



Efficient / Effective Accounts Receivable Management

Oregon State Fiscal Association
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Agenda

- Overview of Accounts Receivable (A/R) Management
- Federal laws, statutes, and Executive Order
- A/R lifecycle
- Best practices
- Characteristics of an efficient A/R process
- Characteristics of an effective A/R process
- Group activity



Overview of A/R Management

Overview of Accounts Receivable (A/R) Management

Accounts receivable management refers to the set of policies, procedures, and practices employed with respect to managing amounts owed to an entity.

- What is an accounts receivable?
- Oregon Accounting Manual - state policy
- Agency policy

What is an Accounts Receivable (A/R)?

- A balance due from a debtor on a current account.
- Receivable - Amounts owing to the State including accounts receivable, loans, notes receivable, and interest. Receivables can be due from private persons, firms, corporations, other agencies, employees, and the federal government. [OAM 65.00.00]
- Examples include: billings for services rendered or goods provided; NSF checks; taxes; fees for licensing or registration or other services that are not paid at the time of the transaction; civil penalties; judgments; delinquent child support; business loans; mortgages; and overpayments.

Oregon Accounting Manual - State Policy

- Oregon Accounting Manual (OAM) includes the financial policies for the state.
- <http://www.oregon.gov/das/Financial/Acctng/Pages/OAM.aspx>
- Chapter 35 - Accounts Receivable Management
- These policies include state agency requirements as well as best practices and recommended actions.

Agency Policy

- Due to the wide variety of state agency receivables and customer demographics, each agency needs to establish specific policies regarding A/R management, including debt collection.
- Agency policies should follow the general guidelines and best practices referenced in OAM Chapter 35.
- SWARM is available to assist in reviewing agency-specific policies for efficiency and effectiveness as well as compliance with the OAM.



Federal laws, statutes, and Executive Order

Federal Laws, Statutes, Executive Order

- Federal Laws
 - Fair Debt Collection Practices Act (FDCPA)
 - Servicemember Civil Relief Act (SCRA)
- Oregon Revised Statutes (ORS)
 - ORS 293.229
 - ORS 293.231
 - ORS 293.250
 - ORS 646.639 Oregon Fair Debt Collection Practices Act
- Executive Order 17-09

Fair Debt Collection Practices Act

- Fair Debt Collection Practices Act (FDCPA) - U.S. Code Title 15, Chapter 41, Subchapter V Sub Section 1692
- Limits actions of debt collectors to prohibit abusive practices
 - Disclosure of debts to anyone except the debtor
 - Type and frequency of communication with a debtor
 - Harassment or abuse
 - False or misleading representations
 - Collecting amounts not expressly authorized in the agreement or permitted by law
 - Taking or threatening to take actions not allowed by law
 - Requires debt validation within five days

Servicemember Civil Relief Act

- Servicemember Civil Relief Act (SCRA) - U.S. Code Title 50, Chapter 50, Sub Section 3901-4043
- SCRA gives military members a range of legal protections and covers all **active duty** service members, reservists, and members of the National Guard and terminates 30-90 days after discharge.
 - Prevents eviction, stops foreclosures, vehicle repossessions, court civil proceedings (including divorce or child support hearings)
 - Limits interest to 6% even after leaving the service
 - Civil legal action for up to 90 days after separation

Search for active duty status (requires Social Security Number):

<https://scra.dmdc.osd.mil/scra/#/home>

ORS 293.229

- Requires state agencies to report the status of the agency's liquidated and delinquent accounts and efforts made to collect during the previous fiscal year to the Legislative Fiscal Office by October 1.
- Agencies use an online portal to enter their data during September each year.
- Data includes: beginning balance, new accounts, collections, adjustments, write-offs, reversals and ending balance. Also includes data for accounts assigned to Department of Revenue (DOR) and private collection firms (PCF) or accounts that are exempt from assignment.

ORS 293.231

- Requires agencies to assign accounts to DOR or a PCF within 90 days (or 90 days without a payment). Beginning July 2018, agencies will assign to DOR only. DOR will assign to a PCF as necessary and required by statute (2017 - SB1067).
- Allows agencies to exempt specific accounts from assignment. This is not a prohibition from assignment, rather allows agencies to choose whether to assign or not.

ORS 293.250

- Establishes the DOR Other Agency Accounts (OAA) Unit to provide assistance to collect debts owed to state agencies.
- Establishes that OAA charges a fee for the cost of their services.
- Authorizes OAA to issue a warrant for liquidated debts.

ORS 646.639

- Oregon Fair Debt Collection Practices Act
- Applies to debt collectors in Oregon and describes actions that are illegal during debt collection
 - Threaten physical harm or violence
 - Threaten arrest or criminal prosecution
 - Use of profane, obscene or abusive language
 - Repeated communication with the debtor or their family or at times that are known to be inconvenient with the intent to harass or annoy
 - Communicate or threaten to a debtor's employer regarding the existence of a debt
 - Cause any expense to the debtor in the form of long distance calls, or other charges based on the medium of communication

Executive Order 17-09

- <http://www.oregon.gov/gov/admin/Pages/executive-orders.aspx>
- Executive branch agencies are required to assign to DOR within 60 days.
- Quarterly tracking - Requires DAS in partnership with state agencies to develop a quarterly reporting measurement for debt collection activities. Governor Brown established a benchmark that Executive branch agencies increase collections of liquidated and delinquent debts 10% (over FY 2017) by June 2019.
- Procurement practices to facilitate debt collection.
- Coordination of payments and collection efforts - Requires DAS to establish policies for agencies to make efforts to recover debt from entities to which agencies make payments.



A/R Lifecycle

A/R Lifecycle

- Customer establishment
- Billing
- Collections
 - Internal agency efforts
 - Third party assignments
 - Legal action
- Write-off

Customer Establishment

- OAM 35.20.20 and 35.20.30
- When establishing a relationship with a customer, consider what information you gather and how that can be used if a debt is owed.
- The use of the social security number (SSN) is limited by the Privacy Act of 1974 (5 US Code 552A); government entities cannot deny service for failing to provide an SSN (unless required by federal or state law). Must provide notice to debtor if mandatory or voluntary and what uses will be made of the SSN. Just because you have the SSN doesn't mean you can use it or share it with a third party. This only applies to an SSN gathered directly from an individual.
- Determine if payment up front or billing is appropriate.

Billing

- OAM 35.30.20
- Minimum requirements for billing (invoicing), including prompt billing and clear/detailed information, contact information and remittance instructions.
- Interest should follow the original agreement, if not stated than the billing should reference ORS 82.010 which allows 9% interest when not paid on time.

Collections

- Internal Agency Efforts
- Third Party Assignments
- Legal Actions

Internal Agency Efforts

- Telephone collections are required, at least a documented attempt to reach a debtor by phone. (OAM 35.30.40)
- Written notice (collection letters) to debtors is required. Letters should include a demand for payment, actions that will be taken if payment is not made, information on how to correct errors or exercise appeal rights. (OAM 35.30.50)
- Payment plans should follow agency established guidelines with the goal of receiving full payment as soon as possible. All payment plans should be in writing and include clear due dates, payment amounts and actions that will be taken if payments are not made by the due date. Establishing a payment plan does NOT change the delinquent status of the account. (OAM 35.30.60)

Third Party Assignments

- OAM 35.30.30, 35.40.10-35.40.40
- Liquidated and delinquent accounts (OAM 35.30.30) that do not meet a statutory or administrative exemption must be assigned within 90 days of becoming liquidated AND delinquent or if no payment is received for a period of 90 days. [Executive Order 17-09 changed this to 60 days for Executive Branch agencies.]
- Debtors should receive written notice of the assignment and can include language that allows the debtor to pay the cost of collection.
- Effective July 2018, ORS 293.231 requires assignment to DOR only.

Legal Actions

- For debts that do not arise from a court proceeding or administrative process, such as a civil penalty, agencies have the option of requesting legal assistance to file in civil court to obtain a judgment.
- Agencies should consider if the debtor has assets from which to pay if a judgment is obtained (employment for wage garnishment, bank account garnishment, real property to establish a lien) and consider the costs of filing the legal action and the probability that collection will be made.
- Just because you CAN file for a judgment doesn't mean that you SHOULD; having a judgment against a debtor doesn't guarantee that you WILL be paid.

Write-off

- Agencies may adopt the criteria and follow the process in OAM 35.50.10 or may submit additional criteria to the Attorney General for approval.
- Write-off does not apply to debts for which compromise or cancellation exist.
- A debt that is written off is an accounting event only, the liability for the debt still exists and the debt can be collected if the debt becomes collectible in the future.
- A debt discharged in bankruptcy court is NOT a write-off, rather the liability for the debt no longer exists (the courts determine the debt goes away).

Break time

- Take a short break

The background features a complex, layered design. A prominent pattern of overlapping hexagons in various shades of gold, yellow, and grey covers the entire area. In the center-right, a glowing, translucent sphere with a white and grey gradient is visible, partially obscured by the hexagonal grid. The overall aesthetic is modern and technical.

Best Practices

Best Practices

- Limit billable transactions
- Gather information prior to billing
- Timely and accurate billings
- Timely follow up
- Telephone collections
- Skip Tracing
- Documentation
- Consistency
- Credit bureaus

Limit billable transactions

- Require payment prior to, or at time of, service. Not all government entities can do this, but *when available* consider practices that are fee for service and do not establish receivables that require additional staff work or could go unpaid.
- The more transactions that are paid up front, the less costs associated with billing and collection actions.

Gather Information Prior to Billing

- The more information you collect will ensure billing are sent to the proper place and if the account requires collections; more information is better.
- Debtor name, address, phone number, and date of birth should be considered the minimum information collected.
- If you request a SSN, you must provide the debtor notice that providing the SSN is voluntary or mandatory and that you intend to use the SSN for debt collection.
 - If you don't provide the disclosure you can't use the SSN provided on the form; you must obtain the SSN from skip tracing.

Timely and Accurate Billings

- Early, early, early
- When billings do not occur timely, you are sending a message to the customer that the money is not important to the agency.
- Consider the terms of your billings, unless specified in statute do you need to offer 30 days to pay? A shorter time sends the message that your revenue is important and that you intend to collect quickly.
- Include consequences for failure to pay timely within the billing notice (e.g. interest, assignments and collection fees).
- When billings are inaccurate, or are hard to understand, customers won't pay timely or until the issues are resolved. This also requires additional staff time to research, correct billings, and resend to the customer.

Timely Follow Up

- Early, early, early
- When billings are not paid by the due date, agencies should have processes that require prompt follow-up.
- The longer a receivable goes without follow-up you are sending a message to the customer that the money is not important to you.
- Consider your agency processes and shorten response times and due dates where possible.

Telephone collections

- Telephone collections are typically one of the most effective methods of collecting delinquent accounts.
- Making phone contact allows you to determine if the customer lost the invoice; if there is a question or inaccuracy with the billing; if the customer is avoiding payment; or whether or not the customer has an intention to pay.
- If the debtor expresses a willingness to pay but is currently unable to pay (the entire amount), consider a payment plan.
- Debtor information should be verified when on the phone, “are you still at 555 Main St and is this the best phone number to reach you at?”

Skip Tracing

- Skip tracing is the process of determining a person's whereabouts. Often used by law enforcement or private investigators it is also used by debt collectors to attempt to reach a debtor regarding their debts owed or to locate assets from which to collect.
- Sometimes debtors don't give you accurate information or it changes over time. If you cannot reach a debtor by phone, or collection letters are returned, then consider using a skip tracing service to locate new information.
- There are a variety of services that range in price and information. Agencies should consider using skip tracing as part of their efforts based on the amount of the debt. The more money is owed, the more effort should be made to locate the debtor or their assets.
 - Data gathered from skip tracing for debt collection includes address, phone numbers, relatives, date of birth, and can include SSN if available (usually for an additional fee)

Documentation

Documentation is critical to a successful A/R program.

- A/R files, either paper or electronic, should contain:
 - Copies of the original billing and supporting documentation
 - Copies of any written correspondence
 - Notes of attempted phone contacts including date/time, number dialed, if anyone answered, who answered, and if a message was left asking for a call back
 - Notes of statements made by debtor during any phone contact, such as “I am currently unemployed” or “I am or have been in the hospital”
 - Date account is assigned to collections
 - Date and amount of payments received, ideally a record of the bank name

Documentation (cont.)

- Lack of proper documentation can reduce collectibility of an A/R
 - If a debtor challenges the debt in court and there is no documentation
- All A/R documentation should be maintained until:
 - The debt is paid in full and the records retention schedule period has passed
 - The debt is written off and the records retention schedule period has passed, UNLESS
 - The debt has a lien recorded with a county, then wait until the expiration of the lien
 - The debt has an active judgment, then wait until the expiration of the judgment

Consistency

- While there are often variations in the actions taken to collect a debt, agency policies should provide for consistency in the timeframes for next steps and minimum actions to be taken on ALL accounts regardless of balance.
- Agency policies should provide for a consistent action on similar debts.
- Being consistent both in actions and timeliness helps to send the message to ALL customers that revenue is important to your agency and that appropriate steps WILL be taken to collect ALL amounts due.

Credit Bureaus

- Allowing debts to be reported to a credit bureau (when assigning an account to a third party) is an easy and effective way to improve collection. Notifying debtors that accounts assigned for collection will be reported can result in more payments by debtors that wish to avoid “dings” in their credit.
- Debtors may be required to pay certain debts on their credit report prior to obtaining new credit such as a credit card or car loan.
- If the debt isn't reported to credit bureaus, there is no incentive for the debtor to pay those debts.



Characteristics of an Efficient A/R Process

Characteristics of an Efficient A/R Process

- Clearly defined roles and responsibilities within an agency
- Technology
- Review billing policies
- Condensed letter practices
- Documented dispute resolution process
- Payment processing

Roles and Responsibilities

- Agency policies should dictate which staff perform specific functions for accounts receivable, including customer information gathering, billing activities, payment posting, collection of delinquent accounts, assignment to third parties, recording liens, write-offs, etc.
- Clearly defined and documented roles and responsibilities between agency programs, fiscal departments and management ensure timely actions, proper data gathering, reduced duplication of efforts, less research and generally result in improved collections.

Technology

- Use systems to automate activities and generate reports to drive next actions and measure process performance.
- Keep accurate customer records
- Explore electronic billing, which saves labor costs, postage and speeds up the billing process. Also makes it easier for customers to respond if there are questions.
- Reminder notices for payment plans (mail or email).
- Provide customers with online access to self-manage payment of outstanding invoices including printing copies as needed.

Review Billing Policies

- Early, early, early...The sooner you require payment, the sooner you get paid, or the sooner you begin the collection actions.
- Not all agencies can change their billing terms due to statutory limitations, so each program should be reviewed to see if this is possible.
- Include notices of next actions in the billing notice (e.g. interest, assignment, collection fees, suspension of services)
- If the customer is a business entity and a higher risk exists (new business/lack of financial history) consider policies that require written agreements that include options such as a surety bond or a personal guarantee from an officer. Claims on a surety bond can effect a business' ability to obtain credit from others in the future and an officer that is personally liable for a business debt is more likely to ensure that those debts are paid by the business first.

Condensed Letter Practices

- If resources are limited, consider a letter that provides due process (offering a dispute process) while also communicating next steps that will be taken if payment is not received or contact made. Don't send three letters if you can do it with one.
- Consider your customer when drafting letters, attempt to maintain a relationship if appropriate.
- In some cases, due process and notifications of consequences may be made during the billing process. For example, civil penalties can have interest and collection assignment and collection cost notifications included in the final order instead of a separate letter after the final order is issued.

Documented Dispute Resolution Process

- Agencies that assess taxes or penalties under a regulatory function typically have a more formal dispute resolution process defined in statute or administrative rule, while agencies with general fee for service accounts need to define a dispute process in agency policy.
- Debtors must be offered an opportunity to dispute a debt or the accuracy of the billing received.
- Written notification to debtors should have a clear deadline and process for billing disputes.

Payment Processing

- Timely and accurate payment processing is key to creating an efficient A/R process.
 - Staff spend time working on collections for accounts that have already submitted payment
 - Posting to incorrect accounts requires time to research, creates customer frustration, and accounts that should be collected on are delayed due to payment inaccuracy
- Billings should include remittance copies to assist with payment processing and accuracy.
- Debtors with multiple debts have the ability to specify which debt is to be paid. If not specified then the agency can follow internal policies.



Characteristics of an Effective A/R Process

Characteristics of an Effective A/R Process

- Clear schedule of collection activities
- Enhanced telephone collection techniques
- Multiple payment options for customers
- Interest and collection fees
- Outsource to third party collections timely
- Performance measurements are established

Clear Schedule of Collection Activities

- OAM 35.30.10 requires agencies to establish a schedule of collection activities.
- Take the right action at the right time. Agency data will determine the right actions. Agency schedule should be based on factors such as volume of debts and average balance of accounts.
- Agencies with multiple programs should also indicate “who” within the agency is required to take specific actions as well as when to take them.
- While statutes define the maximum length of time before actions like assignment to third parties must occur, agency schedules can provide for a shorter time period.

Enhanced Telephone Collection Techniques

- Stay professional even if the customer doesn't. Stay calm at all times.
- Put yourself in the customers shoes, how would you want to be approached.
- Have a plan before you call, be prepared with all available options. Start with request for payment in full and then offer alternatives (e.g. payment plans and methods of payment) based on the customers response.
- Be sure you are talking to the right person. You should be talking to someone who has the authority to send you a check (businesses).
- Bring the conversation back to the need for payment.
- Establish a time for follow-up by phone.

Multiple Payment Options for Customers

- The more ways a customer can pay you helps to eliminate reasons you haven't been paid.
- Agencies should evaluate their accounts receivable processes to determine the most cost effective payment options to offer.
 - ACH/Wire (effective for payment plans or other recurring customer payments)
 - Debit/credit cards (online, in person, over the phone)
 - Cash/check (when accepting checks, be sure your NSF policy is referenced)
 - Balance transfers (between agencies)
- Communicate available options for payment to your customers throughout ALL correspondence (e.g. website, billings, collection letters, during phone calls).

Interest and Collection Fees

- Agencies should communicate when interest will begin to accrue (e.g. day after due date). This is an incentive for the customer to make payment to avoid additional costs. Use all avenues to ensure customers are aware of this policy including website, billing notices, collection letters, and during phone calls.
- Interest may be assessed at 9% per annum (ORS 82.010) if not otherwise agreed upon in writing or agency specific statute.
 - If the debtor is a servicemember, interest is limited to 6%
- Passing collection fees is another way to provide customers an incentive to pay to avoid additional costs.
- ORS 697.105 and ORS 293.231 (12 and 13), allows public bodies to pass the collection fee to the debtor with proper notification (OAM 35.40.20).

Outsource to Third Party Collections Timely

- Timely use of third party collections (Department of Revenue or private collection firms) allows for more resources to be applied to the collection of delinquent debts than most agencies can perform themselves.
- Third party collectors generally have tools (e.g. systems, resources, skillsets) to more effectively manage the debt collection process than the original agency.
- Third parties get paid based on the amount of money they collect, and public bodies can pass the cost of collection to the debtor with specific notification.

Performance Measurements are Established

- Performance measurement helps identify how effective a process is.
- Establishing measurements and goals help to highlight when something changes that impacts a process and allows the agency to adjust the process to be more effective.
- OAM 35.60.20 establishes requirements for agencies to report data to the Department of Administrative Services (DAS) related to accounts receivable quarterly and annually.
- “What gets measured gets managed” Peter Drucker

Break time

- Take a short break



Group Activity

Group Activity

- Break into small groups, pick someone at your table to be the scribe.
- Read and evaluate the scenario assigned to your group.
- Write down the response to the assigned scenario question(s).
- Each group will be asked to share their results.

Summary

- Statutory requirements.
- Time is money, act sooner get paid more.
- Make a plan and follow the plan. Know that the plan isn't always the same for every account.
- Document, document, document. You need to be able to show what was done, who you talked to, and what was said.
- Technology - track receivables, automate actions, enhance payment options.
- Third party collectors - let the experts handle the accounts.
- Measure agency performance to continually improve.

Questions?

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