


# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	<b>EFFECTIVE DATE</b>	<b>PAGE NUMBER</b>
Division <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.231 ORS 293.240 ORS 293.245 ORS 293.250 ORS 293.252	
Policy Owner Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management - Uncollectible Accounts: Write-off Guidelines	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy outlines criteria approved by the Department of Justice for the write-off of uncollectible accounts pursuant to ORS 293.240(2).

**APPLICABILITY**

This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by [OAM 01.05.00](#).

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Debt:** A sum due and owing to an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

**Reasonable effort:** The use of 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.

**Write-off:** Receivables that are determined to be uncollectible by management and have been removed from the agency’s accounting records; the liability for the **debt** remains. Reductions due to compromise, release, discharge, waiver, cancellation, bankruptcy or other form of settlement are not write-offs.

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

The criteria referenced in this policy do 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.

## **POLICY**

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the management and collection of accounts receivable.
102. State agencies are required to make all **reasonable efforts** to collect receivables due to it, which include the provisions outlined in [OAM 35.40.10](#).
103. State agencies must adopt criteria to determine when debt is uncollectible. The criteria must be approved by the Attorney General and include the right of offset. An agency does not need to submit its **write-off** criteria to the Department of Justice (DOJ) for approval if it adopts the write-off criteria outlined in paragraph 104.
104. Attorney General Approved Criteria for Uncollectibility:

Except where the Attorney General has advised a particular agency otherwise, the following criteria for uncollectibility are approved for adoption and use by all state agencies.

Any **debt**, including interest and/or penalties, or any portion of the debt, may be considered uncollectible when the debtor has no money or other thing of value owing or held by any state agency that has not been credited to the debt, and it is reasonable to conclude, after all **reasonable efforts** to collect the debt have been made, that one of the following is true:

1. The debtor does not and will not for the foreseeable future own or have the right to own assets from which the state agency could collect the debt. (W01)
2. It is reasonably estimated that the cost of collecting the debt would equal or exceed the amount of the debt. (W02)
3. The debtor is deceased, and there are no assets in the debtor's estate from which the state agency could collect the debt. (W03)
4. The debtor is a corporation or a limited liability company that is not and for the foreseeable future will not be engaged in any income-producing activity, and there are no assets from which the agency could collect the debt. (W04)
5. The debtor's estate is subject to a pending bankruptcy proceeding in which it is reasonable to conclude that the debt will be discharged and that the state agency will receive none or an insubstantial share of the assets of the bankruptcy estate. (W05)
6. The agency is and will be for the foreseeable future unable to collect from the debtor or from anyone owing the debtor money or holding assets of or from the debtor. (W06)
7. The state agency is unable to locate the debtor despite having made reasonable efforts to do so. (W07)
8. The debt has been liquidated by reduction to a court judgment, administrative order, or distraint warrant, which has subsequently expired. (W08)
9. Other agency specific Attorney General approved criteria. (W09)

105. **ORS 293.240** stipulates the circumstances under which a state agency may **write-off** uncollectible **debts** that are due the agency. If an agency has made all **reasonable efforts** to collect the money owed to it, as referenced in paragraph 102, and has determined that the money and any interest and penalties on the money are uncollectible, as described in paragraph 103, the agency may write-off the debt.
106. A state agency may not **write-off** a **debt** that is subject to assignment under [OAM 35.40.10](#) and has not been assigned.
107. Once accounts are assigned to the DOR Other Agency Accounts (DOR-OAA) unit and DOR-OAA recommends the account for **write-off** to the state agency (refer to [OAM 35.40.30](#)), the state agency must evaluate the account to determine if it is uncollectible as outlined in paragraph 103 because the DOR-OAA recommendation does not, by itself, establish that the **debt** is “uncollectible” within the meaning of **ORS 293.240**.
108. State agencies must document efforts made, actions taken and applicable criteria for **write-off**. The agency should include written evidence in its files to show that they have made all **reasonable efforts** to collect the **debt**, and that the debt is uncollectible in accordance with criteria for uncollectibility as outlined in paragraph 103. The Write-off Certification form ([75.35.13.FO](#)) may be used as such written evidence.
109. State agencies that enter **write-off** transactions into R\*STARS shall enter the three-digit code, provided in paragraph 104 (W01, W02, W03...), in the multi-purpose code (MPCD) field to identify the criteria for uncollectibility used to support writing off the **debt**.
110. Write-off transactions processed during the fiscal year must be reported annually per [OAM 35.60.10](#).
111. If a **debt** previously written off pursuant to **ORS 293.240** subsequently becomes collectible, efforts to collect the money owed shall proceed. The original **write-off** transaction shall be reversed in the agency’s financial statements.