

ACCOUNTS RECEIVABLE TRAINING

March 31, 2015



WELCOME

- AR Training Overview - Agenda
- Enterprise AR Project Overview
- Presentation Materials

AGENDA

- Welcome
- AR – Collections Up to 90 Days
- Collections Beyond 90 Days
- Break
- Accounting for Allowance for Doubtful Accounts & Write-Offs
- Recap & Questions

ENTERPRISE AR PROJECT OVERVIEW

- DAS in conjunction with several state agencies is conducting a project related to AR process in the state
 - Project work includes both accounting for and collecting of debt owed to the state
 - Several project groups have been identified to cover the following topics:
 - Developing a better understanding of the current debt
 - Reviewing current statutes, rules and policies that govern the AR process
 - Determining what training and tools will best assist AR processes in the future
- The project is underway now and is expected to conclude later this year
- Questions about the project can be directed to Renee.A.Klein@Oregon.gov

PRESENTATION MATERIALS

Materials will be made available to attendees later this week.

ACCOUNTS RECEIVABLE COLLECTIONS (UP TO 90 DAYS)



Michael Grant, Assistant Attorney General
Oregon Department of Justice

Types of State Debts

- Tax Debts.
- Debts for Overpaid Unemployment or Public Assistance Benefits.
- Criminal money judgments.
- Child Support.
- Civil Penalty Orders.
- Breach of Contract Claims.
- Tort Claims: Wildfires, damage to state property.

Is a Debt Liquidated and Delinquent?

- Delinquent Account: A receivable for which payment has not been received by due date. See OAM 35.30.30.
- Liquidated Debt:
 - > Agency determines exact amount owed.
 - > Agency makes reasonable effort to notify debtor in writing and requests payment.
 - > Debt meets one of the conditions listed in OAM 35.30.30.

Commons Ways to Liquidate State Debt

- Depends on the nature of the debt.
- Warrants.
- Administrative Orders.
- Judgments.

Due Process

- Notice and an Opportunity to Be Heard.
- Debtor Gets Opportunity to Contest Debt.

Collection Precautions

- Oregon Unlawful Debt Collection Practices Act.
- Federal Fair Debt Collection Practices Act.
- Agency-Specific Procedures.

Collecting Unliquidated Debts

- Agencies may be able to collect certain unliquidated debts.
- Acceptable Methods of Collection may include demand letters, communications with insurance companies, phone calls and voluntary payments.
- Follow Your Agency's Statutes and Collection Policies.

Collection Of Liquidated and Delinquent Accounts

- State agencies generally obligated to attempt to collect liquidated and delinquent accounts.
- Follow your agency's statutes and policies if you are trying to collect a debt.
- Collection Tools:
 - > Locate and Asset Information
 - > Wage Records
 - > Telephone Contact
 - > Demand Letters

Additional Collection Tools

- Payment Plans/Voluntary Payments
- Liens
- Notices of Garnishment
- DOJ Assistance

When Do You Have to Refer to ODR/Private Collection Agency?

- ORS 293.231(1) requires that all liquidated and delinquent accounts be assigned to the Dept. of Revenue or a Private Collection Agency for collection if a payment is not received during any 90-day period.
- Exceptions: Judgments that include restitution or a payment to the DOJ Crime Victim's Assistance Section, debts that are in litigation or bankruptcy, debts owed by imprisoned debtors, debts that are less than \$100.

DOR Collections/PCA Collections

- ORS 293.231(4) gives ODR 6 months to collect the debt. If it fails to do so during that 6-month period, ODR notifies the state agency. The agency must then offer the debt to a PCA for assignment.
- If a PCA is unable to collect a debt within a “reasonable time”, it has to notify the state agency and then relinquish the debt to the state agency.

Parting Thoughts

- We have an obligation to make reasonable efforts to collect state debt.
- This will be relevant later when we talk about writing off uncollectible debts.
- Many tools are available.
- Be mindful of obligation to assign debt to ODR/Private Collection Agency.



Questions?

Oregon Department of Revenue

OTHER AGENCY ACCOUNTS (OAA)



The State's Collections Services

OAA Mission



Achieve maximum recovery of debts owed to the State of Oregon at the least cost while providing quality customer service.



About OAA

- Designated the state's Collection Unit by the 1971 Legislature with ORS 293.250.
- Collection services provided to state agencies, boards, commissions, circuit and district courts, and a wide variety of educational and regulatory agencies.
- Collection programs:
 - Refund offset only
 - Full collections

OAA COLLECTION FEES

- Collection fees fund the program
- 10% 12% 16%
- Non-profit
- Continual review of costs and ROI of any process change or investment
- Significant review annually and rebate
- Service agreement

Full Collections

- Services include:
 - demand notices, phone calls, credit card payments, payment plans with payment coupons, asset research and refund offsets.
- Additional services may include: warrants, wage and bank garnishments, liens, field/site visits and more.
- Having a Social Security number enhances collection success.

What additional information is helpful to OAA?

- ▶ EIN / SSN
 - Without the correct identifier collections is much more difficult.
- ▶ DOB
- ▶ Bank Sources
- ▶ What is the liability?
 - A brief description of the debt, including dates can prevent unnecessary calls to your agency for additional information.

How to send us liabilities currently

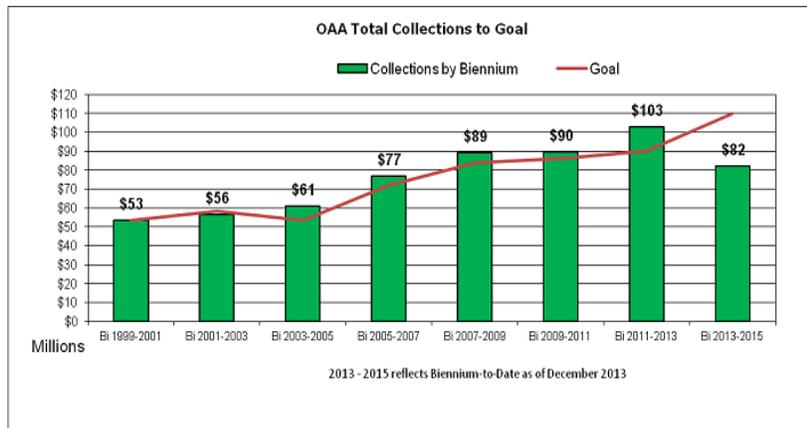
- Preferred method is FTS (File Transfer Server)
 - Data Transfer Guide
- Paper or email ok
 - Collection Account Assignment form

Reports and Payments

- All reports are distributed via DOR - FTS (File Transfer Server).
- ACH (Automated Clearing House) transfer, using STAN (State Treasury ACH Network).

OAA Statistics

- Client agencies: 180
- Average monthly collections: \$4m
- 2013-2015 biennial collection goal: \$110 million – we are 75% of the way there.



Incremental improvements to improve collections

3 Initiatives:

1. Reduced vacancy rate – currently fully staffed
2. Increase calls answered and reduce abandoned calls
 - Revised voice response
 - Matched agent scheduling to call volume
3. Determine collectability and independent collection strategy and return to agency ASAP if we can't collect it

				Calls Answered		Abandoned Calls	
		Total Calls	Answered Calls	4-5 minute hold time	Greater than 5 minute hold time	4-5 minute	Greater than 5
2014	Jan	17,266	13,382	78	100	21	39
	Feb	19,775	14,170	159	206	38	76
Totals		37,041	27,552	237	306	59	115
				Calls Answered		Abandoned Calls	
		Total Calls	Answered Calls	4-5 minute hold time	Greater than 5 minute hold time	4-5 minute	Greater than 5
2015	Jan	17,250	14,473	16	16	2	3
	Feb	19,585	16,400	15	13	2	2
Totals		36,835	30,873	31	29	4	5

OAA Future

- Self-cure 24/7
- Use of collection analytics
 - Understand the debtor
 - Prioritize and categorize the debt
- Debt analyzed, determined if collectible and returned to agency ASAP or within 90 days
- Partner agencies – ability to self-report/account maintenance 24/7
- Real-time program/employee performance

Manager Contacts

▪Vera Helbert Program Manager 503-945-8703
vera.m.helbert@oregon.gov

▪Todd Evans Operations Manager 503-945-8101
todd.evans@oregon.gov

OAA Contacts

Mailing Address

Oregon Department of Revenue
 Other Agency Accounts
 PO Box 14725
 Salem OR 97309-5018

Street Address

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General Contact Information

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 Spanish email: AAASpan@oregon.gov
 Phone: 503-945-8199
 Toll Free: 877-222-2346
 Fax: 503-947-2050
 TTY: 800-886-7204
 Website:
<http://www.oregon.gov/DOR/OAA/index.shtml>

OAA Communicator

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 Email: aaa.communicator@oregon.gov

Program Questions

Vera Helbert - Program Manager
 Email: vera.m.helbert@oregon.gov
 Phone: 503-945-8703

Todd Evans – Operations Manager
 Email: todd.evans@oregon.gov
 Phone: 503-945-8101

Account Assignments

Email: nikki.bennett@oregon.gov
 Phone: 503-945-8771 (Nikki)

Account Resolution

Email: aaa.accounttech3@oregon.gov
 503-779-8240 (Dorothy)
 503-779-8215 (Stella)

Business Liabilities & Liability Disputes

Email: OAA2@oregon.gov
 Phone: 503-945-8101 (Todd)

Service Agreements

Email: tera.l.lum@oregon.gov
 Phone: 503-877-0611

Reference

- Oregon Accounting Manual - Chapter 35
 - Account Activity**
Scheduling Collection Activity/Due Process
35.30.10
 - Account Activity**
Definitions - Liquidated and Delinquent
35.30.30
 - Account Assignments**
Assignments - Department of Revenue
35.40.30
- Oregon Revised Statutes (ORS)
 - ORS 293.250
 - ORS 293.231
- Oregon Administrative Rules (OAR)
 - 150-293.250(2)
 - 150-18.385-(A)
- OAA Website and OAA Communicator
Link: Oregon.gov: Department of Revenue: Other Agency Accounts



Accounts Receivable Management

Debt Collection Services
Statewide Price Agreements



PA # - Participating Vendors

- ▶ 1461 - Premier Credit of North America, LLC
- ▶ 1462 - Diversified Collection Services
- ▶ 1463 - Account Control Technology, Inc.
- ▶ 1464 - Progressive Financial Services
- ▶ 1465 - Unifund Government Services
- ▶ 1466 - Windham Professionals, Inc.
- ▶ 1467 - Linebarger Goggan Blair & Sampson, LLP
- ▶ 1468 - Professional Credit Services
- ▶ 1469 - NCO Financial Systems Inc.
- ▶ 1470 - NACM Oregon Service Company
- ▶ 1471 - Collection Technology Inc.
- ▶ 1472 - Collecto, Inc.

What does it cover?

- ▶ Diligent collection of all accounts referred by the Authorized Purchaser through proper and lawful means
- ▶ Provides training to Authorized Purchasers related to systems and/or data involving the services
- ▶ Provides bi-lingual capabilities to facilitate service needs
- ▶ Offers electronic transfer of monies into Authorized Purchaser's account
- ▶ Has the authority to approve a compromise or settlement offer only to the extent allowed in the PO
- ▶ Notifies Authorized Purchaser in situations involving bankruptcy, death or garnishment
- ▶ May involve collection of interest on balance, or fees assessed, as instructed in the PO
- ▶ Provides monthly inventory report listing all accounts currently assigned to Vendor

Who do I contact with questions?

- ▶ Kaliska King, Procurement & Contract Specialist
direct: 503-378-5332
email: kaliska.king@Oregon.gov
- ▶ DAS - Procurement Services
main office: 503-378-4642
- ▶ For direct access to Price Agreements go to <http://orpin.Oregon.gov>
Need help accessing ORPIN? Don't have a login account?
Call 503-373-1774

ALLOWANCE FOR DOUBTFUL ACCOUNTS (AFDA) & ACCOUNTS RECEIVABLE WRITE-OFF

Presented by Rob Hamilton, Statewide Accounting and Reporting Services
Manager, Department of Administrative Services
Michael Grant, Assistant Attorney General, Oregon Department of Justice



AFDA INTRODUCTION

- ✘ Oregon Accounting Manual (OAM) 15.35.00, ¶103 requires agencies to utilize AFDA
 - + OAM applicable to all agencies unless specifically exempted by statute
- ✘ AFDA allows for the State to communicate what it reasonably expects to receive (net realizable value)
- ✘ Revenue reduction vs. bad debt

AFDA METHODOLOGIES

- ✘ Two common approaches:
 - + Percentage-of-sales
 - + Percentage-of-receivables
 - ✘ More common and probably most appropriate for state agencies
- ✘ Regardless of method, AFDA is an estimate that requires professional judgment

RECOMMENDED AFDA CONSIDERATIONS

- ✘ Individual assessment for significant A/R
- ✘ Collective assessment for others
- ✘ Aging Schedule
 - + 0-30, 31-60, 61-90, 90+
- ✘ Assignment to DOR/PCF
 - + Accounting entries at OAM 15.35.00 ¶135-143
- ✘ Reason for exemption from assignment
 - + OAM 35.40.10

AFDA ENTRIES

- ✘ OAM 15.35.00, beginning with ¶144
 - + TC 127 records the estimated uncollectible revenue associated with current receivables in proprietary funds and governmental funds
 - ✘ Debit revenue, credit current AFDA
 - + TC 462 records the estimated uncollectible revenue associated with noncurrent receivables in proprietary funds
 - ✘ Debit revenue offset, credit noncurrent AFDA
 - + TC 452R records the estimated uncollectible revenue for noncurrent receivables in governmental funds
 - ✘ Debit nonspendable FB, credit noncurrent AFDA

REVIEW YOUR AGENCY'S AFDA ESTIMATES

- ✘ Reviewing financial estimates is a responsibility of management
- ✘ Auditors evaluate the reasonableness of significant estimates made by management
- ✘ May consider as part of your review:
 - + Compare uncollectible revenue to write-offs
 - + Compare beginning AFDA to write-offs
 - + Assess the AFDA exhaustion rate

AFDA IN THE CAFR

- ✘ A/R figures reported net on actual statements
- ✘ Gross figures, by major GAAP fund and A/R type, are disclosed in Note 4
 - + To reconcile to statements:
 - ✘ Accounts and Interest Receivable (net)
 - ✘ Net Contracts, Notes and Other Receivables

COMPARING CAFR TO LFO L&D REPORT

- ✘ OAM 35.60.10 covers requirements
- ✘ Info contained at DAS-CFO and LFO websites
- ✘ CAFR vs. LFO Liquidated and Delinquent Report
 - + GAAP Fund vs. Budgeted Fund
 - + All A/R vs. Liquidated and Delinquent
 - + Net vs. Gross

WRITING OFF UNCOLLECTIBLE DEBT

ORS 293.240

293.240 Writing off uncollectible debts due state agency. (1) If a state agency has made all reasonable efforts to collect money owed to it, including money owed on a liquidated and delinquent account that has been relinquished by a private collection agency under ORS 293.231, and has determined that the money and any interest or penalties on the money are uncollectible, the agency may write off the debt on its accounts.

ORS 293.240(2)

(2) Before determining that money is uncollectible under subsection (1) of this section, 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.

MAKING REASONABLE EFFORTS

- Agency must make all reasonable efforts to collect the debt.
- What does it mean to make all reasonable efforts?
- OAM 35.50.10.C.1 provides some guidance.

OAM 35.50.10

- Each state agency has a statutory duty to make all reasonable efforts to collect the full amount of moneys owing to it, or otherwise charged to it for collection.
- Whether to consider a state agency's collection efforts reasonable is determined by the circumstances.
- "All reasonable efforts to collect" means the employment of all available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort.
- A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

DETERMINING THAT A DEBT IS UNCOLLECTIBLE

- The uncollectibility determination must be made in accordance with criteria approved by the Attorney General. These criteria must include the right of offset. DOJ has pre-approved a set of write-off criteria.
- OAM 35.50.10 provides write-off guidelines and includes the DOJ approved uncollectibility criteria.
- To write off debts under ORS 293.240, agency needs to adopt uncollectibility criteria. If you adopt the DOJ criteria found in OAM 35.50.10, then they are considered to be approved by DOJ.
- If your agency's write-off criteria vary from what is found in OAM 35.50.10, the criteria must be approved by DOJ. You can send them to me for review.

EXCEPTIONS

- ORS 293.240(3): This section does not apply to debts owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for the debt for reasons other than uncollectibility is by law made specially applicable to the state agency.
- Settlements: Some agencies have authority to settle a debt for less than full amount owed. How should an agency account for such a settlement?

ACCOUNTING FOR WRITE-OFFS

- ✘ Write-offs remove A/R and related allowance.
 - + No impact to operating statement as that has already occurred
- ✘ TCs 129/130 are used to write off uncollectible current A/R in both governmental and proprietary funds
 - + Debit AFDA and credit A/R
- ✘ TC 445 is used to write off uncollectible noncurrent A/R in both governmental and proprietary funds
 - + Debit AFDA and credit A/R

CANCELLATION VS. WRITE-OFF

- Some agencies may have statutory authority to cancel a debt for reasons that have nothing to do with the debt being uncollectible.
- For ODR, cancelling a debt pursuant to its statutes means that the debt is extinguished forever.
- ODR's reasons to cancel a debt include the balance is less than \$50 and there is good cause to waive, reduce or compromise the debt (ORS 305.145(e)); the debt is more than 7 years old and other criteria are met (ORS 305.155); and other criteria specified under ORS 305.295.

SUBSEQUENT COLLECTIONS

- ❑ An agency can collect on a debt that was written off.
- ❑ Writing off a debt just takes it off your books. It does not make the debt go away. The obligation is still owed by the debtor and can be collected.

ACCOUNTING FOR SUBSEQUENT COLLECTIONS

- ✘ TC 129R/130R to reestablish the A/R and the AFDA
 - + DR A/R and CR AFDA
- ✘ Enter TC to Collect the A/R
 - + Appropriate TC depends upon scenario
- ✘ What's left is DR to cash and CR to AFDA
- ✘ AFDA is later adjusted as part of YE process
 - + Due to governmental environment, this impacts revenue
 - + For loans issued by State, impact is to bad debt expense

QUESTIONS?



AR Training Recap

March 31, 2015



AR Collections Up to 90 Days

- The state has many different types of debt.
- Once an account can be considered liquidated and delinquent the state generally has more tools to collect.
- Debtors must be given due process – notice of debt and opportunity to contest the debt.
- Accounts should be assigned to DOR Other Agency Accounts or Private Collection Agencies if no payments are received within 90 days of the debt becoming liquidated and delinquent.

Collections Beyond 90 Days

- Department of Revenue – Other Agency Accounts
 - Provides collection services to agencies for a collection fee
 - Can provide two services: Full Collections & Offset Only
- Debt Collection Services – Statewide Price Agreements
 - Several vendors provide services through statewide price agreements
 - Agreements cover a large range of services

Allowance for Doubtful Accounts

- The OAM requires the use of an allowance for doubtful accounts.
- The allowance for doubtful accounts is an estimate, which requires professional judgment and agencies must review their estimates for reasonableness.
- CAFR and LFO Liquidated & Delinquent Report have different intents, but accuracy for both reports is imperative.
- OAM 15.35.00 generally contains the necessary entries.

Write-Off of AR

- Debt should be written off once all reasonable efforts to collect the money have been made and it has been determined to be uncollectible.
- The Attorney General has approved uncollectibility criteria that is contained in OAM 35.50.10.
- Agencies can collect on a debt that has been written off.
 - A write-off is just an accounting event, the obligation is still owed by the debtor.
 - If collections occur after a write-off the AR must be reestablished to record the collection.

Questions?
