
State Controller's Division

Account Receivable Core Committee

Strategic Plan

**An analysis of the data presented in the Report on Liquidated and Delinquent Accounts Receivable.
A discussion of the areas state agencies should monitor.
Recommended actions for state agencies to improve their accounts receivable and collection efficiencies.**



Statewide Accounts Receivable Management

May 2003

Strategic Plan
Statewide Accounts Receivable Management
Based on the LFO Liquidated and Delinquent Report
May 2003

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Executive Summary

Introduction On December 20, 2002, the Legislative Fiscal Office (LFO) released their "Report on Liquidated and Delinquent Accounts Receivable" for fiscal year ending June 30, 2002. The LFO report, required by ORS 293.229, is the third compilation of data supplied by state agencies under the law. Another component of this law requires state agencies to assign their liquidated and delinquent accounts receivable to the Department of Revenue or a private collection firm within 12 months, with some exceptions.

Discussion This report discusses **five areas of observation** that were identified within the LFO report as areas for attention. These areas are:

- Collection Measures
- Account Assignment Pipeline
- Reporting Efficiency
- Interagency Receivables
- Communication Effectiveness

The Strategic Planning Committee is comprised of representatives from state agencies who meet annually to analyze the data submitted to LFO and to prepare the Strategic Plan document. The committee makes recommendations for improvements that state agencies and the Statewide Accounts Receivable Management Coordinator can take to maximize the return on state resources and further improve collection practices. The committee believes continued progress is being achieved to improve statewide accounts receivable management.

The Strategic Plan presents information submitted by agencies to the LFO for the last three years. In the first year of reporting Oregon Judicial Department (OJD) data was not included since the OJD was not required to report under ORS 293.229. The second and third year's data includes OJD's past due accounts, as required by ORS 1.195, enacted by the 2001 Legislative Assembly. This year's report presents three years of data, two of which include OJD.

Summary of Findings With three years of data, we can more clearly see the trends in the recovery of past due accounts. The economic downturn will continue to impact collection of past due accounts. Even though this years collection rates remained stable, anticipated collection rates are expected to decline due to high unemployment and increased bankruptcy filings.

Analysis of the data can be summarized as follows:

- Statewide collection measures continue to improve, but agencies recognize there is always room for improvement.

- The account assignment pipeline is flowing as significant numbers of accounts are moving from state agencies to both the Department of Revenue's Other Agency Accounts and private collection firms.
- For this third reporting period, 90% of the agencies reported their past due accounts. An additional 10% reported as statutorily excluded.
- A committee of state agencies has finalized the last of the three Oregon Accounting Manual (OAM) policies to improve efficiencies in the payment of interagency receivables. These policies are intended to create a process to swiftly and efficiently resolve interagency billing disputes.

Acknowledge-ments

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

- ★ Steve Little from the Department of Revenue,
- ★ Larry Sisson from the Department of Consumer and Business Services
- ★ Mary Alexander from the Oregon Department of Forestry,
- ★ Robert Edwards from the Employment Department,
- ★ Linda Wells from the Department of Human Services,
- ★ Steve Stover from the Department of Human Services,
- ★ Karen Krill from the Oregon Judicial Department,
- ★ Valerie Wicklund from the Oregon Judicial Department, and,
- ★ Kathleen Zaragoza from the Department of Administrative Services.

The **Accounts Receivable Core Committee** (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.

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 compile and present the state's Comprehensive Annual Financial Report and their sharing of the receivable data, thereby permitting a more detailed analysis.

The **State Controller**, John Radford, and the **Statewide Revenue Services Manager**, Jon DuFrene, for their valuable advice and counsel.

Foreword

Introduction and Overview

The 1999 Legislative Session passed House Bill 3509 to provide statutory guidance to state agencies on the collection of liquidated and delinquent accounts. The bill became law October 23, 1999 (Oregon Laws 1999, Chapter 1092) and provided additions and revisions to Oregon Revised Statutes Chapter 293 *and Administration of Public Funds*. The statutes require state agencies (with some identified exceptions) to turn over liquidated and delinquent accounts for which no payment has been received within a year to the Department of Revenue's Other Agency Accounts, or to a private collection firm.

During the 2001 legislative session SB 70 (Chapter 823, Oregon Laws 2001) was passed which requires the Oregon Judicial Department to comply with similar collection and reporting requirements as other state agencies. This Bill provided additions and revisions to Oregon Revised Statutes Chapter 1. This year's report to the Legislative Fiscal Office is the second year the report contains Oregon Judicial Department data.

Both ORS 293.229 and ORS 1.195 require annual reporting of liquidated and delinquent accounts to the Legislative Fiscal Office by October 1st. The Legislative Fiscal Office is then required to compile agency reports and issue one report to the Legislative Assembly by December 31st.

Definitions

- **CAFR** – Comprehensive Annual Financial Report. 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.
- **Liquidated and Delinquent** – OAM 35.30.10. 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 and that the debtor has been notified of the debt and has been given an opportunity to go through a due process proceeding. Within this report, we will refer to these accounts collectively as "past due" accounts.
- **POS – Point of Sale**. The transaction point where the exchange of goods or services occurs for valuable consideration.
- **SWARM** – Statewide Account Receivable Management, a unit of the Statewide Revenue Services section, which is under the State Controllers Division.

Timings and Considerations

This third year's data allows for better analysis. There is now two years of data which include Oregon Judicial Department past due accounts receivable information, which was not required in the first year's report.

Chronology of Statewide Accounts Receivable Management Implementation...

TABLE I

↻ 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 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 assignment agreements 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 reporting period ends...	06/30/02
↻ 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 contract ...	11/15/02
[There were 11 private collection firms awarded a contract.]	
↪ Third LFO report to Legislature...	12/31/02

Strategic Plan Purpose – To provide analysis of the data presented in the Report on Delinquent and Liquidated Accounts Receivable. Discuss areas state agencies should monitor and recommend actions that may be taken to improve their accounts receivable and collection efficiencies. To be used as a tool to compare statewide collection effectiveness to their individual agency collection effectiveness and the private collection firm’s effectiveness.

Economic Outlook - Both federal and state data suggest the current economic slow-down will continue over the next fiscal year and beyond. These economic conditions will likely impact the state’s collection progress at all levels. According to a feature article published January 31, 2003, by Oregon Labor Market Information, the whole state of Oregon qualifies as an Area of Substantial Unemployment (ASU) for Program Year 2003. The February 2003 unemployment rate of 7.3 percent was below last year’s rate of 8.1 percent.¹ However, Oregon is still experiencing higher than national average unemployment rates.

Bankruptcies are another area of concern for the economy as more and more individuals and businesses seek bankruptcy as a way to deal with increasing debt and shrinking resources. October 2002 Oregon was ranked fourteenth in the country for bankruptcies.² As of December 31, 2002 Oregon was ranked twelfth highest in the nation for personal bankruptcies.³

Account Receivable – An account receivable (A/R) is created in a number of ways. Generally, an A/R occurs when credit is extended for the transfer of a good or a service. However, in government, it usually is created by regulations based on licensing, fees, fines, restitution, penalties, etc. This second type of A/R does not allow the agency to select their customer and perform credit checks.

The reporting requirements imposed by law require 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 perpetual?

¹ Oregon Employment Department News:

<http://findit.emp.state.or.us/comm/publicpress/Releases/2003/February2003RateRelease.htm>

² Oregon Bankruptcies Skyrocket. KVAL 13 – Eugene news for October 29, 2002.

³ FDIC State Profile Spring 2003, Oregon. <http://www.fdic.gov/bank/analytical/stateprofile/SF/Oregon/OR.html>

- How long has the account been liquidated and delinquent?
- What is the date of the last payment?
- Has the account been submitted to the Department of Revenue Other Agency Accounts or a private collection firm?
- Is the account at a status that would suggest it be written-off?

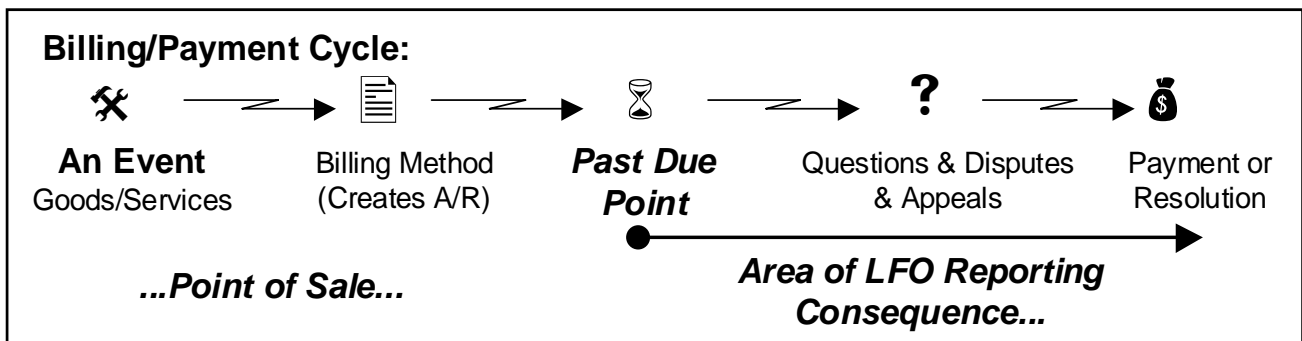
Each question needs to be answered periodically so the account will continue moving through the assignment pipeline and to properly report its status each October 1st. Agencies have worked hard to modify their automated financial systems to retrieve the information required for reporting. They have continued to look for ways to facilitate assigning accounts and reporting.

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. 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.

When an agency receives cash, an account receivable (A/R) is not created and therefore no account to become past due. However, taking cash requires the application of more stringent internal controls to reduce other risks. Checks can bounce and create an account receivable. Credit cards have risks and costs associated with their use as well. Most often, state agencies do not have the option to deny services or to perform credit checks.

With e-commerce and e-government, agencies may be able to change the way they currently do business. E-commerce can help reduce accounts receivable by changing the time frame that payment for the service or good would be received. It can also provide another way for a person owing a fine or tax to submit payments on their account.

TABLE II



Areas of Concentration

A. Collection Measures

Observations or Findings

The following Tables III, IV and V include data regarding all State Agency past due 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 Appendix III, IV, V, VI, VII and VIII.

Table III represents a comparison of all accounts reported by state agencies, even those being worked by the Department of Revenue and private collection firms.

TABLE III

Delinquent and Liquidated Accounts June 30, 2002

		<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1	Beginning Balance	993,654	\$1,093,218,881
2	Additions	364,476	422,673,778
3	Collections		(208,557,450)
4	Accounts Closed	(225,355)	
5	Write-Offs	(42,783)	(36,079,710)
6	Adjustments		(113,460,491)
7	Reversals	<u>(106,969)</u>	<u>(1,027,076)</u>
8	Ending Balance	983,023	\$1,156,767,932

Dollar Collection Rate:

$$\$208,557,450 \div (\$1,093,218,881 + \$422,673,778) = \mathbf{13.76\%}$$

Account Turnover Rate:

$$993,654 \div 983,023 = \mathbf{101.1\%}$$

The *Dollar Collection Rate* is calculated by using collections divided by the beginning balance plus additions. The Dollar Collection Rate is roughly 14% of past due accounts receivable for the fiscal year ending June 30, 2002. These collections are in addition to the collection of regular accounts receivable. An agency can monitor this number to evaluate the success of their individual collection activities as compared to that of all state agencies collections.

The *Account Turnover Rate* is calculated by dividing the beginning number of accounts by the ending number of accounts. The current turnover rate of 101.1% demonstrates that more accounts are being closed, written-off or reversed than are remaining in the collection pipeline.

Table IV data represents account collections performed by the Department of Revenue's Other Agency Accounts:

TABLE IV

**Department of Revenue
Other Agency Accounts
June 30,2002**

		<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1	Beginning Balance	330,044*	\$173,781,135
2	Additions		80,888,351
3	Collections		(19,841,688)
4	Returned		<u>(82,067,968)</u>
5	Accounts Outstanding	267,982	\$152,759,830

Dollar Collection Rate:

$$\$19,841,688 \div (\$173,781,135 + \$80,888,351) = 7.79\%$$

Account Turnover Rate: $330,044 \div 267,982 = 123.16\%$

*Includes 323,014 Judicial Department accounts not reported to LFO, as modifications to the Judicial information system were still underway and account information was not available.

Table V represents data for collections performed by private collection firms:

TABLE V

**Private Collection Firms
June 30,2002**

		<u>Number of Accounts</u>	<u>Dollar Value of Accounts</u>
1	Beginning Balance	78,299*	\$106,037,510
2	Additions		168,122,410
3	Collections		(5,088,516)
4	Returned		<u>(23,297,261)</u>
5	Accounts Outstanding	219,470	\$245,774,143

Dollar Collection Rate:

$$\$5,088,516 \div (\$106,037,510 + \$168,122,410) = 1.86\%$$

Account Turnover Rate: $78,299 \div 219,470 = 35.68\%$

*Includes 39,921 Judicial Department accounts not reported to LFO, as modifications to the Judicial information system were still underway and account information was not available.

Discussion

The *Dollar Collection Rate* and the *Account Turnover Rate* reflect the effectiveness of the collecting entity. The state agency *Dollar Collection Rate* of **18.60%**⁴ shows the relative collectability of the maturing past due accounts. This rate shows how much of the balance of accounts worked by state agencies is being converted into dollars. This rate, which reflects collections by the various departments, compares favorably with the 2001 national recovery rate⁵ of **18.00%** attributable to professional third-party collection firms. This rate is sometimes referred to as a 1st placement rate⁶.

TABLE VI

Summary of Observations

	<i>[Actual] Turnover Rates</i>	<i>[Actual] Collection Rates</i>	<i>[National Averages] Third-Party Collection Rates⁷</i>
All State Agencies	191.3%	18.60%	18.00%
Other Agency Accounts	123.2%	7.79%	9.00%
Private Firms	35.7%	1.86%	2.00%
State wide rating	101.1%	13.76%	

The above national average rates include the following percentages⁸:

- Average Recovery Rate – 2nd Placement 9.00%
- Average Recovery Rate – 3rd Placement 2.00%

The above numbers might be used as target ranges to frame expectations for the OAA unit and private collection firms⁹. However, it is important to remember that timing on account turn over may affect the rates, if the number of accounts is significant. For example a large number of accounts turned over close to the end of the year that is a significant portion of the total accounts turned over may have a negative impact on the turn-over rate. This demonstrates that consistent turn over will provide for better target ranges.

The Account Turnover Rate shows the relative processing efficiency of the collection entity. An amount above 100% shows an entity is achieving a positive reduction of maturing inventory.

⁴ See Appendix VI for how the All State Agencies Turnover and Collection Rates were calculated.

⁵ ACA International's 2001 Benchmarking/Cost of Operations Survey.

⁶ Normally, this would be the rate of recovery expected from a private collection firm. However, because many state agencies have professional caliber collection staff and practices, it was felt this would more accurately apply to their collection actions.

⁷ This data was supplied by ACA International's public relations.

⁸ Ibid.

Comparing actual collection recovery rates of this year to prior years, as shown in appendix III, IV, V, VII and VIII, makes it possible to see that the statewide recovery rate has declined slightly and recovery rates for OAA and private collection firms remained stable.

Two Year Goal

The two-year goal for collection measures, with the current economic conditions, is to maintain the Dollar Collection Rate and Account Turnover Rate. While we expect to see modest improvement by the next reporting period, the numbers for next year will be somewhat tempered by:

- Increased bankruptcy filings.
- Continued high unemployment rates.
- Statutory changes.
- The age and volume of the past due accounts coupled with the learning curve associated with staff changes.
- The impact of federal and state economic stimulus packages, which may create a modest increase.

All of the above factors may impact the full influence of the original legislation on collections of past due accounts for fiscal years 2002-2003 and 2003-2004. When economic conditions are uncertain, stability of collection results is difficult to predict.

Action Items

State agencies continue to make improvements to current systems account tracking and reporting systems to increase efficiencies in their collection functions.

Each state agency needs to:

- Monitor performance of private collection firms.
- Track and work their accounts efficiently.
- Turn over past due accounts as soon as practicable. For agencies without a full-time collection staff, assignments should occur within 90 days.
- Adjust systems or processes to improve past due account processing and reporting capabilities.
- Consider actions that can be taken at the inception of the debt, or while the debt is a fresh account receivable, that will minimize delinquencies and more expensive collection actions.
- Work with their private collection firm(s) to determine a reasonable turn around period.

⁹ Some agencies do not have professional collection staff. These agencies will turn over their accounts to the OAA unit, or some may skip the OAA and go directly to a private firm. These numbers will be influenced by the account assignment practices of each individual state agency, and their percentage of account assignments to the entire state. The assignment practices of the agencies with the largest pool of accounts will exert the largest impact on the recovery rate percentages.

SWARM has provided training classes in:

- Small Claims Court.
- Statewide accounts receivable management.
- Preparing for news media.
- Write-off process.
- Use of credit bureaus.
- Use of the Supreme Court Law Library.
- Assisting LFO in the report process and other activities.
- There has been extensive work on the Oregon Accounting Manual (OAMs) that provides agencies guidelines for receivables and collection issues.

SWARM needs to:

- Continue to update and implement OAMs pertaining to accounts receivable collections that provide guidance to state agencies.
- Continue to seek opportunities to expose state agencies to new technologies and collection practices.
- Distribute the Strategic Planning Form, shown on page 25, developed by the Strategic Planning Committee and assist agencies in its completion.
- Look for ways to improve state agency collection tools. Look at legislative concepts to improve collection efforts like i.e., officer liability, etc.
- Continue to support e-commerce and e-government alternatives for payment and collections.

B. Account Assignment Pipeline

Observations or Findings

In Section A of this plan, we discussed the “Account Turnover Rate.” The turnover rate allows the state or agencies to monitor how well accounts are moving through the pipeline to reduce the overall inventory of past due accounts. At a more detailed level, there are two main areas of observation to consider:

Referrals to the OAA Unit increased by nearly \$43 million compared to the prior year. Appendix IV shows the dollar value of accounts assigned to the Department of Revenue’s Other Agency Accounts (OAA) grew by 46.5% this year as measured by **additions**. This increase was expected as agencies continue to clear up accounts and move them through the pipeline.

Appendix IV shows **returned accounts** increased by \$72 million from the prior year. The increase is in part due to the implementation of the Department of Revenue’s automated system. The system identifies and returns older uncollected accounts for further processing in the assignment pipeline. The volume of accounts returned as uncollectible by OAA should level off in the future now that the automated system is fully operational.

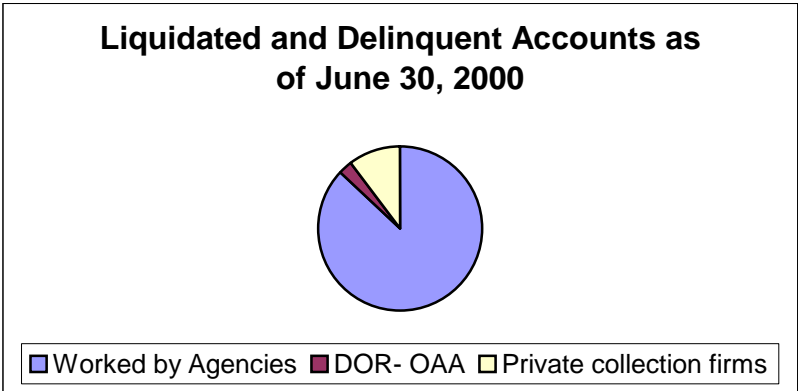
Appendix V shows **additions** to private collection firms increased by \$99 million dollars. This reflects the movement of accounts to the private collection firm in response to statutory requirements.

Appendix V shows the dollar value of assigned accounts **returned** by private collection firms decreased by \$57 million. This indicates that more accounts are being retained than are collected or returned for possible write-off.

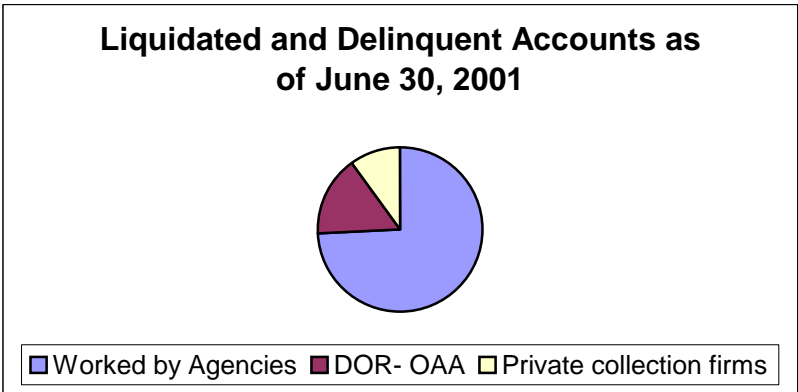
Discussion

The assignment provision of the law, ORS 293.231, became effective on January 1st, 2000 for most agencies. The assignment provision, ORS 1.197, for the Oregon Judicial Department took effect July 20, 2001.

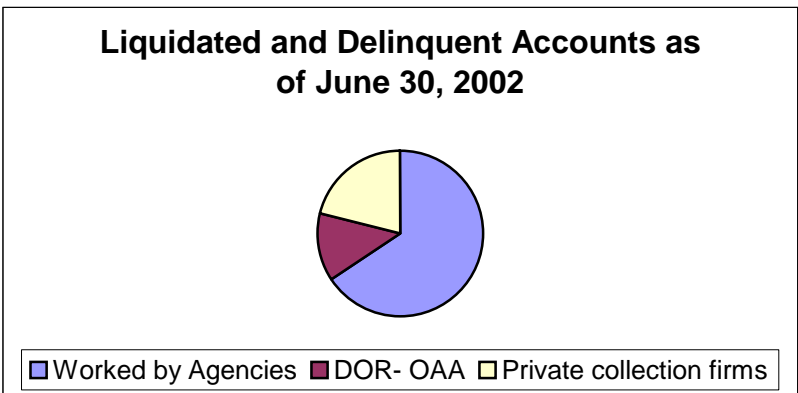
By looking at the various categories within the Department of Revenue and the private collection firms’ data, it is apparent to see that agencies are moving accounts through the collection process. Additions and returns are expected to remain the same or increase slightly as accounts move through the pipeline process.



The above graph is a breakdown of liquidated and delinquent inventory worked by state agencies, Department of Revenue or a private collection firm as of June 30, 2000 as reported to LFO.



The above graph is a breakdown of liquidated and delinquent inventory worked by state agencies, Department of Revenue or a private collection firms as of June 30, 2001 as reported to LFO.



The above graph is a breakdown of liquidated and delinquent inventory worked by state agencies, Department of Revenue or a private collection firms as of June 30, 2002 as reported to LFO.

The three graphs show inventory being worked by state agencies is decreasing, inventory being worked by Department of Revenue remains stable and inventory being worked by private collection firms has increased. One concern that arises in regards to the movement of accounts is the ability of private collection firms to respond to the increasing workload being sent to them. Appendix VII demonstrates that inventory in the hands of private collection firms has increased from \$81 million as of June 2000 to \$246 million as of June 2002.

The LFO Report shows increased use of private collection firms from the prior year, as reflected by the high “additions” volume shown in Table V.

To use the current collection contract, which was put into place November 15, 2002, each state agency is required to establish a written agreement¹⁰ with a private firm or firms¹¹ of their choice. There are currently eleven firms who were awarded a contract with the State of Oregon. The current contract clarifies areas such as payment plans, liability of checks for non-sufficient funds, reporting, returning accounts as well as others. State agencies acknowledge the benefits received by using private collection firms.

Two Year Goal

The next two year’s goal is to achieve a turnover rate greater than 100% for state agencies and the Department of Revenue’s Other Agency Accounts (OAA). This will reflect a positive movement of accounts through state agencies and OAA to private collection firms. The goal is to see an increase in the turnover rate of the private collection firms so accounts that have been with a private collection firm for a reasonable collection period, and remain uncollected are returned and written-off. This will allow for a more accurate picture of accounts receivable for financial purposes.

Another goal is to continue to improve automated assignment and returns of accounts to both OAA and private collection firms and to look for electronic payment options to facilitate collection efforts.

¹⁰ See OAM 35.30.40 regarding the procedures for completion of the account assignment agreement.

¹¹ See the list of firms, contract, etc. on the Collection Contract Firm webpage at: <http://scd.das.state.or.us/AR/ARFirmsnew.htm>

Action Items

State Agencies need to:

- Work with private collection firms to automate and improve efficiencies in the account assignment, payment, reporting and reconciliation process.
- Work with private collection firms to assure they are aware of issues surrounding the types of accounts they are collecting.
- Verify that their systems and practices are meeting the account turnover deadlines imposed by statute.
- Gain complete understanding of their agency's specific laws regarding collection practices, confidentiality, etc.
- Gain a complete understanding of state and federal laws as they apply to agencies' collection processes and actions.
- Monitor private collection firm's status of accounts assigned to them for collection.

SWARM needs to:

- Work with agencies to develop electronic account assignment, automated deposits of payments and ACH possibilities.
- Continue providing agencies with training opportunities and distributing educational information.
- Quickly respond to questions when clarification of the laws or OAM policies is required.
- Complete and refine OAMs that impact the account assignment process, taking into account changes in technologies.
- Investigate how e-commerce and e-government may be applied in this area.
- Provide assistance and guidance to state agencies using private collection firms.
- Share best practices for collecting past due accounts that are used by different state agencies.

C. Reporting Efficiency

Observations or Findings This year all state agencies were required to report, unless exempted by Oregon State Statute. The table below shows the categories an agency has to choose from when reporting.

TABLE VII **Summary of Reporting Results**¹²

Agencies reporting no accounts	65	43.6%
Exempt agencies not reporting	15	10.1%
Agencies reporting accounts	<u>69</u>	<u>46.3%</u>
Total	149	100%

Discussion The current year's 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 or child support. This year's report shows that of \$490 million Other Funds collected, \$120 million is money collected and then passed on to the appropriate party.

An updated LFO reporting manual was available both in print and on the SWARM website¹³. State agencies were offered training to review modifications and to assist staff new to the reporting process.

Two Year Goal All state agencies shall report accurate and timely information on their agency's past due accounts for each fiscal year ending June 30 for the LFO report required by ORS 293.229. All state agencies will assure that employees responsible for submitting the information will have been trained.

Action Items **State agencies need to:**

- Accurately report their past due accounts.
- Develop their own agency collection performance measures.
- Provide assurance in year-to-year comparability of reported collection performance measures.
- Offer suggestions to improve usability of the web-based data entry reporting system.
- Use collection benchmarks and performance measures for comparability to programs in other states, similar agencies, etc.

¹² LFO Report. *Report on Liquidated and Delinquent Accounts Receivable*, June 30, 2002. Page 3.

¹³ The address for this website is: <http://scd.das.state.or.us/AR/SWARM.htm>

SWARM needs to:

- Provide agencies with tools and assistance in the development of specific performance measures for their organization type.
- Help explain and profile agency reporting performance measures to the legislature and the media.
- Provide clarification of terminology used in the LFO reporting process.

D. Interagency Receivables

Observations or Findings

The LFO Report shows another dramatic decrease in interagency delinquencies. The current amount past due from interagency receivables is \$203,000 as of June 30, 2002. This is the second consecutive year the balance has decreased by approximately 50% from the prior year's LFO report.

Of the \$765 million in interagency/interfund receivables shown in the CAFR, only \$203,000 is reflected in the LFO Report¹⁴ as past due. The past due portion of the total accounts receivable is less than 1%. This shows that agencies have further improved the process of paying interagency receivables timely.

Discussion

There are always going to be interagency/interfund 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. Agencies work to get their receivables caught up by year-end. Efforts need to be made to keep debts current year-round.

Recognizing that delinquencies for some state agencies manifest themselves as cash flow problems, a committee was formed to address the problem. Various concepts were explored that would promote better management of working capital. There is a multi-agency focus on developing policies and procedures that can quickly and efficiently resolve these issues.

The Interagency Receivables Committee has completed work on a third OAM pertaining to Interagency Receivables. The final OAM, OAM 35.60.30, out-lines the dispute resolution process and became final on January 29, 2003.

Other OAM's applicable to Interagency Receivables are:

- OAM 35.60.10 provides general policies and procedures for interagency receivables, billing statement guidelines, payment timelines, etc.
- OAM 35.60.20 provides policies and procedures for interagency billing on delinquent receivables. It also provides guidelines for collection letters to the debtor agency officials.

¹⁴ Report on Liquidated and Delinquent Accounts Receivable June 30, 2002, page 7, line e1.

Two Year Goal

Over the next year, billing agencies and debtor agencies must comply with the provisions established in the OAMs. Compliance will result in continued reduction of interagency receivables as reflected in the CAFR. Also by next year, the interagency delinquencies shown in the LFO Report should also continue to decline.

Action Items

State agencies need to continue reducing their interagency receivables by year-end. This is more important now that OAM policy dictates interagency receivables be paid within 30 days.

State agencies need to:

- Pay their interagency receivables within 30 days.
- Use balance transfers on SFMS to move money more efficiently between state agencies.
- Use ACH transactions to move money between state agencies.
- Implement the use of STAN (State Treasury ACH Network) as part of an agency's standard bill paying process.
- Work with Oregon State Treasury and Statewide Financial Management Services to study more efficient methods to pay other state agencies than the current use of warrants and checks.

SWARM needs to:

- Continue to monitor ways to improve the Interagency Receivable process and procedures.

E. Communication Effectiveness

Observations or Findings

It is evident from feedback that some educational and training issues still need to be addressed with respect to receivables and collections. There continue to be questions about:

- The LFO reporting process.
- The process regarding small claims court, bankruptcy, and civil penalties.
- Confidentiality of account information.
- The account write-off process.

These issues have complicated answers; some will change over time due to refined understanding and improved collection practices. Employee turnover continues to create a need for education, training, and improved communication methods and practices.

Discussion

ARCC and SWARM have contributed effective communication among agencies. The passage of HB 3509 by the 1999 Legislature accelerated the need for greater understanding, by all state agencies, of issues and processes connected with receivables and collections. Though questions remain, and we anticipate more questions will continue to arise, there is now a process in place for them to be discussed and answered. ARCC and the SWARM coordinator provide a much-needed resource to agency staff.

In addition to being a resource to agency staff, SWARM is also a resource to legislators, private collection firms and the public in general. SWARM aids in sharing knowledge and understanding of state agency's collection and receivable practices.

Some of the ways in which ARCC and SWARM have contributed to effective communications include:

- Monthly ARCC meetings – These 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 receives input from agency staff on legislative concepts that could benefit all state agency collection and receivable practices. Those approved are developed and then proposed and managed by DAS.
- SWARM website – This website provides a wealth of information regarding collections and receivables. The statewide collection contract along with a list and information pertaining to the eleven private collection firms is available. Also available is a link to OAMs being reviewed and updated. The

website contains a direct link for agencies to use when reporting their annual liquidated and delinquent accounts receivable information to LFO. It also provides a link to the reporting manual that will assist the agencies to correctly report their agency's data. During the last year, Skip-tracing tips and bankruptcy information were added to the website. These are samples of information provided on the SWARM website.

- Training – ARCC provides training opportunities for agency staff in the area of receivables and collection. From July 1, 2001 to June 30, 2002 there were 495 hours of training provided. Before the formation of ARCC, there was no coordinated effort to provide this type of training to state agencies. Now ARCC and the SWARM coordinator gather input on outstanding issues and then seek training to address the issues.

SWARM communicates through its web pages, email contact lists, the OAMs and various committee meetings. SWARM and ARCC keep agencies informed of changes to both federal¹⁵ and state¹⁶ constitutional limitations on the collection action of government. Collection actions are further restricted by federal¹⁷ and state¹⁸ statute. These limitations require strict adherence to regulations established to both protect the debtor from unfair practices, and provide debtors with proper notification and appeal processes.

Two Year Goal

Agency staff need to be knowledgeable in collection and accounting practices relating to the recovery of past due accounts. This knowledge must be available through:

- Training.
- Website access.
- Access to the set of statewide policies and procedures – the OAMs.
- Sharing best practices through ARCC group meetings and emails to agency personnel responsible for accounts receivable collection.
- SWARM coordinator.

Where personnel have not yet obtained the level of experience to make them fully confident, they need to be provided with tools and information that permit them to easily search and locate needed answers.

¹⁵ U.S. Constitution, XIV Amendment. "...nor shall any **state** deprive any person of... property ... without due process of law..." (emphasis added)

¹⁶ Oregon Constitution, Article I Section 10 and Section 20.

¹⁷ The Fair Debt Collection Practices Act - 15 U.S.C. §§1692

¹⁸ Unlawful Debt Collection Practices Act, ORS 646.639 – Taxpayer Bill of Rights, ORS 305.860, ORS 305.865

Action Items

State agencies need to:

- Have a complete understanding of their agency's statutory collection authority and have policies and procedures that express and explain the authority to their staff.
- Understand the current collection contract and how to enter into an agreement with a private collection firm holding a contract.
- Keep SWARM informed of personnel changes of staff that deal with the accounts receivable collection.
- Accurately communicate and report their past due accounts to LFO, the legislature, the media, and the public.
- Develop and distribute reports that facilitate reliable management decision-making.
- Continue to look for ways to make the collection process more efficient.

SWARM needs to:

- Continue to identify areas of communication deficiencies and seek further clarification. For example, where there is jargon, develop definitions and glossaries. Discuss various terms with committees and update them within the OAMs.
- Continue using the SWARM web pages to distribute ideas, notify agencies of training opportunities, and solicit new ideas and concepts.
- Continue to share articles related to accounts receivable.
- Work with the agencies to develop accounts receivable training and best practices.

Appendix I

State Agency Collection Self- Assessment Form

The Accounts Receivable 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)
How would you sum up your collection objective with regard to customer service?
- Agency Mission
- 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 your 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
- 5-Year History of:
 - Collection Rates,
 - Turnover Rates,
 - Average Days Outstanding.
- A description of the overall trends

A/R-Collection Strategic Plan Communicating Your Success

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 PAST DUE 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:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Collection Rate	X%	X%	X%	X%	X%
Turnover Rate	X%	X%	X%	X%	X%
Average Days Out-standing	X%	X%	X%	X%	X%

Overall trends indicate that the _____ is going down at a rate of X% annually.....

Appendix II

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://scd.das.state.or.us/AR/SWARM.htm>

The following link is to a November 2000 presentation: **Oregon's Receivables Management** that has been updated with Fiscal Year 2001 data. This presentation offers a 5-Year perspective on Oregon's receivables with a detailed breakdown, and comparisons to both six other western states and four major corporations.

http://scd.das.state.or.us/AR/AR_Slides2000.ppt

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 both the formally adopted OAMs as well as the current draft formats of OAMs that are committee work-in-progress.

<http://scd.das.state.or.us/AR/ARoam.htm>

ORS 293.229 requires the Legislative Fiscal Office to produce an annual report by December 31 of each year for the legislature. The fiscal year 2000 and fiscal year 2001 reports, entitled **Report on Delinquent and Liquidated Accounts Receivable**, offer a view of the states liquidated and delinquent accounts.

<http://scd.das.state.or.us/AR/LFO2000.pdf>

<http://scd.das.state.or.us/AR/LFO2001.pdf>

<http://scd.das.state.or.us/AR/LFO2002.pdf>

The **Collection Contract Firms website** provides specific information about the statewide collection contract. It includes a complete copy of the 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 contract as of November 15, 2002. And more...

<http://scd.das.state.or.us/AR/ARFirmsnew.htm>

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://scd.das.state.or.us/AR/skiptracepage.htm>

Appendix III

This table represents a comparison of all accounts reported by state agencies, even those being worked by the Department of Revenue and private collection firms. The table is presented “without” and “with” the Oregon Judicial Department since it was not required to report until passage of SB 70 in July 2001:

Delinquent and Liquidated Accounts

	June 30,2000	<i>Without Judicial</i> June 30,2001	<i>With Judicial</i> June 30,2001	June 30,2002
	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>
Beginning Balance	\$ 748,785,885	\$795,171,805	\$1,085,854,277	\$ 1,093,218,881
Additions	358,809,511	327,394,574	432,052,941	422,673,778
Collections	(271,883,451)	(194,232,803)	(222,141,647)	(208,557,450)
Write-Offs	(33,753,706)	(43,396,666)	(50,206,466)	(36,079,710)
Adjustments	(20,828,252)	(48,745,617)	(98,629,819)	(113,460,491)
Reversals	(605,474)	(52,395,486)	(52,395,486)	(1,027,076)
Ending Balance	\$ 780,524,513	\$783,795,807	\$1,094,533,800	\$ 1,156,767,932
	<u>Number of</u> <u>Accounts</u>	<u>Number of</u> <u>Accounts</u>	<u>Number of</u> <u>Accounts</u>	<u>Number of</u> <u>Accounts</u>
Beginning Balance	295,994	310,118	925,048	993,654
Additions	207,933	133,165	382,820	364,476
Accounts Closed	(192,825)	(78,388)	(222,402)	(225,355)
Write-Offs	(20,687)	(25,294)	(39,835)	(42,783)
Reversals	(234)	(51,941)	(51,941)	(106,969)
Ending Balance	290,181	287,660	993,690	983,023
<i>Collection Rate:</i>	24.55%	17.30%	14.63%	13.76%
<i>Account Turnover</i> <i>Rate:</i>	102.1%	107.8%	93.1%	101.1%

Appendix IV

This table represents a comparison for collections performed by the Department of Revenue's Other Agency Accounts. The table is presented "without" and "with" the Oregon Judicial Department since it was not required to report until passage of SB 70 in July 2001:

Department of Revenue Other Agency Accounts				
	June 30,2000	<i>Without Judicial</i> June 30,2001	<i>With Judicial</i> June 30,2001	June 30,2002
	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>
Beginning Balance	\$20,517,950	\$26,185,853	\$162,243,677	\$173,781,135
Additions	3,188,395	9,676,889	37,918,048	80,888,351
Collections	(959,951)	(1,819,527)	(16,043,455)	(19,841,688)
Returned	<u>(2,441,316)</u>	<u>(10,453,155)</u>	<u>(10,453,155)</u>	<u>(82,067,968)</u>
Ending Balance	\$20,305,078	\$23,590,059	\$173,665,115	\$152,759,830
	<u>Number of Accounts</u>	<u>Number of Accounts</u>	<u>Number of Accounts</u>	<u>Number of Accounts</u>
Beginning Balance	2,691	6,125	6,125*	330,044**
Ending Balance	1,934	6,940	6,940*	267,982
<i>Dollar Collection Rate:</i>	4.05%	5.07%	8.02%	7.79%
<i>Account Turnover Rate:</i>	139.1%	88.3%	88.3%*	123.2%**

* Information for Oregon Judicial Department is not included in this data as system modifications were still underway.

** Includes 323,014 Oregon Judicial Department accounts not reported to LFO, as modifications to their information system were still underway and account information was not available. The account turnover rate calculation is: $330,044 \div 267,982 = 123.2\%$.

Appendix V

This table represents a comparison for collections performed by private collection firms. The table is presented “without” and “with” the Oregon Judicial Department since it was not required to report until passage of SB 70 in July 2001:

Private Collection Firms				
	June 30,2000	Without Judicial June 30,2001	With Judicial June 30,2001	June 30,2002
	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>	<u>Dollar Value</u>
Beginning Balance	\$50,437,258	\$ 87,397,802	\$122,113,363	\$106,037,510
Additions	44,818,940	47,520,608	68,879,522	168,122,410
Collections	(1,739,368)	(2,478,102)	(2,720,223)	(5,088,516)
Returned	<u>(12,850,052)</u>	<u>(42,687,463)</u>	<u>(79,797,652)</u>	<u>(23,297,261)</u>
Ending Balance	\$80,666,778	\$ 89,752,671	\$108,475,010	\$245,774,143
	<u>Number of Accounts</u>	<u>Number of Accounts</u>	<u>Number of Accounts</u>	<u>Number of Accounts</u>
Beginning Balance	24,584	32,066	32,066*	78,299**
Ending Balance	29,015	38,470	38,470*	219,320
Dollar Collection Rate:	1.83%	1.84%	1.42%	1.86%
Account Turnover Rate:	84.7%	83.4%	83.4%*	35.7%**

* Information for Oregon Judicial Department is not included in this data as system modifications were still underway.

** Includes 39,921 Oregon Judicial Department accounts not reported to LFO, as modifications to their information system were still underway and account information was not available. The account turnover rate calculation is: $78,299 \div 219,320 = 35.7\%$.

Appendix VI

The method used to obtain "All State Agencies" data on page 10 was done by using Table III, IV, and V data.

Calculation for "Dollar Collection Rate" for state agencies only:

Table III all accounts - Collections	\$ 208,557,450
Table IV OAA – Collections	(19,841,688)
Table V Private Collection Firms – Collections	<u>(5,088,516)</u>
State Agency Collections	\$ 183,627,246
Table III all accounts - Beginning Balance	\$1,093,218,881
Table IV OAA – Beginning Balance	(173,781,135)
Table V Private Collection Firms – Beg Bal	<u>(106,037,510)</u>
State Agency Beginning Balance	\$ 813,400,236
Table III all accounts - Additions	\$ 422,673,778
Table IV OAA – Additions	(80,888,351)
Table V Private Collection Firms – Additions	<u>(168,122,410)</u>
State Agency Additions	\$ 173,663,017

Dollar Collection Rate:

$$\$183,627,246 \div (\$813,400,236 + \$173,663,017) = \mathbf{18.60\%}$$

Calculation for "Account Turnover Rate" for state agencies only:

Table III all accounts - Beginning Balance	993,654
Table IV OAA – Beginning Balance	(7,030)
Table V Private Collection Firms – Beginning Bal	<u>(38,378)</u>
State Agency Beginning Balance	948,246
Table III all accounts - Accounts Outstanding	983,023
Table IV OAA – Accounts Outstanding	(267,982)
Table V Private Collection Firms – Accts Outstanding	<u>(219,320)</u>
State Agency Accounts Outstanding	495,721

Account Turnover Rate:

$$948,246 \div 495,721 = \mathbf{191.3\%}$$

Appendix VII

Collection of the State's Liquidated and Delinquent Accounts

Totals for All State Agency Actions:

				Trends	
(a) <u>Total Inventory of Accounts</u>	2000	2001*	2002		% of Activity
Beginning Inventory	\$748,785,885	\$1,085,854,277	\$1,093,218,881		
Additions	358,809,511	432,052,941	422,673,778		
Total Available for Collection	<u>\$1,107,595,396</u>	<u>\$1,517,907,218</u>	<u>\$1,515,892,659</u>	↓	
Ending Inventory	\$780,524,513	\$1,094,533,800	\$1,156,767,932	↑	100.0%
					.
State Agency Inventory (NET)	<u>\$679,552,657</u>	<u>\$812,393,676</u>	<u>\$758,233,959</u>	↓	65.5%
<u>Total Account Collections</u>	<u>2000</u>	<u>2001*</u>	<u>2002</u>		
State Agency Collections (NET)	<u>\$269,184,132</u>	<u>\$203,377,969</u>	<u>\$183,627,246</u>		88.0%
(a) Total State Collections	<u>\$271,883,451</u>	<u>\$222,141,647</u>	<u>\$208,557,450</u>		100.0%
(b) All Collection Sources	24.55%	14.63%	13.76%		
State Agency Collections (NET)	27.23%	18.05%	18.60%		

Breakdown for Other Agency Accounts - Department of Revenue

<u>Other Agency Accounts</u>					
(a) <u>Inventory</u>	2000	2001*	2002		
Beginning Inventory	\$20,517,950	\$162,243,677	\$173,781,135		
Additions	3,188,395	37,918,048	80,888,351		
Total Available for Collection	<u>\$23,706,345</u>	<u>\$200,161,725</u>	<u>\$254,669,486</u>	↑	
Ending Inventory	\$20,305,078	\$173,665,114	\$152,759,830	↓	13.2%
<u>Other Agency Accounts Collections</u>	<u>2000</u>	<u>2001*</u>	<u>2002</u>		
(a) Collections for the State	<u>\$959,951</u>	<u>\$16,043,455</u>	<u>\$19,841,688</u>		9.5%
(b) Percentage Collected	4.05%	8.02%	7.79%		

Appendix VII (continued)

Breakdown for Private Collection Firms						
Private Collection Firms						
(a) Inventory	2000	2001*	2002			
Beginning Inventory	\$50,437,258	\$122,113,363	\$106,037,510			
Additions	44,818,940	68,879,522	168,122,410			
Total Available for Collection	\$95,256,198	\$190,992,885	\$274,159,920	↑		
Ending Inventory	\$80,666,778	\$108,475,010	\$245,774,143	↑	21.2%	
Private Collection Firms Collections						
(a) Collections for the State	2000	2001*	2002			
	\$1,739,368	\$2,720,223	\$5,088,516			2.4%
(c) Avg Historical Cost of Collections	\$330,480	\$516,842	\$966,818			
(b) Percentage Collected	1.83%	1.42%	1.86%			

Inventory Allocation >>

% of Total Collections >>

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

Appendix VIII

Collection of the State's Liquidated and Delinquent Accounts

Totals for All State Agency Actions Without Judicial

(a) <u>Total Inventory of Accounts</u>	2000		2001		2002	Averages
Beginning Inventory	\$748,785,885		\$795,171,805		\$782,480,888	
Additions	358,809,511		327,394,574		317,961,191	
Total Available for Collection	<u>\$1,107,595,396</u>	1.4%	<u>\$1,122,566,379</u>	-2.0%	<u>\$1,100,442,079</u>	<u>\$1,110,201,285</u>
	<u>70.47%</u>		<u>69.82%</u>		<u>76.65%</u>	<u>72.32%</u>
Ending Inventory	\$780,524,513	0.4%	\$783,795,807	7.6%	\$843,533,427	\$802,617,916
<i>State Agency Inventory (NET)</i>	<u>\$679,552,657</u>	-1.3%	<u>\$670,453,077</u>	0.5%	<u>\$673,722,975</u>	<u>\$674,576,236</u>
<hr/>						
<u>Total Account Collections</u>	<u>2000</u>		<u>2001</u>		<u>2002</u>	
<i>State Agency Collections (NET)</i>	\$269,184,132		\$189,935,174		\$173,220,638	\$210,779,981
<hr/>						
(a) Total State Collections	<u>\$271,883,451</u>		<u>\$194,232,803</u>		<u>\$179,564,973</u>	<u>\$215,227,076</u>
<hr/>						
(b) All Collection Sources	24.55%	-29.5%	17.30%	-5.7%	16.32%	
State Agency Collections Only	27.23%	-26.7%	19.96%	-3.0%	19.35%	

Breakdown for Other Agency Accounts - Department of Revenue

(a) <u>Other Agency Accounts Inventory</u>	2000		2001		2002	
Beginning Inventory	\$20,517,950		\$26,185,853		\$23,706,080	
Additions	3,188,395		9,676,889		9,080,312	
Total Available for Collection	\$23,706,345		\$35,862,742		\$32,786,392	
<hr/>						
Ending Inventory	<u>\$20,305,078</u>	16.2%	<u>\$23,590,059</u>	-0.5%	<u>\$23,473,107</u>	<u>\$22,456,081</u>
<hr/>						
<u>Other Agency Accounts Collections</u>	<u>2000</u>		<u>2001</u>		<u>2002</u>	
(a) Collections for the State	<u>\$959,951</u>	89.5%	<u>\$1,819,527</u>	41.4%	<u>\$2,572,565</u>	<u>\$1,784,014</u>
<hr/>						
(b) Percentage Collected	4.05%	25.3%	5.07%	54.7%	7.85%	

Appendix VIII (continued)

Breakdown for Private Collection Firms

Private Collection Firms		2000		2001		2002	
(a) Inventory							
Beginning Inventory		\$50,437,258		\$87,397,802		\$87,315,171	
Additions		<u>44,818,940</u>		<u>47,520,608</u>		<u>85,320,493</u>	
Total Available for Collection		<u>\$95,256,198</u>	41.6%	<u>\$134,918,410</u>	28.0%	<u>\$172,635,664</u>	
Ending Inventory		<u>\$80,666,778</u>	11.3%	<u>\$89,752,671</u>	63.0%	<u>\$146,337,345</u>	<u>\$105,585,598</u>
Private Collection Firms Collections		2000		2001		2002	
(a) Collections for the State		\$1,739,368	42.5%	\$2,478,102	52.2%	\$3,771,770	<u>\$2,663,080</u>
(c) Avg Historical Collection Costs		<u>\$330,480</u>	42.5%	<u>\$470,839</u>	52.2%	<u>\$716,636</u>	<u>\$505,985</u>
(b) Percentage Collected		1.83%	0.6%	1.84%	19.0%	2.18%	

(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 collections contract (19%)