

OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	NUMBER 35.60.20	SUPERSEDES 35.60.20 dated 10/24/2017
	EFFECTIVE DATE 02/09/2018	PAGE NUMBER Pages 1 of 5
Division Chief Financial Office	REFERENCE/AUTHORITY ORS 291.015 ORS 293.252	
Policy Owner Statewide Accounting and Reporting Services		
SUBJECT Accounts Receivable Management- Receivables Reporting: Accounts Receivable Performance Measures	APPROVED SIGNATURE <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

PURPOSE

This policy establishes accounts receivable performance measures (ARPMs) and provides guidance to agencies for monitoring and reporting ARPM data and targets.

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

- [OAM 75.35.12.FO](#)

DEFINITIONS

Liquidated and delinquent (L&D): see definition in [OAM 35.30.30](#).

Receivable, also referred to as **account** or **accounts receivable (A/R)**: An accounts receivable is established if revenue is not recognized at the point cash is received, refer to [OAM 15.35.00](#) for guidance on revenue recognition. For purposes of this OAM, a receivable does NOT include loans and notes receivable amounts except for the amount of any periodic payment which became delinquent during the reporting period, refer to [OAM 35.30.30](#) for guidance. If a loan or note is determined to be in default and the balance becomes due upon default then the balance should be included as an A/R.

Click here for other [definitions](#).

POLICY

101. Agency management must ensure that agency personnel employ appropriate practices in the management of **A/R**.
102. Agency management shall monitor data related to the ARPMs established in this OAM and shall establish targets for each as required in this OAM. Monitoring of these ARPMs will assist agency management in evaluating the effectiveness of their **accounts receivable** management, collection processes, and identify potential areas for improvement.
103. Agencies shall report to the Department of Administrative Services (DAS) data in the format and timelines as required in this OAM.

PROCEDURES:

Required ARPMs

104. The ARPMs in paragraphs 105 through 109, and 111 as applicable, are operational measurements designed to monitor the effectiveness of collection processes. Agencies shall track these data elements to assist in the evaluation of collection processes.

Quarterly ARPMs

105. **Total receivable collections** - Agencies shall measure their total **A/R** collected during the quarter **and** the amount of those collections that are applied to **L&D accounts**.
106. **Receivables over 90 days past due as a percentage of total A/R** – At the end of each calendar quarter, agencies shall determine the number and dollar value of **accounts** outstanding and the number and dollar value of those which are delinquent more than 90 days.

Annual ARPMs for ALL agencies

107. **Days to assign** – Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in [OAM 35.40.10](#), to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of **ORS 293.231**, [OAM 35.40.10](#) and **Executive Order 17-09** dictate the mandatory timeline for when an account is subject to assignment.
108. **Days to collect** - Agencies shall measure the total number of days required to collect an **A/R** in full. Agencies shall report the number and percentage of accounts paid in full in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, 1-3 years and over 3 years.

For purposes of this ARPM the calculation is:

Date account is paid in full¹ less effective date² of receivable = days to collect

1. **Accounts** should not be counted until final payment is received.
2. The effective date of the **receivable** is either:
 - The date a state agency can recognize the revenue as described in [OAM 15.35.00](#) under the economic resources measurement focus and accrual basis of accounting (therefore the availability criteria is unrelated to this determination); or
 - The due date of a delinquent loan payment.

109. **Write-offs as a percentage of available A/R** – Agencies shall measure the percentage of available **accounts** that were written off during a period of time against the total **A/R** owed during the same period.

For purposes of this ARPM the calculation is:

Total write-offs during the fiscal year / (total A/R beginning balance + A/R additions during the fiscal year)

*Note: agencies should only include write-offs where the debt is still legally enforceable. Do not include **accounts** that were discharged in bankruptcy, compromised or settled with a debtor or that were cancelled under specific agency authority to cancel debts.*

Annual ARPM for SPECIFIC agencies

110. The measurement in paragraph 111 is required for agencies that receive a DAS exemption from the assignment requirements of [OAM 35.40.10](#); however, the measurement is recommended for all agencies.
111. **Collections Return on Investment (ROI)** – Agencies shall measure the amount of revenue received compared to the costs of their collection efforts to determine the collections ROI.

For purposes of this ARPM the calculation is:

Total receivable collections / (department costs¹ + collection fees² + legal fees³)

1. *Department costs* - should include to the extent possible and available with reasonable effort:
 - Wages for staff performing **A/R** tasks and management (or a pro-rated percentage of time spent managing **A/R** staff);
 - Other payroll expenses related to the wages identified above;
 - Training for **A/R** staff or managers related to **A/R** job duties; and
 - Facilities costs (pro-rated based on the number of staff or managers performing **A/R** duties compared to the total staff).
2. *Collection fees* - The costs paid by the agency for collections made by DOR-OAA or a PCF. Refer to the section on collection fees contained in [OAM 15.35.00](#) for details on the proper accounting.
 - Include costs paid to DOR-OAA or a PCF by the agency for collection costs, even if those costs are retained from collection prior to the PCF remitting funds to the agency.
 - If the agency passes the DOR-OAA or PCF fee to the debtor, then there is no direct cost to the agency; therefore, do not include those fees in this calculation. Refer to [OAM 35.40.20](#) for information on how to pass the fee to the debtor. (Note: not all **accounts** may pass the fee if there are federal program restrictions or other statutory limitations.)
3. *Legal fees* - These costs include, but are not limited to, the following:
 - Department of Justice costs to litigate, including obtaining a judgment;
 - Administrative hearing costs, if applicable; and
 - Recording fees, such as county costs to record documents (e.g., civil penalty, distraint warrant) into the county lien record to establish a lien on real property or county sheriff fees related to a writ of execution (e.g., asset seizure and sale, till tap).

Recommended ARPMs

112. The ARPMs in paragraphs 113 through 115 are annual measurements that are designed to identify improvements associated with monitoring the process of collecting **accounts receivable**. Agencies are encouraged to track these data elements to assist in evaluating their collection processes.
113. **Recovery rate** - A collection recovery rate measures the amount collected over a period of time divided by the total **receivables** worked for a period of time.

For purposes of this ARPM the calculation is:

Total dollars collected / (beginning balance + additions)

114. **Account Turnover Rate (ATR)** - The ATR is a calculation that indicates how well **accounts** are moving through the **account** assignment pipeline. An ATR of over 100% means that there are fewer **accounts** at the end of the year than at the beginning. The ATR should be evaluated for all agency **accounts** as well as **accounts** placed with DOR-OAA or a PCF.

For purposes of this ARPM the calculation is:

Beginning number of accounts / ending number of accounts

115. Agencies not required to measure the ARPM referenced in paragraphs 110 and 111 are nevertheless encouraged to measure that ARPM.

Agency Targets:

116. Due to the various agency missions and types of receivables owed to state agencies, each agency should establish targets based on the factors that are unique to itself.
117. Agencies are required to establish quarterly targets for each ARPM established under paragraphs 105 and 106 of this OAM for reporting periods beginning July 1, 2018.
118. Agencies are required to establish annual targets for each ARPM established under paragraphs 107 through 109, and 111 as applicable, of this OAM for reporting periods beginning July 1, 2018.
119. Agencies are encouraged to establish annual targets for each ARPM established under paragraphs 113 through 115, as applicable, of this OAM.

Reporting Requirements:

120. **Quarterly ARPM reports** - Agencies shall report to the DAS Chief Financial Office the actual results for the quarterly ARPMs established under paragraphs 105 and 106 of this OAM as follows:

<u>Reporting period</u>	<u>Due Date</u>
July-September	October 31
October-December	January 31
January-March	April 30
April-June	October 1 (with the annual ARPM reports)

121. **Annual required ARPM reports** - Agencies shall report to the DAS Chief Financial Office the actual results for the required annual ARPMs established under paragraphs 107 through 109, and 111 as applicable, of this OAM by October 1.
122. **Annual recommended ARPM reports** – Agencies may report to the DAS Chief Financial Office the actual results for the recommended annual ARPMs established under paragraphs 113 through 115, as applicable, of this OAM by October 1.
123. **Agency ARPM target reports** - Beginning July 1, 2018 the information reported to DAS shall include the agency ARPM targets for the upcoming reporting period.

Agencies are not required to report targets associated with recommended ARPMs if the ARPM will not be measured.

124. Agencies shall report data elements under paragraphs 120 through 123 of this OAM using **OAM form 75.35.12**, or an alternative format approved by the DAS Chief Financial Office, and shall submit the report via email to SWARM@oregon.gov.