

OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	NUMBER	SUPERSEDES
	EFFECTIVE DATE	PAGE NUMBER
Division Chief Financial Office	REFERENCE/AUTHORITY	
Policy Owner Statewide Accounting and Reporting Services	ORS 293.590	
SUBJECT Accounts Receivable Management – Account Activity: Coordination of Vendor Payments	APPROVED SIGNATURE <i>Kate Nass, Chief Financial Officer</i> <i>Signature on file</i>	

PURPOSE

This policy provides guidance on accounting for coordination of vendor payments to recoup liquidated and delinquent debt owed by vendors.

APPLICABILITY

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

FORMS/EXHIBITS/INSTRUCTIONS

None

DEFINITIONS

Administrative hold: the process by which a state agency temporarily stops a vendor payment to determine if the vendor owes debts to another state agency.

Alternative payment methods: Payments issued through systems that interface accounts payable activity, at the summary level, into the Statewide Financial Management Application (SFMA) from a payment subsystem. This also includes payments issued through the State P-Card of Oregon Transaction System (SPOTS) card payments.

Debtor list: a list of debtor names and tax identification numbers associated with individuals or businesses that owe money to a state agency. The debtor list is limited to debts assigned to, or originating within, the Department of Revenue (DOR) for collections. Debtors exempt from garnishment, as defined by DOR, are not included in the debtor list.

Delinquent debt: an account receivable for which the state agency did not receive payment by the original due date.

Liquidated debt: an account receivable for which the debtor was provided notification of the debt amount and an opportunity to dispute the debt. The complete definition of liquidated is available in [OAM 35.30.30](#).

Vendor: for purposes of this OAM only, any entity or individual that receives a payment or distribution from a state agency is considered a vendor.

Click here for other [definitions](#).

EXCLUSIONS AND SPECIAL SITUATIONS

Payment of federal grant moneys, whether issued to contractors or sub-recipients as defined in [OAM 30.40.00](#), are not subject to garnishment.

The requirements of this policy do not apply to suspense accounts used to deposit receipts temporarily pending the determination of the proper account or accounts where the deposits should be posted.

POLICY:

101. Agency management must ensure that agency personnel employ appropriate practices in the collection of accounts receivable.
102. The State's policy is to make reasonable efforts to recoup debts owed to the state by reducing payments to **vendors**, where allowed by state and federal laws and regulations, who owe the state debt using an **administrative hold** and garnishment process.
103. Agency management is responsible for determining whether a **vendor** payment shall be garnished. Further, agency management shall apply good judgment and independent thinking when determining not to garnish a **vendor** payment where otherwise allowed by law or regulation. When agency management determines that it will not garnish a **vendor** payment the agency must document the basis for its decision.

PROCEDURES:

104. DOR shall establish separate interagency agreements (IAA) with DAS Financial Business Systems (FBS), and each agency that interfaces summary level accounts payable activity into SFMA, to allow for the exchange of the **debtor list**. The IAA shall include, at a minimum, provisions associated with disclosure of confidential information, data storage, and **debtor list** file format.
105. Daily DOR shall create and provide a **debtor list** for state agencies that have established IAAs to perform a data match between **vendors** and debts owed to the state.
106. FBS shall conduct a data match between SFMA **vendors** and the **debtor list** on a daily basis and inactivate affected **vendor** profiles to prevent the issuance of payments to **vendors** who owe money to the state.
107. Agencies that interface summary level accounts payable activity into SFMA shall conduct a data match between agency **vendors** and the **debtor list** to prevent the issuance of payments to **vendors** who owe money to the state.
 - a. The recommended data match frequency is on a daily basis, however, agencies that interface summary level accounts payable activity into SFMA may choose a data match frequency that makes business sense to them while being cognizant of **ORS 293.254(1)**, which directs Executive Branch agencies to reduce payments to vendors to recover debts owed by those vendors.
 - b. In the event an agency chooses a data match that is less frequent than daily, they must document the rationale and obtain approvals within their agency as appropriate.
108. DOR, in partnership with state agencies, shall develop and maintain a mechanism for state agencies to notify DOR when a payment is due to a **vendor** included on the **debtor list**.
109. When payment is due to a **vendor** who owes money to the state, the paying agency shall notify DOR of the pending payment using the mechanism identified in paragraph 110. Agencies shall place the **vendor** payment on an **administrative hold** pending response from DOR.

110. DOR shall review agency **vendor** match notifications on a daily basis and respond, electronically, to the paying agency no later than five (5) business days from the date of the initial notification.
111. As part of the review process, DOR shall identify any Federal Employer Identification Number (FEIN) / Social Security Number (SSN) and name mismatches and work with FBS, or each agency that interfaces summary level accounts payable activity into SFMA, to determine the correct FEIN / SSN and name combination. DOR shall research and resolve the FEIN / SSN and name mismatches, or remove them from the **debtor list**, within three (3) business days from the date the mismatch was identified.
112. The paying agency shall process the **vendor** payment in accordance with the response provided by DOR (e.g. garnishment) and standard accounts payable transaction processing.
113. Agencies that do not receive a response from DOR within the timeline referenced in paragraph 110 shall immediately remit the payment referenced in paragraph 109 directly to the **vendor**.
114. Upon receipt of a garnishment, the paying agency shall issue payment, up to the value of the garnishment, using the vendor's FEIN or SSN and made payable to the "Department of Revenue".
 - a. It is essential that the name "Department of Revenue" be identified as the payee rather than the acronym DOR.
 - b. It is also essential that the garnishment ID number, as provided in the garnishment letter, is visible on the face of the check or payment stub. This is achieved with payments issued from SFMA by including the garnishment ID in the SFMA invoice description field.
115. If the payment referenced in paragraph 111 is in excess of the garnishment, the paying agency shall issue the remaining payment balance using the **vendor's** FEIN or SSN and made payable to the **vendor**.
116. After the paying agency issues payment in response to DOR's garnishment letter, this specific garnishment is complete. If the agency has subsequent payments for the same vendor and the SFMA vendor profile is inactive and includes the notation "Please contact DOR", the paying agency must send a new notification to DOR for each additional payment owed to the inactive vendor. Agencies shall not submit multiple payments to DOR in response to a single garnishment letter.
117. Agencies are responsible for retaining garnishment records issued pursuant to this policy per the general records retention schedule documented in **Oregon Administrative Rule 166-300-0025(44)**.
118. Garnishment-related **vendor** disputes shall be directed to DOR as outlined in the garnishment letter. DOR will review and respond to all debtor disputes associated with **vendor** payments garnished per the procedures defined within this policy.
119. DOR shall establish internal procedures to ensure **vendor** payments directed to DOR as referenced in paragraph 116, are applied to the debtor's account and removed from the **debtor list** timely.

Alternative Payment Methods

120. Annually, Statewide Accounts Receivable Management (SWARM) will run an Enterprise level report of SPOTS card transactions processed during the prior year, for the purpose of identifying vendors who received payments of \$100,000 or more. SWARM will notify the agency responsible for making the most payments to each vendor.

121. Upon notification from SWARM, these agencies will set up each applicable vendor's profile in SFMA if the profile does not already exist in SFMA. SWARM will confirm that requested applicable vendors have been set up in SFMA.
122. Agencies shall adopt a transaction payment threshold for **alternative payment methods** only, to determine when additional procedures are required before payments can be made.
 - a. The recommended threshold is \$10,000, however, agencies may choose a threshold that makes business sense to them while being cognizant of **ORS 293.254(1)**, which directs agencies to reduce payments to vendors to recover debts owed by those vendors.
 - b. In the event an agency chooses a threshold other than \$10,000 per transaction, they must document the rationale and obtain approvals within their agency as appropriate. The approved rationale shall be provided to SWARM within 30 days of approval.
123. Agencies preparing to make payments using **alternative payment methods** that are above their agency's determined threshold, must first check the SFMA vendor's profile.
124. If the SFMA vendor's profile status is active or the vendor is not in SFMA, the agency may proceed with issuing payment to the vendor using **alternative payment methods**. Please refer to [OAM 55.30.00](#) for guidance on making payments using the SPOTS card.
125. If the SFMA vendor's profile status is inactive and includes the notation "Please contact DOR", the paying agency shall notify DOR of the pending payment using the mechanism identified in paragraph 110. Agencies shall place the **vendor** payment on an **administrative hold** pending response from DOR.
126. If DOR returns a garnishment, the agency must issue payment via the warrant process to DOR through SFMA or **alternative payment method**. Please note that payment may not be made to DOR using the SPOTS card. The agency's payment to DOR must be in accordance with paragraphs 114 and 115.
127. If DOR directs the agency to proceed with issuing payment to the vendor or if the agency does not receive a response from DOR within the timeline referenced in paragraph 110, the agency may issue payment to the vendor, whether via an **alternative payment method** or warrant.

REPORTING REQUIREMENTS

128. Agencies that interface summary level accounts payable activity into SFMA and have agreements with DOR as identified in paragraph 104 are required to report to SWARM the following monthly information:
 - a. Number garnishment payments issued to Department of Revenue pursuant to this OAM.
 - b. Total dollar amount of garnishment payments issued to Department of Revenue pursuant to this OAM.
129. DOR shall report to the SWARM the following information on a semi-annual basis as defined in paragraph 130:
 - a. Number of notifications received as referenced in paragraph 110.
 - b. Number of garnishments issued based on the notifications received.
 - c. Number of days to respond to notifications received as referenced in paragraph 111.
 - d. Number and total dollar value of **vendor** payments received under paragraph 114, summarized by agency for those agencies where summary information will not lead to potential disclosure of taxpayer information.

130. DOR shall submit the report referenced in paragraph 129 as follows:

Reporting period

July 1-December 31
January 1-June 30

Due Date

January 31
July 31