


# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.05.00	<b>SUPERSEDES</b> 35.05.00 dated 03/01/2013
	<b>EFFECTIVE DATE</b> 12/11/2018	<b>PAGE NUMBER</b> Pages 1 of 2
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.252 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Introduction	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

This chapter provides an overview of legal remedies and recommended best practices that state agencies should use to establish, collect, manage, and report accounts receivable.

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

**Reasonable effort:** The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**


The guidance referenced in this chapter is not intended to supersede any state or federal statute or regulation.

## **POLICY**

101. Agency management must ensure that agency personnel adhere to all required accounts receivable management practices defined within this chapter; including, but not limited to, timely billing, effective collection, and accurate reporting.
102. Agency management are encouraged to implement recommended practices described in this chapter, when appropriate, for effective accounts receivable management.

103. Agency management must ensure that agency personnel follow the specific federal or state law, rule, or regulation applicable to the agency. Agency specific statutes may allow for a wider range of collection authority (e.g. actions and authority related to interest, penalties, late fees, warrants, garnishments, and non-financial sanctions). This chapter covers general authority available to state agencies.
104. The state's policy is to employ **reasonable effort** to collect all accounts receivable due to state agencies and to establish procedures to effect the timely collection of all amounts owed.
105. Generally speaking, there is no statute of limitations on accounts receivable owed to state agencies; however, the legal enforcement remedies available to collect the accounts receivable may expire. State agencies should consult Department of Justice legal counsel for specific questions.

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 STATEWIDE POLICY	<b>NUMBER</b> 35.20.20	<b>SUPERSEDES</b> 35.20.20 dated 04/15/2013
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<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.226 ORS 293.252 ORS 293.590 OAR 122-085-0200	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Establishment: Debtor Information Gathering	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

This policy provides guidance on gathering debtor information.

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**


The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

## **POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.
102. State agencies shall, to the extent possible, collect or verify debtor information when they establish accounts receivable or receive checks for services. Debtor information is essential to effectively perform skip tracing or asset location (refer to [OAM 35.30.70](#)) when an account becomes delinquent and requires further collection actions.
103. State agencies should gather, record, and update debtor information on the first contact with the debtor and on each subsequent contact.

104. State agencies should, to the extent possible, obtain at a minimum, the debtor's legal name, date of birth, phone number, mailing address, and driver's license number (if applicable). When obtaining information from a business, it is important to obtain a list of owners and officers as well as phone numbers for each.
105. State agencies are encouraged to obtain a debtor's Social Security Number for debt collection purposes in accordance with OAR 122-085-0200.
106. State agencies must define in their policies and procedures the minimum information they will obtain, how the information will be gathered, and how it will be used. The information obtained must be sufficient to ensure there will not be a delay in the collection of the account due to lack of information.

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 STATEWIDE POLICY	<b>NUMBER</b> 35.20.30	<b>SUPERSEDES</b> 35.20.30 dated 04/15/2013
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<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Establishment: Ability to Pay/Deny Services	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides an overview of how to determine a customer’s ability to pay and when to deny services when a customer has not paid, if applicable.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**


The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

**POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.
102. Agency management must develop policies and procedures for determining a customer’s ability to pay when the agency authorizes the goods or services provided to be billed on account or when negotiating payment plans (refer to [OAM 35.30.60](#)).
103. State agencies may use credit ratings to judge a customer’s reliability to pay only when a credit transaction, as defined in the Fair and Accurate Credit Transactions Act, occurs in which the consumer participated directly and voluntarily. Credit reporting bureaus can furnish information concerning the paying habits of individuals and the extent of their credit buying.

104. State agencies may request and use financial documents to determine a customer's ability to pay. State agencies may refer to the [Internal Revenue Service Collection Financial Standards](#) as a resource to assist in evaluating an individual's ability to pay.
105. State agencies may continue to transact business with customers when the customer does not meet the agency's criteria for billing (refer to paragraph 102). State agencies may offer goods or services in exchange for payment at the time the goods or services are provided.
106. State agencies may grant credit based on the financial condition of a co-signer or guarantor, provided that the state agency analyzes the co-signer or guarantor in the same manner as the customer and can hold the co-signer or guarantor responsible for unpaid debt as per the terms of the credit granted.
107. Agency management must develop policies and procedures for determining if and when to deny goods or services to delinquent debtors.
108. Agency management should contact the Department of Justice for more information about the state agency's right to withhold services due to an unpaid debt or associated with a debtor who has filed bankruptcy.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.30.10	<b>SUPERSEDES</b> 35.30.10 dated 04/15/2013
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<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.250 ORS 293.252 ORS 293.590 ORS 646.639	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Scheduling Collection Activity	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides guidance on the scheduling of collection activity.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Mandatory collection agency transfer (MCAT) eligibility date:** The date an account receivable meets the definition of both liquidated and delinquent (refer to [OAM 35.30.30](#)).

**Reasonable effort:** The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

None.

**POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.
102. State agencies are required to make all **reasonable efforts** to collect receivables due to it.

103. Agency management must develop clear, written internal policies and procedures for the billing and collection of accounts receivable; including, but not limited to, a collection contact schedule (refer to paragraph 109 for a sample collection contact schedule). The policies and procedures must be specific as to what action the agency will take, when the agency will take action, and how the agency will initiate and document the action.
104. Collection procedures developed under paragraph 103 must include the assignment provisions referenced in **ORS 293.231**. If an agency receives no payment on an account for a period of 90 days after the **MCAT eligibility date**, the agency must assign the account to the Department of Revenue (refer to [OAM 35.40.30](#)), unless the account or the agency has an exemption under [OAM 35.40.10](#).
105. Collection procedures developed under paragraph 103 must include the appeal process that a debtor may use to dispute the debt. The opportunity to dispute is a requirement for an account to become liquidated (refer to [OAM 35.30.30](#)).
106. Agency management must ensure their collection policies and procedures are compliant with state and federal laws.
107. Each agency must maintain accurate documentation of all activity associated with each delinquent account. Documented information is necessary to provide support for writing off the account in the event the account is later determined to be uncollectible (refer to [OAM 35.50.10](#)). If an agency does not have an automated collection tracking database, manual records need to include the following information (refer to the sample format provided on form [OAM 75.35.05.fo](#)):
  - The date contact was made with the debtor
  - The person contacted (debtor and/or other person)
  - Any agreements to pay (amounts and dates)
  - Any other relevant information
108. Agencies must follow-up on broken agreements to pay timely and maintain a record of all follow-up actions as described in paragraph 107.


## **PROCEDURES**

109. **Sample collection contact schedule:** Agencies may use the sample collection contact schedule below as a guideline for developing an efficient schedule of collection efforts:

<u>Account status</u>	<u>Action to be taken</u>
1-30 days past due:	Mail past due letter (refer to <a href="#">OAM 35.30.50</a> ). If the debtor does not respond then:
31-60 days past due:	Attempt to make contact (e.g. telephone); if contact made, request payment in full or discuss payment arrangements available. If the debtor does not respond then:
Over 61 days past due:	Refer account to Department of Revenue Other Agency Account Unit (refer to <a href="#">OAM 35.40.30</a> ).



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<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Invoicing and Interest	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides state agencies general invoicing and interest guidelines associated with accounts receivable.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Check** – As used in this policy, refers to a check, draft or order for the payment of money.

**Customer** – As used in this policy, refers to any individual, business, government entity, or organization that owes money to a state agency.

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

None.


**POLICY**

101. State agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.
102. Invoices must be mailed timely and contain clear and detailed information regarding the balance due, who to contact with questions, and where to send the payment.
103. Each state agency’s billing invoice must be clear and informative (refer to the sample invoice in [OAM 75.35.10.FO](#)). Amounts owed by **customers** established through an administrative or

judicial procedure do not require the issuance of a separate billing invoice. At a minimum, the following components must be included on the invoice (except for subparagraph e, which is only recommended):

- a. Header: Include the name and address of the billing agency and the **customer**; the invoice number; invoice date; customer number; due date; and the total amount due.
  - b. Body: Include specialized contract or agreement numbers and the billing period that the invoice covers; detail about the debt; and, if the invoice lists more than one item, provide a total amount due.
  - c. Include a statement indicating when any penalty, interest, or other charges will begin to accrue on late payments, returned checks, collection actions, etc. For example, "Failure to make payment in full by the due date may result in additional costs associated with penalties, fees, and interest as authorized by law".
  - d. Footer: Include a contact name and phone number for the **customer** to call if they have questions regarding the invoice, including TTY information. Interagency invoices processed using R\*STARS must include the applicable accounting data (e.g. transaction code, suffix, amount by suffix, etc.).
  - e. State agencies should consider including a statement such as: "We appreciate customers who pay promptly" or "Thank you for your prompt payment" somewhere on the invoice.
104. State agencies may charge interest on accounts not paid by the original due date. If there is no written agreement (e.g. promissory note, contract) regarding interest rates, nor an agency-specific statute defining interest rates, a state agency may elect to charge interest according to **ORS 82.010**, which limits interest at 9 percent per year. Refer to the notification requirements referenced in paragraph 105.
105. The state agency must notify the customer before the state agency may charge interest. Forms of notification include, but are not limited to, a written agreement; collection letter (refer to [OAM 35.30.50](#)); information on the state agency's website; signs displayed in visible locations and counters where transactions take place; or additional information provided on the invoice (refer to paragraph 103(c)).
106. Interest per annum is calculated as follows: Principal (only) X Interest Rate divided by 365 X number of days delinquent or since the last interest calculation = Accrued Interest.
107. State agencies may charge the cost of collections to the **customer** as per **ORS 293.231** (refer to [OAM 35.40.20](#)). Other fees or penalties may be charged when authorized by law. The **customer** must be notified in advance of potential collections costs, fees, or penalties (refer to paragraph 105).
108. State agencies must apply payments received in the following order: penalties and fees, interest, then principal; unless otherwise stipulated by law or an offer in compromise (refer to [OAM 35.30.80](#)).

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 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	35.30.30	35.30.30 dated 07/16/2018
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<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>	
<b>Policy Owner</b> Statewide Accounting and Reporting Services	ORS 291.015                      ORS 293.229 ORS 293.233                      ORS 293.234 ORS 293.250                      ORS 293.252 ORS 293.590	
<b>SUBJECT</b> Accounts Receivable Management – Account Activity: Definitions – Liquidated and Delinquent	<b>APPROVED SIGNATURE</b>  <i>Kate Nass, Chief Financial Officer</i> <i>Signature on file</i>	

**PURPOSE**

This policy defines liquidated and delinquent debt and provides criteria for state agencies to liquidate delinquent debt.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS:**

**Administrative proceedings**, as used below, refers to proceedings that: (a) afforded the debtor an opportunity to request a hearing, or otherwise contest the debtor’s liability for the debt and the amount of the debt, before the agency or the Office of Administrative Hearings (whether denominated as a hearing, appeal, petition for review, or otherwise); and (b) are final, because the debtor failed to timely request a hearing or otherwise contest the debtor’s liability for the debt and the amount of the debt; or because the agency issued a final order after a hearing and the debtor exhausted or failed to exercise any applicable rights of appeal. This definition covers final orders in contested cases and final orders in other than contested cases.

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

**Judgment**, as used below, refers to a written decision issued by a court that: (1) establishes the debtor’s liability for a debt, (2) establishes the amount of the debt, and (3) is final, because the debtor exhausted or failed to exercise any applicable rights of appeal.

**Judicial proceeding**, as used below, refers to a court proceeding that establishes a debtor's liability for a debt.

**Liquidated debt:** For purposes of **ORS 293.229 - 293.233** and **ORS 293.250**, a liquidated debt is one for which:

- a. An agency has determined an exact past due amount owing; **and**
- b. An agency has made a reasonable attempt to notify the debtor in writing of the amount owing and nature of the debt, and has requested payment; **and**
- c. The debtor has been provided an opportunity to dispute his or her liability for the debt and its amount; **and**
- d. The debt meets **one** of the following **conditions**:
  - 1) **Judgment** has been entered on the debt.
  - 2) The debt is a tax debt for which a distraint warrant has been issued or the prerequisites of issuance have been met.
  - 3) Liability for, and the amount of, the debt have been established through an **administrative proceeding**.
  - 4) The debt arises from a promissory note.
  - 5) The debt is an account stated under a preexisting written agreement between the state agency and the debtor; an invoice or a statement of account has been mailed or delivered to the debtor; and the debtor has not objected within the timeframe specified by the state agency (e.g. a customer signs an agreement with a state agency for services, an invoice for services rendered is mailed to the customer, and the customer does not object).
  - 6) The debtor has acknowledged the debt in writing (both liability and amount), or a written agreement has been reached between the state agency and the debtor regarding the debt (both liability and amount).
  - 7) The amount due was calculated by the state agency, the state agency notified the debtor of the amount due, and the debtor did not dispute the liability or the amount due. If authorized by the state agency's statutes or rules, the amount due may include, but is not limited to, fees, collection costs, charges, penalties, and interest.
  - 8) Liability for the debt, but not its amount, was established by an **administrative or judicial proceeding**, or by written acknowledgement of the debtor. The amount of the debt was calculated by the state agency. The amount of the debt was mailed or delivered to the debtor, and the debtor did not object within the timeframe specified by the state agency (e.g. balances due the Department of Consumer and Business Services for a non-complying employer as a result of an injury to a subject worker).

Click here for other [definitions](#).


## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **POLICY**

101. State agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.
102. State agencies must liquidate delinquent accounts in a timely manner.
103. State agency management must establish a process that notifies a debtor of their liability for the debt, and gives the debtor an opportunity to dispute the debt, when the liability for the debt and the amount of the debt are established through a process other than an **administrative proceeding** or **judicial proceeding**. This process must be followed before the debt is assigned to the Department of Revenue Other Agency Accounts (DOR-OAA) Unit.
104. State agencies may contact the Department of Justice (DOJ) to facilitate a **judicial proceeding**. When authorized by the state agency's statutes or rules, the agency may contact the Office of Administrative Hearings to facilitate an **administrative proceeding**. Both types of proceedings are structured to provide the debtor a formal opportunity to dispute the debt.
105. **ORS 293.229** requires state agencies to report all **liquidated** and **delinquent** account activity to the Legislative Fiscal Office annually (refer to [OAM 35.60.10](#)).
106. **ORS 293.231** requires state agencies to offer **liquidated** and **delinquent** accounts to DOR-OAA (refer to [OAM 35.40.30](#)). Some accounts may be exempt from assignment (refer to [OAM 35.40.10](#)).
107. Debts assigned to DOR-OAA that were liquidated in the manner described in conditions d.1 through d.8 above, are eligible for tax refund offset.
108. Debts assigned to DOR-OAA that were **liquidated** in the manner described in conditions d.1 through d.3 above, qualify for DOR-OAA to issue a distraint warrant (refer to [OAM 35.40.30](#)). Issuing the distraint warrant enables DOR-OAA to garnish eligible property belonging to the debtor.
109. DOR-OAA may be unable to issue a distraint warrant (refer to [OAM 35.40.30](#)) or garnishment to collect debts that were only **liquidated** in the manner described in conditions d.4 through d.8 above. State agencies must take appropriate steps to ensure that DOR-OAA does not issue a distraint warrant or garnishment for debts liquidated in this matter. For example, the state agency should not mark the "non-docketed warrant and garnishment" or the "docketed warrant" boxes provided on the DOR-OAA New Program Information Form if the debts were **liquidated** in the manner described in conditions d.4 through d.8 above.
110. When cost-effective to do so, state agencies are encouraged to **liquidate delinquent** debts in the manner described in conditions d.1 through d.3 above and authorize DOR-OAA to issue a distraint warrant to enable the account to be garnished. State agencies are encouraged to seek DOJ's guidance when determining how to **liquidate** debts under conditions d.1 through d.3 above.

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<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Telephone Collections	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides guidelines to assist state agencies in the effective use of the telephone as a collection tool. It also alerts collection staff to various restrictions placed on telephone collection techniques by federal and state laws.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

None.

**POLICY**

101. State agency management must ensure that state agency personnel employ appropriate and lawful practices in the collection of accounts receivable.
102. State agencies are encouraged to incorporate telephone contact attempts into their written internal policies and procedures for the collection of accounts receivable (refer to [OAM 35.30.10](#)).
103. State agency management is responsible for determining when it is an appropriate use of its resources to attempt to contact a debtor by telephone as part of its collection processes. It is recommended that each state agency establish an internal policy on this, including the identification of a threshold of when the state agency pursues telephone collections. This policy

should be documented as part of the schedule of collection activity referenced in [OAM 35.30.10](#).

104. State agencies that attempt to make telephone contact must follow the guidelines outlined in this policy.
105. State agencies must comply with the Oregon Unlawful Debt Collection Practices statute, **ORS 646.639**, related to consumer debt. Agency staff undertaking telephone collections must read, understand, and comply with the provisions of **ORS 646.639**. The provisions of **ORS 646.639** indicate that the following actions are considered unlawful collection practices:
  - a. Use or threatened use of force or violence
  - b. Threatening the arrest or criminal prosecution of the debtor
  - c. Threatening seizure, attachment, or sale of property without disclosing the required legal proceedings
  - d. Use of profane, obscene, or abusive language with the debtor or the debtor's family
  - e. Communication with the debtor or debtor's family repeatedly or at inconvenient times with the intent to harass or annoy (inconvenient times are generally between 9:00 p.m. and 8:00 a.m. of the debtor's time zone)
  - f. Communication or threatened communication with the debtor's employer concerning the nature or existence of a debt
  - g. Communication with the debtor at their place of employment without their permission (some exceptions apply, refer to **ORS 646.639(2)(g)**)
  - h. Communication with the debtor without clearly identifying the collector's name and the name of the entity where the debt was originated
  - i. Oral communications without disclosure of the collector's name and the purpose of the contact within 30 seconds
  - j. Causing any expense to the debtor through communication mediums by concealing the true purpose of the contact
  - k. Attempting or threatening to enforce a right or remedy that does not exist, or one that the collector would not normally take
  - l. Using any form of communication that simulates a legal process where such a legal process has not been approved or authorized
  - m. Representing that additional charges may be imposed when those charges may not be legally included
  - n. Collecting or attempting to collect interest or other charges in excess of the debt, unless the fees are authorized by the agreement or by law
  - o. Threatening to assign or sell the account in a manner that misrepresents to the debtor that they may lose their defense to the debt or be subjected to harsh collection tactics

The above actions represent only a general summary of the law. State agency collection personnel must read and be familiar with the full context of **ORS 646.639**.

106. State employees who collect debt during the performance of their official duties are specifically exempt from coverage under the Fair Debt Collections Practices Act (15 U.S.C. §§1692a (6)(C)). This law does not bind state employees whose specific job entails collecting debt;



however, the state of Oregon sees the value of the Fair Debt Collections Practices Act and recommends that all agencies voluntarily comply. Many provisions of the state and federal laws overlap. The Fair Debt Collection Practices Act makes the following practices illegal:

- a. Threats of violence, obscene language, harassing phone calls, and publication of debtors
- b. Calling the debtor at work, if the debtor objects
- c. Impersonating government officials or misrepresenting the identity of the collector
- d. Revealing the fact of the past due debt to a third party, such as a neighbor or employer, however, allowance is made to report the debt to spouses, credit bureaus, or the agency's attorney
- e. Calling at unusual times (federal law suggests the hours of 8:00 a.m. to 9:00 p.m. as acceptable times for communicating with a debtor)
- f. Circumventing an attorney, if it is known that an attorney represents the debtor

The above practices represent only a general summary of the law. It is recommended that state agency collection personnel read and be familiar with the full context of the Fair Debt Collection Practices Act.

107. State agencies should train their collection staff in areas of telephone etiquette and customer service.
108. The collector must know their state agency's guidelines concerning debt collections, since the state agency's guidelines may be more stringent than Oregon Accounting Manual guidelines.
109. Conversations with a debtor must be documented and retained with the account. Refer to [OAM 75.35.05.FO](#) for a sample Account Contact Record form. Refer to [OAM 35.30.10](#) for more information on documentation and record keeping.

## **PROCEDURES**


110. Before contacting the debtor by telephone, the collector is recommended to prepare for the collection call as follows:
  - a. Examine all previous records of the account
  - b. Identify the general category of the account, that is, traditional slow pay, intermittent delinquent, disputed account, temporary financial problems, or delinquent non-payment
  - c. Review previous collection efforts
  - d. Ensure records are up-to-date, reflecting all account receipts, to avoid making unwarranted calls
111. It is important for the collector to know to whom they are speaking and for the debtor to know exactly who is calling. If a third party asks what the call is in regards to, the collector must not reveal the debt, instead they should say that they must discuss that with Mr. or Ms. <LAST NAME>. When the debtor is on the phone, the collector should:
  - a. State who they are and why they are calling (refer to paragraph 105(i)).
  - b. Ask for immediate payment in full or a partial payment.
  - c. Remind the debtor if there was a previous broken agreement to pay.



- d. Wait for the debtor to respond. It may take more than a few seconds for the debtor to respond, but be patient.
  - e. Be interested and attentive to what the debtor has to say, and stay focused on the debtor not on what the collector wants to say next. If the debtor does not answer a question, ensure the question has been understood by repeating it another way. Be positive to avoid blaming the debtor for not understanding.
112. During the telephone call, the collector has an opportunity to:
- a. Update existing debtor data and gather additional information
  - b. Find out who has the authority to pay, and when identified, focus calling activity on that responsible person
  - c. Respond to new information
  - d. Obtain an immediate answer
  - e. Persuade the individual to make payment
  - f. Get a commitment from the individual to make a specific payment on a specific date
113. When speaking on the telephone, the collector projects not only an image of the agency, but also that of the State as a whole. To be effective, the collector must sound confident. The following are tips that can help a collector to present a positive image:
- a. Courtesy. The collector should be courteous and professional while talking with the debtor. The purpose of calling the debtor is to get a commitment to pay the debt, not to upset them. If the debtor gets upset on the phone, it may be better to politely break off the conversation and call back later; however, the collector should not allow the debtor to use emotional outbursts to avoid dealing with the debt repayment.
  - b. Tone. The collector should keep a clear, pleasant sound to their voice. Some collectors recommend smiling while talking, since the difference it makes in voice tone is noticeable.
  - c. Inflection. The collector's voice should have a natural tone, and not be monotone. The collector should speak firmly, but not shout.
  - d. Speed. The collector should use a normal rate of speech, not over-emphasizing words, or speaking too fast.
  - e. Clarity. The collector should speak distinctly, and not use acronyms or complicated terminology that the debtor may not understand. Remarks of hesitation, such as "uh" should be avoided.
  - f. Acknowledgement. The collector must strive to get the debtor to acknowledge the debt before they can persuade the person to pay.
  - g. Subject. The collector must stay focused on the debt and not allow unrelated issues to sidetrack them. Some debtors may attempt to antagonize, but collectors must avoid arguing and maintain control at all times.
  - h. Accuracy. The collector must never say they will do something they cannot do, or do not intend to do. If the collector cannot make a payment arrangement, the collector needs to be specific as to what they intend to do and are required to do.
114. If the debtor becomes antagonistic, remain calm and stay in control. Do not let the tone of the conversation heighten.

115. If the debtor says they never received the invoice, take their word for it. Verify the name and address, and mail a duplicate copy of the invoice that day. Ask for a commitment for immediate payment and provide the specific date by which the state agency must receive payment. Call back if the state agency does not receive payment by the new agreed upon date.
116. If the debtor says that they have already paid the account, gather the payment information; such as, where the debtor sent the payment, the date the debtor sent the payment, and how much the debtor paid. Ask for copies of the front and the back of any cancelled checks. At a set time, review the account. If the state agency receives payment, the state agency may call and express appreciation for the payment. If the state agency does not receive payment, call to verify non-payment.
117. If the debtor says the state agency has made an error, or if the debtor disputes the amount or existence of the debt, gather appropriate information and follow applicable state agency procedures.
118. Some debtors may play on the collector's sympathy by explaining their problems; the collector should:
  - a. Listen to the debtor's story, and be empathetic
  - b. Remind the debtor that the opportunity to dispute may have elapsed (e.g. administrative hearing or judicial process)
  - c. Ask questions to obtain the facts, while expressing an understanding and caring attitude
  - d. Repeat the request for payment in full, or for the debtor to bring the account current
119. If the debtor has filed for, or is in bankruptcy, the collector must follow certain procedures under Title 11 of the U.S. Code. Information concerning who has filed for bankruptcy is available at the following web site: <http://www.pacer.gov/>. (Note: registration is required to access this site.) For additional information, view the October 2017 [Bankruptcy 101](#) training.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	<b>EFFECTIVE DATE</b>	<b>PAGE NUMBER</b>
<b>Division</b> <b>Chief Financial Office</b>	35.30.50	35.30.50 dated 04/15/2013
<b>Policy Owner</b> Statewide Accounting and Reporting Services	07/16/2018	Pages 1 of 5
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Letter Collections	<b>REFERENCE/AUTHORITY</b>	
	ORS 291.015                      ORS 293.226 ORS 293.231                      ORS 293.233 ORS 293.250                      ORS 293.252 ORS 293.590                      ORS 646.639	
	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

**PURPOSE**

This policy provides guidelines for the use of letters as a tool for collecting delinquent debts.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

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

**Account:** As used in this policy, refers to a debt owed to a state agency.

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

Amounts owed by a debtor that were established through an administrative or judicial procedure do not require the issuance of a collection letter; however, all notification requirements described in this policy must be provided to the debtor in writing.

**POLICY**

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the collection of accounts receivable.
102. Agency management is responsible for providing clear guidelines to employees responsible for collecting **delinquent** accounts receivable.

103. Agencies must comply with the Oregon Unlawful Debt Collection Practices statute, **ORS 646.639**, related to consumer debt. Agency staff undertaking letter collections must read, understand, and comply with the provisions of **ORS 646.639**.
104. State employees who collect debt during the performance of their official duties are specifically exempt from coverage under the Fair Debt Collections Practices Act (15 U.S.C. §§1692a(6)(C)). This law does not bind state employees whose specific job entails collecting debt; however, the State of Oregon sees the value of the Fair Debt Collections Practices Act and recommends that all agencies voluntarily comply. Many provisions of the state and federal laws overlap.
105. Agencies are required to send at least one collection letter to the debtor for each **delinquent** account, unless the debtor has an open bankruptcy case; the agency has agreed to accept payments from the debtor and the debtor is complying with the payment plan (refer to OAM 35.30.60); or the debt was established through an administrative or judicial procedure (refer to exclusions and special situations above). The collection letter should be sent before the agency takes progressive action to collect the account. The collection letter should contain the following elements:
  - a. The name, address, and phone number of the state agency making the demand for payment;
  - b. The amount owed by the debtor, including principal, interest, and penalties (if any);
  - c. A request for action (e.g. payment, making payment arrangements);
  - d. The facts pertaining to the existence of the obligation (e.g. description of debt, original due date, invoice number);
  - e. The deadline for the debtor to respond;
  - f. A statement explaining what will happen if the debtor does not make payment by the date set forth in the letter (refer to paragraph 106);
  - g. An encouragement for the debtor to take action (e.g. continue as a customer, avoid withholding of services, avoid potential actions referenced in paragraph 106); and
  - h. Procedures for the debtor to correct any errors or dispute the debt (applicable if not previously provided through administrative or judicial processes).
106. Collection letters serve to notify the debtor of all potential actions that may result from the debtor's failure to pay or respond. Agencies may not refer to potential actions that the agency does not have the authority to take or does not intend to take. Potential actions include, but are not limited to:
  - a. Assignment to Department of Revenue Other Agency Accounts (DOR-OAA) unit (refer to OAM 35.40.30)
  - b. Collection fees (refer to OAM 35.40.20)
  - c. Interest charges (refer to OAM 35.30.20)
107. Collection letters should be prepared using a business letter format and printed on agency letterhead. The content should incorporate professional language that the debtor will easily understand and be as simple and concise as possible while still communicating the required information. (Refer to collection letter samples provided in paragraphs 111-113.)

108. Agencies must keep a record of collection letters sent to debtors with other correspondence related to the **delinquent** account.
109. Agencies shall use returned mail services and follow-up on all returned mail promptly. These services notify the agency when a debtor has a forwarding address or if the collection letter is undeliverable. If the debtor moved and left no forwarding address, or if the address provided proves to be inaccurate, refer to [OAM 35.30.70](#) for information on skip tracing.
110. Agencies shall establish a mechanism to track the collection letter response timeframes referenced in paragraph 105. If the timeframe outlined in the collection letter expires without a response or payment from the debtor, the agency shall proceed with the action outlined in the letter.

## **PROCEDURE**

111. **Sample collection letter #1:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to [OAM 35.40.20](#)) and interest charges (refer to [OAM 35.30.20](#)).

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount plus interest accrued to date} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}. The amount you owe will increase {over time/monthly/other period to be recomputed} as interest accrues at a rate of {interest rate} on the unpaid principal amount.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate\*} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate\*\*} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.

To prevent your debt from accumulating interest, or from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.

If you dispute the past due balance, please {agency’s dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory’s phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST).”

*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by DOR-OAA)*

*\*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

112. **Sample collection letter #2:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to [OAM 35.40.20](#)) but do not assess interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate\*} percent of the amount you owe.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate\*\*} percent of the amount you owe.

To prevent your debt from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.

If you dispute the past due balance, please {agency’s dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory’s phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST).”

*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by DOR-OAA)*

*\*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

113. **Sample collection letter #3:** Below is recommended language for agencies to incorporate into collection letters when state agencies do not add the cost of collection or interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231.

To prevent your debt from being assigned to collections we must receive payment no later than {date}.

If you dispute the past due balance, please {agency's dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory's phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST)."

# OREGON ACCOUNTING MANUAL

<b>DAS</b> DEPARTMENT OF ADMINISTRATIVE SERVICES <b>STATEWIDE POLICY</b>	<b>NUMBER</b> 35.30.60	<b>SUPERSEDES</b> 35.30.60 dated 04/15/2013
	<b>EFFECTIVE DATE</b> 07/01/2018	<b>PAGE NUMBER</b> Pages 1 of 4
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.252 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Payment Plans	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

## **PURPOSE**

This policy provides guidelines to assist agencies in developing payment plan agreements with debtors.

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.
102. Agencies must always request payment in full from a debtor.
103. Agencies may propose or accept a payment plan in cases where the debtor is unable to pay in full. The Department of Revenue Other Agency Account Unit may propose or accept payment plans on behalf of state agencies as outlined in [OAM 35.40.30](#).



104. Agency management must create, document, and maintain general payment plan guidelines for staff, including:
  - a. A standard length of time over which a debtor can make payments with the intent to receive full payment from the debtor as soon as possible;
  - b. Procedures for handling a debtor's request for a payment plan that exceeds the standard length of time;
  - c. Process for re-evaluating payment plan terms to determine if the payment amount can be increased; and
  - d. Documentation requirements to be provided by the debtor (e.g. financial statements, bank statements).
105. Agencies should consider obtaining a "good faith" payment prior to establishing a payment plan.
106. Agencies shall document payment plan agreements between the agency and the debtor. Payment plan agreements should be signed by the debtor and an agency representative (refer to paragraph 112 for a sample payment plan agreement).
107. The payment plan agreement provided to the debtor must include the following:
  - a. Debtor's name and account/ID number
  - b. Account balance
  - c. Payment amount and due dates
  - d. Address to remit the payment to (if applicable)
  - e. Rate of interest (if charged)
  - f. Agencies right to do an offset (if applicable)
  - g. Procedure to acquire an account balance, if the debtor wishes to pay off the balance early
  - h. Steps that will be taken by the agency if the terms of the payment plan are not strictly followed by the debtor
  - i. Agency contact name and phone number
108. Agencies should explore the use of electronic recurring payment methods to encourage compliance with the payment plan terms.
109. Agencies are required to create and document a standard mathematical formula to calculate a debtor's payments over the term of the payment plan.
110. The agency retains the right to do an offset (tax, vendor, other) even if the agency enters into a payment plan agreement with the debtor.

## **PROCEDURES**

111. **Sample payment plan letter:** Below is a sample payment plan letter that agencies may use to communicate payment plan details to the debtor, including payment dates, interest, and account balance information (debtor signature not required):

{date}  
{debtor name}  
{address}  
{city, state, zip}

RE: Payment Plan for {liabilities}

Dear {debtor name},

As per our telephone discussion on {date}, you agreed to make installment payments to {agency name} for the purpose of paying in full {debtor name}'s account balance of \${balance}. The following information details the payment plan terms you agreed to during our telephone conversation.

This agreement does not constitute a waiver by the state of Oregon or {agency name} to any rights and remedies under law. The terms and conditions of this agreement include interest at a rate of {interest rate} % per annum.

Monthly payments of \${payment} or more are due on the {date} of each month starting {date}. WE MUST RECEIVE YOUR PAYMENT ON OR BEFORE THE DUE DATE. THERE IS NO GRACE PERIOD. Any payment that is not received at {agency name} by the respective due date may result in the balance of your account being assigned to the Oregon Department of Revenue for collection. The Oregon Department of Revenue may subsequently assign your account to a private collection firm for collection. If {agency name} assigns the account to collection, you may also be responsible for any collection fees of up to {collection fee} % that are associated with collecting this debt.

The {agency name} retains the right to offset any refunds or sums due to the debtor from the {agency name}, the Department of Revenue, or from any other state agency as per ORS 293.254.

This agreement will be reviewed on {review date} for possible increase of payment. At that time, we may ask you to provide us with updated financial statements necessary to re-evaluate this agreement. We would appreciate your efforts in paying off the account as quickly as possible and making payments in a timely manner. It is your responsibility to contact us if you are unable to meet the terms of this agreement.

If you have any questions, please call me at {phone number}.

Sincerely,

{name}  
{title}

112. **Sample payment plan agreement:** Below is a sample payment plan agreement that agencies may use to communicate payment plan details to the debtor, including payment dates, interest, and account balance information (debtor signature required).

This agreement between {debtor name} and the {agency name} is made for the purpose of paying in full {debtor name}'s account balance of \${balance}. Execution of this agreement does not constitute a waiver by the state of Oregon or {agency name} to any rights and remedies under law. The terms and conditions of this agreement include interest at a rate of {interest rate} % per annum.


Monthly payments of \${payment} or more are due on the {date} of each month starting {date}. WE MUST RECEIVE YOUR PAYMENT ON OR BEFORE THE DUE DATE. THERE IS NO GRACE PERIOD. Any payment that is not received at {agency name} by the respective due date may result in the balance of your account being assigned to the Oregon Department of Revenue or a private collection firm for collection. If {agency name} assigns the account to collection, you may also be responsible for any collection fees of up to {collection fee} % that are associated with collecting this debt.

The agency retains the right to offset any refunds or sums due to the debtor from the {agency name}, the Department of Revenue, or from any other state agency as per ORS 293.254.

This agreement will be reviewed on {review date} for possible increase of payment. At that time, we may ask you to provide us with updated financial statements necessary to re-evaluate this agreement. We would appreciate your efforts in paying off the account as quickly as possible and making payments in a timely manner. It is your responsibility to contact us if you are unable to meet the terms of this agreement.

<u>{debtor}</u>	<u>{agency}</u>
Signatures_____	_____
Printed Name_____	_____
Title_____	_____
{owner/partner/officer}	
Date_____	_____

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.30.70	<b>SUPERSEDES</b> 35.30.70 dated 07/01/2013
	<b>EFFECTIVE DATE</b> 12/11/2018	<b>PAGE NUMBER</b> Page 1 of 2
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.252 ORS 646.639	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Skip Tracing and Asset Location	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides agencies with guidelines for using skip tracing and asset location tools to enhance the collection of delinquent accounts receivable.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Skip tracing:** The process of locating a debtor when the information a state agency has on file is determined to be outdated, inaccurate, or incomplete.

**Asset location:** The process of finding a debtor’s assets of value (e.g. cash, equipment, land, residence).

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

The guidance referenced in this policy does not apply when it conflicts with any state or federal statute or regulation.

**POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the collection of accounts receivable.
102. State agencies are encouraged to incorporate **skip tracing** and **asset location** into their collection procedures.

103. State agencies should exercise professional judgment to determine how much time and effort should be spent utilizing **skip tracing** or **asset location** services. When determining how much time and effort to employ, consider the amount of investigation time compared to the amount of the debt.

104. State agencies may use returned mail as a **skip tracing** tool. When using this tool, state agencies should determine how the updated information will be processed.

*Note:* Refusal of a registered or certified letter does not necessarily indicate the person is not at that address.

105. State agencies may use telephone contact as a **skip tracing** tool. When using this tool, refer to [OAM 35.30.40](#) for telephone contact provisions.

### **PROCEDURES:**

106. There are several tools available to state agencies for **skip tracing** and **asset location**; some are free services available through the internet, while others are fee-based services such as credit reports and consumer database services.

Some examples of free skip tracing services available through the internet include:

- a. <http://www.addresses.com/>
- b. <http://www.worldpages.com/>
- c. <http://find.person.superpages.com/>


Some examples of fee-based services include:

- a. Credit bureaus
- b. LexisNexis
- c. <http://www.usatrace.com>
- d. <http://www.555-1212.com>
- e. <http://www.skipease.com/>

107. State agencies are encouraged to coordinate with other state agencies to obtain information about a debtor. For example, the Oregon Department of Transportation (Driver and Motor Vehicle Services and Motor Carrier Transportation Division), Secretary of State (Corporation Division), or Oregon Employment Department may have additional information to assist in locating a debtor.

108. Each county clerk's office has information such as marriage licenses, death certificates, and a list of real property owned by the debtor. Each county assessor's office maintains property records which may identify the name of current and previous owners.

## OREGON ACCOUNTING MANUAL

 <b>STATEWIDE POLICY</b>	<b>NUMBER</b> 35.30.80	<b>SUPERSEDES</b> 35.30.80 dated 02/09/2018
	<b>EFFECTIVE DATE</b> 07/16/2018	<b>PAGE NUMBER</b> Pages 1 of 6
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>  ORS 293.240 ORS 293.252 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Offers in Compromise	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

### **PURPOSE**

This policy adds guidelines established by the Department of Administrative Services (DAS) and compromise criteria approved by the Attorney General (AG) for agencies to use when adopting criteria for determining when offers in compromise may be proposed or accepted by state agencies.

### **APPLICABILITY**

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

### **FORMS/EXHIBITS/INSTRUCTIONS**

None.

### **DEFINITIONS**

**Claim:** A demand for payment, reimbursement, or compensation for injury or damage under law or contract, including but not limited to, a demand for payment due for delivery of goods or services.

**Debt:** A certain sum due and owing an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

**Offer in Compromise,** as used below, refers to: (1) a person who is indebted to a state agency and offers to make a partial payment in full satisfaction of a **debt** or (2) when a state agency that is owed a **debt**, offers to accept a partial payment in full satisfaction of a **debt**.

**Reasonable effort:** The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the

anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the **debt**.

Click here for other [definitions](#).

### **EXCLUSIONS AND SPECIAL SITUATIONS**

The criteria referenced in this policy do not apply to **debts** owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for the **debt** for reasons other than uncollectibility is by law made specially applicable to the state agency. Additionally, an **offer in compromise** may not be offered or accepted for a criminal money judgment that requires a defendant to pay restitution or a compensatory fine.

### **POLICY**

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the management and collection of accounts receivable.
102. Except as otherwise provided below, DAS and the AG have approved the following criteria for determining when an **offer in compromise** may be proposed or accepted by state agencies.

#### CRITERIA FOR DETERMINING WHETHER TO PROPOSE OR ACCEPT AN **OFFER IN COMPROMISE** OF STATE **DEBT**

A state agency, as defined in **ORS 293.235**, may propose or accept an offer in compromise for settlement of a **debt** owed to the agency, if it has made **reasonable efforts** to collect the **debt** and one or more of the following is true:

1. The **debt** has not been liquidated through a judicial or administrative process and it is reasonably estimated that the cost of doing so is likely to exceed the amount of the **debt**.
2. The **debt** has not been liquidated through a judicial or administrative process and the state agency reasonably determines that the debtor may be able to successfully assert factual or legal defenses to its liability for the **debt**.
3. The debtor has a potentially valid **claim** against the state agency arising out of the same transaction or occurrence that gave rise to the debt, and the debtor agrees to release this **claim** as part of the **offer in compromise**.
4. The state agency makes reasonable efforts to identify assets belonging to the debtor and determines that the debtor does not, and will not for the foreseeable future, own or have the right to own assets from which the state agency could fully collect the **debt**.
5. The debtor submits a financial statement, or other documentation, which demonstrates to the state agency's satisfaction that the debtor's liabilities exceed assets and future earnings potential to such an extent that collection of the entire **debt** is unlikely.
6. It is reasonably estimated that the cost of collecting the **debt** would equal or exceed the amount of the **debt**.

7. The debtor is deceased, and there are insufficient assets in the debtor's estate from which the state agency could fully collect the **debt**.
8. The debtor is a corporation or a limited liability company that is not, and for the foreseeable future will not be, engaged in any income-producing activity, and there are insufficient assets from which the agency could fully collect the **debt**.
9. The Oregon Department of Revenue Other Agency Accounts (DOR-OAA) or a private collection firm (PCF) has unsuccessfully attempted to collect the **debt** pursuant to **ORS 293.231**.
10. The **debt** has been liquidated with a judgment, administrative order or distraint warrant that has expired or is no longer enforceable.
11. The debtor's assets are exempt from execution or garnishment.
103. For the purpose of proposing or accepting an **offer in compromise**, agency management must adopt criteria for determining when **offers in compromise** may be made per **ORS 293.240**. The criteria must be approved by DAS and the AG. An agency does not need to submit its compromise criteria to DAS or the AG for approval if it adopts the approved criteria referenced in paragraph 102; however, the agency shall document the adoption of such criteria within their policies and procedures.
104. Agencies that desire criteria other than those referenced in paragraph 102 shall submit such criteria to DAS for approval. DAS will coordinate with the AG to determine if the submitted criteria is sufficient and will notify the agency of the outcome.
105. Agencies shall make **reasonable efforts** to fully collect the debt before an **offer in compromise** is proposed or accepted.
106. The state agency to which a debt is owed retains the sole discretion to determine whether to propose or accept an **offer in compromise** in each particular case. An accepted **offer in compromise** should generally correspond to the debtor's ability to pay the debt or the agency's ability to collect the debt. Agencies may require the debtor to provide such information as deemed necessary for the agency to determine the debtor's ability to pay. Such information may include, but is not limited to: household information including listing of residents; employment verification such as pay stubs or tax returns; listing of debtor's expenses; or proof of eligibility for a state benefit assistance program.
107. If DOR-OAA, or a PCF, is collecting a **debt** owed to a state agency, it may only accept an **offer in compromise** for settlement of that **debt**:
  - a. In accordance with the criteria adopted by the state agency to which the **debt** is owed; and
  - b. With the authorization of the state agency to which the **debt** is owed.
108. Agencies shall document the specific criteria by which the account is determined to qualify for the compromise using the Offer in Compromise Approval form ([75.35.14.FO](#)), or other format established by the agency. The documentation shall be kept with the account or documented in the agencies system of record to be used for future reference or audit support.



109. Any approved **offer in compromise** shall be subject to the debtor's completed payment of the agreed upon balance. If the debtor does not make the required payment(s), then the compromise agreement shall be nullified.
110. Agencies approving an **offer in compromise** may provide the debtor with a compromise letter (sample provided in paragraph 113) that includes, at a minimum, the following information:
- a. Debtor name
  - b. Description of the **debt**
  - c. Current balance
  - d. Amount compromised by agency
  - e. Balance owed by debtor
  - f. Deadline for payment of balance or any special terms or conditions of the compromise
  - g. Statement that failure to abide by the terms or deadlines will result in agreement being nullified and the full amount of the **debt** remaining due and owing
111. Agencies shall document the terms of the **offer in compromise** using a written agreement (sample provided in paragraph 114) signed by both parties that includes the terms as stated in the letter referenced in paragraph 110. The compromise agreement must include notification of the actions the agency will take if the debtor does not fulfill the requirements of the agreement, such as: the accrual of interest, the assignment of the account to DOR-OAA and the addition of collection fees if assigned.
112. Agencies may choose to allow the debtor to establish a payment plan for the balance remaining in accordance with [OAM 35.30.60](#); however, agencies should consider whether a payment plan is appropriate if the debtor previously agreed to a payment plan and did not submit payments per the terms of the payment plan.

## **PROCEDURES**

113. **Sample Debt Compromise Letter:** Below is a sample of a letter that agencies may use to clarify agency expectations in regards to a **debt** compromise.

{date}

{debtor name}

{address}

{city, state, zip}

RE: Debt compromise for {liabilities}

Dear {debtor name}:

The {agency name} has reviewed the circumstances regarding your debt for {description of the debt—include agency or court case number if applicable } in the amount of {original balance}. Per our conversation on {date}, {agency name} hereby agrees to compromise your debt in the amount of {amount compromised by agency}, subject to the terms below.

This payment of  $\$(\underline{\text{balance owed by debtor}})$  is to be paid by {deadline for payment or special terms}. WE MUST RECEIVE YOUR PAYMENT ON, OR BEFORE, {THE DUE DATE}. THERE IS NO GRACE PERIOD. Any failure to meet the payment terms will result in this agreement being nullified and you shall be required to pay the entire amount of the debt, together with interest and any applicable fees. If you fail to meet the payment terms, {agency name} shall collect the full balance of your debt and may immediately assign your debt to the Oregon Department of Revenue for collection without further notice to you or right to a hearing. If your debt is assigned for collection you may also be responsible for collection fees of up to {x}%.

Enclosed are two copies of the Compromise Agreement. Please sign the original and return to {agency name} by {date}, the second copy is for your records. Failure to return the original with your signature by the deadline shall nullify this agreement.

Please note that this debt compromise only applies to the specific debt referenced above. It does not apply to any other debts that you may owe to this agency, or to any other agency, department, commission, board or instrumentality of the State of Oregon. You shall remain fully liable for any such other debts.

If you have any questions, please call me at {phone number}.

{signature block}  
Enclosures

114. **Sample Debt Compromise Agreement:** Below is a sample of an agreement that agencies may use to document the **debt** compromise including the signatures of both the agency and the debtor.

{Agency name}, referred to as CREDITOR and {debtor name}, referred to as DEBTOR, agree to compromise the indebtedness between them arising from {description of the debt—include agency or court case number if applicable} in the amount of {original balance}.

CREDITOR, hereby agrees to compromise the indebtedness due from the DEBTOR on the following terms and conditions:

The CREDITOR and the DEBTOR agree that the current balance due is  $\$(\underline{\text{current balance}})$ . **The parties agree that the DEBTOR shall pay and the CREDITOR shall accept the sum of  $\$(\underline{\text{balance owed by DEBTOR}})$  as full payment on the debt.** This results in a compromised amount of {amount of compromise}. The acceptance of the payment will serve as a complete discharge of all monies due to CREDITOR for this debt. The payment shall be made in {note the form of payment}. This compromise is expressly conditioned upon DEBTOR signing this agreement and returning to CREDITOR with the payment of  $\$(\underline{\text{balance owed by DEBTOR}})$  being received by {payment due date}.

Any failure to meet the payment terms will result in this agreement being nullified and {agency name} shall collect the full balance of your debt and may result in immediate submission of your account to the Oregon Department of Revenue for collection without

further notice to you or right to a hearing. If your account is assigned for collection you may also be responsible for collection fees of up to {x}%.

If the DEBTOR fails to pay the agreed upon sum by {payment due date}, the DEBTOR acknowledges that the original debt amount owed by the DEBTOR will be reinstated in full, and immediately due; at which time, the DEBTOR shall be responsible for interest at the rate of {X}% per ORS {XXX.XXX} and any additional collection fees of up to {X}% per ORS 293.231. In addition, the CREDITOR may assign the debt to the Department of Revenue for further collection action.

This agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

This agreement only applies to the debt referenced above. It does not apply to any other debts that you may owe to this agency, or to any other agency, department, commission, board or instrumentality of the State of Oregon. Debtor remains fully liable for any such other debts.

Debtor

Creditor

Signature \_\_\_\_\_

\_\_\_\_\_

Printed Name \_\_\_\_\_

\_\_\_\_\_


Title \_\_\_\_\_  
(Owner/Partner/Officer)

\_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_

# OREGON ACCOUNTING MANUAL

 <b>STATEWIDE POLICY</b>	<b>NUMBER</b> 35.30.90	<b>SUPERSEDES</b> 35.30.90 dated 08/22/2018
	<b>EFFECTIVE DATE</b> 04/24/2023	<b>PAGE NUMBER</b> Pages 1 of 5
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management – Account Activity: Coordination of Vendor Payments	<b>APPROVED SIGNATURE</b> <i>Kate Nass, 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](#).

## **FORMS/EXHIBITS/INSTRUCTIONS**

None

## **DEFINITIONS**

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

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

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

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

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

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

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

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

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

## **POLICY:**

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

## **PROCEDURES:**

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

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

### **Alternative Payment Methods**

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

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

## **REPORTING REQUIREMENTS**

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

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

**Reporting period**


July 1-December 31  
January 1-June 30

**Due Date**

January 31  
July 31



# OREGON ACCOUNTING MANUAL

 <b>STATEWIDE POLICY</b>	<b>NUMBER</b> 35.40.10	<b>SUPERSEDES</b> 35.40.10 dated 07/01/2018
	<b>EFFECTIVE DATE</b> 12/01/2018	<b>PAGE NUMBER</b> Pages 1 of 5
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>	
<b>Policy Owner</b> Statewide Accounting and Reporting Services	ORS 291.015 ORS 293.231 ORS 293.233 ORS 293.250 ORS 293.590 OAR 122-085-0100 thru 0160	
<b>SUBJECT</b> Accounts Receivable Management- Account Assignments: Assignments and Exemptions	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> <b>Signature on file</b>	

**PURPOSE**

This policy provides criteria to determine when Mandatory Collection Agency Transfer (MCAT) accounts are subject to assignment or exempt from assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) unit under ORS 293.231. This policy also provides information on how a state agency may request an exemption from the statutory assignment timeframe referenced in ORS 293.231.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Account:** A debt relationship between a state agency and an individual or an entity, which may include multiple obligations and time periods.

**Consensual Security Interest:** An enforceable interest in real or personal property voluntarily created by a debtor to secure an obligation to pay a debt (e.g. a mortgage, trust deed, security agreement, or pledged securities).

**Delinquent (account):** A receivable for which payment was not received by the initial due date. (The establishment of a payment agreement does not change the status of the delinquency.)

**Hardship:** Adverse circumstances, which significantly reduce a debtor’s ability to pay. Examples include, but are not limited to, interruptions of income due to family or medical emergencies, job layoff or job skill retraining, long-term/permanent disability, social security, or terminal illness.

**Imprisoned:** An individual who is currently incarcerated.

**Litigation:** A dispute when the account:

- Has been referred to the Department of Justice;
- Is in the administrative appeal or hearing process; or
- Is in arbitration, mediation, or in the state or federal court system, including bankruptcy.

**Liquidated (account):** Has the meaning given in [OAM 35.30.30](#). Generally speaking, a liquidated account is one in which:

- The amount of the debt is known,
- The debtor has been notified of the debt, and
- The debtor has been given an opportunity to dispute the debt.

**Mandatory Collection Agency Transfer account (MCAT account):** An account that is:

- Liquidated,
- Delinquent, and
- Not prohibited by law from being transferred to a collection firm.

**MCAT eligibility date:** Refers to the latter of the following dates:

- The date the account receivable became both liquidated and delinquent; or
- The date the MCAT account exemption expires.

**Non-Consensual lien:** A lien established by operation of law, such as a judgment with a financial obligation or the recording of an administrative record (e.g. agency distraint warrant or civil penalty final order).

**Payment:** A voluntary amount of money paid by a debtor to a state agency or an involuntary amount of money paid by a debtor through offset or garnishment.

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **POLICY**


101. If a state agency does not receive any payments on an **MCAT account** during any 90-day period following the **MCAT eligibility date** for that account, the agency must review the account for assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) Unit for full collections ([OAM 35.40.30](#)).
102. The state agency must assign **accounts** to DOR-OAA unless the account is subject to an exemption under paragraph 109 or 117.
103. MCAT accounts assigned to DOR-OAA will be transferred to a private collection firm (PCF) if no payment is received on the account within six months from the date of assignment. DOR-OAA may transfer the assigned MCAT accounts to a PCF prior to six months.
104. MCAT accounts returned to DOR-OAA by a PCF may be retained by DOR-OAA indefinitely or returned to the state agency upon request.
105. Paragraph 101 does not apply to accounts that originate in the Department of Revenue or the Employment Department; those accounts are required to be assigned one year from the **MCAT eligibility date** or the date of last payment, whichever is later.

106. Paragraph 101 does not apply to state agencies that the Department of Administrative Services Chief Financial Office (DAS CFO) has granted a time period exemption, as per paragraph 113.
107. Before a state agency may write-off an **account**, DOR-OAA must notify the state agency that the account is recommended for write-off, unless the law prohibits the account from assignment or the state agency has exempted the account from assignment as provided in paragraph 109 or 117.
108. A state agency may not make an offer for assignment contrary to applicable state or federal laws or regulations governing offers for assignment.
109. A state agency may, at its discretion, choose not to offer for assignment to DOR-OAA any **MCAT account** that:
  - a. Is secured by a **consensual security interest** in real or personal property;
  - b. Is a court judgment that includes restitution or a payment to the Department of Justice Crime Victims Assistance Section;
  - c. Is in **litigation**, including bankruptcy, arbitration or mediation;
  - d. Is a student loan owed by a student who is attending school;
  - e. Is owed to a state agency by a local or state government or by the federal government;
  - f. Is owed by a debtor who is hospitalized in a state hospital as defined in ORS 162.135, or who is on public assistance as defined in ORS 411.010, or who receives medical assistance as defined in ORS 414.025;
  - g. Is owed by a debtor who is **imprisoned**;
  - h. Is less than \$100 including penalties;
  - i. Would, if assigned, result in a loss of federal funding or a loss of funding under a federal program;
  - j. Is owed by an estate and the state agency has received notice that the estate has closed;
  - k. Is eligible for suspension of collections as provided in ORS 305.155;
  - l. Would constitute a **hardship** if assigned, and assignment would be inconsistent with a state agency goal;
  - m. Is secured by a **non-consensual lien** against specific real or personal property identified by the state agency;
  - n. Is secured by a bond;
  - o. Is one of multiple **accounts** owed to the state agency by the same debtor, any one of which has received a payment within the preceding 90-day period, including **accounts** created and paid at the same time;
  - p. Is within the scope of a state agency specific exemption approved under paragraph 117;
  - q. Would result in the referral of a monetary penalty, fee, or tax under ORS Chapters 825 or 826 related to a motor carrier operating authority unless the closing audit of the motor carrier operating authority is final;

- r. Is an account for which a wage garnishment has been served on the debtor's employer and no funds are available to the state agency because a wage garnishment or order to withhold earnings of higher priority currently prevents any funds from being applied to the state agency debt;
  - s. Arises from an administrative or judicial support order, judgment, or decree; or
  - t. Is owed by a corporation that is not and, for the foreseeable future, will not be engaged in any income-producing activity, and there are no assets from which the debt could be collected.
110. State agencies shall evaluate each **account** to determine the appropriate collection actions for **accounts** eligible to be exempted from collection assignment. While the exemptions listed in paragraph 109 allow a state agency to exempt an **account** from assignment, it doesn't prohibit the state agency from assigning the **account**. State agencies must exercise reasonable effort and due diligence to collect debts owed to the state agency.
111. When a state agency determines an **MCAT account** may be exempted from assignment, the state agency should document their conclusions using [OAM 75.35.01.FO](#) - Documentation for Self-Exempting Accounts (or equivalent). A state agency is not required to file this form with the DAS CFO, but the form is useful to explain the reasoning for exempting **accounts** in the event of an inquiry or in response to an audit of the state agency's **liquidated** and **delinquent accounts**.
112. If a state agency exercises the option to exempt an **account** from assignment, the state agency is responsible to continue to pursue reasonable efforts to collect the **account** and monitor the **account** exemption status. If the state agency later determines that the exemption no longer applies, the state agency must proceed with assignment of the **account** as required in paragraph 101.
113. To request an exemption from the 90-day assignment provision referenced in paragraph 101, a state agency must complete [OAM 75.35.11.FO](#) - Exemption From 90-day Turnover Request. If approved, the exemption request will permit either a 180-day turnover period or a 365-day turnover period.
114. State agencies must submit requests for the exemption from the 90-day turnover timeframe to the DAS CFO no later than March 31. Each approved request will begin the following July 1 and will be valid until June 30 of the subsequent fiscal year. For example, an approved request submitted in March 2018 will become effective from July 1, 2018 through June 30, 2020.
115. A state agency may not use such exemption until approved by the DAS CFO and may only apply the exemption to **accounts** with an **MCAT eligibility date** within the approved period.
116. The state agency's right to use the exemption terminates upon expiration of approved period. If the exemption expires and the state agency has not received approval from DAS CFO for another exemption for the subsequent two year period, all **accounts** must be assigned as required in paragraph 101.
117. A state agency may request that the DAS CFO approve one or more state agency specific exemptions under ORS 293.233 for classifications of **accounts** that are not exempt under paragraph 109. A state agency must submit a request for a state agency specific exemption from assignment on [OAM 75.35.02.FO](#) - Request for Exemption from Assignment.

118. A state agency may not use such exemption until approved by the DAS CFO and the exemption only applies to **accounts** with an **MCAT eligibility date** within the approved exemption period. In its written approval of the request, the DAS CFO may specify that the exemption is for a limited duration (not to exceed two fiscal years).
119. The state agency's right to use the exemption terminates upon expiration of the limited duration period.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	35.40.20	35.40.20 dated 02/09/2018
	<b>EFFECTIVE DATE</b>	<b>PAGE NUMBER</b>
	07/01/2018	Pages 1 of 2
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>	
<b>Policy Owner</b> Statewide Accounting and Reporting Services	ORS 291.015 ORS 293.231 ORS 293.250 ORS 293.252 ORS 646.639	
<b>SUBJECT</b> Accounts Receivable Management- Account Assignment: Collection Fees	<b>APPROVED SIGNATURE</b>	
	<i>George Naughton, Chief Financial Officer</i> Signature on file	

## PURPOSE

This policy provides information and guidelines for adding the cost of collection when assigning liquidated and delinquent accounts to the Department of Revenue Other Agency Accounts (DOR-OAA) unit for collection in accordance with **ORS 293.231**.

## APPLICABILITY

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

## FORMS/EXHIBITS/INSTRUCTIONS

None.

## DEFINITIONS

**Account:** As used in this policy, refers to a debt owed to a state agency.

Click here for other [definitions](#).

## EXCLUSIONS AND SPECIAL SITUATIONS

None.

## POLICY

101. Agency management must ensure that agency personnel employ appropriate practices in the collection and management of accounts receivable.
102. Agencies, unless prohibited by state or federal law or regulation, may add a collection fee to a liquidated and delinquent **account** when it is assigned to DOR-OAA. Agencies are encouraged to charge the fee as a means of reducing agency costs and encouraging debtors to make payment to avoid the additional fee.
103. **ORS 293.231** authorizes state agencies that assign liquidated and delinquent **accounts** to DOR-OAA to add a fee to be paid by the debtor to the amount of the debt; the fee may include amounts attributable to collections conducted by a private collection firm (PCF).

A fee may not be added unless the state agency provided notice to the debtor:

- a. Of the existence of the debt;
- b. That the debt may be assigned to DOR-OAA for collection;
- c. That DOR-OAA may subsequently assign the account to a PCF; and
- d. Of the amount of the fee that may be added to the debt.


104. DOR-OAA will remit collected funds, net of applicable collection fees, to the state agency as described in [OAM 35.40.30](#).

### **PROCEDURES**

105. Refer to [OAM 35.30.50](#) for guidance on providing notification to the debtor using a collection letter.

106. Refer to [OAM 15.35.00](#) for guidance on accounting entries for the collection fees.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.40.30	<b>SUPERSEDES</b> 35.40.30 dated 02/09/2018
	<b>EFFECTIVE DATE</b> 07/16/2018	<b>PAGE NUMBER</b> Pages 1 of 4
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 183.413                      ORS 183.502 ORS 291.015                      ORS 293.226 ORS 293.231                      ORS 293.233 ORS 293.250                      ORS 293.252 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Account Assignments: Department of Revenue Assignments	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

**PURPOSE**

This policy provides state agencies with guidelines for using the Department of Revenue Other Agency Accounts Unit (DOR-OAA) for the collection of liquidated and delinquent debt.

**APPLICABILITY**

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

**FORMS/EXHIBITS/INSTRUCTIONS**

None

**DEFINITIONS**

**Account:** a relationship between a state agency and an individual or an entity.

**Apportionment:** The process of separating a joint tax return refund based on the adjusted gross income of each person.

**Automated Clearing House (ACH):** An electronic network for financial transactions in the United States.

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

**Full collection services:** Also referred to as “unrestricted”, services may include: letters, phone calls, garnishments, skip tracing, asset location, and offset.

**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](#).

**Offset Only:** Also referred to as “restricted”, services include intercepting refunds.



Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

### **POLICY:**


101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.
102. The State's policy is to collect all accounts receivable due to state agencies and to establish procedures to effect the timely collection of all amounts owed.
103. Prior to assignment to DOR-OAA:
  - a. Agencies must notify debtors of the assignment requirements referenced in paragraph 103(b). Refer to [OAM 35.30.50](#) for notification requirements.
  - b. Agencies are must identify accounts subject to assignment in accordance with [OAM 35.30.30](#) and [OAM 35.40.10](#). **Account** assignments shall be made via Revenue Online or in a format approved by DOR-OAA.
  - c. Agencies shall determine whether to assign exempt liquidated and delinquent **accounts** referenced in [OAM 35.40.10](#) to DOR-OAA for **offset only** or for **full collection services**. **Accounts** assigned for offset only must include a social security number (refer to paragraph 103(e)).
  - d. Agencies may not assign a liquidated and delinquent **account** to DOR-OAA for **full collection services** and **offset only** at the same time; full collection services includes offset recovery.
  - e. Agencies that obtain the social security number directly from the debtor may only provide DOR-OAA the debtor's social security number if the debtor was provided notification as outlined in OAR 122-085-0200. A social security number obtained from a third party via skip tracing (refer to [OAM 35.30.70](#)) may be provided to DOR-OAA without notifying the debtor in advance.
104. Agencies shall determine the level of service to be performed prior to assigning **accounts** to DOR-OAA for collections. The level of service performed by DOR-OAA and the fees for providing the service shall be documented in a format determined by DOR-OAA.
105. Agencies shall request DOR-OAA to create agency specific program code(s). Program codes may be used to separate:
  - A. Accounts assigned for **full collection service** from accounts assigned for **offset only**;
  - B. **Full collection service accounts** eligible for the issuance of distraint warrants from those that are not;
  - C. Accounts where the cost of collection is passed to the debtor (refer to [OAM 35.40.20](#)); and
  - D. Accounts by agency program area.
106. Agencies must determine whether an **account** qualifies for DOR-OAA to issue a distraint warrant when assigned for **full collection services**. DOR-OAA may only issue distraint

warrants for **accounts** that were liquidated in accordance with the Administrative Procedures Act (refer to [OAM 35.30.30](#)).

107. At the time an **account** is assigned to DOR-OAA, agencies must provide information regarding the account as required by DOR-OAA.
108. Agencies cannot continue to pursue collection from a debtor after assigning the **account** to DOR-OAA for **full collection services**. (Refer to paragraph 117 to recall accounts if applicable).
109. DOR-OAA has authority to determine the best avenue for collecting assigned **accounts** within the terms of service agreed upon by the assigning agency as referenced in paragraph 104.
110. Agencies must maintain **account** balances. Agencies are responsible for notifying DOR-OAA of any account balance changes (e.g. adjustments or payments received by the agency). Notifications may be made through Revenue Online or in a format approved by DOR-OAA.
111. Agencies shall handle disputed assigned accounts in accordance with the level of service agreed to between the agency and DOR-OAA.
112. DOR-OAA may intercept refunds and apply those amounts to offset liquidated and delinquent **accounts** assigned for **offset only** or **full collection services**. A social security number is required to intercept state tax refunds (refer to paragraph 103(e)).
113. DOR-OAA may report **liquidated** and **delinquent account** balances to the United States Treasury Offset Program State Reciprocal Program to allow for federal non-tax payments to be intercepted and applied towards the liquidated and delinquent **account** balances.
114. DOR-OAA will notify the debtor directly of any offsets; the notification will include procedures for the debtor to request a hearing to dispute the offset or to request an **apportionment**.
115. DOR-OAA will review and respond to all **apportionment** requests. DOR-OAA will charge any resultant change in the refund amount back to the assigning agency. DOR-OAA will send notification of the apportionment request and the outcome to the assigning agency in a format determined by DOR-OAA.
116. **ORS 293.231** requires DOR-OAA to assign all **liquidated** and **delinquent accounts** received under paragraph 103(b) to a private collection firm (PCF) if a payment has not been received within six months from the date the account was assigned to DOR-OAA. DOR-OAA may assign these **accounts** to a PCF prior to six months.
117. Agencies have the authority to and may request DOR-OAA to return an assigned **account** via Revenue Online or in a format approved by DOR-OAA. The agencies shall document the reasons for recalling the account.
118. DOR-OAA will recommend **accounts** for write-off to the assigning agency once all reasonable efforts to collect the **account** have been exhausted.
119. Agencies shall evaluate **accounts** recommended for write-off under paragraph 118 for uncollectibility as outlined in [OAM 35.50.10](#).
120. DOR-OAA shall continue to monitor **accounts** recommended for write-off for subsequent collectibility as referenced in **ORS 293.245**. Refer to [OAM 35.50.10](#) for guidance on subsequently collectible **accounts**.

121. DOR-OAA will provide monthly reports to each agency via Revenue Online or in a format approved by DOR-OAA. The reports will include **account** activity or status for all **accounts** assigned to DOR-OAA and PCFs.
122. Agencies should reconcile agency **account** balances with the DOR-OAA reports regularly. Agencies are responsible for contacting DOR-OAA to resolve any reconciliation issues.
123. Agencies must report all **liquidated** and **delinquent account** assignment activity to the Legislative Fiscal Office as described in [OAM 35.60.10](#).
124. DOR-OAA will remit moneys collected, less the applicable collection fee, to the respective agencies monthly via ACH. This includes moneys collected by PCFs.
125. Agencies shall record moneys remitted by DOR-OAA in accordance with [OAM 15.35.00](#).
126. Debtor overpayments will be resolved in accordance with the agreement between DOR-OAA and the assigning agency.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.50.10	<b>SUPERSEDES</b> 35.50.10 dated 11/14/2013
	<b>EFFECTIVE DATE</b> 07/01/2018	<b>PAGE NUMBER</b> Pages 1 of 3
Division <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.231 ORS 293.240 ORS 293.245 ORS 293.250 ORS 293.252	
Policy Owner Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management - Uncollectible Accounts: Write-off Guidelines	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

This policy outlines criteria approved by the Department of Justice for the write-off of uncollectible accounts pursuant to ORS 293.240(2).

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

**Debt:** A sum due and owing to an agency which has accrued as a result of the delivery of goods or services or through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

**Reasonable effort:** The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the **debt**. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

**Write-off:** Receivables that are determined to be uncollectible by management and have been removed from the agency's accounting records; the liability for the **debt** remains. Reductions due to compromise, release, discharge, waiver, cancellation, bankruptcy or other form of settlement are not write-offs.

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

The criteria referenced in this policy do not apply to **debts** owed to a state agency for which a procedure for compromise, release, discharge, waiver, cancellation or other form of settlement for the **debt** for reasons other than uncollectibility is by law made specially applicable to the state agency.

## **POLICY**

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the management and collection of accounts receivable.
102. State agencies are required to make all **reasonable efforts** to collect receivables due to it, which include the provisions outlined in [OAM 35.40.10](#).
103. State agencies must adopt criteria to determine when debt is uncollectible. The criteria must be approved by the Attorney General and include the right of offset. An agency does not need to submit its **write-off** criteria to the Department of Justice (DOJ) for approval if it adopts the write-off criteria outlined in paragraph 104.
104. Attorney General Approved Criteria for Uncollectibility:


Except where the Attorney General has advised a particular agency otherwise, the following criteria for uncollectibility are approved for adoption and use by all state agencies.

Any **debt**, including interest and/or penalties, or any portion of the debt, may be considered uncollectible when the debtor has no money or other thing of value owing or held by any state agency that has not been credited to the debt, and it is reasonable to conclude, after all **reasonable efforts** to collect the debt have been made, that one of the following is true:

1. The debtor does not and will not for the foreseeable future own or have the right to own assets from which the state agency could collect the debt. (W01)
2. It is reasonably estimated that the cost of collecting the debt would equal or exceed the amount of the debt. (W02)
3. The debtor is deceased, and there are no assets in the debtor's estate from which the state agency could collect the debt. (W03)
4. The debtor is a corporation or a limited liability company that is not and for the foreseeable future will not be engaged in any income-producing activity, and there are no assets from which the agency could collect the debt. (W04)
5. The debtor's estate is subject to a pending bankruptcy proceeding in which it is reasonable to conclude that the debt will be discharged and that the state agency will receive none or an insubstantial share of the assets of the bankruptcy estate. (W05)
6. The agency is and will be for the foreseeable future unable to collect from the debtor or from anyone owing the debtor money or holding assets of or from the debtor. (W06)
7. The state agency is unable to locate the debtor despite having made reasonable efforts to do so. (W07)
8. The debt has been liquidated by reduction to a court judgment, administrative order, or distraint warrant, which has subsequently expired. (W08)
9. Other agency specific Attorney General approved criteria. (W09)

105. **ORS 293.240** stipulates the circumstances under which a state agency may **write-off** uncollectible **debts** that are due the agency. If an agency has made all **reasonable efforts** to collect the money owed to it, as referenced in paragraph 102, and has determined that the money and any interest and penalties on the money are uncollectible, as described in paragraph 103, the agency may write-off the debt.
106. A state agency may not **write-off** a **debt** that is subject to assignment under [OAM 35.40.10](#) and has not been assigned.
107. Once accounts are assigned to the DOR Other Agency Accounts (DOR-OAA) unit and DOR-OAA recommends the account for **write-off** to the state agency (refer to [OAM 35.40.30](#)), the state agency must evaluate the account to determine if it is uncollectible as outlined in paragraph 103 because the DOR-OAA recommendation does not, by itself, establish that the **debt** is “uncollectible” within the meaning of **ORS 293.240**.
108. State agencies must document efforts made, actions taken and applicable criteria for **write-off**. The agency should include written evidence in its files to show that they have made all **reasonable efforts** to collect the **debt**, and that the debt is uncollectible in accordance with criteria for uncollectibility as outlined in paragraph 103. The Write-off Certification form ([75.35.13.FO](#)) may be used as such written evidence.
109. State agencies that enter **write-off** transactions into R\*STARS shall enter the three-digit code, provided in paragraph 104 (W01, W02, W03...), in the multi-purpose code (MPCD) field to identify the criteria for uncollectibility used to support writing off the **debt**.
110. Write-off transactions processed during the fiscal year must be reported annually per [OAM 35.60.10](#).
111. If a **debt** previously written off pursuant to **ORS 293.240** subsequently becomes collectible, efforts to collect the money owed shall proceed. The original **write-off** transaction shall be reversed in the agency’s financial statements.

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.60.10	<b>SUPERSEDES</b> 35.60.10 dated 05/01/2013
	<b>EFFECTIVE DATE</b> 07/01/2018	<b>PAGE NUMBER</b> Pages 1 of 2
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015                      ORS 293.229 ORS 293.233                      ORS 293.234 ORS 293.250                      ORS 293.252 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management – Receivable Reporting: Reporting Liquidated and Delinquent Accounts	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

This policy defines state agency liquidated and delinquent account reporting requirements.

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

Agency Certification: Write-off, Abated, and Canceled Debt form ([75.35.15.FO](#))

## **DEFINITIONS**

**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](#).

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.


## **POLICY**

101. Agency management must ensure that agency personnel employ appropriate practices in the management of accounts receivable.
102. Agency management must ensure all fiscal year liquidated and delinquent account activity is reported to the Legislative Fiscal Office (LFO) annually by October 1. Agencies with no liquidated and delinquent account activity are required to complete the “Nothing to Report” process as described in the Reporting Manual.

- (a) An updated Liquidated and Delinquent Account Reporting Manual will be distributed to agency representatives annually. The Reporting Manual includes instructions for completing and submitting the annual report to LFO.
  - (b) Agencies shall use the LFO Delinquent Account Reporting System to report fiscal year liquidated and delinquent account activity. Agencies shall use the Reporting Manual to properly report data to LFO.
103. Agency management shall verify that the information reported to LFO referenced in paragraph 102 is accurate and complete prior to submitting the final report.
104. Agency management shall certify to the Department of Administrative Services annually, by October 1, the values of liquidated and delinquent accounts written off, abated, and canceled using the Agency Certification: Write-off, Abated, and Canceled Debt form ([75.35.15.FO](#)). Values included on the certification form shall reconcile to the applicable values reported to LFO in paragraph 102.
105. Agencies with fiscal year liquidated and delinquent account ending balances totaling \$50 million or more must submit an additional report to the Legislative Assembly committees related to ways and means annually by December 31 that:
- (a) Describes major categories of liquidated and delinquent accounts held by the state agency;
  - (b) Describes circumstances under which the state agency writes off or adjusts liquidated and delinquent amounts or removes an account from liquidated and delinquent status;
  - (c) Describes actions undertaken by the state agency to reduce the amount of liquidated and delinquent debt owed to it at the end of each fiscal year; and
  - (d) Sets forth a plan for future actions that will reduce the amount of liquidated and delinquent debt owed to the state agency at the end of each fiscal year and describes any additional resources that are necessary to carry out the plan.



# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	35.60.20	35.60.20 dated 10/24/2017
	<b>EFFECTIVE DATE</b>	<b>PAGE NUMBER</b>
	02/09/2018	Pages 1 of 5
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>	
<b>Policy Owner</b> Statewide Accounting and Reporting Services	ORS 291.015 ORS 293.252	
<b>SUBJECT</b> Accounts Receivable Management- Receivables Reporting: Accounts Receivable Performance Measures	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

## PURPOSE

This policy establishes accounts receivable performance measures (ARPMs) and provides guidance to agencies for monitoring and reporting ARPM data and targets.

## APPLICABILITY

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

## FORMS/EXHIBITS/INSTRUCTIONS

- [OAM 75.35.12.FO](#)

## DEFINITIONS

**Liquidated and delinquent (L&D):** see definition in [OAM 35.30.30](#).

**Receivable**, also referred to as **account** or **accounts receivable (A/R)**: An accounts receivable is established if revenue is not recognized at the point cash is received, refer to [OAM 15.35.00](#) for guidance on revenue recognition. For purposes of this OAM, a receivable does NOT include loans and notes receivable amounts except for the amount of any periodic payment which became delinquent during the reporting period, refer to [OAM 35.30.30](#) for guidance. If a loan or note is determined to be in default and the balance becomes due upon default then the balance should be included as an A/R.

Click here for other [definitions](#).

## POLICY

101. Agency management must ensure that agency personnel employ appropriate practices in the management of **A/R**.
102. Agency management shall monitor data related to the ARPMs established in this OAM and shall establish targets for each as required in this OAM. Monitoring of these ARPMs will assist agency management in evaluating the effectiveness of their **accounts receivable** management, collection processes, and identify potential areas for improvement.
103. Agencies shall report to the Department of Administrative Services (DAS) data in the format and timelines as required in this OAM.

## PROCEDURES:

### Required ARPMs

104. The ARPMs in paragraphs 105 through 109, and 111 as applicable, are operational measurements designed to monitor the effectiveness of collection processes. Agencies shall track these data elements to assist in the evaluation of collection processes.

### Quarterly ARPMs

105. **Total receivable collections** - Agencies shall measure their total **A/R** collected during the quarter **and** the amount of those collections that are applied to **L&D accounts**.
106. **Receivables over 90 days past due as a percentage of total A/R** – At the end of each calendar quarter, agencies shall determine the number and dollar value of **accounts** outstanding and the number and dollar value of those which are delinquent more than 90 days.

### Annual ARPMs for ALL agencies

107. **Days to assign** – Agencies shall measure the number of days from the Mandatory Collection Agency Transfer (MCAT) eligibility date, as defined in [OAM 35.40.10](#), to the date of assignment to the Department of Revenue Other Agency Accounts (DOR-OAA) or to a private collection firm (PCF). Agencies shall report the number of accounts that were assigned in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, and over 1 year. The assignment requirements of **ORS 293.231**, [OAM 35.40.10](#) and **Executive Order 17-09** dictate the mandatory timeline for when an account is subject to assignment.
108. **Days to collect** - Agencies shall measure the total number of days required to collect an **A/R** in full. Agencies shall report the number and percentage of accounts paid in full in less than 30 days, 31-60 days, 61-90 days, 91-180 days, 181-365 days, 1-3 years and over 3 years.

For purposes of this ARPM the calculation is:

**Date account is paid in full<sup>1</sup> less effective date<sup>2</sup> of receivable = days to collect**

1. **Accounts** should not be counted until final payment is received.
2. The effective date of the **receivable** is either:
  - The date a state agency can recognize the revenue as described in [OAM 15.35.00](#) under the economic resources measurement focus and accrual basis of accounting (therefore the availability criteria is unrelated to this determination); or
  - The due date of a delinquent loan payment.

109. **Write-offs as a percentage of available A/R** – Agencies shall measure the percentage of available **accounts** that were written off during a period of time against the total **A/R** owed during the same period.

For purposes of this ARPM the calculation is:

**Total write-offs during the fiscal year / (total A/R beginning balance + A/R additions during the fiscal year)**

*Note: agencies should only include write-offs where the debt is still legally enforceable. Do not include **accounts** that were discharged in bankruptcy, compromised or settled with a debtor or that were cancelled under specific agency authority to cancel debts.*

### Annual ARPM for SPECIFIC agencies

110. The measurement in paragraph 111 is required for agencies that receive a DAS exemption from the assignment requirements of [OAM 35.40.10](#); however, the measurement is recommended for all agencies.
111. **Collections Return on Investment (ROI)** – Agencies shall measure the amount of revenue received compared to the costs of their collection efforts to determine the collections ROI.

For purposes of this ARPM the calculation is:

**Total receivable collections / (department costs<sup>1</sup> + collection fees<sup>2</sup> + legal fees<sup>3</sup>)**

1. *Department costs* - should include to the extent possible and available with reasonable effort:
  - Wages for staff performing **A/R** tasks and management (or a pro-rated percentage of time spent managing **A/R** staff);
  - Other payroll expenses related to the wages identified above;
  - Training for **A/R** staff or managers related to **A/R** job duties; and
  - Facilities costs (pro-rated based on the number of staff or managers performing **A/R** duties compared to the total staff).
2. *Collection fees* - The costs paid by the agency for collections made by DOR-OAA or a PCF. Refer to the section on collection fees contained in [OAM 15.35.00](#) for details on the proper accounting.
  - Include costs paid to DOR-OAA or a PCF by the agency for collection costs, even if those costs are retained from collection prior to the PCF remitting funds to the agency.
  - If the agency passes the DOR-OAA or PCF fee to the debtor, then there is no direct cost to the agency; therefore, do not include those fees in this calculation. Refer to [OAM 35.40.20](#) for information on how to pass the fee to the debtor. (Note: not all **accounts** may pass the fee if there are federal program restrictions or other statutory limitations.)
3. *Legal fees* - These costs include, but are not limited to, the following:
  - Department of Justice costs to litigate, including obtaining a judgment;
  - Administrative hearing costs, if applicable; and
  - Recording fees, such as county costs to record documents (e.g., civil penalty, distraint warrant) into the county lien record to establish a lien on real property or county sheriff fees related to a writ of execution (e.g., asset seizure and sale, till tap).

## Recommended ARPMs

112. The ARPMs in paragraphs 113 through 115 are annual measurements that are designed to identify improvements associated with monitoring the process of collecting **accounts receivable**. Agencies are encouraged to track these data elements to assist in evaluating their collection processes.
113. **Recovery rate** - A collection recovery rate measures the amount collected over a period of time divided by the total **receivables** worked for a period of time.

For purposes of this ARPM the calculation is:

**Total dollars collected / (beginning balance + additions)**

114. **Account Turnover Rate (ATR)** - The ATR is a calculation that indicates how well **accounts** are moving through the **account** assignment pipeline. An ATR of over 100% means that there are fewer **accounts** at the end of the year than at the beginning. The ATR should be evaluated for all agency **accounts** as well as **accounts** placed with DOR-OAA or a PCF.

For purposes of this ARPM the calculation is:

**Beginning number of accounts / ending number of accounts**

115. Agencies not required to measure the ARPM referenced in paragraphs 110 and 111 are nevertheless encouraged to measure that ARPM.

## Agency Targets:

116. Due to the various agency missions and types of receivables owed to state agencies, each agency should establish targets based on the factors that are unique to itself.
117. Agencies are required to establish quarterly targets for each ARPM established under paragraphs 105 and 106 of this OAM for reporting periods beginning July 1, 2018.
118. Agencies are required to establish annual targets for each ARPM established under paragraphs 107 through 109, and 111 as applicable, of this OAM for reporting periods beginning July 1, 2018.
119. Agencies are encouraged to establish annual targets for each ARPM established under paragraphs 113 through 115, as applicable, of this OAM.

## Reporting Requirements:

120. **Quarterly ARPM reports** - Agencies shall report to the DAS Chief Financial Office the actual results for the quarterly ARPMs established under paragraphs 105 and 106 of this OAM as follows:


<u>Reporting period</u>	<u>Due Date</u>
July-September	October 31
October-December	January 31
January-March	April 30
April-June	October 1 (with the annual ARPM reports)

121. **Annual required ARPM reports** - Agencies shall report to the DAS Chief Financial Office the actual results for the required annual ARPMs established under paragraphs 107 through 109, and 111 as applicable, of this OAM by October 1.
122. **Annual recommended ARPM reports** – Agencies may report to the DAS Chief Financial Office the actual results for the recommended annual ARPMs established under paragraphs 113 through 115, as applicable, of this OAM by October 1.
123. **Agency ARPM target reports** - Beginning July 1, 2018 the information reported to DAS shall include the agency ARPM targets for the upcoming reporting period.

Agencies are not required to report targets associated with recommended ARPMs if the ARPM will not be measured.

124. Agencies shall report data elements under paragraphs 120 through 123 of this OAM using **OAM form 75.35.12**, or an alternative format approved by the DAS Chief Financial Office, and shall submit the report via email to [SWARM@oregon.gov](mailto:SWARM@oregon.gov).

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 35.70.10	<b>SUPERSEDES</b> 35.70.10 dated 04/15/2013
	<b>EFFECTIVE DATE</b> 12/11/2018	<b>PAGE NUMBER</b> Pages 1 of 3
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 291.015 ORS 293.250 ORS 293.252 ORS 293.285 ORS 293.590	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Accounts Receivable Management- Interagency Receivables: Billings, Payments, and Progressive Actions	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

This policy describes state agency responsibilities when issuing and paying interagency invoices.

## **APPLICABILITY**

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

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

**Reasonable effort:** The use of available, legal, and cost-effective means that are appropriate to the circumstances of the collection effort. A means of collection may be considered cost-effective when it is reasonable to expect the costs of collection to be less than the debt. If the anticipated recovery would be only marginally in excess of the cost of collection, it may be reasonable to exert little or no effort to collect the debt.

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **POLICY**

101. Agency management must ensure that state agency personnel employ appropriate practices in the management of accounts receivable.
102. State agencies are required to make **reasonable efforts** to collect interagency invoices. The management of accounts receivable between agencies is an important part of a state agency's cash management process. There shall be a shared responsibility and cooperation by both agencies to assure that the providing agency bills for goods or services requested properly and promptly, and the receiving agency pays for the goods or services timely.

## Billings and Payments

103. Per [OAM 35.30.10](#) paragraph 103, agency management must develop clear, written internal policies and procedures for the billing and collection of accounts receivable.
104. State agencies shall accumulate charges up to a periodic cut-off point and produce interagency invoices based on a periodic cycle. Interagency invoices must be distributed within 15 days of a monthly based billing cycle and within 30 days of a quarterly or annually based billing cycle.
105. Each billing state agency's invoice must be clear and informative (refer to the sample interagency invoice in [OAM 75.35.03.FO](#)). At a minimum, the following components should be included on the invoice:
  - a. Header: Include the name and address of the billing and paying state agencies; the invoice number; invoice date; customer number; due date; and the total amount due.
  - b. Body: Include specialized contract or agreement numbers and the billing period that the invoice covers; detail about the amount due; special information about the invoice, including terms or conditions; and, if the invoice lists more than one item, provide a total amount due.
  - c. Footer: Include a contact name and phone number for the paying state agency to call if they have questions regarding the invoice, including TTY information, and the R\*STARS accounting data (e.g. transaction code, suffix, amount by suffix, etc.).
106. State agencies must make payment within 30 days of the invoice date listed on the interagency invoice, unless the paying agency disputes all or a portion of the invoice. State agencies paying interagency invoices using R\*STARS must pay each invoice with the appropriate transaction code based on the R\*STARS accounting data listed on the invoice, or with a payment method approved by both state agencies.
  - a. Where there are billing disputes, the paying state agency must make payment on the undisputed portion of the invoice within 30 days of the invoice date.
  - b. Disputes or disagreements are those limited situations where the parties cannot reach agreement on the facts that created the invoice or the amount billed. Interagency invoices sent to the correct state agency, but reference the wrong division or program, do not constitute grounds for a dispute.
  - c. State agencies must present and resolve billing questions promptly so that the paying state agency may make payment within 30 days. When questions regarding the interagency invoice become disagreements, the paying state agency must provide the billing state agency a written notification that explains the disputed amounts and the reason for the dispute (refer to [OAM 75.35.04.FO](#) for a sample Interagency Invoice Inquiry form).
  - d. The billing state agency shall respond promptly to the written invoice dispute in an attempt to clarify or resolve the paying state agency's concerns. Typically, this should be less than 30 days.

## Progressive Actions

107. Agency management must have policies or procedures that define when progressive actions will be utilized to collect delinquent interagency invoices. Progressive actions are not mandatory, but if state agencies choose to take them, the actions should be applied in the order suggested in paragraph 109.

108. State agencies may utilize the progressive actions outlined in paragraph 109 to collect delinquent interagency invoices when:
- a. A state agency does not pay a properly billed interagency invoice within 30 days of the invoice date;
  - b. A delinquent state agency does not remit payment in response to notices of delinquent interagency invoices; or
  - c. A state agency has a history of delinquency.
109. Progressive actions to collect interagency invoices include, but are not limited to:
- a. Collection letters, emails, or phone calls to the Chief Financial Officer (CFO) of the delinquent state agency. The billing state agency may notify the delinquent state agency's CFO. The letter or message should describe the magnitude of the delinquent amount and provide any additional information regarding the payment pattern or history of delinquent payments.
  - b. Collection letters, emails, or phone calls to the Director of the delinquent state agency. For repeated delinquencies, the billing state agency may notify the delinquent state agency's Director. The notification should describe the magnitude of the delinquent amount and provide any additional information regarding the payment pattern or history of delinquent payments. The notification should also describe the collection measures the billing state agency has already taken. The purpose of this notification is to alert the delinquent state agency's Director of the situation and request assistance in resolving the issue.
  - c. A request for intervention by the DAS Chief Financial Office. After notifying the delinquent state agency's CFO and Director, the billing state agency may contact the DAS Chief Financial Office. The billing state agency's CFO (or designee) shall send a request for intervention to the DAS Chief Financial Office which includes a brief explanation of the situation. A copy of the request should be sent to the delinquent state agency's CFO and Director.