

OREGON ACCOUNTING MANUAL

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|  STATEWIDE POLICY | NUMBER 35.30.90 | SUPERSEDES 35.30.90 Dated 06/01/2018 |
| | EFFECTIVE DATE 08/22/2018 | PAGE NUMBER Pages 1 of 3 |
| Division Chief Financial Office | REFERENCE/AUTHORITY ORS 291.015 ORS 293.252 ORS 293.254 ORS 293.590 | |
| Policy Owner Statewide Accounting and Reporting Services | | |
| SUBJECT Accounts Receivable Management – Account Activity: Coordination of Vendor Payments | APPROVED SIGNATURE <i>George Naughton, Chief Financial Officer</i> Signature on file | |

PURPOSE

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

APPLICABILITY

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

DEFINITIONS

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

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

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

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

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

EXCLUSIONS AND SPECIAL SITUATIONS

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

POLICY

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

PROCEDURES

104. DOR shall create and make available a **debtor list** for state agencies to use to perform a data match between **vendors** and debts owed to the state when required by paragraph 106.
105. DOR shall establish separate interagency agreements (IAA) with DAS Financial Business Systems (FBS), and each agency that interfaces summary level accounts payable activity into the Statewide Financial Management Application (SFMA), to allow for the exchange of the **debtor list**. The IAA shall include, at a minimum, provisions associated with disclosure of confidential information, data storage, and **debtor list** file format.
106. DOR shall provide a current **debtor list** to FBS, and each agency that interfaces summary level accounts payable activity into SFMA, on a daily basis.
107. FBS shall conduct a data match between SFMA **vendors** and the **debtor list** and inactivate affected **vendor** profiles to prevent the issuance of payments to **vendors** who owe money to the state.
108. Agencies that interface summary level accounts payable activity into SFMA shall conduct a data match between agency **vendors** and the **debtor list** to prevent the issuance of payments to **vendors** who owe money to the state.
109. DOR, in partnership with state agencies, shall develop and maintain a mechanism for state agencies to notify DOR when a payment is due to a **vendor** included on the **debtor list**.
110. When payment is due to a **vendor** who owes money to the state, the paying agency shall notify DOR of the pending payment using the mechanism identified in paragraph 109. Agencies shall place the **vendor** payment on an **administrative hold** pending response from DOR.
111. DOR shall review agency **vendor** match notifications on a daily basis and respond, electronically, to the paying agency no later than five (5) business days from the date of the initial notification. As part of the review process, DOR shall identify any tax identification number (TIN) and name mismatches and work with FBS, or each agency that interfaces summary level accounts payable activity into SFMA, to determine the correct TIN and name combination. DOR shall research and resolve the TIN and name mismatches, or remove them from the **debtor list**, within three (3) business days from the date the mismatch was identified.
112. The paying agency shall process the **vendor** payment in accordance with the response provided by DOR (e.g. garnishment) and standard accounts payable transaction processing.

- 113. Agencies that do not receive a response from DOR within the timeline referenced in paragraph 111 shall immediately remit the payment referenced in paragraph 110 directly to the **vendor**.
- 114. Upon receipt of a garnishment, the paying agency shall issue payment, up to the value of the garnishment, using the vendor's TIN and made payable to the Department of Revenue (it is essential that the agency name be identified as the payee rather than the agency's acronym). If the payment is in excess of the garnishment, the paying agency shall issue the remaining payment balance using the **vendor's** TIN and made payable to the **vendor**.
- 115. Agencies are responsible for retaining garnishment records issued pursuant to this policy per the general records retention schedule documented in [Oregon Administrative Rule 166-300-0025\(44\)](#).
- 116. Garnishment-related **vendor** disputes shall be directed to DOR as outlined in the garnishment. DOR will review and respond to all debtor disputes associated with **vendor** payments garnished per the procedures defined within this policy.
- 117. DOR shall establish internal procedures to ensure **vendor** payments directed to DOR as referenced in paragraph 114 are applied to the debtor's account and removed from the **debtor list** timely.

REPORTING REQUIREMENTS

- 118. DOR shall report to the DAS Chief Financial Office the following information on a semi-annual basis as defined in paragraph 119:
 - a. Number of notifications received as referenced in paragraph 110
 - b. Number of garnishments issued based on the notifications received
 - c. Number of days to respond to notifications received as referenced in paragraph 111
 - d. Number and total dollar value of **vendor** payments received under paragraph 114
- 119. DOR shall submit the report referenced in paragraph 118 as follows:

| <u>Reporting period</u> | <u>Due Date</u> |
|--------------------------------|------------------------|
| July 1-December 31 | January 31 |
| January 1-June 30 | July 31 |