

STATE CONTROLLER'S DIVISION
Statewide Accounts Receivable Management

STRATEGIC PLAN

Liquidated and Delinquent Accounts FY2004

Analysis of the Legislative Fiscal Office
Report on Liquidated and Delinquent Accounts

*A discussion of the areas state agencies should monitor,
and recommended actions to improve collection efficiencies.*

Accounts Receivable Core Committee (ARCC)
July 2005

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ACKNOWLEDGEMENTS

DEFINITIONS

Strategic Plan

Statewide Accounts Receivable Management (SWARM)

Based on the LFO Liquidated and Delinquent Report

July 2005

Executive Summary

Summary of Findings

- For FY (Fiscal Year) 2004, the combined efforts of state agencies, Other Agency Accounts (OAA) unit, and Private Collection Firms (PCF) collected \$251,911,889 and produced a collection rate of 13.10% for liquidated and delinquent accounts. The collection rate for FY 2003 was 13.09%.
- The current Account Turnover Rate (ATR) of 107.31% demonstrates state agencies are more efficiently moving accounts through the collection pipeline. Additionally, the number of delinquent accounts dropped statewide by 88,755. This suggests that more accounts are paying timely and less moving into a liquidated and delinquent status.
- In FY 2004, 87% of state agencies reported their liquidated and delinquent account status to the Legislative Fiscal Office (LFO).
- Of the approximately \$393 million in interagency receivables shown in the 2004 CAFR, \$521,173 is reflected in the LFO Report as liquidated and delinquent. Interagency accounts receivable is less than 1% of the total liquidated and delinquent debts reported to the LFO. This ratio illustrates that, overall, agencies continue to effectively manage the process of paying interagency receivables on a timely basis.
- State agencies in collection activity exchange information and ideas at monthly Accounts Receivable Core Committee (ARCC) meetings, vendor fairs and meetings involving the PCF's. In addition, the Statewide Accounts Receivable Management Coordinator (SWARM) is a resource to legislators, PCF's, and the public in general, in sharing knowledge and understanding of the state's collection and receivable practices.

Plan Purpose

- Provide analysis of the data presented in the LFO Report on Liquidated and Delinquent Accounts.
- Discuss areas to be monitored and recommend actions that may be taken to improve collection efficiencies.
- The plan addresses **five areas of observation** that were identified in the 2004 LFO report as areas for attention. These areas are:
 - ✓ Collection Effectiveness
 - ✓ Account Assignment Pipeline
 - ✓ Reporting Efficiency
 - ✓ Interagency Receivables
 - ✓ Communication Effectiveness

Background

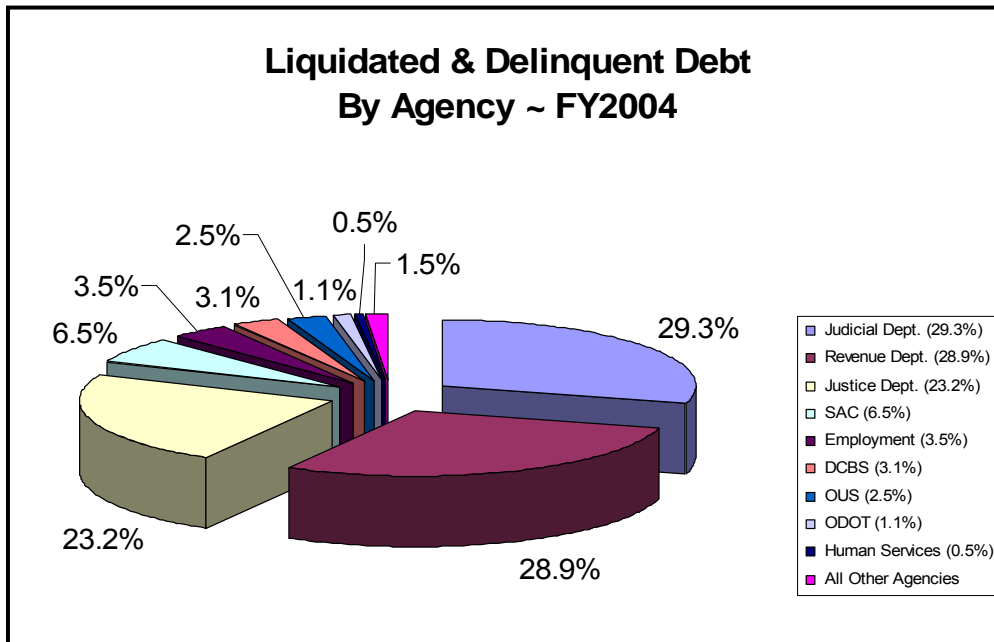
This Strategic Plan contains information submitted by state agencies to the LFO for the last three years. Reporting requirements imposed by law require state agencies to track the character of their receivables based on several considerations:

- Is the debt delinquent?
- Is the debt liquidated and was a hearing requested?
- Is there cause for the account to be placed in exempt status?
- Is the exempt status temporary or permanent?
- How long has the account been liquidated and delinquent?
- What is the date of the last payment?
- Has the account been submitted to OAA unit or a PCF?
- Is the account at a status that would suggest it should be written-off?

Each question needs to be answered periodically so the account will continue moving through the assignment pipeline and to properly report its status to the LFO each year by October 1st.

TYPE OF DEBT

FIGURE 1



Oregon Judicial Department – 29.3% of total debt

Judicial Department liquidated and delinquent debt includes fines, fees, assessments, restitution and recovery of court-appointed counsel amounts ordered by the court as part of the judgment. Amounts due are sanctions imposed pursuant to law. Ability to pay is not a primary consideration. Outstanding amounts due are owed by individuals who are unable to pay in full at the time the final judgment is issued. Debtors may be incarcerated, transient or unemployed. The ability to take collection actions for amounts ordered in criminal cases expires 20 years after entry of judgment. Recipients of amounts collected are primarily state and local government and crime victims.

Department of Revenue – 28.9% of total debt

Debt balances managed by the Department of Revenue (DOR) are comprised of taxes or fees, along with any accompanying penalties and/or interest, owed the State by individuals or businesses. This debt is primarily general fund money. The majority of the debt managed by DOR is Personal Income tax owed by residents and non-residents who earn income in Oregon. The Personal Income tax debt is comprised of taxes owed as reported by taxpayers and compliance assessments initiated by the department.

Department of Justice – 23.2% of total debt

Department of Justice (DOJ) debt is comprised primarily of court judgments from the Financial Fraud section, punitive damages awarded to the Crime Victims Assistance Section (CVAS), and child support recoveries, the majority of which is owed to the federal government. In the 2004 report to LFO, DOJ reported a significant increase in liquidated and delinquent accounts from the prior year due to the transfer of the child support program from DHS on July 1, 2003.

Additional Background

On December 15, 2004, the LFO released their “Report on Liquidated and Delinquent Accounts Receivable” for the fiscal year ending June 30, 2004. The 2004 LFO report, required by ORS 293.229, is the fifth compilation of data supplied by state agencies under the law.

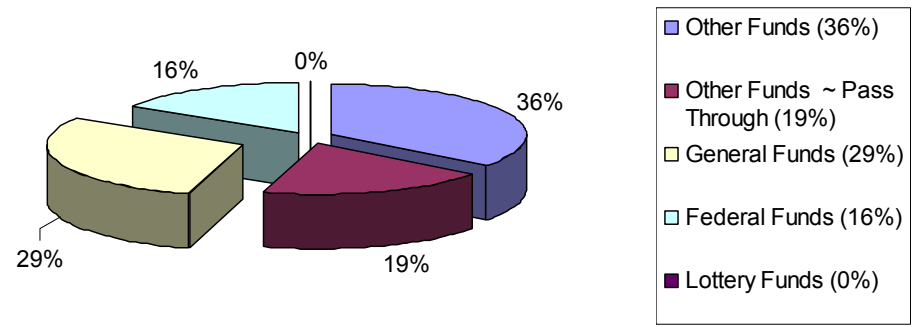
Oregon’s collection rates remained stable, however, the economic situation will continue to impact collection of liquidated and delinquent accounts. Due to the improving economic environment, collection rates are expected to improve by June 2006.

The ARCC Strategic Planning sub-committee is comprised of representatives from state agencies who meet annually to analyze the data submitted to LFO and to prepare this Strategic Plan. The ARCC makes recommendations for improvements that state agencies and the SWARM Coordinator can take to maximize the return on state resources and further improve debt collection practices. The ARCC members continue strategizing to improve statewide accounts receivable management.

FIGURE 2

Figure 2 shows the allocation of the FY2004 liquidated and delinquent debt. Approximately one-third of the debt (if collected) would go to the General Fund. The balance will be applied as shown.

Liquidated and Delinquent Debt by Fund Type



Collection Effectiveness

OVERVIEW

Tables I, II, III, and IV include data regarding all State Agency liquidated and delinquent accounts reported to LFO as required by ORS 293.229 and ORS 1.195. Further break down of data from prior year to current year's information is provided in Appendices III, IV, V and VI.

TABLE I

Table I represents all liquidated and delinquent accounts reported by state agencies, including those being worked by OAA and PCFs.

State of Oregon Liquidated and Delinquent Accounts

June 30, 2004

	<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1. Beginning Balance	1,302,571	\$1,299,788,836
2. Additions	466,061	***\$623,045,679
3. Collections		(\$251,911,889)
4. Accounts Closed	(408,156)	
5. Write-Offs	(44,953)	(\$70,650,925)
6. Adjustments		(\$83,431,561)
7. Reversals	<u>(101,707)</u>	<u>***(\$19,510,386)</u>
8. Ending Balance	<u>1,213,816</u>	<u>\$ 1,497,329,754</u>

***LFO Data adjusted to reflect reporting responsibility shift of DCS A/Rs from DHS to DOJ. (~\$238 million)

Statewide Dollar
Collection Rate

$$\frac{251,911,889}{(\$1,299,788,836 + \$623,045,679)} = 13.10\%$$

The *Dollar Collection Rate* is calculated by using collections divided by the beginning balance plus additions. The overall Dollar Collection Rate is roughly 13% of total liquidated and delinquent accounts for the fiscal year ending June 30, 2004.

TABLE II

Table II data represents liquidated and delinquent accounts being pursued by OAA:

**Other Agency Accounts Unit
June 30, 2004**

	<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1. Beginning Balance	324,225	\$199,620,826
2. Additions		\$101,669,024
3. Collections*		(\$21,232,492)
4. Returned		(\$78,014,427)
5. Ending Balance	<u>296,749</u>	<u>\$ 202,042,931</u>

* This figure represents only unrestricted dollars transferred to state agencies by June 30, 2004.

OAA Dollar
Collection Rate

$$\frac{\$21,232,492}{(\$199,620,826 + \$101,669,024)} = 7.05\%$$

TABLE III

Table III data represents liquidated and delinquent accounts being pursued by PCFs:

**Private Collection Firms
June 30, 2004**

	<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1. Beginning Balance	400,735	\$316,347,131
2. Additions		\$163,373,335
3. Collections		(\$11,759,793)
4. Returned		(\$84,201,120)
5. Ending Balance	<u>506,536</u>	<u>\$383,759,553</u>

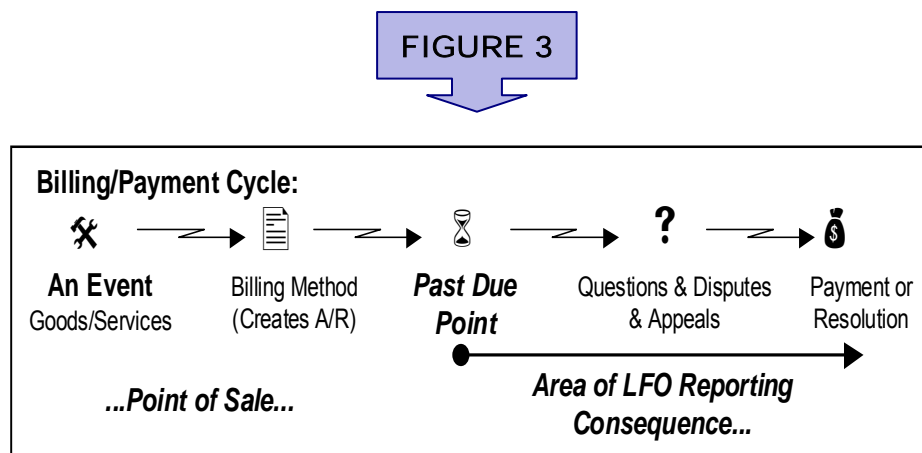
PCF Dollar
Collection Rate

$$\frac{\$11,759,793}{(\$316,347,131 + \$163,373,335)} = 2.45\%$$

DISCUSSION

The state agency *Dollar Collection Rate* on liquidated and delinquent accounts for FY2004 was 19.17% (App VI). This represents the relative ability to collect the maturing liquidated and delinquent accounts. It also measures how much of the balance of accounts worked by state agencies is being converted into dollars.

Billing/Payment Cycle – To reduce the number and amount of accounts receivable owed to the state, it is important to look at the way the state does business and when payment for services or goods is required. Figure 3 illustrates this process. To improve the collection process, the state must consider what options are offered to pay for a service and the methods used to provide the service. If the customer is given options to pay for services, such as cash, credit card, check, ACH, or online, it enhances the agency’s chance to obtain a payment and may eliminate the need to set up an account receivable. Most often, state agencies do not have the option to deny services or to perform credit checks.



PLAN OBJECTIVES

State Agencies

- Be creative in working with their collection partners to find efficiencies and make necessary changes in processes that will improve collection efforts.
- Actively monitor contracted private collection firms’ collection efforts.
- Develop, document, and implement a debt collection activity schedule using [OAM 35.20.20.PR](#) as a guide.
- Encourage state agencies with collections unit personnel to initiate telephone contact with debtors.
- Agencies with collection units review the cost and benefits of their collection activity and take steps to reduce workload or increase staffing, or both, with the goal of improving the frequency and timeliness of collection
- Explore electronic payment options to facilitate collection efforts.
- Develop and document agency collection performance measures.

- Explore and/or implement automated methods that define and prioritize the most collectible types of accounts. Gain knowledge of return on investment and anticipated resource needs to implement automation.
- Review accounts returned by private collection firms as prescribed by [OAM 35.30.40PR](#).

Other Agency Accounts Unit

- Ensure appropriate collection activity occurs on all accounts turned over from state agencies.
- State agencies may refer a second time to OAA after accounts are returned from private collection firms.

SWARM

- Provide quarterly training to improve agencies' collection.

Private Collection Firms

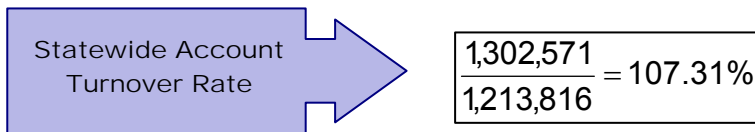
- Explore electronic payment options to facilitate collection efforts.
- Ensure appropriate staffing is maintained, based on the volume of accounts assigned.

Account Assignment Pipeline

OVERVIEW

The Account Turnover Rate is an indication of how well accounts are moving through the account assignment pipeline, which allows state agencies to monitor the collection progress of reducing their receivables.

The account assignment pipeline includes collection efforts at state agencies, referrals to OAA, and referral to PCFs.



The Account Turnover Rate is calculated by dividing the beginning number of accounts by the ending number of accounts. The current rate of 107.31% demonstrates state agencies are more efficiently moving accounts through the collection pipeline. In total, the number of delinquent accounts dropped statewide by 88,755. Additionally, number of new accounts added during FY 2004 was 129,811 less than FY 2003, this suggests that more accounts are paying timely and less are moving into a liquidated and delinquent status.

Partnerships with third party collection resources, such as OAA and the PCFs, are an effective way to use collection remedies available to state agencies. Using the strengths of these resources increases collections for the state and makes processes with our partners more efficient.

OAA Account
Turnover Rate

$$\frac{324,225}{296,749} = 109.3\%$$

The OAA Account Turnover Rate for FY 2004 was 109.3%. The decrease in ending inventory was the effect of OAA partnering with state agencies to focus collection resources where they would be most effective. When OAA has determined the account to have minimal resources to collect from, it is returned to the state agency for further processing in the assignment pipeline. The result is OAA is able to turn through more accounts in a shorter period of time. This allows OAA to focus in on the accounts where they can have the most impact with their available tools. OAA has extensive access to information which assists in locating debtors assets. OAA also has the ability to apply state tax refunds to delinquent debt owed to the state.

PCF Account
Turnover Rate

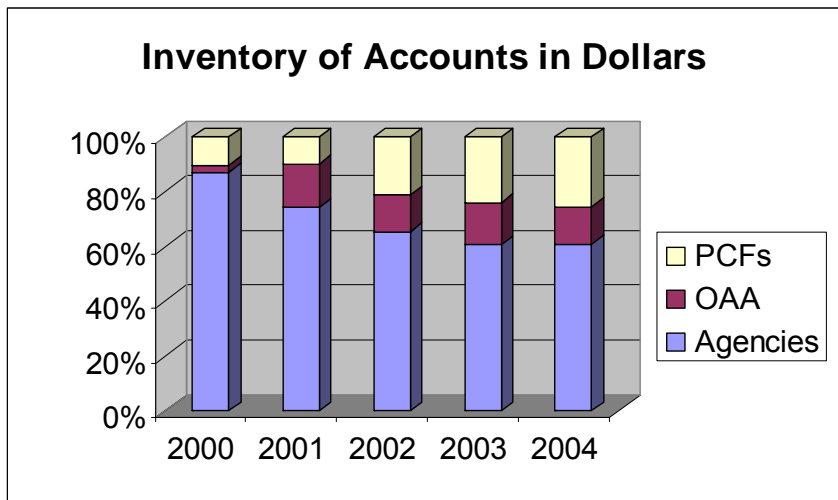
$$\frac{400,735}{506,536} = 79.1\%$$

The PCF Account Turnover Rate for FY 2004 was 79.1%. Inventory at the PCFs increased by 26.4% in FY 2004. This increase is reflective of accounts moving from OAA on to the PCF. This increase is also largely impacted by the rate at which the private collection firms have returned uncollectible accounts to the state agency. State agencies are working with private collection firms to determine which accounts are uncollectible so they can be moved along in the assignment pipeline. PCF's may report debt to credit bureaus, and have other tools including databases to locate debtors.

DISCUSSION

Figure 4 shows that the percentage of inventory being worked at the state agencies and OAA is decreasing, while the percentage of inventory being worked by the PCF's continues to grow.

FIGURE 4



Inventories at the PCFs have increased over the past four years. One concern that arises in regard to the movement of accounts is the ability of private collection firms to respond to the increasing workload being sent to them. State agencies should work closely with their PCF to ensure there is adequate coverage on their agency's accounts.

There are currently eleven PCFs under master contract with the state. To use the current collection master contract, each state agency is required to establish a written agreement with a PCF of their choice.

PLAN OBJECTIVES

- Account turnover rate should be greater than 100% statewide, at the Other Agency Accounts unit and PCFs.
- State agencies will need to work with private collection firms to identify uncollectible cases to be returned to state agencies for further processing.

State Agencies

- Improve automated assignment to and returns of accounts from both the Other Agency Accounts unit and private collection firms.
- Review agency systems and practices to ensure agency is meeting the account turnover deadlines imposed by statute.
- Review and understand the current collection master contract and obtain a current PO agreement with a private collection firm under the master contract.

SWARM

- Complete and refine OAMs that impact the account assignment process, taking into account changes in technologies.

Private Collection Firms

- Attempt to establish 'reasonable' time periods (per collections master contract section I.6.5) for return of uncollectible accounts to state agencies. Ensure the agreed upon time period is documented (preferably on the purchase order).
- Perform monthly reconciliations to State Agencies inventories.

Reporting Efficiency

OVERVIEW

All state agencies are required to report the status of their liquidated and delinquent accounts to the Legislative Fiscal Office unless exempted by Oregon Revised Statutes.

TABLE V

Table V shows the agency reporting results for FY 2004.

Summary of Reporting Results

Agencies reporting no accounts	54	37.8%
Agencies reporting accounts	54	37.8%
Exempt agencies not reporting	16	11.2%
Agencies that did not report	<u>19</u>	<u>13.3%</u>
Total	143	100%

FY 2004 is the second year that some state agencies required to report did not submit reports. The number of such agencies in FY 2004 is nineteen, as compared to eight such agencies in FY 2003.

Other Agency Accounts Reporting Requirements

Per [OAM 35.30.30.PR](#), the Department of Revenue will send the following reports to each state agency on a monthly basis:

- All payments received on assigned accounts
- Account listing for unrestricted assignments; the dollar amounts due, and the current status of each account.
- Reversed Unrestricted Liabilities Report
- New Liabilities Report
- Deleted Suspense Transactions Report
- Aging of Unrestricted Liabilities Report
- Charge Balance Report- transactions posted to change an account balance.
- Accounts at Zero Balance Report

Private Collection Firm Reporting Requirements

PCF's are required by the master contract to submit four reports on a regular basis. The first three reports are to be sent to the state agencies which have turned over liquidated and delinquent accounts to a private collection firm. These reports include a monthly inventory report, a semi-monthly gross remittal report and a monthly returned accounts report.

The fourth report is a quarterly Volume Sales Report to be sent to the Department of Administrative Services' Statewide Procurement Office (SPO) and SWARM. SWARM and SPO track these reports for timeliness.

Any additional reports as requested by DAS are required under the contract.

DISCUSSION

In FY 2002, the LFO reporting process was modified to break "Other Funds" into two separate categories. The two categories are Other Funds and Other Funds Pass Through. This allows improved data analysis of funds actually owed to the state for state purposes as opposed to those funds owed to the state that must be passed on, such as restitution. This year's report shows a total of approximately \$672 million in Other Funds collected.

An updated LFO reporting manual was available both in print and on the SWARM website.¹ State agencies were offered training to review reporting modifications and to assist staff new to the reporting process.

PLAN OBJECTIVES

State Agencies

- Unless statutorily exempt, accurately report their liquidated and delinquent account status to the LFO not later than October 1st of each year per ORS 293.229.
- Use collection benchmarks and performance measures for comparability to programs in other states, similar agencies, etc.

Other Agency Accounts Unit

- Expand the implementation of automated data transfers and reports with partner state agencies.
- Review OAM's referencing OAA's reporting requirements and suggest changes.

Private Collection Firms

- Meet all reporting requirements as detailed in the master contract and Purchase Order Agreements.
- Maintain and report accurate and complete information consistent with agency records.

SWARM

- Investigate all agencies, commissions, etc., that were listed as non-reporting on the FY 2004 LFO report as to why they did not report and what they will do this year to ensure their agency's report is submitted.

¹ The address for this website is: <http://egov.oregon.gov/DAS/SCD/SRS/arcc.shtml>

- Develop a monthly activity report format for Other Agency Accounts unit and private collection firms to use in reporting their efforts to state agencies.
- Provide training for consistencies to year-to-year LFO reporting processes, confirming agencies are appropriately reporting dollars collected at Other Agency Accounts and private collection firms.
- Oversee a systematic process for evaluating the performance of private collection agencies, including the submission of timely reports under the master contract with the state.

Interagency Receivables

OVERVIEW

The FY2004 LFO Report shows higher interagency delinquencies than FY2003. The amount liquidated and delinquent from interagency receivables is approximately \$521,173, a \$277,741 increase from FY2003. Of this difference \$92,000 was not an actual increase, but rather a correction of an understatement from FY2003.

Of the approximately \$393 million in interagency receivables shown in the 2004 CAFR, \$521,173 is reflected in the LFO Report as liquidated and delinquent. Interagency accounts receivable is less than 1% of the total liquidated and delinquent debts reported to the LFO. This ratio illustrates that, overall, agencies continue to effectively manage the process of paying interagency receivables on a timely basis.

DISCUSSION

There are always going to be interagency receivables throughout the year. At any point in time, the total of these receivables may be more or less depending upon the volume of goods and services provided between agencies and the business cycle, which facilitates prompt payment.

These factors combined with cash flow and funding continue to play a role in interagency accounts receivable remaining at year-end. While two additional agencies reported a balance for 2004, four agencies eliminated their balances from FY2003. Two of the three agencies reporting an increase from 2003 share the majority of the overall increase.

OAM chapter applicable to Interagency Receivables include:

- [OAM 35.60.10](#) provides policies and procedures describing state agency responsibilities when issuing and paying invoices between agencies.
- [OAM 35.60.20](#) provides policies and procedures to state agencies to implement progressive actions to effect prompt payment on interagency receivables.
- [OAM 35.60.20](#) provides policies and procedures for state agencies to use in bringing a conclusion to an interagency billing/payment dispute.

PLAN OBJECTIVES

Billing agencies and debtor agencies must comply with the provisions established in [OAM 15.45.10](#). Compliance will result in elimination of delinquent interagency receivables.

State Agencies

- Increase use of electronic transfers to move monies between agencies.

SWARM

- In concert with ARCC, evaluate efficiency of Interagency Receivable processes and procedures. Update as appropriate.
- Follow up quarterly with agencies reporting high interagency receivable balances.

Communication Effectiveness

OVERVIEW

SWARM has provided the following training sessions this year:

- Annual LFO Reporting Process
- Estate Collections
- Bankruptcy Process

State agencies exchange information and ideas at monthly ARCC meetings, vendor fairs and meetings involving the PCF's. SWARM compiles and monitors feedback on the PCF performance evaluation assessment process that is used by the participating agencies. This performance data is shared with the state agencies and shows year-to-year, and PCF-to-PCF comparability.

DISCUSSION

The Accounts Receivable Core Committee (ARCC) is chaired by the SWARM coordinator, and its membership is made up of state agencies involved in collection activity. Through this committee SWARM has developed a communication pipeline for its members. In addition, SWARM is a resource to legislators, PCF's, and the public in general, in sharing knowledge and understanding of the state's collection and receivable practices. ARCC and SWARM have jointly expanded communications as follows:

- ARCC meetings – Monthly meetings provide a forum for agency staff to discuss and share their concerns and ideas and to develop action plans to improve the receivable and collection practices of the state.
- Legislative coordination – ARCC solicits input from agency staff on legislative concepts that could improve collection and receivable practices. Concepts that are approved by ARCC are developed, and then proposed and managed by DAS.
- SWARM website – Information is available on collections and receivables, with links to the statewide collection master contract, information on the contracted PCF's, OAM's being reviewed and/or updated, the annual LFO reporting process manual, liquidated and delinquent accounts receivable information, and much more.
- Training – SWARM provides training sessions for agency staff in the area of receivables and collection practices.

PLAN OBJECTIVES

- Providing continued education and training regarding statutes, reporting and available collection tools is helpful in assisting state agencies improve collections.
- Although debt can be very different between state agencies, the Accounts Receivable Core Committee is a forum to exchange ideas and share best practices for collection of liquidated and delinquent accounts.

State Agencies

- Ensure private collection firms are aware of issues surrounding the types of accounts they are collecting.
- Notify SWARM of private collection agencies reporting defaults under the contract.
- Routinely evaluate PCF(s) performance using the SWARM evaluation process.
- Increase knowledge of collection and accounting practices relating to the recovery of liquidated and delinquent accounts, and gain understanding of their agency's statutory collection authority, policies and procedures. Train agency staff on this information.
- Keep SWARM informed of key changes of accounts receivable/collections staff.
- Network with participating state agencies to share 'best practices' to make the collection process more productive.
- Develop, publish, and train agency staff on the Single Overriding Communication Objective (SOCO) (Appendix I) for agency collection efforts.
- Communicate challenges in ARCC to solicit possible solutions from other agencies or SWARM.

SWARM

- Provide feedback and suggestions to Other Agency Accounts unit and private collection firms.
- Expand use of the SWARM website to distribute information, notify agencies of training opportunities, and solicit new ideas and concepts.
- Distribute collection industry news articles related to accounts receivable that offer insight into best collection practices.
- Find creative ways to facilitate ideas.

Other Agency Accounts Unit

- Visit client agencies to present training on current or new processes, and to respond to customer needs.
- Conduct annual survey with client agencies to ensure customer service levels are met or exceeded.

Private Collection Firms

- Implement and communicate point of contact information to state agencies and SWARM. Immediately notify both agency contact and SWARM of any changes.
- Respond to state agency inquiries within 24 hours.

Factors in Collecting Delinquent Debts

Economic Outlook – *Summary of Recent Trends* – The 2004 fourth quarter initial revised estimate of job growth was a 3.4% annual rate over the third quarter. This follows an increase of 2.2% in the third quarter. The year 2004 has been the first year since 2000 to have all quarters with positive job growth. On an annual average basis the year 2004 finished with job gains of 2.0%, a welcome sign after three consecutive years of job losses. On a Y/Y (year over year) basis, jobs increased in the fourth quarter by 3.0%. The job growth has been positive Y/Y since the first quarter of 2004.

The most recent Blue Chip Job Growth rankings place Oregon 12th in the nation for Y/Y job growth. Between December 2003 and December 2004 jobs increased by 34,800 or 2.2%. A year ago, Oregon ranked 27th. Total private employment gained 12,400 jobs from the third quarter for a 3.8% increase.

Short-term Outlook – The forecasting firm, Global Insight, describes the outlook for the national economy in 2005 as “Good But Not Great”. The same phrase fits well for Oregon. Oregon is projected to move through 2005 with the mild job growth recovery continuing. The outlook is a mixture of code orange and green – cautiously optimistic. OEA (Office of Economic Analysis) forecasts employment to grow 2.1% in 2005 and 1.7% in 2006.

Extended Outlook – Personal income is forecast to grow by 5.8% in 2005, followed by growth of 5.9% in 2006 and 6.0% in 2007. The recovering economy along with a drifting up of inflation will lift personal income into 2006 and 2007. Wage and salary income will grow 6.2% in 2005 and 6.1% in 2006. Per capita income in Oregon will stay below the U.S. average in 2005. Although personal income is projected to grow faster than the U.S. average, population growth in the state will also be stronger. This will essentially keep the gap stable in per capita income between Oregon and U.S. average.

LIQUIDATED AND DELINQUENT ACCOUNTS COLLECTION STRATEGIC PLANNING FORM

As stated in the Plan Objectives for Communication Effectiveness, each state agency should have a Single Overriding Communication Objective (SOCO) in place for their collections efforts. A suggested format is provided in this appendix. The Liquidated and Delinquent Accounts Collection Strategic Planning form, when jointly prepared by collection staff, accounting staff and management, can serve as an instrument for agency discussion, planning, and decision-making. The annual collection and evaluation of data in this format creates a valuable management tool.

The form can serve many purposes. It can assist agencies when responding to questions from the media or the legislature. With a copy of the form provided to the agency's legislative coordinator and public relations contact, it could serve as an educational tool and as a reference document for future inquiries. To remain effective, it must be kept current.

The form should be used by state agencies in an effort to communicate their collection recovery success. It offers state agencies a series of informational points to explain and promote their agency's collection performance. The following points make up the form:

SOCO (Single Overriding Communication Objective)

Sum up the agency's collection objective with regard to customer service.

Agency Mission

What is the agency's mission in regard to collections?

Revenue/Fund/Activity Perspective

Are the recovered funds general fund, other fund, etc.? What activities are supported by the funds collected?

Clients, Customers, Constituency

Describe the agency's clients and debtors.

Collection Rates

Choose the rate or rates that permit the best comparability. Consider year-to-year comparability and comparisons to other agencies, even comparable agencies in other states.

Staffing Perspective

Provide an overview of staffing characteristics and include information like: dollars collected per FTE, calls handled per year, etc.

Benchmarks/Performance Measures

What are the agency's benchmarks and performance measures for their collection efforts?

5-Year History

Collection Rates, Turnover Rates, Average Days Outstanding.

Trends

What trends is the agency seeing as a result of their collection efforts?

[Agency]
Single Overriding Communications Objective (SOCO)
for Liquidated and Delinquent Accounts Collection Efforts

SOCO (Single Overriding Communication Objective)

Our agency seeks high collection standards and quality customer services...

Agency Mission

Our agency's mission is to [do good things with the money we have collected.]

Revenue/Fund/Activity Perspective

Our agency collects \$X million of [Other Fund] monies that provide [X type of Services]

Clients, Customers, Constituency

Our agency works with everyday Oregonians that...

Collection Rates (Choose one or more)

- L&D Rate: $\text{Collections} \div (\text{Beg. Balance} + \text{Additions})$
- Paid Timely Rate: ???
- Avg. Days A/R Outstanding: $\text{AR} \div (\text{Revenue} \div 365)$
- Delinquency Rate: ???
- Turnover Rate: $(\text{Beginning Account Balance} \div \text{Ending Account Balance})$
- Cost of Collection: ??? (Total Direct Costs + Total Indirect Costs = Total Cost of Collection.)

Staffing Perspective

- We have X full time collectors on staff and a collection manager.
- They each collect about \$X millions per year.
- That means our agency spends less than 12¢ per dollar collected on these LIQUIDATED AND DELINQUENT accounts. (Use the "Cost of Collection" ÷ Amount Collected.)

Benchmarks/Performance Measures

- Our agency does X – this is comparable with agencies in other states that do X amount of volume (Revenue dollars, A/R collections, Delinquent rate, etc.)
- Are you part of a national organization that performs state comparisons?

5-Year History

	2000	2001	2002	2003	2004
Collection Rate	X%	X%	X%	X%	X%
Turnover Rate	X%	X%	X%	X%	X%
Average Days	X%	X%	X%	X%	X%
Outstanding	X%	X%	X%	X%	X%

Trends

Overall trends indicate...

THE FOLLOWING REFERENCES MAY BE FOUND ON THE WEB

- The **SWARM** (Statewide Accounts Receivable Management) website is used to inform state agencies about receivable and collection issues, LFO reporting, training, presentations, meetings, etc.
<http://www.oregon.gov/DAS/SCD/SRS/arcc.shtml>
- The SWARM website maintains a special web page to display and track the progress of **proposed additions to the Oregon Accounting Manual (OAM)** regarding accounts receivable and collections. This web page displays the formally adopted OAM policies and procedures as well as the current draft formats of OAM policies and procedures that are committee work-in-progress.
<http://www.oregon.gov/DAS/SCD/SRS/policies.shtml>
- ORS 293.229 requires the Legislative Fiscal Office to produce an annual report by December 31 of each year for the legislature. These reports, entitled **Report on Delinquent and Liquidated Accounts Receivable**, offer a view of the state's liquidated and delinquent accounts.
<http://www.oregon.gov/DAS/SCD/SRS/lfo.shtml>
- The **Collection Contract Firms website** provides specific information about the statewide collection master contract. It includes a complete copy of the master contract along with the name, biography, address, email address, phone number and an individual link to each of the eleven collection firms who were awarded a master contract as of November 15, 2002.
<http://www.oregon.gov/DAS/SCD/SRS/pcf.shtml>
- Referred to as the **Unlawful Debt Collection Practices Act**, ORS 646.639 et. seq. provides Oregon with laws regarding unlawful debt collection practices. This law, coupled with the guidelines provided in the OAMs, furnishes state agencies the boundaries for lawful collection policies.
<http://www.leg.state.or.us/ors/646.html>
- The **Federal Trade Commission administers the Fair Debt Collection Practices Act**. For information on this and other consumer and business issues.
<http://www.ftc.gov/os/statutes/fdcpajump.htm>
- The **ACA International website** is a resource guide built to educate consumers, business professionals and the media about the credit and collection industry. The ACA International is an international trade organization of credit and collection professionals that provide a variety of accounts receivable management services to over one million credit grantors. It was formerly known as the American Collectors Association.
<http://www.collector.com/>
- The **Skip Tracing website** is a new resource added to assist agencies in searching for debtors who have left without leaving a forwarding address. It is a reference guide, but is not intended to be the only source for online search resources available to agencies.
<http://www.oregon.gov/DAS/SCD/SRS/skiptrace.shtml>

Appendix III

This table represents a comparison of all accounts reported by state agencies, even those being worked by the Other Agency Accounts unit and private collection firms:

OVERALL COLLECTION RESULTS				
		June 30, 2002	June 30, 2003	June 30, 2004
Total Dollar Value of Liquidated and Delinquent Accounts	Beginning	\$1,093,218,881	\$1,193,738,705	\$1,299,788,836
	Additions	422,673,778	481,052,574	623,045,679
	Collections	(208,557,450)	(219,160,707)	(251,911,889)
	Write-Offs	(36,079,710)	(44,960,638)	(70,650,925)
	Adjustments	(113,460,491)	(53,458,019)	(83,431,561)
	Reversals	(1,027,076)	(56,987,454)	(19,510,386)
	Ending Balance	<u>\$1,156,767,932</u>	<u>\$1,300,224,461</u>	<u>\$1,497,329,754</u>
Total Number of Liquidated and Delinquent Accounts	Beginning	993,654	1,008,067	1,302,571
	Additions	364,476	595,872	466,061
	Accounts Closed	(225,355)	(255,050)	(408,156)
	Write-Offs	(42,783)	(26,576)	(44,953)
	Reversals	(106,969)	(21,011)	(101,707)
	Ending Balance	<u>983,023</u>	<u>1,301,302</u>	<u>1,213,816</u>
Overall Collection Rate		13.76%	13.09%	13.10%
Overall Account Turnover Rate		101.1%	77.5%	107.31%

This table represents a comparison for collections performed by OAA:

OTHER AGENCY ACCOUNTS UNIT COLLECTION RESULTS				
		June 30, 2002	June 30, 2003	June 30, 2004
<i>Dollar Value of Liquidated and Delinquent Debt at OAA</i>	Beginning Balance	\$173,781,135	\$149,344,232	\$199,620,826
	Additions	80,888,351	127,694,906	101,669,024
	Collections	(19,841,688)	(19,266,315)	(21,232,492)
	Returned	<u>(82,067,968)</u>	<u>(58,229,650)</u>	<u>(78,014,427)</u>
	Ending Balance	<u>\$152,759,830</u>	<u>\$199,543,173</u>	<u>\$202,042,931</u>
<i>Number of Accounts</i>	Beginning Balance	330,044	267,994	324,225
	Ending Balance	<u>267,982</u>	<u>324,424</u>	<u>296,749</u>
<i>OAA Dollar Collection Rate</i>		7.79%	6.95%	7.05%
<i>OAA Account Turnover Rate</i>		123.2%	82.6%	109.3%

Appendix V

This table represents a comparison for collections performed by PCFs:

PRIVATE COLLECTION FIRM COLLECTION RESULTS				
		June 30, 2002	June 30, 2003	June 30, 2004
<i>Dollar Value of Liquidated and Delinquent Debt at Private Collection Firms</i>	Beginning Balance	\$106,037,510	\$245,581,418	\$316,347,131
	Additions	168,122,410	153,633,180	163,373,335
	Collections	(5,088,516)	(8,040,050)	(11,759,793)
	Returned	<u>(23,297,261)</u>	<u>(79,019,887)</u>	<u>(84,201,120)</u>
	Ending Balance	<u>\$245,774,143</u>	<u>\$312,154,661</u>	<u>\$383,759,553</u>
<i>Number of Accounts</i>	Beginning Balance	78,299	217,411	400,735
	Ending Balance	<u>219,320</u>	<u>345,057</u>	<u>506,536</u>
<i>PCF Dollar Collection Rate</i>		1.86%	2.01%	2.45%
<i>PCF Account Turnover Rate</i>		35.7%	63.0%	79.1%

Collection of the State's Liquidated and Delinquent Accounts

		2002	2003**	2004***	% of Inventory	% of Collections
Totals for All Collection Efforts	Beginning Inventory (a)	\$1,093,218,881	\$1,193,738,705	\$1,299,788,836		
	Additions	422,673,778	481,052,574	623,045,679		
	Total Available for Collection	<u>\$1,515,892,659</u>	<u>\$1,674,791,279</u>	<u>\$1,922,834,515</u>		
	Total Ending Inventory	<u>\$1,156,767,932</u>	<u>\$1,300,224,461</u>	<u>\$1,497,329,754</u>	100%	
	Total Collected (All Sources) (a)	<u>\$208,557,450</u>	<u>\$219,160,707</u>	<u>\$251,911,889</u>		100.0%
% Total Available Collected (b)	13.76%	13.09%	13.10%			
Total for State Agencies (X)	<i>Net Ending State Agency Inventory</i>	\$758,233,959	\$788,526,627	\$911,527,270	61%	
	Total Collected	<u>\$183,627,246</u>	<u>\$191,854,342</u>	<u>\$218,919,604</u>		86.90%
	% Total Available Collected	18.60%	19.21%	19.17%		
Totals for Other Agency Accounts	Beginning Inventory (a)	\$173,781,135	\$149,344,232	\$199,620,826		
	Additions	80,888,351	127,694,906	101,669,024		
	Total Available for Collection	<u>\$254,669,486</u>	<u>\$277,039,138</u>	<u>\$301,289,850</u>		
	Ending Inventory	<u>\$152,759,830</u>	<u>\$199,543,173</u>	<u>\$202,042,931</u>	13%	
	Collections for the State (a)	<u>\$19,841,688</u>	<u>\$19,266,315</u>	<u>\$21,232,492</u>		8.43%
% Total Available Collected (b)	7.79%	6.95%	7.05%			
Totals for Private Collection Firms	Beginning Inventory (a)	\$106,037,510	\$245,581,418	\$316,347,131		
	Additions	168,122,410	153,633,180	163,373,335		
	Total Available for Collection	<u>\$274,159,920</u>	<u>\$399,214,598</u>	<u>\$479,720,466</u>		
	Ending Inventory	<u>\$245,774,143</u>	<u>\$312,154,661</u>	<u>\$383,759,553</u>	26%	
	Collections for the State (a)	<u>\$5,088,516</u>	<u>\$8,040,050</u>	<u>\$11,759,793</u>		4.67%
	Avg Historical Cost of Collections (c)	\$966,818	\$1,608,010	\$2,351,959		
	% Total Available Collected (b)	1.86%	2.01%	2.45%		

(x) State agency totals are calculated (total LFO-OAA-PCF), for the purpose of benchmarking collection and inventory percentages.

* Judicial began reporting in FY2001. This added over \$310 million to the state's inventory.

** LFO Data adjusted to reflect mathematical anomaly in beginning balance. (\$180.4 million)

*** LFO Data adjusted to reflect reporting responsibility shift of DCS A/Rs from DHS to DOJ. (\$238 million)

(a) This information is from the LFO Liquidated and Delinquent Account Reports.

(b) Based on LFO data [Collection Amount / (Beginning Inventory + Additions)]

(c) Based on prior and current contracted average collection rates.

Appendix
VII

CHRONOLOGY OF (SWARM) IMPLEMENTATION...

▶	HB3509 becomes law...[Oregon Laws 1999, Chapter 1092]	10/23/99
▶	Assignment law becomes operative...[ORS 293.231 – See Section 6 under note]	01/01/00
▶	First reporting period ends...[ORS 293.229(3) permits an agency a 1-year report exclusion]	06/30/00
▶	First Statewide Collection Master contract in place [Eight private collection firms were awarded a contract]	08/01/00
▶	First L&D reporting to LFO is due...[Turnover of mature accounts – pre-stabilization period]	10/01/00
▶	First private collection master contracts in place...	11/27/00
▶	First LFO report to the legislature is due by...	12/31/00
▶	Second reporting period ends...[Judicial included in the report per ORS 1.195]	06/30/01
▶	DOR assignment law becomes operative...[This time frame, combined with law changes, produced an increased transfer of mature accounts]	07/01/01
▶	SB 70 becomes law...[Oregon Laws 2001, Chapter 823]	07/20/01
▶	Second L&D reporting to LFO is due...[Produced Semi-year to year comparison]	10/01/01
▶	Second LFO report to Legislature...[This report allowed for comparison to the first year's report, however it was not a true year-to-year comparison.]	12/31/01
▶	Third L&D reporting to LFO is due...[First true year to year comparison, barring significant changes to the collection law]	10/01/02
▶	New statewide collection master contract ...[There were 11 private collection firms awarded a master contract]	11/15/02
▶	Third LFO report to Legislature...	12/23/02
▶	House Bill 2055 becomes law...[Oregon Law 2003 Ch. 66. Allows agencies to add collection costs to debts]	05/07/03
▶	House Bill 3023 approved by the Governor...[Oregon Law 2003 Ch. 805, Requires agencies to turnover L&D accounts in 90-days rather than 1 year]	09/24/03
▶	Fourth L&D report to LFO is due...	10/01/03
▶	Fourth LFO report published...	12/15/03
▶	House Bill 3023 becomes law...(Oregon Law 2003 Ch. 805)	01/01/04

Acknowledgement

The ARCC Strategic Planning sub-committee's participation with data analysis and the development and deliberation of the ARCC Strategic Plan was much appreciated. This committee included:

- Randy Mitchell – Department of Consumer and Business Services
- Jan Jackman – Department of Revenue
- Chris Gasperini – Department of Revenue
- Cheryl Stone – Oregon Judicial Department
- Shirlene Gonzalez – Parks and Recreation Department
- Jacqueline Sewart – Department of Administrative Services
- Maria Young – Department of Justice
- Gerold Floyd – Department of Administrative Services

We would also like to acknowledge and thank:

- The Legislative Fiscal Office (LFO) and Dallas Weyand III for sharing the raw agency data collected through the LFO data collection website to permit further evaluation.
- The Oregon Collectors Association for their assistance in making the collection process work for the benefit of the state.
- The Statewide Accounting and Reporting Section which each year compiles and presents the state's Comprehensive Annual Financial Report (CAFR) and their sharing of the receivable data, thereby permitting a more detailed analysis.
- The State Controller, John Radford; and Statewide Financial Services Manager, Jon DuFrene; for their valuable advice and counsel.

Accounts Receivable (A/R) – Governmental accounting, an A/R is usually created by regulations based on taxes, licensing, fees, fines, restitution, penalties, etc. This governmental type of A/R does not allow state agencies to select their customer or perform credit checks. In the private sector, an A/R is generally created when credit is extended for the transfer of a good or a service. Also, private industry organizations typically screen those customers to whom they choose to extend credit.

Accounts Receivable Core Committee (ARCC) – The ARCC provides the opportunity for state agency representatives to meet and share ideas to help improve business practices and enhance state receivable and collection policies and results.

Automatic Clearing House (ACH) – A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Comprehensive Annual Financial Report (CAFR) – This annual report provides an accounting of the state's financial and budgetary operation as of June 30th of each year. The report is prepared under Generally Accepted Accounting Principles and is audited by the Secretary of State's Division of Audits.

Department of Administrative Services (DAS) – DAS works to effectively implement policy and financial decisions made by the Governor and the Oregon Legislature. This agency also sets and monitors high standards of accountability, ensuring that tax dollars are used productively.

Legislative Fiscal Office (LFO) – Is a permanent, non-partisan legislative service agency. It provides research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency organization. The LFO also provides fiscal impact statements on legislative measures.

Liquidated and Delinquent (L&D) – [OAM 35.30.10](#) defines L&D debts as accounts that have proceeded past the status of a regular account receivable. Delinquent implies the account was not paid by the due date. Liquidated implies the amount owed is known by the debtor, the debtor has been notified of the debt, and that the debtor has been given an opportunity to go through a due process proceeding. Within this report, we refer to these accounts collectively as "liquidated and delinquent" accounts.

Other Agency Accounts unit (OAA) – Located at the Department of Revenue, is the 'in-house' collection agency for State of Oregon agencies. OAA was established in 1975 under ORS 293.250 (amended 2001) to collect debts owed to any agency of the State of Oregon. The program is self-supporting based on the retention of a percentage of dollars collected for other state agencies.

Private Collection Firm (PCF) – Private sector debt collection organizations contracted by the State to assist in state agency debt collection.

State Controller's Division (SCD) – The State Controller's Division exists to support and ensure accuracy and accountability in state government financial systems by providing services and controls in the management of statewide accounting, receivables, financial reporting, and payroll functions.

Statewide Accounts Receivable Management (SWARM) – A unit of the Statewide Financial Services section, State Controller’s Division.

Single Overriding Communication Objective (SOCO) – Sum up the agency’s collection objective with regard to customer service. See appendix I

Oregon Accounting Manual (OAM) Policies – Is intended to provide a comprehensive set of policies and procedures to assist state fiscal managers with analyzing, processing, and reporting financial transactions in accordance with Generally Accepted Accounting Principles (GAAP).

Vendor-Collected Administrative Fee (VCAF) – Fee payable by the PCF to the State Procurement Office based on the total collections for the reporting period.