

DAS

DEPARTMENT OF
ADMINISTRATIVE
SERVICES

CHIEF FINANCIAL
OFFICE

STATEWIDE ACCOUNTS RECEIVABLE MANAGEMENT REPORT

FISCAL YEAR ENDING
JUNE 30, 2020





Oregon

Kate Brown, Governor

Department of Administrative Services

Chief Financial Office

155 Cottage Street NE

Salem, OR 97301

PHONE: 503-378-3106

FAX: 503-373-7643

January 29, 2021

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 fifth 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, 2020.

Sincerely,

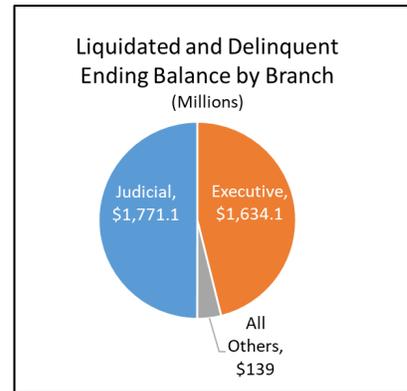
George Naughton
Chief Financial Officer

Executive Summary

Although the effect from the novel coronavirus (COVID-19) on the state’s economy began in earnest in March 2020, statewide collections and receivables were not noticeably impacted for the fiscal year ended June 30, 2020.

The statewide ending balance of liquidated and delinquent (L&D) accounts for FY 2020 was \$3.5 billion, a 1.3% increase from FY 2019. Executive Branch agencies reported an FY 2020 ending balance of \$1.6 billion, a 5.3% increase from FY 2019.

State agencies reported that \$1.9 billion (52.9% of the \$3.5 billion ending balance of L&D accounts) were doubtful to ever be collected. These doubtful accounts continue to receive collection efforts until: 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 collecting \$534 million in L&D accounts receivable during FY 2020 as part of their report to LFO. These same Executive Branch agencies reported in the Accounts Receivable Performance Measures (ARPM) report, collecting \$578.4 million in L&D accounts receivable, a difference of \$44.4 million. The Oregon Employment Department (OED) is the primary driver of this difference, with L&D collections reported in the ARPM that are \$45.7 million higher than the L&D collections reported to LFO. OED expects this difference will be resolved with their new software implementation.

Executive Branch agencies reported \$14 million in accounts that were unassigned, non-exempt, and without a payment in more than 90 days, a \$16.1 million improvement compared to FY 2019.

The Statewide Accounts Receivable Management (SWARM) team remains committed to collaborating with agencies to improve their billing practices and to educate them on alternative payment options by implementing new technologies to make the accounts receivables process more efficient. These improvements will be even more important as agencies navigate the changing landscape of accounts receivable collections due to the ongoing pandemic.

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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 accounts as of June 30, 2020, 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.

In addition, we are publishing for the first time, those agencies who earned recognition of the Accounts Receivable Honor Roll for Fiscal Year 2019 ([Appendix D](#)). State agencies have various accounts receivable reporting requirements. To be eligible for the Accounts Receivable Honor Roll Certificate, an agency must submit accurate reports by the required due date and many agencies are also required to attend annual training.

Statewide Efforts to Improve Collections

Since the establishment of the Statewide Accounts Receivable Management (SWARM) team in 2016, policy and legislative changes as well as Governor Brown's Executive Order 17-09, have raised awareness and focus on accounts receivable management and the changes are now part of state agency procedures to collect **delinquent** accounts receivable.

When the coronavirus arrived in Oregon during the third quarter of fiscal year (FY) 2020, and the experts quickly announced that it was a pandemic, SWARM expected state agencies would face new challenges in collecting accounts receivable. However, statewide collections and receivables were not noticeably impacted for the fiscal year ended June 30, 2020.

Accounts Receivable Performance Measures

In FY 2018 the Department of Administrative Services-Chief Financial Office established a state policy that required state agencies to track performance measures related to accounts receivable management and report progress quarterly and annually. 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.

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The quarterly ARPM requires state agencies¹ 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.

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

Table 1.

Performance Measure:	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018
Total accounts receivable collections ²	\$6.4 billion	\$8.3 billion	\$5.5 billion
L&D account collections ³	\$578.4 million	\$564.5 million	\$534.3 million
Write-offs, as a percentage of all available accounts receivable	0.9%	1.2%	0.5%
Average % of accounts assigned within 90 days of meeting the definition of L&D	53.2%	70.1%	66.3%
Average % of accounts paid in full within 60 days of the effective date	70.6%	68.5%	70.8%

The \$1.9 billion decline in total accounts receivable collections (\$8.3 billion to \$6.4 billion), occurred primarily in two agencies: The Department of Revenue (DOR) collections declined by \$969 million, because of the tax return filing date extension for tax year 2019. The Oregon Department of Transportation (ODOT) collections declined by \$930.4 million because of a change in how certain accounts are categorized. SWARM has reviewed how these accounts are categorized and agree the change is a more accurate representation of ODOT's collection activities.

- The percentage of Executive Branch agencies that met or exceeded their FY 2020 target for total accounts receivable collections was 54.4% (FY 2020 average target was \$96.4 million).
- The percentage of Executive Branch agencies that met or exceeded their FY 2020 target for L&D accounts receivable collections was 60% (FY 2020 average target was \$6.6 million).
- Executive Branch agencies targeted, on average, that they would be assigning 71.2% of their accounts within 90 days. If an agency is receiving payment on an account, [ORS](#)

¹ Executive Branch agencies subject to the Oregon Accounting Manual (OAM).

² Total accounts receivable collections includes 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.

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[293.231\(1\)](#) would not require assignment until 90 days from the date of receipt of the most recent payment on the account.⁴

- Executive Branch agencies targeted, on average that 74.4% of their accounts would be paid in full within 60 days of the effective date.⁵

Table 2.

Performance Measure:	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018
Total outstanding accounts receivable	\$2 billion	\$1.9 billion	\$2 billion
Accounts receivable over 90 days past due, as a percentage of total outstanding accounts receivable	76.4%	74.1%	65.7%

Agencies encounter a variety of challenges when completing their ARPM reporting:

- staff turnover makes it more difficult to gather and report data associated with ARPMs consistently,
- smaller agencies appear to assign ARPM reporting to staff who may have difficulty understanding ARPM concepts, and
- legacy systems that were not designed to capture the data required for ARPM reporting increase manual tracking.

Because of these challenges, the data reported in the ARPM was, at times, inconsistent with the data reported to LFO. Executive Branch agencies reported collecting \$578.4 million in L&D accounts receivable in the ARPM (Table 1), these same Executive Branch agencies reported collecting \$534 million in the LFO report (Table 3), a difference of \$44.4 million. The Oregon Employment Department (OED) is the primary driver of this difference, with L&D collections reported in the ARPM that are \$45.7 million higher than what they reported to LFO. OED expects this difference will be resolved with their new software implementation.

To address these data integrity issues SWARM provides agencies with a variety of tools and training to assist staff in identifying these discrepancies so that agencies may improve their data quality. SWARM expects to see general improvement in the data quality of both the ARPM and LFO data each year as agencies better understand and track their data as well as the relationships between the various required reports.

The setting of agency targets for the ARPM report has been a topic of many discussions between SWARM and state agencies. Even though agencies have been required to establish targets since FY 2019, the process of evaluating their data to set meaningful and reasonable targets continues to be a challenge for some agencies, primarily due to 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

⁴ Once an account has met the definition of being liquidated and delinquent, Executive Branch agencies must assign it to the Department of Revenue Other Agency Accounts Unit 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.

⁵The effective date of the receivable is either:

1. 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
2. The due date of a delinquent loan payment.

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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 by Governor Brown 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 (and, to a much smaller extent, collections offset internally from payments due to vendors that also owed that agency a debt). 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 \$367 thousand⁶ during FY 2020 as compared with \$418 thousand during FY 2019.

SWARM continues to work with Executive Branch agencies to evaluate systems used to pay vendors outside of the state's accounting system, known as the Statewide Financial Management Application (SFMA). The purpose of this evaluation is to determine whether (1) vendors paid outside of SFMA are also debtors of the state and (2) whether the cost for implementation justifies the potential recovery.

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 website⁷ and SWARM encourages managers and accounting professionals responsible for overseeing or processing accounts receivable transactions to partake in the training opportunities.

⁶ The total vendor offset program amount reported by agencies to LFO for FY 2020 was \$463 thousand. This includes amounts that agencies offset internally from payments due to vendors that also owed that agency a debt.

⁷ <https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>, Accounts receivable training and workshops.

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Accounts Receivable Honor Roll

To recognize the efforts of accounts receivable professionals statewide, and encourage prioritization of receivable management activities, the DAS Chief Financial Office (DAS-CFO) created the Accounts Receivable Honor Roll, with FY 2019 being the first year agencies were eligible to receive this award.

State agencies that submit accurate reports by the required due dates and attend required annual training⁸ are eligible for Accounts Receivable Honor Roll recognition. Following the close of each fiscal year, DAS-CFO notifies the state agencies that achieved this recognition and sends a certificate accompanied by a congratulatory letter signed by the State Chief Financial Officer and 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 129 agencies who were eligible to earn recognition on the Accounts Receivable Honor Roll for FY 2019, 103 agencies were awarded this distinction representing 80% of eligible agencies. The full list of FY 2019 awardees are 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.

SWARM Efforts

SWARM acts as a clearinghouse for accounts receivable policies, best practices, and trainings in order to facilitate timely and accurate reporting and improving collections. This communication raises awareness and focus of agencies on statewide 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 reached out to agencies to offer one-on-one accounts receivable training at the convenience of the agency and on topics chosen by the agency. During FY 2020, 17 agencies accepted this offer and received this individualized training provided in person and via videoconference.

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.⁹ 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

⁸ Each year SWARM distributes a list of accounts receivable reporting requirements and the respective due dates.

⁹ [ORS 293.229](#) and [ORS 1.195](#) define the annual LFO reporting requirement.

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Other Agency Accounts Unit (DOR-OAA); accounts assigned to a private collection firm (PCF)¹⁰; 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. The adjusted ending balance 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, \$1.9 billion, or 52.9%, 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, the *Statewide Accounts Receivable Management Report* separates the FY 2020 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".¹¹

Table 3.

Total Liquidated and Delinquent Accounts Receivable For the Year Ended June 30, 2020				
	Judicial	Executive	All Others	Total
Beginning Balance	\$1,793,782,170	\$1,552,459,584	\$153,085,573	\$3,499,327,327
Additions	222,052,087	937,051,412	44,818,357	1,203,921,856
Collections	(54,431,315)	(534,030,348)	(28,059,557)	(616,521,220)
Write-Offs ¹²	(3,078,102)	(54,282,624)	(18,041,023)	(75,401,749)
Adjustments	(96,467,653)	(64,147,495)	(11,101,256)	(171,716,404)
Reversals	(90,734,292)	(202,931,148)	(1,669,493)	(295,334,933)
Ending Balance	\$1,771,122,895	\$1,634,119,381	\$139,032,601	\$3,544,274,877
Doubtful Accounts	(1,481,012,965)	(358,237,367)	(35,503,565)	(1,874,753,897)
Adj. Ending Bal.	\$ 290,109,930	\$1,275,882,014	\$103,529,036	\$1,669,520,980

The statewide L&D accounts receivable ending balance of \$3.5 billion as of FY 2020 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 Oregon Accounting Manual (OAM).¹³ For this reason, the remainder of this analysis focuses on account activity associated with Executive Branch agencies.

¹⁰ 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.

¹¹ Refer to Appendix D for a listing of agencies by branch of government.

¹² Write-off amounts identified in Table 3 for the Executive Branch do not match the amounts reported on the *FY 2020 Write Off, Abated and Cancelled Certification Report*, delivered to the Joint Committee on Ways and Means on December 30, 2020, due to four agencies that wrote-off accounts that did not meet the definition of L&D and therefore are not included in the LFO report. In addition, some special government entities are not subject to [ORS 293.234](#); therefore, the amounts identified in the "Written off" column for special government entities will not match the amounts in "All Others" referenced in the *FY 2020 Write Off, Abated and Cancelled Certification Report*.

¹³ The Judicial Branch, Legislative Branch, and special government entities are not subject to accounting policies established by DAS.

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Executive Branch Liquidated and Delinquent Accounts

Executive Branch agencies reported L&D accounts receivable totaling \$1.6 billion, a 5.3% increase from FY 2019. Refer to Table 5 below for more detail on the differences between FY 2019 and FY 2020.

Four agencies represent 89.2% of the \$1.6 billion FY 2020 ending balance (Table 4).¹⁴
Table 4.

Executive Branch Agency Ending Balances For the Year Ended June 30, 2020		
	Ending Balance	Percent of Ending Balance
Department of Revenue	\$ 840,867,477	51.5%
Department of Justice	371,654,628	22.7%
Oregon Employment Department	145,834,726	8.9%
Department of Consumer and Business Services	98,929,816	6.1%
Remaining agencies	176,832,734	10.8%
Total	\$1,634,119,381	100.0%

Changes in Liquidated and Delinquent Account Balances

The comparison of Executive Branch agencies' L&D accounts receivable from FY 2019 to FY 2020 provides assistance in evaluating 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			
	2020	2019	Net Increase/ (Decrease) ¹⁵
Beginning Balance	\$1,552,459,584	\$1,665,802,675	\$(113,343,091)
Additions	937,051,412	940,128,577	(3,077,165)
Collections	(534,030,348)	(543,384,059)	(9,353,711)
Write-Offs	(54,282,624)	(91,821,840)	(37,539,216)
Adjustments	(64,147,495)	(47,463,883)	(16,683,612)
Reversals	(202,931,148)	(370,801,886)	(167,870,738)
Ending Balance	\$1,634,119,381	\$1,552,459,584	\$81,659,797

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 \$3.1 million in FY 2020 while collections decreased by \$9.4 million compared to FY 2019. While overall this is a negligible change from the prior year, certain agencies had significant changes. During the first year of a biennium it is common for DAS to see increased additions (\$39.9 million) and collections (\$41.4 million) when billings for agency assessments are issued. In FY 2019 the Department of Consumer and Business

¹⁴ Refer to [Appendix A](#) for more information about the types of accounts reported by these four agencies.

¹⁵ The net increase / (decrease) reflects the difference between each row and is not intended to total.

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Services (DCBS) reversed accounts due to program level audits conducted to verify debt balances. In FY 2020 DCBS additions increased (\$56.3 million) as a result of completed audits and entries to correct the fund type. In FY 2019 the Department of Justice (DOJ) reported data that was manually collected due to the agency's system conversion for the Division of Child Support. DOJ recently noted that last year's manual process led to errors that overstated additions and understated collections, and when FY 2020 is compared to the prior year, DOJ's additions decreased by \$45.1 million and collections increased by \$8.7 million. DOJ also reported the successful collection of a \$1.7 million account owed to the Crime Victim and Survivor Services Division. The Oregon Military Department (OMD) additions decreased (\$12.6 million) as well as their collections (\$23.9 million) resulting from differences in fire season billings and timing differences with federal fund reimbursements. The Oregon Health Authority (OHA) data in FY 2019 included a large account owed by a state agency, this resulted in the agency additions decreasing in FY 2020 (\$22.2 million) as well as the collections (\$13.2 million). Due to the tax filing extension from April 15, 2020 to July 15, 2020 DOR reported decreased additions (\$24.1 million) and collections (\$22.9 million) for FY 2020 compared to FY 2019.

Of the \$37.5 million decrease in write-offs for Executive Branch agencies, DOR accounted for \$25.9 million. In fiscal year 2019 DOR implemented programming to automate the identification of accounts that met the criteria for write-off, resulting in a one-time increase of write-off activity. Fiscal year 2020, represents a return to expected volumes of write-off activities with this new automation, which will continue to identify accounts that meet the conditions for write-off during each fiscal year going forward.

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 2020 Executive Branch agencies reported adjustments that decreased debt \$64.1 million, a change of \$16.7 million from \$47.5 million reported in FY 2019. This change primarily occurred at DOJ which reported adjustments for FY 2020 that decreased debts by \$16.7 million due to the federal CARES Act reduction of the state's portion of retained child support recoveries of Temporary Assistance for Needy Families.

Reversals in FY 2020 decreased \$167.9 million from FY 2019. In FY 2020 DOR reported decreased reversals of \$110.7 million compared to FY 2019. This was due to the agency issuing a smaller number of failure to file assessments because of both a technical fix to their system and impacts of COVID-19 on taxpayers. Because the agency issued less failure to file assessments in FY 2020 there were fewer accounts reversed once the taxpayer filed the required tax return.

Additionally, in FY 2020 the Department of Consumer and Business Services (DCBS) reported decreased reversals of \$50 million. In FY 2019 DCBS reported \$71 million in reversals related to a one-time program level audit of accounts to verify the agency had proper documentation to support the debt claims. Subsequently, these accounts were reversed because they did not meet the definition of liquidated while being audited.

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[ORS 293.231](#) requires Executive Branch agencies to assign eligible accounts to DOR-OAA for collection action.¹⁶ 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 fiscal year.¹⁷ 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 \$344.9 million, an increase of \$60.9 million from FY 2019 (Table 6).

Table 6.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
Assigned to Department of Revenue-Other Agency Accounts			
	2020	2019	Net Increase/ (Decrease)¹⁸
Beginning Balance	\$ 28,764,957	\$ 67,675,641	\$ (38,910,684)
Additions	116,504,858	43,616,527	72,888,331
Collections	(5,008,814)	(3,037,844)	1,970,970
Forwarded to a PCF	-	(40,914,374)	(40,914,374)
Returned to Originating Agency	(7,965,205)	(38,574,993)	(30,609,788)
Ending Balance	\$ 132,295,796	\$ 28,764,957	\$ 103,530,839
Assigned to Private Collection Firms			
	2020	2019	Net Increase/ (Decrease)
Beginning Balance	\$255,250,798	\$343,090,068	\$ (87,839,270)
Additions	67,625,198	124,631,565	(57,006,367)
Collections	(11,312,426)	(16,200,681)	(4,888,255)
Returned to DOR-OAA	(32,278,088)	(863,639)	31,414,449
Returned to Originating Agency	(66,660,367)	(195,406,515)	128,746,148
Ending Balance	\$212,625,115	\$255,250,798	\$ (42,625,683)
DOR-OAA & PCF Ending Balance	\$344,920,911	\$284,015,755	\$ 60,905,156

¹⁶ For more information about account assignment requirements, refer to How the State Collects Debt in [Appendix A](#).

¹⁷ For liquidated and delinquent account assignments to DOR-OAA and PCFs by all state agencies, refer to [Appendix B](#).

¹⁸ The net increase/(decrease) reflects the difference between each row and is not intended to total.

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Under centralization, Executive Branch agencies assign L&D accounts to DOR-OAA for collection which may result in the account being forwarded to a PCF¹⁹. As of June 30, 2020 DOR-OAA had inventory of \$102 million assigned to a PCF. For FY 2020 reporting, agencies subject to centralization were instructed to reflect all assigned inventory within the DOR-OAA section of the LFO report regardless of whether DOR-OAA had forwarded the account to a PCF. Because of this change, Executive Branch agencies reported inventory that was reported as assigned to a PCF in FY 2019 as “Returned to DOR-OAA” in FY 2020 (\$32.3 million), those accounts are then recorded as an addition to DOR-OAA. This change also resulted in no accounts being reported as forwarded to a PCF in FY 2020. DOR-OAA additions also increased over FY 2019 due an increase of \$32.9 million by DCBS for accounts that had completed program level audits (returned to the originating agency in FY 2019) and were reassigned to DOR-OAA in FY 2020. PCF additions are primarily accounts owed to DOR for delinquent taxes which are assigned directly to a PCF (\$67.2 million) after internal agency collections efforts.

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, several state agencies have an internal collections unit combined with unique tools which allow the agency to effectively collect its accounts. Specifically, Department of Human Services (DHS), DOR, ODOT, DOJ, Oregon Employment Department (OED), and OHA have such specialized collection units and may exempt applicable accounts from third-party collection action to allow for recovery through actions such as the issuance of a **distraint warrant**. For FY 2020, Executive Branch agencies reported \$1.1 billion in accounts eligible for assignment exemption, a 1.9% increase from FY 2019 ([Table 7](#)).

Table 7.

Executive Branch Liquidated and Delinquent Accounts Receivable Fiscal Year Comparison			
Accounts Exempt from Assignment			Net Increase/ (Decrease)
	2020	2019	
Administrative Exemption	\$ 682,248,828	\$ 668,717,680	\$ 13,531,148
Statutory Exemption	435,725,258	428,237,320	7,487,938
Total Exemptions	\$1,117,974,086	\$1,096,955,000	\$21,019,086
Total L&D Ending Balance	\$1,634,119,381	\$1,552,459,584	\$81,659,797
Exemptions as a percentage of L&D Ending Balance	68.4%	70.6%	

¹⁹ Subject to the requirements of ORS 293.231 (3)(a)

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Three agencies reported \$1 billion (90.2%) of all Executive Branch agency exemptions for FY 2020 (Fig. 1).

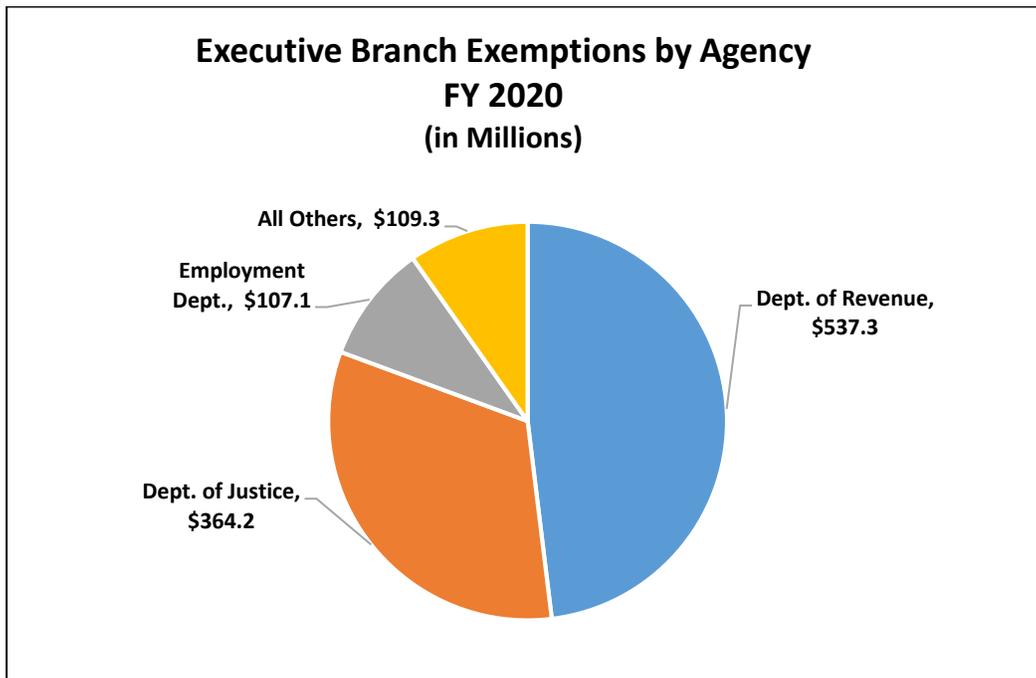


Figure 1.

Of the \$1.1 billion total account exemptions reported in FY 2020, 84.4% were accounts affiliated with one of five exemption categories (Fig. 2).

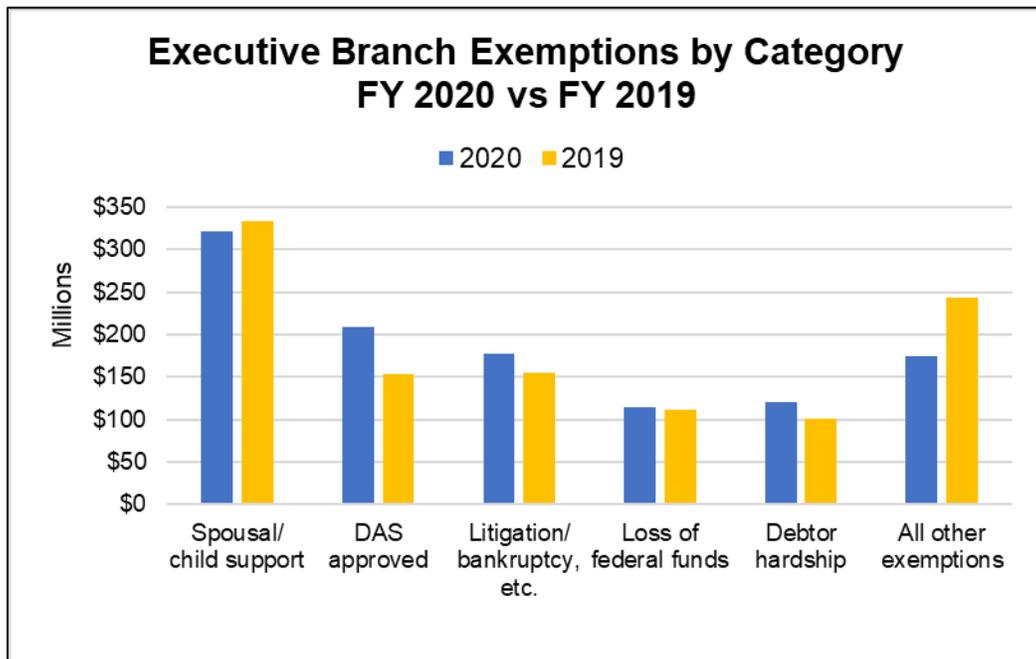


Figure 2.

The value of account exemptions can fluctuate from one fiscal year to the next as the account status changes or as agencies improve their analysis of accounts eligible for exemption. As

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agencies continue to refine their tracking and reporting of L&D accounts the identification of accounts subject to an exemption becomes more accurate.

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 2020, 30 Executive Branch agencies reported \$14 million in accounts that were unassigned, non-exempt without a payment for 90 days or more.²⁰ This is a significant improvement over the \$30.1 million reported in FY 2019.

State agencies that reported balances of unassigned, non-exempt accounts, without a payment for 90 days or more were asked to provide an explanation as to why the accounts were not assigned. Those explanations were consolidated into the following general categories:

- Agencies that are exempt from the assignment requirements of [ORS 293.231\(7\)](#) (\$341 thousand, 2.4%).
- Accounts previously assigned for collection and returned to the agency (\$2.6 million, 18.2%).
- Accounts that were subject to assignment, but the state agency did not comply with [ORS 293.231](#) (\$11.1 million, 79.3%).
 - DOR accounts were not assigned due to a pending garnishment or payment plan (\$5.4 million).
 - Of the remaining \$5.7 million accounts that were non-compliant with [ORS 293.231](#), agencies either did not provide an explanation or offered an explanation that was not in compliance with the statute. SWARM is following up with those agencies to discuss future corrective action.

Overall, the LFO data reported by Executive Branch agencies demonstrates the continued focus on accounts receivable management practices and commitment to improved tracking and reporting of L&D accounts receivable. While opportunities still exist for improvement of accounts receivable tracking and reporting, the effects of agency efforts are becoming more evident as time progresses.

Future of State Debt Collections

For the last four and a half years, SWARM has focused on improving the collection of accounts that have become L&D. Even though the appearance of the coronavirus near the end of FY 2020 significantly challenged Oregon's unemployment rate and economy, statewide collections and receivables were not noticeably impacted for the fiscal year ended June 30, 2020.

As in prior years, the SWARM team will be working with agencies to improve their billing practices and to educate them on alternative payment options by implementing new technologies to make the accounts receivables process more efficient. These improvements to existing processes will be even more important as agencies navigate the changing landscape of accounts receivable collections due to the ongoing pandemic. SWARM recognizes that agencies will continue to need training for new agency staff on the basics of debt collection in

²⁰ Refer to the 2020 LFO Report on Liquidated and Delinquent Accounts Receivable for a list of these agencies and amounts reported.

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the government sector and refinement of agency's processes with their existing resources. The collection of L&D accounts receivable will continue to be an area that SWARM provides best practices and identifies opportunities to improve.

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 1²¹ apply to agencies within the Judicial Branch and the provisions of ORS Chapter 293²² apply to agencies within the Administrative or Executive Branch.²³ Statewide policies and procedures pertaining to accounts receivable management are documented in OAM Chapter 35 and are applicable to Executive Branch agencies²⁴ subject to report financial activity in the Comprehensive Annual 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](#)).

Once state agencies complete internal collection processes and 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 closed; or owed by a debtor hospitalized in a state hospital.

²¹ [ORS 1.194-1.202](#) documents the collection of court account requirements; including, but not limited to, account assignment provisions.

²² [ORS 293.231](#) documents the account assignment requirements for Administrative or Executive Branch agencies subject to ORS Chapter 293.

²³ Agencies identified in [ORS 293.229\(5\)](#) are exempt from the assignment provisions of [ORS 293.231](#).

²⁴ [OAM 01.05.00](#) documents the scope and applicability of the OAM.

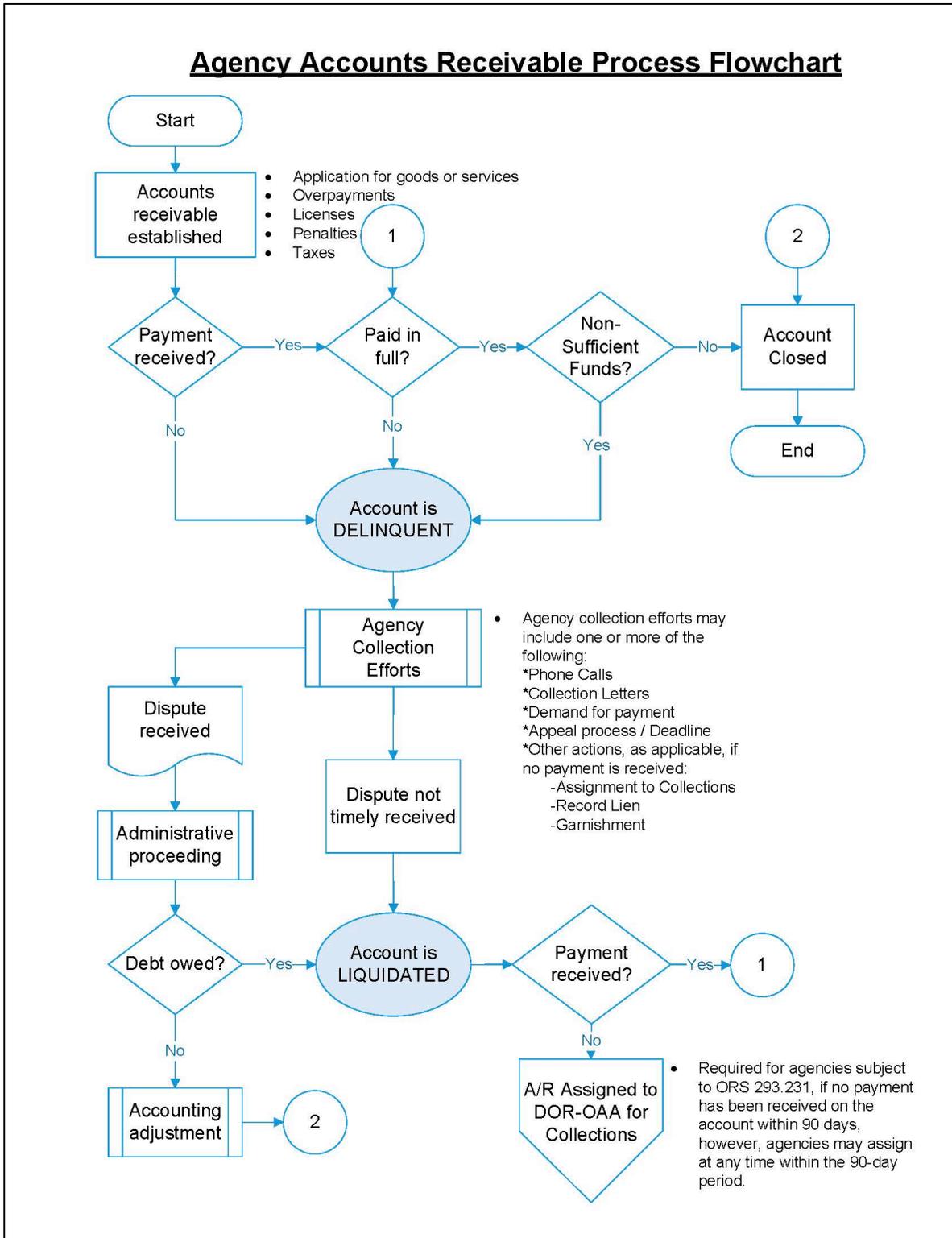


Figure 3.

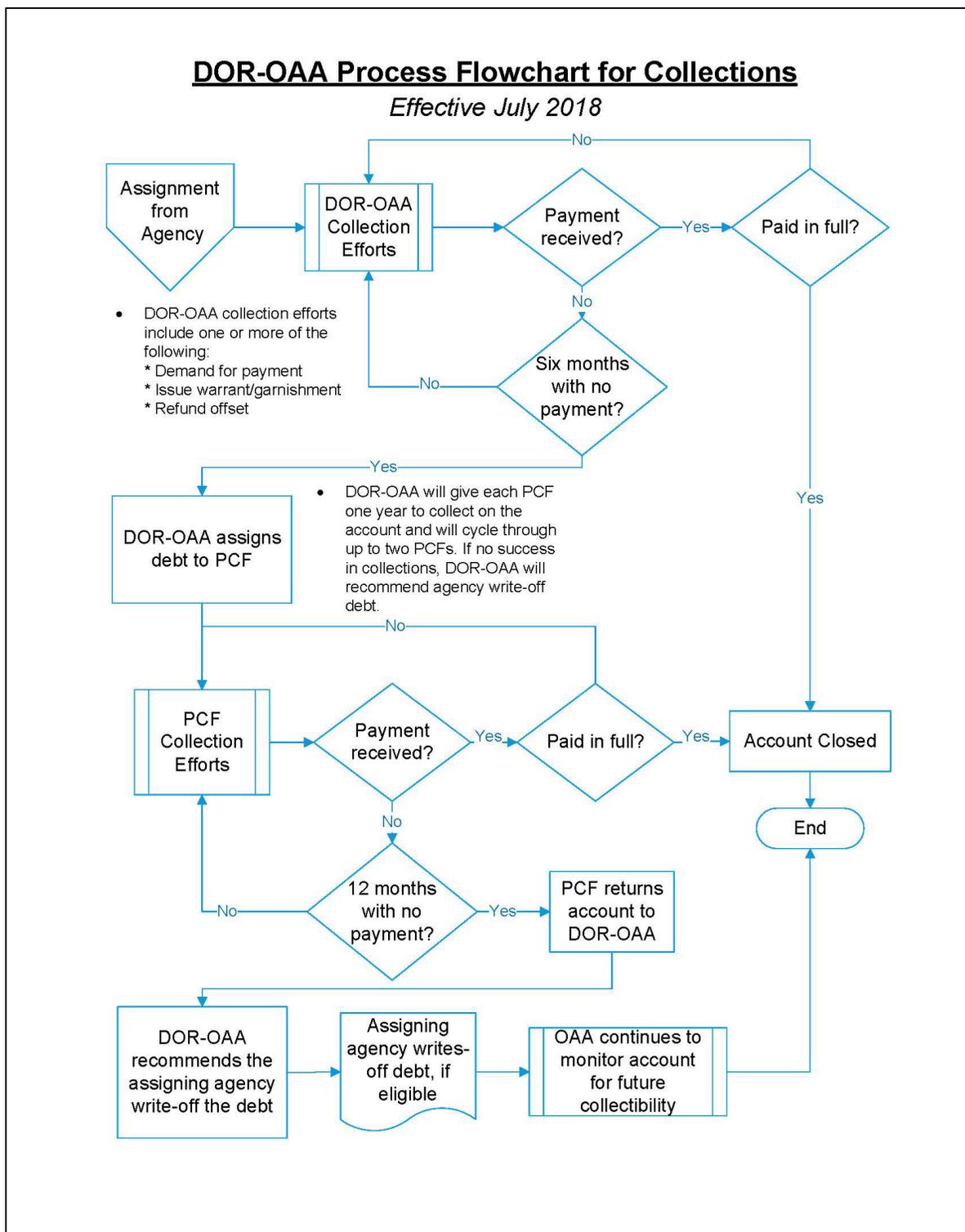


Figure 4.

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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, and the debt is removed from the agency's accounting records, the liability of the debt remains and the agency may pursue collection activities at a later date should the account subsequently become collectible due to a change in the debtor's circumstances (e.g. debtor becomes employed).

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

Centralized Debt Collections

During the 2017 Legislative Session, Senate Bill (SB) 1067 passed which included a provision to centralize the collection of Executive Branch L&D accounts receivable within DOR-OAA.²⁵ The debt centralization portion of SB 1067 was formalized in statute under [ORS 293.231](#) and became operative July 1, 2018.

Debt centralization implementation 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 or debts subject to garnishment are collected more effectively by DOR-OAA and all of the debtor's consolidated accounts may remain at DOR-OAA until the six-month statutory timeline expires. Meanwhile, lower scores or out-of-state debtors may be more effectively collected by a PCF and all of these accounts may be assigned directly to a PCF.²⁶

²⁵ 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.

²⁶ 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.

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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 does not collect a payment on the account 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

Data availability is an integral component to achieving successful collections of L&D debt. Accurate, complete, and current data increases the collectability of any debt; however, the availability of the desired data varies depending upon the nature of the debt and the debtor. In the case of issuing a civil penalty to an individual for unlicensed practice, the individual may be operating under an alias or false identity; this 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 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

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state agency may only have data available from the face of the check; which could be stolen, fraudulent, or outdated.

Systems

Systems, much like data, are an integral component to enable state agencies to successfully collect 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. State agencies may use an aging report generated with data entered into SFMA to establish account delinquency; however, data associated with the date of liquidation is not available in SFMA. As a result, agency accounts receivable professionals must track the 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, since the system's primary function is tax administration, the collection functionality needed for DOR-OAA to provide information to client agencies is limited. Though GenTax includes improved collection functionality not previously available, the reporting limitations create challenges for DOR-OAA client agencies by requiring them to rely upon other, more manual, processes to effectively manage and reconcile accounts assigned for collections to DOR-OAA. As the state considers options to further enhance debt collections, investments may be necessary to either augment GenTax or acquire a portfolio management system.

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 affecting state agencies include 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

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accounting work are different functions and require different skillsets. In addition, the primary purpose of an accounts receivable accountant is to bill for goods or services provided and to record the applicable accounting entries in the general ledger. A debt collector requires a specific set of skills that include: research methods to locate debtors and collectible assets; negotiation methods; and enforcement processes, 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 their priority is to bill for goods or services 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 to the availability of dedicated staff, resource challenges also include staff knowledgeable about debt collection. Collection activities contain many complexities which make it difficult to effectively perform when only a portion of an employee's position is allocated to infrequently performing such tasks.

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 two-person 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

ARCC is comprised of accounts receivable representatives from state agencies who meet monthly 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.

The ARCC and its subcommittees include a diverse membership from large and small agencies, semi-independent agencies, and DOR-OAA. The work of the ARCC and its

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subcommittees are valuable components to improving statewide debt collections and overall accounts receivable management practices through the collaboration, partnership, and forward thinking of accounts receivable professionals.

PCF Contract Workgroup

The *PCF Contract Workgroup* was formed in 2019 to prepare the Request For Proposal (RFP) solicitation requirements, evaluate the RFP submissions and evaluate and revise the PCF contract as necessary, in consideration of the centralization model under [ORS 293.231](#). The *PCF Contract Workgroup* completed its objective during 2020, is now inactive.

Factors in Collecting 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 Receivable²⁷	
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)	

Generally, 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.

In FY 2020, more than 89% 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.

²⁷ The list in Table 8 represents the most common types of state agency accounts receivable; as such, this list is not all-inclusive.

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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 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.

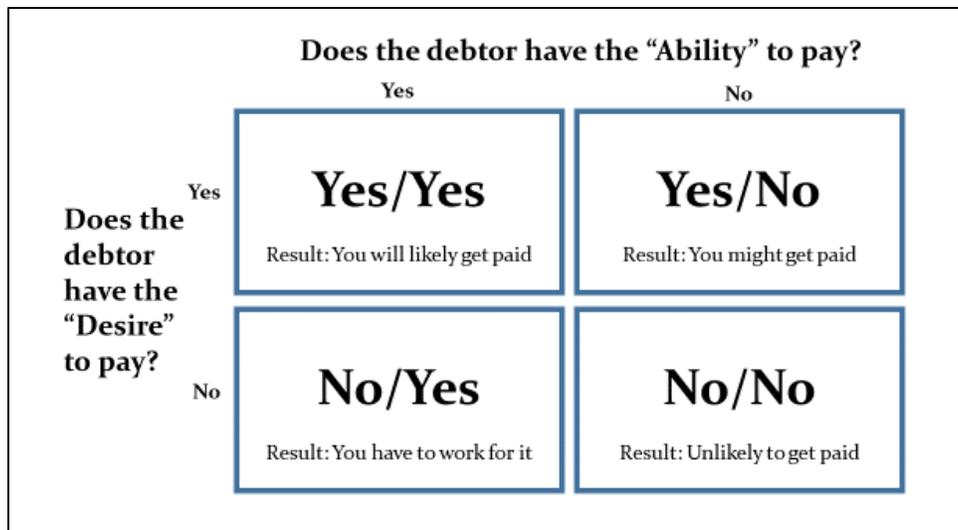


Figure 5.

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.

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Table 10.

Collection Tools ²⁸	
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; recording real property liens;²⁹ offsetting state tax refunds; submitting a claim with the Department of State Lands against a debtor's unclaimed property; obtaining judgments;³⁰ 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 DHS 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.³¹ 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.

²⁸ The federal Treasury Offset Program and lottery offset tools have been excluded from table 10 since they are available to a limited number of state agencies per federal or state law.

²⁹ Currently only for tax debt. DOR-OAA debts that meet identified program criteria are to be recorded in the future.

³⁰ Offered only for tax debt at this time. DOR uses the distraint warrant process to liquidate debts for collections purposes. When necessary, DOR will obtain judgments in other states for tax collections and when needed for any in state actions.

³¹ 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](#)).

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Garnishment of Lottery Winnings

Oregon law³² allows DHS, DOJ, and OHA to intercept Lottery winnings of debtors with outstanding moneys owed for delinquent child support obligations and for individuals who received an overpayment of assistance.

Federal Treasury Offset Programs³³

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 DHS, 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)*³⁴ - 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 U.S. 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.

³² [ORS 461.715](#) and [ORS 461.719](#).

³³ Bureau of the Fiscal Service; U.S. Department of the Treasury. (August 2019). "SRP: New Ways to Increase Your State's Collections" PowerPoint presentation; NASACT Annual Conference.

³⁴ U.S. 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 at this time.

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, 2020				
	Judicial	Executive	All Others	Total
Beginning Balance	\$1,793,782,170	\$1,552,459,584	\$153,085,573	\$3,499,327,327
Additions	222,052,087	937,051,412	44,818,357	1,203,921,856
Collections	(54,431,315)	(534,030,348)	(28,059,557)	(616,521,220)
Write-Offs	(3,078,102)	(54,282,624)	(18,041,023)	(75,401,749)
Adjustments	(96,467,653)	(64,147,495)	(11,101,256)	(171,716,404)
Reversals	(90,734,292)	(202,931,148)	(1,669,493)	(295,334,933)
Ending Balance	\$1,771,122,895	\$1,634,119,381	\$139,032,601	\$3,544,274,877
Doubtful Accounts	(1,481,012,965)	(358,237,367)	(35,503,565)	(1,874,753,897)
Adj. Ending Bal.	\$ 290,109,930	\$1,275,882,014	\$103,529,036	\$1,669,520,980
<u>Assigned to the Department of Revenue - Other Agency Accounts</u>				
Beginning Balance	\$ 261,242,426	\$ 28,764,957	\$ 47,954,289	\$ 337,961,672
Additions	73,392,394	116,504,858	18,643,779	208,541,031
Collections	(32,949,588)	(5,008,814)	(10,503,641)	(48,462,043)
Forward to PCF	(28,529,854)	-	(5,298,351)	(33,828,205)
Return to Agency	(54,677,562)	(7,965,205)	(19,348,363)	(81,991,130)
Ending Balance	\$ 218,477,816	\$ 132,295,796	\$ 31,447,713	\$ 382,221,325
<u>Assigned to Private Collection Firms</u>				
Beginning Balance	\$ 1,006,636,660	\$ 255,250,798	\$ 60,547,844	\$1,322,435,302
Additions	374,253,007	67,625,198	24,580,542	466,458,747
Collections	(11,101,236)	(11,312,426)	(8,667,790)	(31,081,452)
Return to DOR	-	(32,278,088)	-	(32,278,088)
Return to Agency	(792,410,693)	(66,660,367)	(17,359,957)	(876,431,017)
Ending Balance	\$ 577,377,738	\$ 212,625,115	\$ 59,100,639	\$ 849,103,492
<u>Accounts Exempt from Assignment</u>				
Administrative	\$ 271,678,012	\$ 588,266,668	\$ 243,895	\$ 860,188,575
Statutory	243,281,187	529,707,418	1,053,666	774,042,271
Total Exemptions	\$ 514,959,199	\$1,117,974,086	\$ 1,297,561	\$ 1,634,230,846

Appendix C – Glossary of Terms

Abated – An amount waived, settled, or determined not to be owed.

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 of 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

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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 is subject to reporting requirements and has met these reporting requirement by the due date 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 did not earn this recognition.

The following table lists the state agencies who earned Honor Roll recognition for FY 2019.

<u>Agency Name</u>	<u>Earned for FY 2019</u>
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	✓
Oregon Business Development Department	✓
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	
Environmental Quality, Dept. of	✓
Exam. For Engin. & Land Survey, Board of	

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<u>Agency Name</u>	<u>Earned for FY 2019</u>
Executive Branch Agencies (continued)	
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, 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	✓
Library, Oregon State	✓
Licensed Social Workers, Board of	✓
Liquor Control 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	✓
Optometry, Oregon Board of	

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<u>Agency Name</u>	<u>Earned for FY 2019</u>
Executive Branch Agencies (continued)	
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	✓
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	✓
Wheat Commission, Oregon	

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<u>Agency Name</u>	<u>Earned for FY 2019</u>
Executive Branch Agencies (continued)	
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	✓