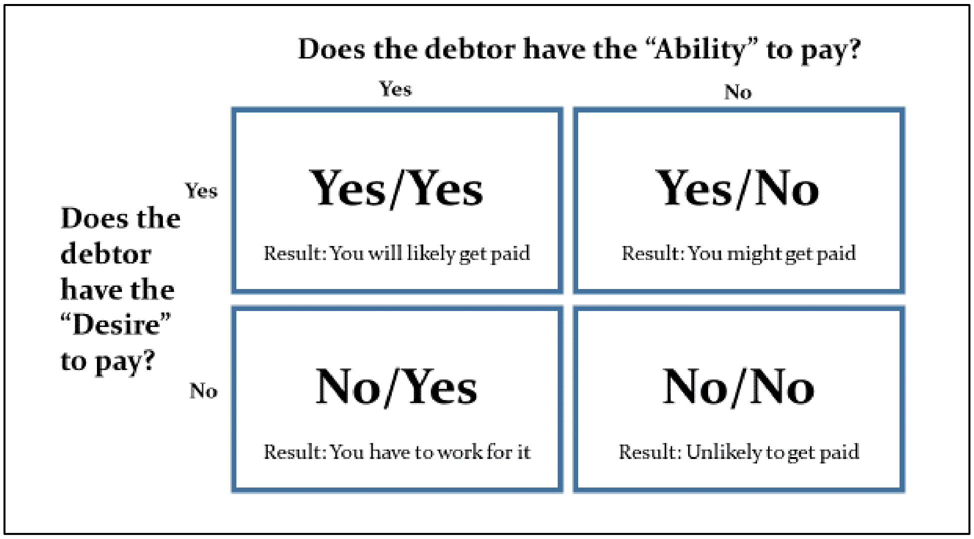

Figure 5.

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.

Table 10.

Collection Tools[27]	
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; offsetting state tax refunds; submitting a claim with the Department of State Lands against a debtor's unclaimed property; 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 ODHS 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.[28] 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.

[27] The federal Treasury Offset Program and lottery offset tools have been excluded from table 11 since they are available to a limited number of state agencies per federal or state law.
[28] 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).

Federal Treasury Offset Programs[29]

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 ODHS, 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)[30] - 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 US 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.

[29] Bureau of the Fiscal Service; US Department of the Treasury. (August 2019). "SRP: New Ways to Increase Your State's Collections" PowerPoint presentation; NASACT Annual Conference.
[30] *US 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 currently.

Appendix B – 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" (Table 11).

Table 11.

Total Liquidated and Delinquent Accounts Receivable For the Year Ended June 30, 2022				
	Judicial	**Executive**	**All Others**	**Total**
Beginning Balance	$1,709,104,694	$1,607,541,334	$ 124,786,917	$3,441,432,945
Additions	122,873,220	841,250,005	40,758,832	1,004,882,057
Collections	(42,250,665)	(396,904,444)	(22,666,434)	(465,821,543)
Write-Offs	(18,840,760)	(42,000,704)	(8,694,654)	(69,536,118)
Adjustments	(203,655,718)	(255,244,620)	(8,723,467)	(467,623,805)
Reversals	-	(113,798,514)	(3,189,684)	(116,988,198)
Ending Balance	**$1,567,230,771**	**$1,640,843,057**	**$ 118,271,510**	**$3,326,345,338**
Doubtful Accounts	(1,310,518,371)	(635,065,338)	(32,011,290)	(1,977,594,999)
Adj. Ending Bal.	**$ 256,712,400**	**$1,005,777,719**	**$ 86,260,220**	**$1,348,750,339**
Assigned to the Department of Revenue - Other Agency Accounts				
Beginning Balance	$ 157,094,718	$ 145,427,345	$ 31,345,559	$ 332,867,622
Additions	398,628,798	32,953,032	13,372,180	444,954,010
Collections	(21,550,282)	(10,535,933)	(6,828,792)	(38,915,007)
Forward to PCF	-	-	-	-
Return to Agency	(66,316,926)	(17,933,806)	(10,741,582)	(94,992,314)
Ending Balance	**$ 467,856,308**	**$ 149,910,638**	**$ 26,147,365**	**$ 643,914,311**
Assigned to Private Collection Firms				
Beginning Balance	$ 528,918,056	$ 101,245,270	$ 51,937,236	$ 682,100,562
Additions	362,233,873	211,997,197	13,895,341	588,126,411
Collections	(5,285,612)	(11,492,638)	(2,408,824)	(19,187,074)
Return to DOR	-	(17,338)	(144,746)	(162,084)
Return to Agency	(405,505,255)	(94,040,769)	(12,917,794)	(512,463,818)
Ending Balance	**$ 480,361,062**	**$ 207,691,722**	**$ 50,361,213**	**$ 738,413,997**
Accounts Exempt from Assignment				
Administrative	$ 49,842,263	$ 614,718,158	$ -	$ 664,560,421
Statutory	268,119,723	271,215,317	1,182,559	540,517,599
Total Exemptions	**$ 317,961,986**	**$ 885,933,475**	**$ 1,182,559**	**$ 1,205,078,020**

Appendix C – Glossary of Terms

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 in 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 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 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.

Appendix D – Accounts Receivable Honor Roll

When a state agency meets required accounts receivable reporting by the respective due dates and with accuracy, they are recognized with a certification of achievement accompanied with a congratulatory letter issued by the Chief Financial Officer and Statewide Accounting and Reporting Services Manager. When a state agency did not timely report or their reporting lacked accuracy, they do not earn this recognition.

The following (Table 12) lists the state agencies who earned Honor Roll recognition for FY 2021.

Table 12

Agency Name	Earned for FY 2021	Earned for FY 2020	Earned for FY 2019
Executive Branch Agencies			
Accountancy, Board of	✓	✓	✓
Administrative Services, Dept. of	✓	✓	✓
Advocacy Commissions Office, Oregon	✓		✓
Agriculture, Dept. of	✓	✓	✓
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	✓	✓	✓
Business Development Department, Oregon			✓
Chiropractic Examiners, Board of		✓	✓
Clover Commission, Oregon	✓	✓	✓
Columbia River Gorge Commission	✓	✓	✓
Construction Contractors Board			
Consumer and Business Services, Dept. of	✓	✓	
Corrections, Dept. of	✓	✓	✓
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.			✓
Employment Relations Board	✓	✓	✓
Energy, Dept. of			

Agency Name	Earned for FY 2021	Earned for FY 2020	Earned for FY 2019
Executive Branch Agencies (continued)			
Environmental Quality, Dept. of	✓	✓	✓
Exam. For Engin. & Land Survey, Board of	✓		
Facilities Authority, Oregon	✓	✓	✓
Film and Video Office, Oregon	✓	✓	✓
Fine Fescue Commission	✓	✓	✓
Fish and Wildlife, Oregon Dept. of			✓
Forest Resources Institute, Oregon			
Forestry, Oregon Dept. of		✓	✓
Geologist Examiners, State Board of	✓		✓
Geology and Mineral Industries, Dept. of	✓	✓	✓
Government Ethics Commission, Oregon	✓	✓	✓
Hazelnut Commission, Oregon	✓		
Health Authority, Oregon		✓	✓
Higher Education Coordinating Commission	✓		✓
Hop Commission, Oregon	✓	✓	
Housing and Community Services Dept.	✓	✓	✓
Human Services, Oregon Dept. of		✓	✓
Justice, Dept. of	✓	✓	✓
Labor and Industries, Bureau of			✓
Land Conservation and Development, Dept.		✓	✓
Land Use Board of Appeals	✓	✓	✓
Lands, Dept, of State	✓	✓	✓
Landscape Architects Board, State	✓		✓
Landscape Contractors Board, State		✓	✓
Licensed Social Workers, Board of		✓	✓
Liquor & Cannabis Commission, Oregon	✓	✓	✓
Long Term Care Ombudsman, Office of		✓	✓
Lottery Commission, Oregon	✓	✓	✓
Marine Board, Oregon State	✓	✓	
Massage Therapists, Board of	✓	✓	✓
Medical Board, Oregon	✓	✓	✓
Medical Imaging, Board of	✓	✓	✓
Mental Health Regulatory Agency	✓	✓	✓
Military Dept., Oregon		✓	✓
Mint Commission, Oregon	✓	✓	✓
Mortuary and Cemetery Board			
Nursing, Oregon State Board of	✓		✓
Occupational Therapy Licensing Board	✓	✓	✓
Office of the Governor	✓	✓	✓

Agency Name	Earned for FY 2021	Earned for FY 2020	Earned for FY 2019
Executive Branch Agencies (continued)			
Optometry, Oregon Board of	✓	✓	
Oregon Naturopathic Medicine, Board of	✓	✓	
Oregon Youth Authority	✓	✓	✓
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	✓	✓	✓
Potato Commission, Oregon	✓	✓	
Processed Vegetable Commission, Oregon	✓	✓	
Psychiatric Security Review Board	✓	✓	✓
Public Employees Retirement System	✓	✓	✓
Public Safety Standards and Training, Dept. of	✓	✓	✓
Public Utility Commission		✓	✓
Racing Commission, Oregon	✓	✓	✓
Raspberry & Blackberry Commission, Oregon	✓		✓
Real Estate Agency	✓	✓	✓
Revenue, Dept. of	✓	✓	✓
Ryegrass Growers Seed Commission, Oregon	✓	✓	✓
Salmon Commission, Oregon	✓	✓	✓
Secretary of State, Office of the	✓	✓	✓
Sheep Commission, Oregon	✓	✓	✓
Speech Lang. Path. and Audiology, Board of	✓	✓	✓
State Library of Oregon	✓	✓	✓
Strawberry Commission, Oregon	✓		✓
Sweet Cherry Commission, Oregon	✓		
Tall Fescue Commission, Oregon	✓	✓	✓
Tax Practitioners, Board of	✓		
Teacher Standards & Practices Commission	✓	✓	✓
Tourism Commission, Oregon (Travel Oregon)	✓	✓	✓
Transportation, Dept. of	✓	✓	✓
Travel Information Council	✓	✓	✓
Trawl Commission, Oregon	✓	✓	✓
Treasurer, Office of the State	✓	✓	✓
Veterans' Affairs, Dept. of	✓	✓	✓
Veterinary Med. Examiners, Board of	✓		
Water Resources Dept.	✓	✓	✓
Watershed Enhancement Board, Oregon	✓	✓	✓

Agency Name	Earned for FY 2021	Earned for FY 2020	Earned for FY 2019
Executive Branch Agencies (continued)			
Wheat Commission, Oregon	✓	✓	
Wine Board, Oregon	✓		✓
Judicial Branch Agencies			
Judicial Dept., Oregon	✓	✓	✓
Judicial Fitness and Disability, Commission on			✓
Public Defense Services Commission	✓	✓	✓
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	※	※	✓
Special Government Entities			
Eastern Oregon University	✓	✓	
Oregon Corrections Enterprises	✓	✓	✓
Oregon Health & Science University	✓	✓	✓
Oregon Institute of Technology	✓	✓	✓
Oregon State University	✓		✓
Portland State University	✓		
SAIF Corporation	✓	✓	✓
Southern Oregon University			
University of Oregon			
Utility Notification Center, Oregon		✓	✓
Western Oregon University			✓

[31] ※ = Agency is no longer subject to Accounts Receivable Honor Roll criteria, beginning in FY 2020.

Appendix E – Executive Branch State Agency Compliance with ORS 293.231

With certain exceptions, Executive Branch agencies are subject to the statutory assignment provisions under ORS 293.231, which requires these state agencies to assign eligible liquidated & delinquent accounts to DOR-OAA for collection if no payment has been received in 90 days. [32]

Below is a list (Table 13) of Executive Branch agencies who (a) are subject to ORS 293.231 and (b) their compliance with ORS 293.231 (e.g., reported unassigned L&D debt for which no payment had been received in 90 days). A designation on noncompliance does not mean that the agency did not assign any accounts, it only means that they reported any accounts as subject to assignment but were not assigned as of June 30, 2022.

Table 13

Agency Name	Subject to ORS 293.231?	In compliance? FY 2022
Executive Branch Agencies		
Accountancy, Board of	Yes	Yes
Administrative Services, Dept. of	Yes	No
Advocacy Commissions Office, Oregon	Yes	Yes
Agriculture, Dept. of	Yes	Yes
Albacore Commission, Oregon	Yes	Yes
Alfalfa Seed Commission, Oregon	Yes	Yes
Appraiser Certification and Licensure Board	No (ORS 182.460)	N/A
Architect Examiners, State Board of	No (ORS 182.460)	N/A
Aviation, Dept. of	Yes	Yes
Beef Council, Oregon	Yes	Yes
Blind, Commission for the	Yes	No
Blueberry Commission, Oregon	Yes	Yes
Oregon Business Development Department	Yes	Yes
Chiropractic Examiners, Board of	Yes	Yes
Clover Commission, Oregon	Yes	Yes
Columbia River Gorge Commission	Yes	Yes
Construction Contractors Board	Yes	No
Consumer and Business Services, Dept. of	Yes	No
Corrections, Dept. of	Yes	Yes
Criminal Justice Commission, Oregon	Yes	Yes
Dairy Products Commission, Oregon	Yes	Yes

[32] Agencies that do not meet the definition of "state agency" as identified in ORS 293.227(2) are not subject to the assignment requirements of ORS 293.231. 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.

Agency Name	Subject to ORS 293.231?	In compliance? FY 2022
Executive Branch Agencies (continued)		
Dentistry, Oregon Board of	Yes	Yes
District Attorneys and their Deputies	No (ORS 293.227(2))	N/A
Dungeness Crab Commission, Oregon	Yes	Yes
Education, Dept. of	Yes	Yes
Employment Dept.	Yes	No
Employment Relations Board	Yes	Yes
Energy, Dept. of	Yes	Yes
Environmental Quality, Dept. of	Yes	No
Exam. For Engin. & Land Survey, Board of	No (ORS 182.460)	N/A
Facilities Authority, Oregon	Yes	Yes
Film and Video Office, Oregon	No (ORS 284.375)	N/A
Fine Fescue Commission	Yes	Yes
Fish and Wildlife, Oregon Dept. of	Yes	Yes
Forest Resources Institute, Oregon	Yes	Yes
Forestry, Oregon Dept. of	Yes	Yes
Geologist Examiners, State Board of	No (ORS 182.460)	N/A
Geology and Mineral Industries, Dept. of	Yes	Yes
Government Ethics Commission, Oregon	Yes	Yes
Hazelnut Commission, Oregon	Yes	Yes
Health Authority, Oregon	Yes	No
Higher Education Coordinating Commission	Yes	Yes
Hop Commission, Oregon	Yes	Yes
Housing and Community Services Dept.	Yes	Yes
Human Services, Oregon Dept. of	Yes	No
Justice, Dept. of	Yes	Yes
Labor and Industries, Bureau of	Yes	Yes
Land Conservation and Development, Dept.	Yes	Yes
Land Use Board of Appeals	Yes	Yes
Lands, Dept, of State	Yes	Yes
Landscape Architects Board, State	No (ORS 182.460)	N/A
Landscape Contractors Board, State	No (ORS 182.460)	N/A
Licensed Social Workers, Board of	Yes	No
Liquor & Cannabis Commission, Oregon	Yes	No
Long Term Care Ombudsman, Office of	Yes	Yes
Lottery Commission, Oregon	Yes	Yes
Marine Board, Oregon State	Yes	Yes
Massage Therapists, Board of	No (ORS 182.460)	N/A
Medical Board, Oregon	Yes	Yes

Agency Name	Subject to ORS 293.231?	In compliance? FY 2022
Executive Branch Agencies (continued)		
Medical Imaging, Board of	Yes	Yes
Mental Health Regulatory Agency	Yes	Yes
Military Dept., Oregon	Yes	Yes
Mint Commission, Oregon	Yes	Yes
Mortuary and Cemetery Board	Yes	No
Nursing, Oregon State Board of	Yes	Yes
Occupational Therapy Licensing Board	Yes	No
Office of the Governor	Yes	Yes
Optometry, Oregon Board of	No (ORS 182.460)	N/A
Oregon Naturopathic Medicine, Board of	Yes	No
Oregon Youth Authority	Yes	Yes
Parks & Recreation Dept., Oregon	Yes	Yes
Parole and Post-Prison Supervision, Board of	Yes	Yes
Patient Safety Commission, Oregon	No (ORS 182.460)	N/A
Pharmacy, Board of	Yes	Yes
Physical Therapists Licensing Board	No (ORS 182.460)	N/A
Police, Dept. of State	Yes	Yes
Potato Commission, Oregon	Yes	Yes
Processed Vegetable Commission, Oregon	Yes	Yes
Psychiatric Security Review Board	Yes	Yes
Public Employees Retirement System	Yes	No
Public Safety Standards and Training, Dept. of	Yes	Yes
Public Utility Commission	Yes	Yes
Racing Commission, Oregon	Yes	Yes
Raspberry & Blackberry Commission, Oregon	Yes	Yes
Real Estate Agency	Yes	Yes
Revenue, Dept. of	Yes[33]	N/A
Ryegrass Growers Seed Commission, Oregon	Yes	Yes
Salmon Commission, Oregon	Yes	Yes
Secretary of State, Office of the	Yes	Yes
Sheep Commission, Oregon	Yes	Yes
Speech Lang. Path. and Audiology, Board of	Yes	Yes
State Library of Oregon	Yes	Yes
Strawberry Commission, Oregon	Yes	Yes
Sweet Cherry Commission, Oregon	Yes	Yes
Tall Fescue Commission, Oregon	Yes	Yes

[33] Per ORS 293.231(6), liquidated and delinquent accounts that originate in DOR shall be offered for assignment by the department to a private collection agency not later than one year from the date of the most recent payment on the account. DOR is in compliance with the one year requirement.

Agency Name	Subject to ORS 293.231?	In compliance? FY 2022
Executive Branch Agencies (continued)		
Tax Practitioners, Board of	Yes	No
Teacher Standards & Practices Commission	Yes	Yes
Tourism Commission, Oregon (Travel Oregon)	No (ORS 284.118)	N/A
Transportation, Dept. of	Yes	Yes
Travel Information Council	No (ORS 377.836)	N/A
Trawl Commission, Oregon	Yes	Yes
Treasurer, Office of the State	Yes	Yes
Veterans' Affairs, Dept. of	Yes	Yes
Veterinary Med. Examiners, Board of	Yes	Yes
Water Resources Dept.	Yes	Yes
Watershed Enhancement Board, Oregon	Yes	Yes
Wheat Commission, Oregon	Yes	Yes
Wine Board, Oregon	No (ORS 182.460)	N/A