

# DAS

DEPARTMENT OF  
ADMINISTRATIVE  
SERVICES

CHIEF FINANCIAL  
OFFICE

# STATEWIDE ACCOUNTS RECEIVABLE MANAGEMENT REPORT

FISCAL YEAR ENDING  
JUNE 30, 2018





# Oregon

Kate Brown, Governor

## Department of Administrative Services

Chief Financial Office

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Dec. 28, 2018

To the members of the Oregon Legislative Assembly,

Enclosed is the Statewide Accounts Receivable Management Report as required by Oregon Revised Statute 293.252(1)(e). The report identifies important issues and significant trends in state agency debt collection practices and describes efforts by state agencies to improve the collection of liquidated and delinquent debt. This is the third report issued under the statute mentioned above.

Also enclosed as Appendix C, is the report of liquidated and delinquent accounts written off, abated, or canceled as required by ORS 293.234.

Both reports reference liquidated and delinquent account activity reported by state agencies for the fiscal year ending June 30, 2018.

Sincerely,

George Naughton  
Chief Financial Officer

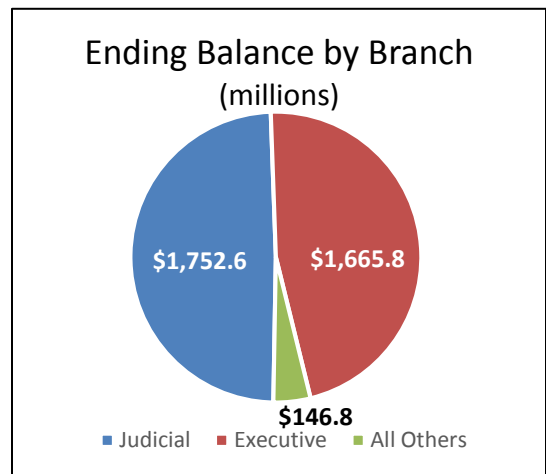
## Executive Summary

Since spring 2016, the DAS Statewide Accounts Receivable Management (SWARM) team has been leading efforts to improve statewide accounts receivable management and debt collection practices. The team worked with legislative membership to propose legislation in 2017 that passed and created the framework to centralize state debt collection functions at the Department of Revenue (DOR). Though the 2017 legislation applied only to Executive Branch state agencies, the framework will extend to include other agency clients as an opt-in service. SWARM also worked closely with state agencies to improve debt collection practices as required by the Governor’s Executive Order 17-09. State agency efforts to improve accounts receivable management and debt collection practices continue as the state transitions to a more focused accounts receivable management approach.

Through direction provided by SWARM, statewide efforts to improve collections over the past year included changes which provided agencies additional tools to collect debts and to manage accounts receivable activity. Most notably, these efforts included the implementation of quarterly and annual performance measure reporting; designing and building the framework for debt centralization at DOR; recovering debts owed by state vendors through statewide vendor coordination; training for accounts receivable representatives to learn more about accounts receivable management best practices; and establishing a method to recognize state agencies’ efforts to improve accounts receivable management with the Accounts Receivable Honor Roll.

State agency accounts receivable include a diverse representation of legally enforceable claims for payment ranging from benefit overpayments to court-ordered restitution. In addition, state agency debtors range across the socio-economic spectrum and include both individuals and businesses, depending upon the type of debt.

Both private and public organizations will eventually have some amount of receivables that are not paid on time and may ultimately be uncollected. Liquidated and delinquent accounts represent accounts that could be at risk of being uncollected, but are not yet determined to be uncollectible. The fiscal year 2018 ending balance of liquidated and delinquent accounts was \$3.6 billion; a 4.4 percent increase from fiscal year 2017. The Judicial Branch represented 49.2 percent of the ending balance, the Executive Branch 46.7 percent, and all other reporting agencies totaled 4.1 percent. Based on data reported to LFO, \$2 billion (56.1 percent) of the \$3.6 billion ending balance is doubtful to ever be collected.



Executive Branch agencies collected \$515.9 million in liquidated and delinquent accounts receivable, a 7.2 percent increase over fiscal year 2017. The increased collections were the result of agency efforts to improve collection processes along with better tracking and reporting of accounts that became liquidated and delinquent.

Executive Branch agencies reported accounts valued at \$260.4 million that were unassigned, non-exempt without a payment in more than 90 days. However, only \$4.5 million of that amount

## **Fiscal Year 2018 Statewide Accounts Receivable Management Report**

was due to agencies not complying with the assignment requirements of ORS 293.231; which represents a significant improvement compared to fiscal year 2017 when \$77.8 million was due to agency non-compliance.

While the results of state agency efforts to improve accounts receivable management and debt collection practices throughout fiscal year 2018 were apparent, agencies are still identifying errors and making the corrections necessary to accurately report the data. SWARM continues to work with agencies to refine and improve processes associated with the collection, tracking, and reporting of liquidated and delinquent accounts receivable.

Fiscal year 2019 will bring many opportunities for continued improvements in the collection of accounts receivable including the implementation of debt centralization, financial institution data match, and DOR access to the Division of Child Support new hire data obtained under ORS 25.790. SWARM is encouraged by the progress made in collecting liquidated and delinquent accounts receivable and remains committed to partnering with state agencies to improve accounts receivable management and debt collection statewide.

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### Background

As required by Oregon Revised Statute (ORS) 293.252, the Department of Administrative Services (DAS) hereby submits the annual Statewide Accounts Receivable Management Report to the Legislative Assembly in conjunction with the Legislative Fiscal Office's (LFO) Report on Liquidated and Delinquent Accounts Receivable.<sup>1</sup> The Statewide Accounts Receivable Management Report identifies important issues and significant trends in Executive Branch agency debt collection practices and describes efforts by those agencies to improve the collection of delinquent debt. Also included within this document, is the Report of Liquidated and Delinquent Accounts Written off, Abated, or Canceled as required by ORS 293.234.<sup>2</sup>

The accounts receivable data referenced in this report represents liquidated and delinquent accounts as of June 30, 2018, as reported by state agencies to LFO. The accounts include debts between state agencies and an individual or entity in which the debt was not paid by the original due date and the debtor was notified of the debt and given an opportunity to dispute the debt.

For reference purposes, terms that are **bold** in this report are defined in the Glossary of Terms (Appendix A); background information about state agency collection processes and challenges are provided in the Accounts Receivable Management Overview (Appendix B); and amounts certified by state agencies under ORS 293.234 are included in the Report of Accounts Written off, Abated, or Canceled (Appendix C).

### Data Analysis

#### Liquidated and Delinquent Account Analysis by Branch

All agencies within **state government**, as well as some **special government bodies**, are required to report **liquidated** and **delinquent** account activity to LFO annually.<sup>3</sup> State agencies report liquidated and delinquent account activity to LFO in four sections: total liquidated and delinquent accounts; accounts assigned to the Department of Revenue Other Agency Accounts (DOR-OAA) unit; accounts assigned to a private collection firm (PCF); and accounts exempt from assignment. Each of these components are evaluated to assess the overall status of liquidated and delinquent account activity.

Fiscal year 2018 was the first year that LFO required agencies to determine the number and value of liquidated and delinquent accounts that were doubtful to ever be collected. These doubtful accounts are still going through the collections process and may become eligible for **write-off**. The balance of liquidated and delinquent accounts less the balance of doubtful accounts equals the adjusted ending balance (Table 1). The adjusted ending balance represents the estimated value of liquidated and delinquent accounts potentially recoverable with reasonable effort over time and using collection tools available to the state. Based on data reported to LFO by all state agencies, \$2 billion, or 56.1 percent, of liquidated and delinquent account balances are doubtful to ever be collected.

The LFO report does not separate liquidated and delinquent debt balances by branch of government. In order to characterize where the balance of liquidated and delinquent debt

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<sup>1</sup> [ORS 293.252\(1\)\(e\)](#)

<sup>2</sup> [ORS 293.234\(1\)](#)

<sup>3</sup> [ORS 293.229](#) and [ORS 1.195](#) define the annual LFO reporting requirement.

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resides, this report separates the fiscal year 2018 data reported to LFO by branch (Table 1).<sup>4</sup> Agencies within the Legislative Branch as well as the special government bodies are listed as “All Others”.

Table 1.

| <b>Total Liquidated and Delinquent Accounts Receivable<br/>For the Year Ended June 30, 2018</b> |                             |                        |                      |                         |
|---|-----------------------------|------------------------|----------------------|-------------------------|
|   | <b>Judicial<sup>8</sup></b> | <b>Executive</b>       | <b>All Others</b>    | <b>Total</b>            |
| Beginning Balance   | \$ 1,662,809,765            | \$1,612,923,642        | \$140,699,582        | \$3,416,432,989         |
| Additions   | 805,834,488                 | 853,468,464            | 66,810,373           | 1,726,113,325           |
| Collections   | (55,412,941)                | (515,929,670)          | (29,084,012)         | (600,426,623)           |
| Write-Offs <sup>9</sup>   | (4,684,311)                 | (34,142,909)           | (8,270,690)          | (47,097,910)            |
| Adjustments   | (63,956,053)                | (19,220,539)           | (19,103,804)         | (102,280,396)           |
| Reversals   | (591,970,449)               | (231,296,313)          | (4,302,954)          | (827,568,716)           |
| <b>Ending Balance</b>   | <b>\$ 1,752,620,499</b>     | <b>\$1,665,802,675</b> | <b>\$146,748,495</b> | <b>\$ 3,565,171,669</b> |
| Doubtful Accounts   | (1,481,665,370)             | (479,602,782)          | (38,991,861)         | (2,000,260,013)         |
| <b>Adj. Ending Bal.</b>   | <b>\$ 270,955,129</b>       | <b>\$1,186,199,893</b> | <b>\$107,756,634</b> | <b>\$ 1,564,911,656</b> |

The total fiscal year 2018 ending balance of \$3.6 billion resides predominantly in the Judicial and Executive Branches. Though the Statewide Accounts Receivable Management (SWARM) team collaborates and provides accounts receivable management assistance to all state agencies, only Executive Branch agencies are subject to the accounting requirements set forth by DAS and documented in the Oregon Accounting Manual (OAM).<sup>7</sup> For this reason, the remainder of this report focuses on analyzing account activity and evaluating efforts associated with Executive Branch agencies.

### Executive Branch Liquidated and Delinquent Accounts

Executive Branch agencies reported ending balances of liquidated and delinquent accounts totaling \$1.7 billion. Five agencies represent 92.7 percent of that total (Table 2).<sup>8</sup>

<sup>4</sup> Refer to Appendix C for a listing of agencies by branch of government.

<sup>5</sup> The Judicial Department was previously unable to separate fines and fees between fund types and as a result, reported all as Other Funds. In fiscal year 2018, due to system updates, the portion of those fines and fees related to General Fund were identified and an entry was recorded to move \$570,353,749 from Other Funds (reversals) to General Fund (additions).

<sup>6</sup> Write-off amounts identified in Table 1 for the Executive and Judicial Branches should match the amounts identified in the Appendix C “Written off” column. Some special government entities are not subject to ORS 293.234; therefore, the amounts identified in the “Written off” column for special government entities will not match the amounts in “All Others” referenced in Table 1. Refer to the discussion on page 4 for the differences in amounts for the Executive Branch.

<sup>10</sup> The Judicial Branch, Legislative Branch, and special government bodies are not subject to accounting policies established by DAS.

<sup>11</sup> Refer to Appendix B for more information about the types of accounts reported by these five agencies.

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Table 2.

| <b>Executive Branch Agency Ending Balances<br/>For the Year Ended June 30, 2018</b> |                        |                                      |
|---|------------------------|--------------------------------------|
|   | <b>Ending Balance</b>  | <b>Percent of<br/>Ending Balance</b> |
| Department of Revenue   | \$848,727,568          | 51.0%                                |
| Department of Justice   | 347,033,206            | 20.8%                                |
| Oregon Employment Department  | 161,451,147            | 9.7%                                 |
| Department of Consumer and Business Services  | 125,052,143            | 7.5%                                 |
| Public Employees Retirement System  | 61,761,025             | 3.7%                                 |
| Remaining agencies  | 121,777,586            | 7.3%                                 |
| <b>Total</b>  | <b>\$1,665,802,675</b> | <b>100%</b>                          |

### Changes in Liquidated and Delinquent Account Balances

Overall Executive Branch agencies reported an increase in the liquidated and delinquent account ending balance of \$52.9 million for fiscal year 2018. This is the net effect of all **additions, collections, write-offs, adjustments, and reversals** (Table 3).

Table 3.

| <b>Executive Branch Liquidated and Delinquent Accounts Receivable<br/>Fiscal Year Comparison</b> |                         |                         |  |
|--|-------------------------|-------------------------|--|
|  | <b>2018</b>             | <b>2017</b>             | <b>Net Increase/<br/>(Decrease)<sup>13</sup></b> |
| Beginning Balance  | \$ 1,612,923,642        | \$ 1,413,132,095        | \$ 199,791,547                                   |
| Additions  | 853,468,464             | 969,095,998             | (115,627,534)                                    |
| Collections  | (515,929,670)           | (481,327,739)           | 34,601,931                                       |
| Write-Offs <sup>12</sup>   | (34,142,909)            | (28,398,801)            | 5,744,108  |
| Adjustments  | (19,220,539)            | (76,695,289)            | 57,474,750                                       |
| Reversals  | (231,296,313)           | (182,882,622)           | 48,413,691                                       |
| <b>Ending Balance</b>  | <b>\$ 1,665,802,675</b> | <b>\$ 1,612,923,642</b> | <b>52,879,033</b>                                |

Based on work performed by state agencies over the past year and a half,<sup>11</sup> collections increased by \$34.6 million compared to fiscal year 2017. Specifically, the Department of Revenue (DOR) experienced increased collections following the implementation of the GenTax system. Furthermore, the Oregon Employment Department (OED) experienced increased collections by re-structuring staff resources. OED hired two staff dedicated to processing debtor payments which allowed recovery agents more time to focus on collection activities (e.g. calling debtors).

<sup>9</sup> For additional information, refer to footnote 9 on page 2.

<sup>10</sup> The net increase/(decrease) reflects the difference between each row and is not intended to total.

<sup>11</sup> For additional information, refer to Statewide Efforts to Improve Collections beginning on page 7.



## Fiscal Year 2018 Statewide Accounts Receivable Management Report

While an increase in collections is encouraging, challenges continue as state agencies learn how to accurately report liquidated and delinquent account activity. As described in the examples below, agencies are making progress to identify errors and improve the quality of data reported annually to LFO.

The Department of Consumer and Business Services (DCBS) identified accounts from specific program areas that were not previously reported. Additionally, DCBS learned that accrued interest on delinquent accounts was not reported due to a system error. Once discovered, DCBS made the necessary correcting entries to ensure the data reported to LFO accurately reflected the current balance of outstanding liquidated and delinquent accounts.

Similarly, due to the way tax return transactions are processed at DOR, when a taxpayer amends or files a return after receiving a failure to file assessment, the system records a reversal and then establishes a new return for the updated amount. This resulted in the overstatement of both additions and reversals in the LFO report in prior years. DOR implemented system changes in fiscal year 2018 to identify those transactions and accurately reported the net change as additions in the LFO report.

The Department of Justice (DOJ) incorrectly reported accounts totaling \$7.3 million associated with bankruptcy discharges as write-offs instead of adjustments due to a data entry error. As a result, the write-off amounts reported to LFO were overstated by \$7.3 million while the write-off amounts certified to DAS reflected the actual value of write-offs processed by the agency during fiscal year 2018.

While efforts have been made to improve data integrity overall, opportunities still remain as agencies refine their processes for reporting liquidated and delinquent account activity.

To fully comprehend the status of liquidated and delinquent account activity, one must look beyond the outstanding balance of accounts and evaluate how those accounts are being managed. ORS 293.231 requires most Executive Branch agencies to assign eligible accounts to DOR-OAA or a PCF for third-party collection action.<sup>12</sup> Assigning accounts for third-party collection action allows agency staff to focus on the agency's mission without compromising collection of a delinquent account. For this reason, SWARM encourages state agencies to assign accounts for third-party collection action soon after the account meets the definition of liquidated and delinquent; the sooner accounts are assigned to DOR-OAA or a PCF, the sooner a collection specialist is able to focus efforts on collecting the account.

Assignment activity varies from year to year due, in part, to the type and volume of accounts that become liquidated and delinquent during the fiscal year.<sup>13</sup> For example, an agency may have an increase in liquidated and delinquent account activity due to a procedural change which qualifies more accounts for assignment to a third-party collector. Categorical comparisons in assignment activity (i.e. additions, returns) are less relevant when evaluating whether agencies are effectively managing liquidated and delinquent accounts; however, the variances from year to year help identify where procedural changes may have occurred. When evaluating whether accounts are being effectively managed, where the account resides in the collection lifecycle provides a more informative perspective.

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<sup>12</sup> For more information about account assignment requirements, refer to How the State Collects Debt in Appendix B.

<sup>13</sup> For more information about statewide liquidated and delinquent account assignments to DOR-OAA and PCFs, refer to Appendix D.

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Table 4.

| <b>Executive Branch Liquidated and Delinquent Accounts Receivable<br/>Fiscal Year Comparison</b> |                       |                       |  |
|--|-----------------------|-----------------------|--|
| <b>Assigned to Department of Revenue-Other Agency Accounts</b>                                   |                       |                       |  |
|  | <b>2018</b>           | <b>2017</b>           | <b>Net Increase/<br/>(Decrease)<sup>15</sup></b> |
| Beginning Balance  | \$ 64,993,024         | \$ 32,299,348         | \$ 32,693,676                                    |
| Additions  | 47,757,442            | 57,232,844            | (9,475,402)                                      |
| Collections  | (2,825,286)           | (1,967,748)           | 857,538  |
| Returns  | (42,249,539)          | (22,571,420)          | 19,678,119                                       |
| <b>Ending Balance</b>  | <b>\$ 67,675,641</b>  | <b>\$ 64,993,024</b>  | <b>2,682,617</b>                                 |
| <b>Assigned to Private Collection Firms</b>  |                       |                       |  |
| Beginning Balance  | \$ 271,241,035        | \$ 183,871,504        | \$ 87,369,531                                    |
| Additions  | 149,826,577           | 150,492,809           | (666,232)  |
| Collections  | (16,045,147)          | (8,429,516)           | 7,615,631  |
| Returns  | (61,932,397)          | (54,693,762)          | 7,238,635  |
| <b>Ending Balance</b>  | <b>\$ 343,090,068</b> | <b>\$ 271,241,035</b> | <b>71,849,033</b>                                |

Executive Branch state agencies reported outstanding assignments to a third-party for collection action totaling \$410.8 million (24.7 percent) of the fiscal year ending balance (Table 4). Both DOR-OAA and PCFs collectively recovered \$18.9 million on behalf of Executive Branch state agencies; an increase of \$8.5 million compared to the prior fiscal year.

Since not all liquidated and delinquent accounts are subject to the assignment provisions referenced in ORS 293.231, one must also include the status of account assignment exemptions in the evaluation. Executive Branch state agencies reported that \$739 million (44.4 percent) of the fiscal year ending balance qualified for an assignment exemption (Table 5).

Table 5.

| <b>Executive Branch Liquidated and Delinquent Accounts Receivable<br/>Fiscal Year Comparison</b> |                       |                       |                                     |
|--|-----------------------|-----------------------|-------------------------------------|
| <b>Accounts Exempt from Assignment</b>   |                       |                       |                                     |
|  | <b>2018</b>           | <b>2017</b>           | <b>Net Increase/<br/>(Decrease)</b> |
| Administrative Exemption   | \$ 447,356,322        | \$ 318,826,460        | \$ 128,529,862                      |
| Statutory Exemption  | 291,652,477           | 253,036,047           | 38,616,430                          |
| <b>Total Exemptions</b>  | <b>\$ 739,008,799</b> | <b>\$ 571,862,507</b> | <b>\$ 167,146,292</b>               |

A common misconception is that an exemption means the account cannot be collected; generally, this is untrue. Rather, assignment exemptions provide agencies the flexibility to determine alternative avenues to effectively collect a delinquent account. For example, several

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state agencies have an internal collections unit combined with unique tools which allow the agency to effectively collect its accounts. Specifically, the Oregon Department of Transportation (ODOT), Oregon Health Authority (OHA), Department of Human Services (DHS), DOJ, OED, and DOR have such specialized collection units. Each of these agencies have accounts that may qualify for either an administrative or statutory exemption or a combination thereof. As a result, these agencies may exempt applicable accounts from third-party collection action to retain for internal collection to allow for recovery through actions such as the reduction of future payments.

Of the \$739 million account exemptions reported in fiscal year 2018, \$296.8 million (40.2 percent) were exempted because the accounts were affiliated with a spousal or child support order; accounts retained by DOJ for internal collection actions. The value of account exemptions fluctuates from one fiscal year to the next as the account status changes or agencies better identify accounts eligible for exemption. For example, the vast majority (96.2 percent) of the increased exemptions between fiscal year 2017 and 2018 were reported by DOJ for accounts related to child support cases (\$153.1 million) due to better identification and reporting of accounts and a higher volume of cases with court-ordered **judgments** (\$7.7 million).

### Unassigned Accounts Over 90 Days

The final component used to evaluate the effectiveness of state agency liquidated and delinquent account management is the balance of unassigned, non-exempt accounts without a payment for 90 days or more. In fiscal year 2018, a total of 31 Executive Branch state agencies reported \$260.4 million in accounts that were unassigned, non-exempt without a payment for 90 days or more.<sup>14</sup> State agencies that reported balances of unassigned, non-exempt accounts provided an explanation as to why the accounts were not assigned. In preparing this report, the explanations provided were consolidated into general categories: exempt accounts erroneously reported as non-exempt (\$198.1 million, 76.1 percent); accounts pending re-assignment or write-off (\$57.8 million, 22.2 percent); and accounts subject to assignment in which the state agency did not comply with ORS 293.231 (\$4.5 million, 1.7 percent).

The Oregon Department of Forestry and the Department of Environmental Quality, accounted for \$3.7 million (81.1 percent) of the \$4.5 million fiscal year 2018 unassigned, non-exempt accounts due to non-compliance with ORS 293.231.

Though agency failure to comply with the statutory assignment requirements creates serious concern for SWARM, it is important to note that the amount of unassigned, non-exempt accounts due to agency non-compliance significantly decreased from the \$77.8 million balance reported in fiscal year 2017. While considerable progress has been made to comply with the statutory assignment requirements, opportunities for improvement still exist.

Overall, the LFO data reported by Executive Branch agencies demonstrates an improvement in accounts receivable management practices as documented in the balance of account assignments and account exemptions, as well as, the decreased balance of unassigned non-exempt accounts due to agency non-compliance. While improvements are still necessary, the effects of agency efforts are becoming more apparent as time progresses.

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<sup>14</sup> Refer to the 2018 LFO Report on Liquidated and Delinquent Accounts Receivable for a list of these agencies and amounts reported.

## Statewide Efforts to Improve Collections

### Accounts Receivable Performance Measures

Fiscal year 2018 marked the first year state agencies were required to report quarterly and annual accounts receivable performance measure (ARPM) data to SWARM. Quarterly, state agencies reported total accounts receivable collections; liquidated and delinquent accounts receivable collections; outstanding accounts receivable balances; and outstanding accounts receivable balances over 90 days past due.<sup>15</sup> On the annual report, state agencies included the number of days to collect, number of days to assign, and write-offs as a percentage of total available accounts receivable.<sup>16</sup>

Fiscal year 2018 Executive Branch state agency ARPM reports indicated:

- Accounts receivable collections totaled \$5.5 billion.
- Liquidated and delinquent account collections totaled \$534.3 million.<sup>17</sup>
- Outstanding accounts receivable as of June 30, 2018 totaled \$2 billion.
- 65.7 percent of accounts receivable balances outstanding as of June 30 were over 90 days past due.
- 69.7 percent of accounts receivable were collected within 60 days.
- 64.6 percent of liquidated and delinquent accounts receivable were assigned within 90 days.
- Less than 0.5 percent of available accounts receivable were written-off during the fiscal year.

The ARPM data referenced above will be used by SWARM as a baseline for evaluating state agency progress going forward. Additionally, state agencies are encouraged to use the annual ARPM data as a management tool for evaluating the effectiveness and efficiency of internal accounts receivable processes.

State agencies experienced challenges gathering and reporting data associated with ARPMs; in part, because the reporting elements were new and systems were not in place to effectively capture the data. State agencies continue to refine internal processes to improve ARPM data gathering and reporting accuracy; refinements which will also improve the integrity of liquidated and delinquent account data reported to LFO annually.

### Centralized Debt Collections

During the 2017 Legislative Session, SB 1067 passed which included a provision to centralize the collection of Executive Branch liquidated and delinquent accounts receivable in DOR-OAA.<sup>18</sup> This portion of the legislation became operative July 1, 2018; thus, much of fiscal year 2018 was dedicated to designing and building the centralization framework.

Representatives from DOR-OAA and SWARM met regularly throughout the fiscal year to design the framework; obtain customer feedback; modify system functionality; and train stakeholders and partners about the impacts and benefits of debt centralization. With debts centrally located

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<sup>15</sup> Executive Branch state agencies subject to the OAM and Executive Order 17-09 were required to report quarterly ARPM data during fiscal year 2018.

<sup>16</sup> Executive Branch state agencies subject to the OAM were required to report annual ARPM data during fiscal year 2018.

<sup>17</sup> Liquidated and delinquent account collections reported by Executive Branch agencies on the ARPM reports should match the collections reported annually to LFO; however, due to ongoing data integrity issues, the data did not match.

<sup>18</sup> Only Executive Branch agencies subject to ORS Chapter 293 are required to participate in the debt centralization efforts. Those agencies not subject may opt-in to the services in the future.

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at DOR-OAA, dedicated staff and unique collection tools could be maximized to improve liquidated and delinquent account collections.

Debt centralization implementation was a multi-faceted effort; not only did DOR-OAA need to modify systems and business practices to facilitate the legislative changes, but state agencies needed to modify internal processes to liquidate delinquent accounts more efficiently so that assignments could be made to DOR-OAA sooner.

SWARM worked diligently throughout the year to update statewide accounts receivable management policies to create efficiencies. By reducing the amount of actions a state agency has to perform before assigning an account to DOR-OAA, accounts may be eligible for assignment sooner, and may be more collectible as a result of the reduced amount of time between debt establishment and assignment.

Once assigned to DOR-OAA, accounts may be combined with other debts owed by the same debtor and evaluated for collectibility scoring. The collectibility score may be used to determine the most effective process for collecting the accounts. For example, if the score indicates the account would be more effectively collected by a PCF (e.g. out-of-state debtor), all of the debtor's accounts may be assigned directly to a PCF; alternatively, if the account would be more effectively collected by DOR-OAA (e.g. garnishable in-state debtor), all of the debtor's accounts may remain at DOR-OAA until the six month statutory timeline expires.

In concert with SB 1067 implementation, DOR-OAA managers and staff partnered to collectively review operational processes in an effort to identify opportunities for improvements. The team focused on the following areas:

- *Team-Based Goal Setting*: The team established certain outcome-based goals to increase collections. To reach collection goals, a plan was created that identified targeted collection activities to be performed as well as individual goals to be achieved.
- *Telephone and Active Collection Staffing*: The team reviewed the unit's approach to staffing incoming telephone calls in relation to outbound collection work which resulted in a more optimal distribution of resources between these two sets of core collection activities. As a result of the review, additional resources were shifted to active collections activities which directly impact account collections (e.g. researching an account to determine the most appropriate collection action). The team continues to monitor and update the unit's resourcing approach to maximize account collections.
- *More Structured Active Collections*: The team evaluated methods to integrate new collections tools into active collection activities. The use of GenTax reports to identify which collection activities and accounts may result in the highest returns were implemented to direct staff assignments.

Efforts to maximize the benefits of centralized debt collections will continue for several years as SWARM and DOR-OAA independently and collectively evaluate opportunities for enhancement.

### Vendor Coordination

Fiscal year 2018 marked a momentous occasion in state debt collections. As directed by the Governor through Executive Order 17-09, vendor coordination was established to intercept payments due to vendors that owe the state debt using an administrative hold and **garnishment** process.

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Through the coordination of efforts led by SWARM, multiple agencies convened to identify a solution that would result in the same outcome as an automated vendor offset model using existing resources. The solution includes a daily electronic file exchange and automated data match process to identify pending payments due to vendors that owe the state debt. Upon identification, the paying state agency notifies DOR of the match and DOR determines whether a garnishment should be issued to intercept the pending payment. The result: state agencies are coordinating to identify vendors that owe debts to the state and are intercepting pending payments to recoup those debts.

The vendor coordination process will be implemented in three phases: 1) recovery of DOR tax debts, 2) recovery of state agency debts assigned to DOR-OAA, and 3) recovery of non-state agency debts assigned to DOR-OAA. The administrative hold and garnishment process for each phase will be the same, the difference resides in what data will be included in the electronic file exchange.

Before a state agency may intercept a pending payment, agency management must determine whether the payment is subject to garnishment and shall apply good judgment and independent thinking when it decides to not garnish a vendor payment, even if the garnishment is otherwise allowed by law or regulation. Research was initially completed by SWARM to identify statewide garnishment restrictions and communicated to state agencies via training. For example, payment of federal grant moneys, whether issued to contractors or subrecipients, are not subject to garnishment. State agencies will continue to evaluate on a case-by-case basis whether agency-specific payments are subject to garnishment.

ODOT was the first state agency to implement Phase 1 of the vendor coordination administrative hold and garnishment process on January 31, 2018. On June 4, 2018, the DAS Financial Business Systems (FBS) team implemented Phase 1 of the vendor coordination administrative hold and garnishment process in the Statewide Financial Management Application (SFMA); at which point 82 state agencies, including OJD and Legislative Branch state agencies, were provided the ability to identify and intercept pending vendor payments to apply towards DOR tax debts owed to the state. As of June 30, 2018, both ODOT and SFMA agencies recovered a total of \$223 thousand through the vendor coordination administrative hold and garnishment process. Through November 30, 2018, a total of \$459 thousand was recovered.

Efforts to implement Phase 2 of the vendor coordination process are underway; additional system enhancements are required to fully incorporate eligible Phase 2 debts.<sup>19</sup> SWARM continues to work with Executive Branch state agencies to identify systems used to pay vendors outside of SFMA. As payment systems are identified, an evaluation occurs to determine whether a match between vendor and debtor data is required.

### Training

Each year, SWARM evaluates the needs of state agency accounts receivable professionals to determine the most beneficial training to develop. Understanding that state agency accounts receivable professionals have limited time available to attend classroom training, SWARM maximizes the use of online training.

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<sup>19</sup> State agency debts assigned to DOR-OAA must be garnishable to be included in the electronic file exchange. Additionally, DOR-OAA debts identified by a social security number may not be included until a process is in place to verify the applicable vendor was initially notified that their social security number may be used for debt collection purposes (ORS 293.226).

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Over the past year, SWARM published a three part training video series to assist state agencies with reporting quarterly and annual ARPM data, setting ARPM targets, and using ARPM data as a management tool. SWARM also published three separate training videos which covered the following topics: offers in compromise, the use of social security numbers for debt collection, and the Servicemembers Civil Relief Act. Each training video was approximately 30 minutes long and may be viewed at the convenience of the trainee.

During fiscal year 2018, SWARM hosted four classroom training opportunities: Efficient and Effective Accounts Receivable Management; SB 1067 Collection Centralization; Executive Order 17-09 Vendor Coordination; and the annual training on Liquidated and Delinquent Account Reporting. Most of the classroom training opportunities were recorded and published on the SWARM website or in iLearn to ensure accessibility to those unable to travel to the Salem area as well as those unable to attend in person due to scheduling conflicts.

Each time training is published to the SWARM website or classroom registration is advertised, SWARM encourages managers and accounting professionals responsible for overseeing or processing accounts receivable transactions to partake in the training opportunities.

### Accounts Receivable Honor Roll

Since 2016, state agencies have been tasked with several additional reporting requirements. In response to these changes, SWARM worked closely with state agency staff to evaluate business operations, recommend process modifications, and provide an overview of each reporting requirement. To recognize the efforts of accounts receivable professionals statewide, and encourage prioritization of accounts receivable management activities, the DAS Chief Financial Office (DAS-CFO) created the Accounts Receivable Honor Roll.

Beginning with fiscal year 2019, SWARM will distribute a list of accounts receivable reporting requirements and the respective due dates. State agencies that submit accurate reports by the required due dates will be eligible for the Accounts Receivable Honor Roll. Following the close of each fiscal year, DAS-CFO will identify the state agencies that made the Accounts Receivable Honor Roll and send a certificate accompanied by a congratulatory letter addressed to the agency director recognizing the accounts receivable professionals that completed the reports. Additionally, the list of Accounts Receivable Honor Roll recipients will be published on the SWARM webpage.

State agency participation in submitting accurate and timely accounts receivable reports is an important component in meeting the statewide efforts to improve accounts receivable management processes and the integrity of liquidated and delinquent account data reported annually to LFO.

### SWARM Efforts

SWARM leads the monthly Accounts Receivable Core Committee (ARCC) meeting and the ARCC subcommittee meetings. Through November 2018, these meetings resulted in the following deliverables:

- Updated 19 statewide accounts receivable management policies.
- Developed a statewide policy associated with the coordination of vendor payments.
- Published eight Oregon Administrative Rules associated with exempting liquidated and delinquent accounts from assignment and using social security numbers for debt collection purposes.

## Fiscal Year 2018 Statewide Accounts Receivable Management Report

- Distributed four quarterly newsletters to state government accounts receivable professionals, stakeholders, and partners.

During fiscal year 2018, two of the ARCC subcommittees finalized efforts outlined in their respective charters. The Communication Subcommittee completed its role by creating the platform for communicating accounts receivable information to state agencies, partners, and stakeholders. The Tools and Process Improvement Subcommittee achieved its goals of identifying best practices; available and effective collection tools; and publishing that information on the SWARM webpage for use by state agencies.

In addition to the efforts described above, SWARM worked closely with state agency accounts receivable professionals to improve agency-specific policies and procedures. Since state agencies have unique accounts, debtors, and processes, one-on-one coordination is an essential component in helping agencies incorporate general statewide accounts receivable management guidance into agency-specific policies and procedures.

## Future of State Debt Collections

State agencies continue to demonstrate a commitment to improve accounts receivable management processes in an effort to increase collections and reduce the amount of debt owed to the state. Direction from the Legislative Assembly and the Governor's Office over the past few years contributed immensely by requiring state agencies to improve accounts receivable management practices. Though great strides have been made to improve state debt collections since 2016, more work exists to improve data quality, streamline processes, leverage system capabilities, and maximize recoveries.

Throughout this report references have been made to data quality issues. Whether the data was improperly categorized or inconsistently reported, data quality continues to be a concern. One of SWARM's statutory responsibilities is to work with state agencies to improve the quality of data submitted annually to LFO. As part of this oversight role, SWARM provides state agencies with tools to improve the tracking and reporting of liquidated and delinquent account data. Additionally, SWARM reviews each liquidated and delinquent account report submitted by the 134 state agencies required to report under ORS 293.229. In fiscal year 2018, the majority of reports initially submitted to LFO by state agencies included errors; errors that could have been mitigated through the use of tools provided by SWARM or an internal agency review process. As a result of SWARM's review, most of the errors were corrected before the statutory deadline of October 1. Unfortunately, SWARM is unable to determine the validity of the numbers reported; that level of detailed review must be completed by the reporting state agency.

As previously referenced, legislation passed during 2017 created the foundation for building a centralized debt collection framework. Most Executive Branch state agencies are required to participate in debt centralization, as defined in ORS 293.231; however, those agencies not required to assign accounts to DOR-OAA may voluntarily opt-in to the centralized services available. As DOR-OAA works to encourage state agencies to opt-in to centralization, SWARM continues to research and analyze options for implementing future statewide endeavors to enhance the effects of centralization (e.g. state **lien** registry, Lottery award offset).



## Fiscal Year 2018 Statewide Accounts Receivable Management Report

While much emphasis has been placed on debt centralization due to the importance of its role in building a sustainable long-term framework, other projects have also been put into motion to improve the collection of liquidated and delinquent accounts receivable.

In 2017, statutory revisions were made which enabled DOR and DOJ to enter into an interagency agreement to exchange new hire data collected for child support administration under ORS 25.790. This change, operative July 1, 2018, enables DOR to obtain a debtor's employment information almost three months faster than the quarterly employment information previously provided by OED. The timelier exchange of employment data provides DOR the ability to identify a debtor's employer sooner which may result in additional wage garnishment collections.

Also operative July 1, 2018, was the 2017 financial institution data match (FIDM) legislation which required certain financial institutions to provide account holder information to DOR to enable the department to conduct a data match between debtors and account holders to identify potential garnishable assets. Previously, DOR used various resources to predict where a debtor maintained a bank account; an approach that, in some instances, resulted in fees assessed by the bank without a collection from the garnishment. FIDM created a mechanism for more efficient identification of bank accounts held by debtors.

These two new tools enhance DOR's ability to collect debts that originate in DOR as well as those assigned to DOR-OAA by other state agencies; tools which also compliment debt centralization.

Legislative changes in 2017 not only expanded collection tools available to DOR, the Department of Corrections (DOC) also received additional tools to support state debt collection efforts. SB 844 instructed DOC to collect eligible monies from an inmate trust account to collect certain court-ordered financial obligations. While system modifications and procedural changes have been evaluated extensively throughout the past 18 months, implementation of the process is scheduled to begin in early 2019. The first phase of implementation will include court-ordered financial obligations issued through the Judicial Branch.

The legislation created a three tier model of court-ordered financial obligations: 1) Oregon Judicial Department (OJD) compensatory fines, victim's restitution, and criminal fines and fees; 2) DOJ child support obligations and other victim civil judgments; and 3) civil judgments for money damages in favor of DOC and Oregon Corrections Enterprises employees and other costs and fees arising from inmate litigation. An inmate must pay all tier one debts before debts due in the subsequent tiers may be collected. DOC estimates that of the approximately 15 thousand inmates in custody at state correctional facilities, at least 12 thousand have outstanding court-ordered financial obligations.

Though legislative changes over the past three years have created many opportunities for statewide accounts receivable management improvements, SWARM continues to evaluate opportunities to maximize and enhance the use of existing technology. Many state agencies have accounts receivable resource limitations; related to both people and systems. Understanding the state agency resource challenges and identifying the commonality of state agency needs empowers SWARM to identify solutions to bridge the gap between resource limitations and effective accounts receivable management.

Though not all Executive Branch state agencies use SFMA, most do. In an effort to create efficiencies and maximize the use of existing technology, SWARM works closely with DAS-FBS,

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the team responsible for managing and maintaining SFMA. Together, the two units work collectively to evaluate system capabilities, establish workflow improvements, and implement system enhancements to reduce some of the manual tracking state agencies are required to perform to monitor and report accounts receivable activity.

Throughout the next year, SWARM will continue to partner with DOR-OAA, Executive Branch state agencies, and DAS-FBS to leverage the benefits of debt centralization, evaluate agency-specific processes to streamline accounts receivable management, and to maximize the use of SFMA to mitigate state agency resource challenges.

## **Acknowledgments**

SWARM appreciates the access to agency liquidated and delinquent accounts receivable data from LFO; this report would not be possible without LFO's support. DAS also extends thanks to state agencies for staff's professionalism and dedication to improving accounts receivable data and collection processes.

## Appendix A – Glossary of Terms

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

**Additions** – The number and value of accounts that became liquidated and delinquent after July 1 of the reporting fiscal year.

**Adjustments** – Entries to increase or decrease a portion of the debt. Adjustments may be the result of an administrative error or a compromise for settlement.

**Collections** – All payments received by an agency as payment towards billings or receivables, including amounts received from collection agencies.

**Delinquent** – A receivable account for which payment has not been received by the due date (OAM 35.30.30).

**Distrain warrant** – A legal document that establishes an agency's right to collect state debts from a debtor.

**Garnishment** – Legal proceeding that authorizes a third party to directly attach the debtor's funds, such as wages or a bank deposit, to satisfy a creditor's claim.

**Judgment** – A court order ruling that the debtor is indebted to and must make payments to the creditor of a specific amount.

**Lien** – A claim (which can include a judgment) or charge upon real or personal property for the satisfaction of some debt.

**Liquidated** – An amount owing to a state agency that meets all of the following criteria: 1) an agency has determined an exact past due amount owing; 2) an agency has made a reasonable attempt to notify the debtor in writing of the amount owing, the nature of the debt, and has requested payment; and 3) the debt meets one of the following conditions: (a) a judgment has been entered, (b) is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met, (c) liability for and the amount have been established through an administrative proceeding, (d) is for a non-complying employer's debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice, (e) arises from a promissory note, (f) is due to a pre-existing agreement and the debtor has not objected within a reasonable time, (g) has been unconditionally acknowledged by the debtor, both as to liability and amount, (h) derived by a calculation of fees, collection costs, charges, penalties, or the like from a report or an application for a permit or license submitted by the debtor in accordance with regulations and has not been disputed as to liability and amount, (i) has been established by Administrative or Judicial proceeding as to liability (but not amount, the amount is based on an arithmetical calculation), has been delivered to the debtor and the debtor has not objected within a reasonable time. Refer to OAM 35.30.10.PO paragraph .104 for further explanation.

**Reversals** – Entries to remove the entire debt. Reversals may be the result of setting up an account in error, re-opening an account for appeal, or correcting the fund type associated with the account.

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**Special government body** – As defined in [ORS 174.117](#), “special government body” includes a public corporation created under a statute of this state and specifically designated as a public corporation; any entity that is created by statute, ordinance or resolution that is not part of state government or local government; any entity that is identified as a governmental entity by the statute, ordinance or resolution authorizing the creation of the entity, without regard to the specific terms used by the statute, ordinance or resolution; a public university listed in ORS 352.002.

**State government** – As defined in ORS [174.111](#), “state government” means the executive department, the judicial department and the legislative department.

**Write-Offs** – Receivables that are determined to be uncollectible by management and have been removed from the agency's accounting records. If an agency has made all reasonable efforts to collect the money owed to it, including money owed on a liquidated and delinquent account that has been relinquished by a private collection agency under 293.231, and has determined that the money and any interest and penalties on the money are uncollectible, the agency may write-off the debt on its accounts. Before determining that money is uncollectible, a state agency must adopt criteria for determining when money is uncollectible. The criteria must include the right of offset and must be approved by the Attorney General.

## Appendix B – Accounts Receivable Management Overview

### How the State Collects Debt

The statutory requirements pertaining to collecting liquidated and delinquent debt are documented in two chapters of the ORS based upon the applicable branch of state government. The collection and assignment provisions of ORS Chapter 1 apply to agencies within the Judicial Branch and the provisions of ORS Chapter 293 apply to agencies within the Executive Branch.<sup>20</sup> Statewide policies and procedures pertaining to accounts receivable management are documented in OAM Chapter 35 and are applicable to Executive Branch agencies subject to report financial activity in the Comprehensive Annual Financial Report (CAFR).<sup>21</sup>

#### Executive Branch Agencies

Agencies have an obligation to bill for goods provided, or services rendered, in a timely manner. When an account is not paid by the original date it becomes delinquent. The state agency is then responsible for conducting preliminary collection activities. These activities include contacting the debtor by phone and sending a letters to notify the debtor of the amount of the debt and to request payment. The letters also serve to notify the debtor of: procedures and deadlines to dispute the debt; interest costs; possible account assignment to DOR-OAA or a PCF; and the additional collection costs associated with assigning the account. Letters are a common method used to liquidate an account; however, accounts may also become liquidated as the result of: a court or administrative order; written agreement between the state agency and the debtor; or by the debtor acknowledging the debt in writing.<sup>22</sup>

Once accounts move into a collection phase, agencies must follow a complex process based on federal and state requirements for due process. State agencies' internal processes involve phone calls, sending letters, and administrative proceedings when a debtor disputes a debt (Fig. 1).

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<sup>20</sup> [ORS 1.194-1.202](#) documents the collection of court account requirements; including, but not limited to, account assignment provisions. [ORS 293.231](#) documents the account assignment requirements for Administrative or Executive Branch agencies subject to ORS Chapter 293. Agencies required to report liquidated and delinquent accounts annually to LFO identified in [ORS 293.229\(5\)](#) are exempt from the assignment provisions of [ORS 293.231](#).

<sup>21</sup> [OAM 01.05.00](#) documents the scope and applicability of the OAM.

<sup>22</sup> [OAM 35.30.30](#) documents the definition of liquidated and delinquent accounts.

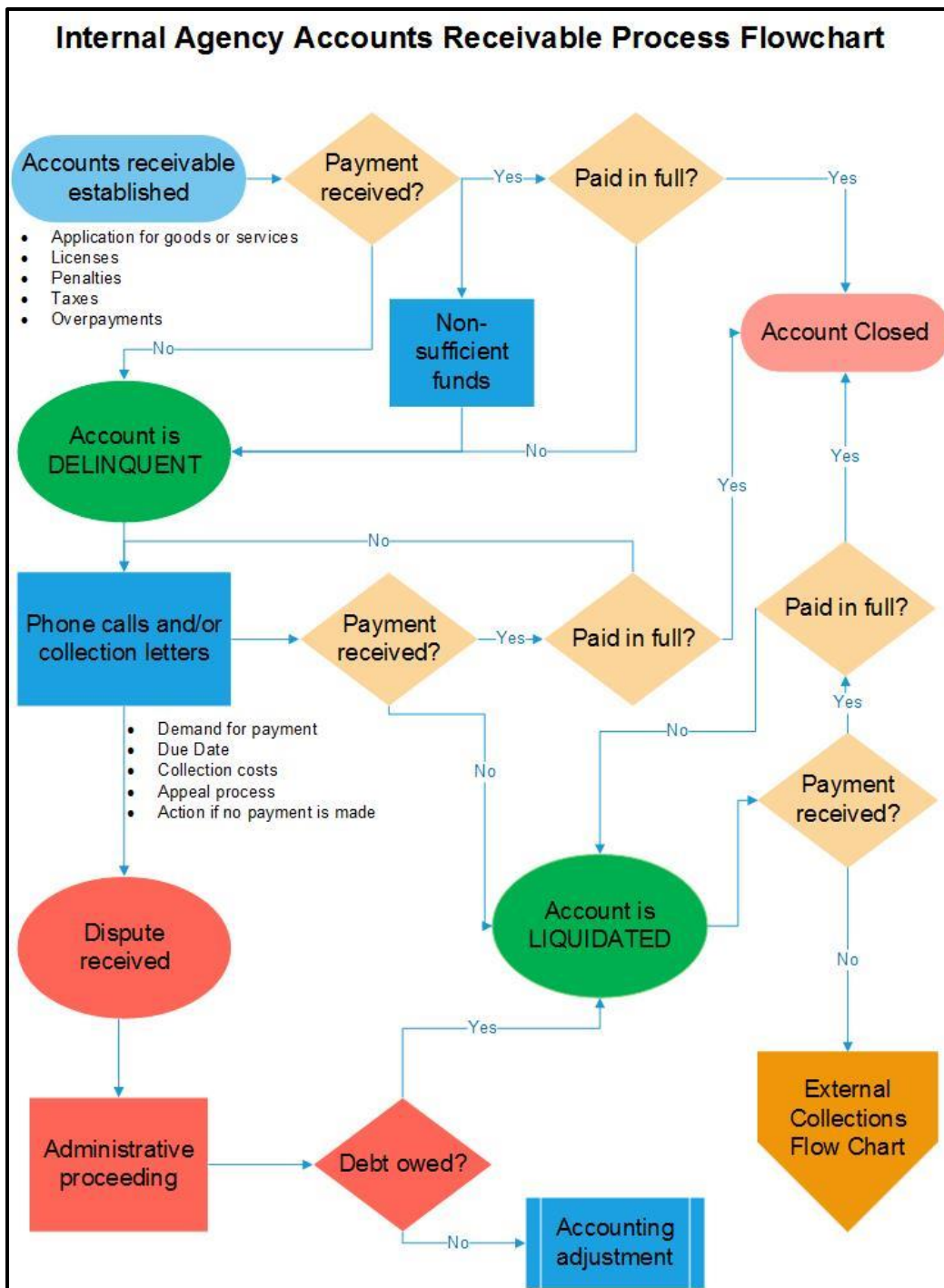


Figure 1.

Once state agencies have completed the internal collection process and are unsuccessful in recovery, ORS 293.231 requires the state agency to use external sources to assist with ongoing efforts to collect the debt (Fig. 2). Once an account meets the definition of liquidated and delinquent, Executive Branch agencies must assign it to DOR-OAA or a PCF not later than 90 days from the date the account was liquidated (if no payment was received on the account within the 90-day period) or 90 days from the date of receipt of the most recent payment on the account.<sup>23</sup>

<sup>23</sup> [ORS Chapter 293.231\(1\) \[2017\]](#)

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Not all liquidated and delinquent accounts are subject to the assignment provisions outlined above; ORS 293.231 and OAM 35.40.10 provide exemptions that may be applied at the discretion of the agency.<sup>24</sup> Examples of assignment exemptions include, but are not limited to, accounts that are: secured by a consensual security interest; valued at less than \$100 including penalties; owed by an estate in which the agency received notice the estate closed; or owed by a debtor hospitalized in a state hospital.

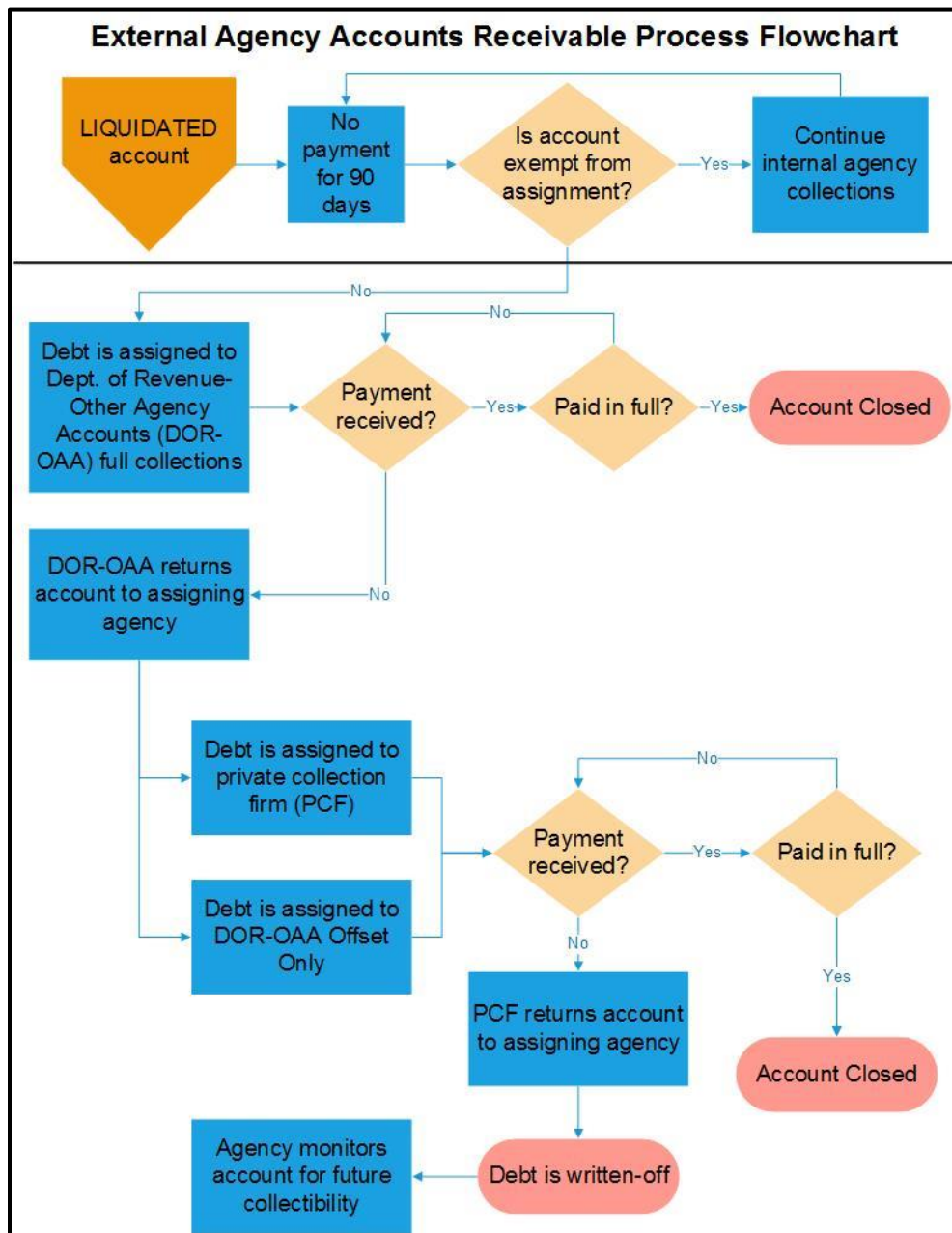


Figure 2.

Prior to July 1, 2018, liquidated and delinquent accounts assigned to DOR-OAA per ORS 293.231(1) remained in full collection status for six months from the date of assignment or from the date of the last payment applied to the account.<sup>25</sup> Per statute, after six months lapsed without

<sup>24</sup> [ORS Chapter 293.231\(7\)](#), [OAM 35.40.10](#)

<sup>25</sup> [ORS 293.231\(5\)](#). DOR-OAA had a DAS-approved exemption to extend the collection time period from six months to one year. The exemption expired June 30, 2018 and was not extended.

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a payment on the account, DOR-OAA notified and returned the account to the originating agency. Upon receipt of the returned account, the agency was required to immediately offer to assign the account to a PCF for additional collection services.<sup>26</sup> DAS maintains a statewide price agreement with multiple PCF vendors for state agencies to choose from.

Following the completion of collection activities at a PCF, the account was returned to the originating agency. The agency evaluated the account to determine if the account was uncollectible and eligible for write-off as per the Attorney General-approved criteria documented in OAM 35.50.10.<sup>27</sup> Though the account may have been removed from the agency's accounting records, the liability of the debt remains and the agency may pursue collection activities at a later date should the account subsequently become collectible due to a change in the debtor's circumstances (e.g. debtor becomes employed).

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

### Judicial Branch Agencies

Per ORS 1.197(1), agencies within the Judicial Branch of state government shall offer to assign liquidated and delinquent accounts not later than one year from the date the account was liquidated (if no payment was received on the account within that year) or one year from the date of receipt of the most recent payment on the account.<sup>28</sup>

Furthermore, DOR-OAA has one year to collect on liquidated and delinquent accounts assigned by agencies of the Judicial Branch. If DOR-OAA does not collect a payment on the account within one year, or if one year has lapsed since the date of receipt of the most recent payment on the account, DOR-OAA must notify and return the account to the respective Judicial Branch agency who must then immediately offer to assign the account to a PCF.<sup>29</sup> The Oregon Judicial Department maintains an agreement with multiple vendors on behalf of Judicial Branch agencies.

Some Judicial Branch liquidated and delinquent accounts may be exempt from the one year assignment provisions referenced above. As provided in ORS 1.199, the State Court Administrator may establish policies and procedures for exempting accounts in addition to the exemptions referenced in ORS 1.198.<sup>30</sup> Agencies of the Judicial Branch of state government are not subject to the statewide policies and procedures referenced in the OAM.

## Collection Issues and Challenges

State agencies face several challenges impacting collection processes. In an effort to better understand these challenges, and to identify solutions for overcoming these challenges, one must analyze the type of challenges that exist: data availability; systems; standardization; and resources.

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<sup>26</sup> [ORS 293.231\(4\) \[2017\]](#)

<sup>27</sup> [OAM 35.50.10](#)

<sup>28</sup> [ORS 1.197\(1\)](#)

<sup>29</sup> [ORS 1.197\(5\)](#)

<sup>30</sup> [ORS 1.198\(2\)](#), [ORS 1.199\(1\)](#)



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### Data Availability

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

State agencies that provide goods or services are encouraged to obtain as much customer data as possible prior to providing the goods or services in the event the account becomes liquidated and delinquent. Since the process associated with obtaining additional data may create added resource burdens, state agencies must evaluate the cost associated with collecting more data on the front end compared to the likelihood of collection activity. State agencies that accept checks as a form of payment also accept the risk that the check may be returned for non-sufficient funds. In these cases, the state agency may only have data available from the face of the check; which could be stolen, fraudulent, or outdated.

### Systems

Systems, much like data, are an integral component to enable state agencies to successfully collect liquidated and delinquent debt. Over 70 percent of state agencies use a Microsoft Excel spreadsheet to track and report accounts receivable while the remaining agencies use legacy mainframe applications or third party software applications. Due to the complex nature of collection activities, an Excel spreadsheet is not an ideal mechanism for effectively and efficiently managing accounts receivable transactions.

Even robust systems, such as SFMA, have limitations which require state agencies to maintain subsidiary systems to track the details associated with liquidated and delinquent accounts. For example, to comply with the statutory assignment provisions, agencies must track the date an account became delinquent as well as the date the account became liquidated. State agencies may use an aging report generated with data entered into SFMA to establish account delinquency; however, data associated with the date of liquidation is not available in SFMA. As a result, agency accounts receivable professionals must track the data points separately.

GenTax, the system purchased by DOR for tax administration, has many benefits to assist DOR with collecting tax and non-tax debts; however, since the system's primary function is tax administration, the collection functionality needed for DOR-OAA to provide information to client agencies is limited. Though GenTax includes improved collection functionality not previously available, the reporting limitations create challenges for DOR-OAA client agencies by requiring them to rely upon other, more manual, processes to effectively manage and reconcile accounts assigned for collections to DOR-OAA. As the state considers options to further enhance debt collections, investments are necessary to either augment GenTax or acquire a portfolio management system.

### Standardization

Standardizing processes is a challenge that some state agencies face when collecting liquidated and delinquent debt. Though agencies have the authority to establish internal processes to ensure compliance with applicable federal and state requirements, the diverse nature of business units limit the ability to create standardized processes within the agency. Diverse business units result in diverse types of debt with varying levels of requirements resulting in

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unique processes for each business unit or type of debt. This challenge makes it difficult for state agencies to efficiently standardize collection processes; an important factor when limited resources are available to conduct effective and efficient collection activities. Even though state agencies may have similar regulatory functions and authorities such as civil penalties, numerous issues within each agency may result in varying methods of implementing those same authorities.

### Resources

Resource challenges affecting state agencies include not only the number of staff available to perform collection duties but also the training and expertise of the available staff. Often, collection work in state agencies is completed by accountants responsible for accounts receivable billing. Though this may seem like a natural fit, collection work and accounting work are different functions and require different skillsets. In addition, the primary purpose of an accounts receivable accountant is to bill for goods or services provided and to record the applicable accounting entries in the general ledger. A debt collector requires a specific set of skills that include: research methods to locate debtors and collectible assets; negotiation methods; and enforcement processes, such as garnishment and lien recording. The skills required for debt collection are not commonly listed in job requirements for accounting positions. Many state agencies indicated the priority is to bill for goods or services provided while collection activities are often conducted as time allows and as staff are available.

When an agency determines the percentage of accounts that become liquidated and delinquent are immaterial compared to the percentage of accounts that are paid timely, it is not surprising that agencies prioritize the work accordingly. Not only are resource challenges the result of limited staff, but so is staff expertise. Collection activities contain many complexities which make it difficult to effectively perform when only a portion of an employee's position is allocated to infrequently performing such tasks.

Collection staff need to be well versed in applicable federal and state regulations to ensure due process is available to the debtor and that the appropriate notifications are made prior to escalating collection efforts. The debtor must be notified of potential consequences for failing to pay, such as: penalties; interest; garnishment; assignment of the account to DOR-OAA or a PCF; and the affiliated collection costs. Due process also provides many opportunities for the debtor to dispute or appeal the debt. Failure to provide proper notification to the debtor could result in the agency being legally liable for damages or penalties.

## Statewide Accounts Receivable Management

ORS 293.252 directs DAS to monitor state agency debt collection functions and assist state agencies in efforts to improve the collection of delinquent debts.<sup>31</sup> To meet the statutory requirements, DAS created the two-person SWARM team to provide training on processing and managing accounts receivable; offer technical assistance in resolving accounts receivable challenges; and develop performance standards for state debt collection. In an effort to improve the collection of delinquent debts and foster improved agency communication, SWARM developed the Accounts Receivable Core Committee (ARCC).

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<sup>31</sup> [ORS 293.252](#)

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### Accounts Receivable Core Committee

The ARCC is comprised of accounts receivable representatives from state agencies who meet monthly to discuss current collection practices and assist SWARM in developing strategies to improve statewide accounts receivable management. The ARCC also serves as a forum for state agency accounts receivable professionals to collaborate with peers from other state agencies and to discuss successful collection strategies, lessons learned, and best practices.

To assist in meeting the objectives of the ARCC, four subcommittees were initially established to address specific statewide accounts receivable management topics: communication; performance metrics; policy review and development; and tools and process improvements.

### Communication Subcommittee

The role of the Communication Subcommittee is to improve communication between state agencies, debtors and debt collection stakeholders.<sup>32</sup> The method and content of accounts receivable-related messages are evaluated for effectiveness and efficiency. Subcommittee members identify existing communication methods and assist SWARM in developing enhancements to communication methods to ensure collection expectations, requirements, and regulations are clearly communicated to stakeholders.

### Performance Metrics Subcommittee

The goal of the Performance Metrics Subcommittee is to assist SWARM in the identification of performance metrics to measure statewide accounts receivable management efforts. While some agencies have existing internal metrics for measuring accounts receivable management performance, other agencies have limited data available to measure performance. Subcommittee members coordinate with SWARM to develop the accounts receivable performance measures (ARPM) that Executive Branch state agencies report quarterly and annually.

### Policy Development and Review Subcommittee

The objective of the Policy Development and Review Subcommittee is to review existing accounts receivable policies, reflected in OAM Chapter 35, and to assist SWARM in developing new statewide accounts receivable policies based on administrative or legislative changes. Subcommittee members provide feedback to SWARM regarding the language and application of the policies as reference for modifying and clarifying the policies.

### Tools and Process Improvement Subcommittee

The purpose of the Tools and Process Improvement Subcommittee was to identify best practices and effective collection tools available to state agencies for accounts receivable management.<sup>33</sup> Subcommittee members assist SWARM with evaluating available collection tools and collection processes for the purpose of sharing those resources with state agency accounts receivable professionals.

The ARCC and its subcommittees include a diverse membership from large agencies, small agencies, semi-independent agencies, the Oregon Judicial Department, PCFs, and DOR-OAA. The work of the ARCC and its subcommittees are valuable components to improving statewide

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<sup>32</sup> Work associated with the Communication Subcommittee was completed during fiscal year 2018 (refer to page 11).

<sup>33</sup> Work associated with the Tools and Process Improvement Subcommittee was completed during fiscal year 2018 (refer to page 11).

## Fiscal Year 2018 Statewide Accounts Receivable Management Report

debt collections and overall accounts receivable management practices through the collaboration, partnership, and forward thinking of accounts receivable professionals.

### Factors in Collecting Receivables

Key factors which impact the collectibility of a receivable are: the type of the receivable; the socio-economic status of the debtor; and the debtor's ability and willingness to pay.

### Types of Receivables

State agency receivables include a diverse representation of legally enforceable claims for payment ranging from benefit overpayments to court-ordered restitution (Table 6).

Table 6.

| <b>Types of State Agency Receivables<sup>34</sup></b>    |                                   |
|--|-----------------------------------|
| Administrative hearing orders                            | Loans                             |
| Benefit overpayments (unemployment or public assistance) | Medical services                  |
| Contract or service level agreements                     | Restitution                       |
| Court orders (civil or criminal judgment)                | Support orders (child or spousal) |
| Employee overpayments (current or former employee)       | Taxes                             |
| Fees, fines and penalties                                | Tuition                           |
| Licensing (application or renewal)                       |                                   |

Generally, some types of receivables are easier to collect than others. For example, a licensing agency can suspend or revoke a license if the debt is not paid; therefore, the debtor is more likely to voluntarily pay.

Typically, more than 90 percent of the Executive Branch outstanding balances of liquidated and delinquent accounts originate in the same five agencies and are described in more detail below.

#### *Department of Revenue*

Debt balances reported by DOR include taxes, fees, penalties and interest owed to the state by individuals and businesses. The debts are primarily payable to the General Fund. The majority of the debt balances reported by DOR are related to personal income tax. Accounts collected by DOR-OAA are not included in this amount since they are reported by the agency that assigned the account.

#### *Department of Justice*

Debt balances reported by DOJ are comprised primarily of: child support recoveries which are passed to the custodial parent when collected; punitive damages awarded to the Crime Victims Services Division; and court judgments from the Financial Fraud, Consumer Protection and Charities programs. The debts are largely payable to Federal Funds and Other Funds.

#### *Oregon Employment Department*

Debt balances reported by OED include unemployment insurance (UI) benefit overpayments and UI employer-paid taxes. UI benefit overpayments result from administrative decisions that

<sup>34</sup> The list in Table 6 represents the most common types of state agency receivables; it is not an all-inclusive list.

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determine a claimant was not eligible to receive benefits. UI benefit overpayments arise from claimant error, non-claimant error, or fraud. Both types of UI debts include amounts that have accumulated over many years and may have been subject to additional penalties and interest. The debts are payable to Other Funds.

### *Oregon Department of Consumer and Business Services*

Debt balances reported by DCBS include a variety of programs ranging from workers compensation and occupational safety to financial regulation and building codes. Outstanding balances are fines or penalties related to regulatory enforcement. The debts are primarily payable to Other Funds.

### *Public Employees Retirement System*

Debt balances reported by PERS include retiree overpayments which occur as a result of retiree death, legislative changes to retirement calculations, and administrative errors. The debts are payable to Other Funds.

## Types of Debtors

State agency debtors range across the socio-economic spectrum and can be either individuals, businesses, or organizations depending on the type of the debt (Table 7). State agencies often do not get to choose their customers or deny services based on ability to pay; therefore, a reactive approach to accounts receivable management is common.

Table 7.

| <b>Type of State Agency Debtors</b>    |                                      |
|--|--------------------------------------|
| Corporations, partnerships, LLCs, etc. | Medical care recipients              |
| Employed individuals                   | Not-for-profit organizations         |
| Hospitalized individuals               | Out-of-state individuals             |
| Incarcerated individuals               | Students                             |
| Individuals on state assistance        | Unemployed individuals               |
| Individuals with limited income        | Unlicensed individuals or businesses |
| Licensed professionals                 | Veterans                             |

Collectibility of a debt expands beyond type of debtor and includes evaluation of the debtor's ability and willingness to pay. A common matrix used by PCFs assesses whether the debtor may be: able and willing to pay; able to pay but unwilling; unable to pay but willing; or unable and unwilling to pay (Fig. 3). Evaluating this probability of collection is valuable for determining the most cost effective and efficient method of pursuing the debt.

It is important to understand that over time a debtor's ability to pay is subject to change based on adjustments in their socio-economic status, while their willingness to pay typically does not change.

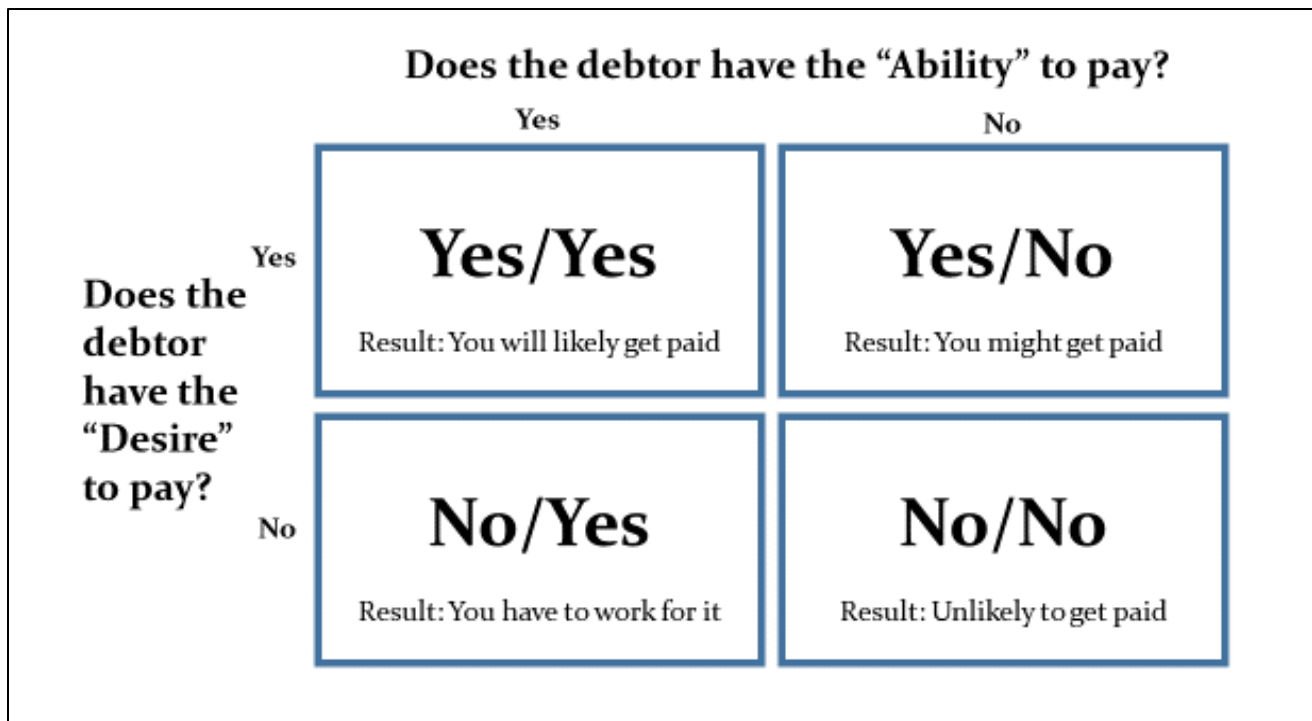


Figure 3.

For those debtors who are willing and unable to pay due to low-income or loss of employment, enforced collection of the debt through garnishment may prove difficult and could exacerbate their circumstances and create an unintentional hardship. In these situations, state agencies or PCF representatives may enter into repayment agreements that span a longer period of time. When a debtor is willing to pay but unable, monitoring the account and the debtor’s socio-economic status becomes pivotal since their ability to pay may change over time.

Alternatively, debtors who are unwilling to pay despite their ability, create more of a challenge to debt collectors because, as noted above, the debtor’s willingness to pay typically does not change over time. In these instances, more aggressive collection techniques should be exercised, such as issuing garnishments or placing a non-consensual lien against the debtor’s real property. However, these collection tools are only effective when the debtor has assets.

Each factor referenced above impacts the ability of state agencies to effectively collect debts. By evaluating the nature of the debt, socio-economic status of the debtor, and the debtor’s ability and willingness to pay, debt collectors are able to maximize collection efforts by prioritizing and allocating account collection resources to maximize efficiency and recovery.

Notwithstanding these factors, state agency representatives may also align collection techniques to be in balance with the mission of the agency. For example, an individual who receives public assistance may become a debtor as a result of a benefit overpayment. Aggressive attempts to recover the overpayment while the debtor is still facing economic challenges may be contrary to the mission of the agency to provide public assistance to its constituents.

## Collection Tools

State agencies have several tools available for use in collecting debts (Table 8). Some tools are limited for use by agencies with unique statutory authority while other tools are available for use by all state agencies regardless of the nature of the receivable.

Table 8.

| Collection Tools                           |                                   |
|--|-----------------------------------|
| Collection letter, demand notice           | Non-consensual real property lien |
| DOR-OAA (full service collections)         | PCF (full service collections)    |
| DOR-Refund Offset (restricted collections) | Phone call                        |
| Garnishment                                | Skip-tracing                      |
| Judgment                                   | Unclaimed property claim          |

State agencies are responsible for performing preliminary collection activities which include: contacting the debtor by phone; sending collection letters or demand notices; and updating debtor contact information. When the debt becomes liquidated and delinquent, state agencies subject to statutory assignment provisions must assign the account to either DOR-OAA or a PCF. Once accounts are assigned to DOR-OAA or a PCF, full service collection activities commence.

Full service collection activities include the preliminary collection activities referenced previously, as well as: locating a debtor or debtor assets; recording real property liens; offsetting tax refunds; submitting a claim with the Department of State Lands against a debtor’s unclaimed property; obtaining judgments; and issuing garnishments. State agencies with internal collection units perform full service collection activities prior to assigning a liquidated and delinquent account to DOR-OAA or a PCF.

Many licensing and regulatory agencies have statutory authority to issue civil penalties against individuals or businesses that operate without a license or violate a statutory or administrative regulation. These agencies have additional tools available to collect debts. More specifically, upon issuance of a final civil penalty order, the agency may record the order in a county lien register thus enabling the agency to issue garnishments or record a lien against real property owned by the debtor.

DOR, OED, OHA, ODOT, DCBS, and the Department of Human Services (DHS) have **distrain warrant** authority which, similar to civil penalty authority, allows the agency to docket the warrant in a county lien register thus enabling the agency to issue garnishments or record a lien against real property owned by the debtor. Though a limited number of state agencies have distrain warrant authority, some liquidated and delinquent accounts assigned to DOR-OAA qualify for a distrain warrant to be issued using DOR-OAAs statutory authority.<sup>35</sup> However, if DOR-OAA is unable to collect the liquidated and delinquent account within the statutory or administrative

<sup>35</sup> Liquidated and delinquent accounts may qualify for DOR-OAA to issue a distrain warrant if the debt meets one of the following conditions: 1) judgment was entered on the debt; 2) the debt is a tax debt for which a distrain warrant was issued or the prerequisites of issuance were met; 3) liability for, and the amount of, the debt was established through an administrative proceeding; or 4) the debt is a non-complying employer’s debt for claim and administrative costs eligible for referral under criteria identified by the Department of Justice ([OAM 35.30.30](#)).

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timelines, the distraint warrant will be canceled and the account will be returned to the originating agency for subsequent assignment to a PCF.

Five state agencies have authority granted by the federal government to participate in the Treasury Offset Program (TOP), a program which intercepts federal tax refunds to offset delinquent tax debts, public assistance debts, and unemployment insurance debts. Access to the TOP program is limited for use by the OED, DHS, OHA, DOJ, and DOR. Additionally, Oregon law allows DOJ, DHS, and OHA to intercept lottery proceeds awarded to debtors with outstanding moneys owed to these state agencies. These two tools (TOP and lottery offset) were excluded from the above table since they are available to a limited number of state agencies per federal or state law.



## Appendix C – Report of Accounts Written off, Abated, or Canceled

During the 2017 Legislative Session, House Bill 2947 passed which required DAS to annually report to the Legislative Assembly the amounts of liquidated and delinquent debt that, in the previous fiscal year, were: written off under ORS 293.240; canceled by DOR under ORS 305.155; or abated by a state agency.<sup>36</sup> Additionally, the bill, codified in ORS 293.234, required state agencies to certify to DAS annually that debts were written off, abated, or canceled in accordance with applicable statutes and rules.

The certified balances reported by state agencies for fiscal year 2018 are listed in alphabetical order by branch of government and agency name.

| <u>Agency Name</u>                            | <u>Written off</u> | <u>Abated</u> | <u>Canceled</u> |
|---|--------------------|---------------|-----------------|
| <b>Executive Branch Agencies</b>              |                    |               |                 |
| Accountancy, Board of                         | \$16,315           | \$31,292      | \$ -            |
| Administrative Services, Department of        | 13,173             | -             | -               |
| Advocacy Commissions Office, Oregon           | -                  | -             | -               |
| Agriculture, Department of                    | 344                | -             | -               |
| Albacore Commission, Oregon                   | -                  | -             | -               |
| Alfalfa Seed Commission, Oregon               | -                  | -             | -               |
| Appraiser Certification and Licensure Board   | -                  | -             | -               |
| Architect Examiners, State Board of           | -                  | -             | -               |
| Aviation, Department of                       | 9,966              | -             | -               |
| Beef Council, Oregon                          | -                  | -             | -               |
| Blind, Commission for the                     | 2                  | -             | -               |
| Blueberry Commission, Oregon                  | -                  | -             | -               |
| Business Oregon                               | -                  | -             | -               |
| Chief Education Office                        | -                  | -             | -               |
| Chiropractic Examiners, Board of              | -                  | -             | -               |
| Clover Commission, Oregon                     | -                  | -             | -               |
| Columbia River Gorge Commission               | -                  | -             | -               |
| Construction Contractors Board                | 195,848            | 358,454       | -               |
| Consumer and Business Services, Department of | 6,407,146          | -             | -               |
| Corrections, Department of                    | 74,749             | 216           | -               |
| Criminal Justice Commission, Oregon           | -                  | -             | -               |
| Dairy Products Commission, Oregon             | -                  | -             | -               |
| Dentistry, Oregon Board of                    | -                  | 1,000         | -               |
| District Attorneys and their Deputies         | -                  | -             | -               |
| Dungeness Crab Commission, Oregon             | -                  | -             | -               |
| Education, Department of                      | -                  | -             | -               |

<sup>36</sup> As defined in ORS 293.234, the value of canceled accounts certified to DAS is limited to DOR tax debts. Other agencies with debt cancellation authority reported the value of canceled accounts as abated.

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| <u>Agency Name</u>  | <u>Written off</u>           | <u>Abated</u> | <u>Canceled</u> |
|---|------------------------------|---------------|-----------------|
| <b>Executive Branch Agencies</b>                          |                              |               |                 |
| Employment Department                                     | 4,234,475                    | 17,572,217    | -               |
| Employment Relations Board                                | -                            | -             | -               |
| Energy, Department of                                     | -                            | 5,700         | -               |
| Environmental Quality, Department of                      | 12,862                       | 126,680       | -               |
| <i>Exam. for Engin. &amp; Land Survey, State Board of</i> | <i>Agency did not report</i> |               |                 |
| Facilities Authority, Oregon                              | -                            | -             | -               |
| Film and Video Office, Oregon                             | -                            | -             | -               |
| Fine Fescue Commission                                    | -                            | -             | -               |
| Fish and Wildlife, Oregon Department of                   | -                            | 1,845         | -               |
| Forest Resources Institute, Oregon                        | -                            | -             | -               |
| Forestry, Oregon Department of                            | -                            | -             | -               |
| Geologist Examiners, State Board of                       | -                            | -             | -               |
| Geology and Mineral Industries, Department of             | -                            | -             | -               |
| Government Ethics Commission, Oregon                      | -                            | 2,965         | -               |
| Hazelnut Commission, Oregon                               | -                            | -             | -               |
| Health Authority, Oregon                                  | 549,583                      | 2,023,566     | -               |
| Higher Education Coordinating Commission                  | -                            | -             | -               |
| Hop Commission, Oregon                                    | -                            | -             | -               |
| Housing and Community Services Department                 | -                            | 9,550         | -               |
| Human Services, Department of                             | 3,243,252                    | 1,117,854     | -               |
| Justice, Department of                                    | 8,868,549                    | 450,000       | -               |
| Labor and Industries, Bureau of                           | -                            | -             | -               |
| Land Conservation and Development, Dept.                  | -                            | -             | -               |
| Land Use Board of Appeals                                 | -                            | -             | -               |
| Lands, Department of State                                | -                            | -             | -               |
| Landscape Architects Board, State                         | -                            | -             | -               |
| Landscape Contractors Board, State                        | 6,946                        | -             | -               |
| Library, Oregon State                                     | -                            | -             | -               |
| Licensed Social Workers, Board of                         | -                            | -             | -               |
| Liquor Control Commission, Oregon                         | 58                           | -             | -               |
| Long Term Care Ombudsman, Office of                       | -                            | -             | -               |
| Lottery Commission, Oregon                                | 20,854                       | 4,765         | -               |
| Marine Board, Oregon State                                | 2,255                        | 476           | -               |
| Massage Therapists, Board of                              | 9,500                        | -             | -               |
| Medical Board, Oregon                                     | -                            | -             | -               |
| Medical Imaging, Board of                                 | -                            | -             | -               |
| Mental Health Regulatory Agency                           | -                            | -             | -               |
| Military Department, Oregon                               | -                            | 6,098         | -               |
| Mint Commission, Oregon                                   | -                            | -             | -               |
| Mortuary and Cemetery Board                               | -                            | -             | -               |

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| <u>Agency Name</u>                                 | <u>Written off</u> | <u>Abated</u> | <u>Canceled</u> |
|--|--------------------|---------------|-----------------|
| <b>Executive Branch Agencies</b>                   |                    |               |                 |
| Nursing, Oregon State Board of                     | -                  | 6,418         | -               |
| Occupational Therapy Licensing Board               | -                  | -             | -               |
| Office of the Governor                             | -                  | -             | -               |
| Optometry, Oregon Board of                         | -                  | -             | -               |
| Orchardgrass Seed Producers Commission, Oregon     | -                  | -             | -               |
| Oregon Naturopathic Medicine, Board of             | -                  | 10,000        | -               |
| Oregon Youth Authority                             | -                  | -             | -               |
| Parks & Recreation Department, Oregon              | -                  | -             | -               |
| Parole and Post-Prison Supervision, State Board of | -                  | -             | -               |
| Patient Safety Commission, Oregon                  | -                  | -             | -               |
| Pharmacy, Board of                                 | 740                | 7,500         | -               |
| Physical Therapists Licensing Board                | -                  | -             | -               |
| Police, Department of State                        | -                  | -             | -               |
| Potato Commission, Oregon                          | -                  | -             | -               |
| Processed Vegetable Commission, Oregon             | -                  | -             | -               |
| Psychiatric Security Review Board                  | -                  | -             | -               |
| Public Employees Retirement System                 | 360,999            | 7,705         | -               |
| Public Safety Standards and Training, Dept. of     | -                  | -             | -               |
| Public Utility Commission                          | 170                | -             | -               |
| Racing Commission, Oregon                          | -                  | -             | -               |
| Raspberry & Blackberry Commission, Oregon          | -                  | -             | -               |
| Real Estate Agency                                 | -                  | 2,000         | -               |
| Revenue, Department of                             | 1,847,648          | 11,739,644    | 19,255,620      |
| Ryegrass Growers Seed Commission, Oregon           | -                  | -             | -               |
| Salmon Commission, Oregon                          | -                  | -             | -               |
| Secretary of State, Office of the                  | -                  | -             | -               |
| Sheep Commission, Oregon                           | -                  | -             | -               |
| Speech Lang. Path. And Audiology, Board of Exam.   | -                  | -             | -               |
| Strawberry Commission, Oregon                      | -                  | -             | -               |
| Sweet Cherry Commission, Oregon                    | -                  | -             | -               |
| Tall Fescue Commission, Oregon                     | -                  | -             | -               |
| Tax Practitioners, Board of                        | -                  | -             | -               |
| Teacher Standards & Practices Commission           | -                  | -             | -               |
| Tourism Commission, Oregon dba Travel Oregon       | -                  | -             | -               |
| Transportation, Department of                      | 756,236            | 364,479       | -               |
| Travel Information Council                         | -                  | -             | -               |
| Trawl Commission, Oregon                           | -                  | -             | -               |
| Treasurer, Office of the State                     | -                  | -             | -               |
| Veterans' Affairs, Department of                   | 181,422            | -             | -               |
| Veterinary Med. Examiners, Board of                | -                  | -             | -               |

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| <u>Agency Name</u>                             | <u>Written off</u>                   | <u>Abated</u>       | <u>Canceled</u>     |
|--|--------------------------------------|---------------------|---------------------|
| <b>Executive Branch Agencies</b>               |                                      |                     |                     |
| Water Resources Department                     | 23,734                               | 300                 | -                   |
| Watershed Enhancement Board, Oregon            | -                                    | -                   | -                   |
| Wheat Commission, Oregon                       | -                                    | -                   | -                   |
| Wine Board, Oregon                             | -                                    | -                   | -                   |
| <b>Total Executive Branch Agencies</b>         | <b>26,836,826</b>                    | <b>33,850,723</b>   | <b>19,255,620</b>   |
| <b>Judicial Branch Agencies</b>                |                                      |                     |                     |
| Judicial Department, Oregon                    | 4,684,311                            | 57,558,155          | -                   |
| Judicial Fitness and Disability, Commission on | -                                    | -                   | -                   |
| Public Defense Services Commission             | -                                    | -                   | -                   |
| <b>Total Judicial Branch Agencies</b>          | <b>4,684,311</b>                     | <b>57,558,155</b>   | <b>-</b>            |
| <b>Legislative Branch Agencies</b>             |                                      |                     |                     |
| Legislative Administration Committee           | -                                    | -                   | -                   |
| Legislative Assembly                           | -                                    | -                   | -                   |
| Legislative Commission on Indian Services      | -                                    | -                   | -                   |
| Legislative Counsel Committee                  | -                                    | -                   | -                   |
| Legislative Fiscal Office                      | -                                    | -                   | -                   |
| Legislative Revenue Office                     | -                                    | -                   | -                   |
| <b>Total Legislative Branch Agencies</b>       | <b>-</b>                             | <b>-</b>            | <b>-</b>            |
| <b>Special Government Entities</b>             |                                      |                     |                     |
| Affordable Housing Assistance Corporation      | Not subject to reporting requirement |                     |                     |
| Eastern Oregon University                      | Not subject to reporting requirement |                     |                     |
| Oregon Corrections Enterprises                 | 1,198                                | 9,906               | -                   |
| Oregon Health & Science University             | Not subject to reporting requirement |                     |                     |
| Oregon Institute of Technology                 | Not subject to reporting requirement |                     |                     |
| Oregon State University                        | Not subject to reporting requirement |                     |                     |
| Portland State University                      | Not subject to reporting requirement |                     |                     |
| SAIF Corporation                               | 355,110                              | -                   | -                   |
| Southern Oregon University                     | Not subject to reporting requirement |                     |                     |
| State Fair Council                             | Not subject to reporting requirement |                     |                     |
| University of Oregon                           | Not subject to reporting requirement |                     |                     |
| Utility Notification Center, Oregon            | 327                                  | -                   | -                   |
| Western Oregon University                      | Not subject to reporting requirement |                     |                     |
| <b>Total Special Government Entities</b>       | <b>356,635</b>                       | <b>9,906</b>        | <b>-</b>            |
| <b>Grand Total<sup>37</sup></b>                | <b>\$31,877,772</b>                  | <b>\$91,418,784</b> | <b>\$19,255,620</b> |

<sup>37</sup> For additional information, refer to footnote 9 on page 2 and the discussion of write-off differences on page 4.

## Appendix D – LFO Data by Branch of Government

State agency data reported by LFO is not separated by branch of government. Since this management report focuses on liquidated and delinquent account activity reported by Executive Branch state agencies, the LFO data was separated by branch of government to provide a reconciliation between data referenced in the LFO report and data referenced in this report. Agencies within the Legislative Branch as well as special government bodies are listed as “All Others”.

| <b>Total Liquidated and Delinquent Accounts Receivable<br/>For the Year Ended June 30, 2018</b> |                         |                        |                      |                         |
|---|-------------------------|------------------------|----------------------|-------------------------|
|   | <b>Judicial</b>         | <b>Executive</b>       | <b>All Others</b>    | <b>Total</b>            |
| Beginning Balance   | \$ 1,662,809,765        | \$1,612,923,642        | \$140,699,582        | \$3,416,432,989         |
| Additions   | 805,834,488             | 853,468,464            | 66,810,373           | 1,726,113,325           |
| Collections   | (55,412,941)            | (515,929,670)          | (29,084,012)         | (600,426,623)           |
| Write-Offs  | (4,684,311)             | (34,142,909)           | (8,270,690)          | (47,097,910)            |
| Adjustments   | (63,956,053)            | (19,220,539)           | (19,103,804)         | (102,280,396)           |
| Reversals   | (591,970,449)           | (231,296,313)          | (4,302,954)          | (827,568,716)           |
| <b>Ending Balance</b>   | <b>\$ 1,752,620,499</b> | <b>\$1,665,802,675</b> | <b>\$146,748,495</b> | <b>\$ 3,565,171,669</b> |
| Doubtful Accounts   | (1,481,665,370)         | (479,602,782)          | (38,991,861)         | (2,000,260,013)         |
| <b>Adj. Ending Bal.</b>   | <b>\$ 270,955,129</b>   | <b>\$1,186,199,893</b> | <b>\$107,756,634</b> | <b>\$ 1,564,911,656</b> |
| <b>Assigned to the Department of Revenue - Other Agency Accounts</b>                            |                         |                        |                      |                         |
| Beginning Balance   | \$ 224,133,445          | \$ 64,993,024          | \$ 51,630,706        | \$ 340,757,175          |
| Additions   | 242,431,961             | 47,757,442             | 25,475,443           | 315,664,846             |
| Collections   | (26,938,291)            | (2,825,286)            | (7,605,625)          | (37,369,202)            |
| Returns   | (186,490,859)           | (42,249,539)           | (22,568,264)         | (251,308,662)           |
| <b>Ending Balance</b>   | <b>\$ 253,136,256</b>   | <b>\$ 67,675,641</b>   | <b>\$ 46,932,260</b> | <b>\$ 367,744,157</b>   |
| <b>Assigned to Private Collection Firms</b>   |                         |                        |                      |                         |
| Beginning Balance   | \$ 796,925,715          | \$ 271,241,035         | \$ 58,135,931        | \$ 1,126,302,681        |
| Additions   | 620,031,959             | 149,826,577            | 36,231,997           | 806,090,533             |
| Collections   | (9,773,183)             | (16,045,147)           | (4,112,866)          | (29,931,196)            |
| Returns   | (431,051,865)           | (61,932,397)           | (26,190,984)         | (519,175,246)           |
| <b>Ending Balance</b>   | <b>\$ 976,132,626</b>   | <b>\$ 343,090,068</b>  | <b>\$ 64,064,078</b> | <b>\$ 1,383,286,772</b> |
| <b>Accounts Exempt from Assignment</b>  |                         |                        |                      |                         |
| Administrative  | \$ 64,577,260           | \$ 447,356,322         | \$ -                 | \$ 511,933,582          |
| Statutory   | 349,227,123             | 291,652,477            | 1,734,700            | 642,614,300             |
| <b>Total Exemptions</b>   | <b>\$ 413,804,383</b>   | <b>\$ 739,008,799</b>  | <b>\$ 1,734,700</b>  | <b>\$ 1,154,547,882</b> |