STATE OF UTAH

Department of Administrative Services

OFFICE OF STATE DEBT COLLECTION

Statewide Policies, Procedures and Guidelines for Accounting, Reporting and Collecting Accounts Receivable

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Chapter 1

Introduction

The purpose of this manual is to provide a current and authoritative reference for the statewide policies, procedures and guidelines for accounting, reporting and collecting accounts receivable as developed by the Office of State Debt Collection (OSDC). OSDC receives it authorization to act from Chapter 63A-8 (U.C.A.) The OSDC is charged with the following primary responsibilities:

The office shall:
(a) have overall responsibility for collecting and managing state receivables;
(b) develop consistent policies governing the collection and management of state receivables;
(c) oversee and monitor state receivables to ensure that state agencies are:
  (i) implementing all appropriate collection methods,
  (ii) following established receivables guidelines, and
  (iii) accounting for and reporting receivables in the appropriate manner.

Organization of the Manual

The manual is organized as follows:

Chapter 1 Introduction
Covers the primary role of the OSDC and the organization and structure of the manual.

Chapter 2 Overview of Accounts Receivable
A statement of the policy regarding the managing and collecting of accounts receivable; the responsibilities of the OSDC relating to accounts receivable; and the responsibilities of state agencies with respect to their handling of accounts receivable.

Chapter 3 Billing and Collection of Accounts Receivables
Guidelines to be followed by the State agencies in the recording, reporting and collection of accounts receivable until they are liquidated or referred for additional collection services.

Chapter 4 Transfer of Collection Responsibility to the OSDC
Outlines the collection intervals when delinquent accounts receivable will be referred to the OSDC for additional collection services. Details the contents of account files and the recommended format for transferring.

Provides for exceptions to transferring collection responsibility for designated state agencies.

Chapter 5 Writing-Off Delinquent Accounts Receivable

Identifies criteria necessary for writing-off accounts receivable, control of the write-off process, procedures for designated state agencies to control their write-off process, and the pursuit of collection after the account has been written-off the state=s books.

Chapter 6 Reporting of Receivables by State Agencies

Identifies the reporting requirements to meet the legislative mandate on a quarterly basis and the need for special information required for the annual report. Outlines the options for reporting and the time requirements. Sets forth the terms for negotiation when reporting capabilities are limited.

Chapter 7 Central Collection Unit

Describes the responsibilities of the Private Sector Collector to establish and operate the Central Collection Unit (CCU) of the state, allocate accounts to other Private Sector Collectors and assist the OSDC in determining the optimum collection strategies for the state.

Chapter 8 Performance Measurements of Collection Operations

Performance measurements to be used to measure the efficiency and effectiveness of Private Sector Collectors, State Agencies with formal collection programs, and all State Agencies that create accounts receivable. These performance measurements will be used to monitor the progress in collections over time.

Chapter 9 Cost of Collection

Gathering the cost of collection of delinquent accounts receivable is essential to measuring the efficiency and effectiveness of the collection processes. All State agencies and divisions are required to report their cost of collection unless it can be demonstrated that the costs are immaterial to the total costs of their individual operations.

Chapter 2

Overview of Accounts Receivable

Overview of Accounts Receivable

The management of accounts receivable of the state is a partnership between the agencies of the state and the entity who has caused an accounts receivable to be created on the state=s books. The state in good faith has extended credit to the entity and the state has the expectation to be reimbursed for the services or goods that have been given and other actions that have been imposed upon the entity.

The enforcement of revenue laws is an important part of state government=s revenue collection operation. Revenues that are owed must be collected for the state to continue to function properly. Collecting revenues owed to the state provides dollars to fund beneficial state programs, ensures favorable borrowing rates because of high credit ratings and creates social justice.

While the level of delinquent revenues is certain to increase during an economic downturn, the amount owed to the state at the end of a fiscal year is often more closely related to the state=s attitude and policies regarding the collection of revenues and the effectiveness of the collection system than to the ability of the citizens to meet their liabilities.

Revenue Enforcement Policy

The state=s written collection policy covers the collection of delinquent revenues. This policy, aimed at the enforcement of existing revenue laws, should be focused on known delinquents and that segment of the population that attempts to avoid paying their obligations altogether.

In developing this policy, the state has two main goals: 1) the maximization of revenues through the aggressive pursuit of known and yet to be discovered delinquent entities, and 2) the maintenance of goodwill with the citizens of the state. The pursuit of the first goal can result in more stable cash flows and improved collection rates (the ratio of actual collections to anticipated collections). Because the pursuit of the first goal will often conflict with that of the second, it is important that the revenue collections functions are as efficient, effective, and as inexpensive as possible.

General Policy Guidelines

While the exact nature and tone of collection enforcement policy varies from agency to agency, general guidelines should focus on assurances that 1) revenue collection policies will be carried out fairly and equitably; 2) revenue collection policies will not cause individuals undue hardships, with special consideration given when appropriate, and 3) penalties, interest charges, and other sanctions for nonpayment of debt owed to the state and others for whom the state has a responsibility to collect, will serve the interests of the state and encourage citizens to pay promptly.

Statute of Limitations

In most instances, no statute of limitations exists prohibiting collection of accounts receivable owed to the State of Utah. There are some statute of limitations that require the state to take a specific action within a specified period (lien property and perfect the lien within eight years, collect on bail forfeiture, etc.). If the action is not taken, the state will loose the opportunity to enforce payment of the debt through the attachment and sale of property, bond forfeiture, etc.

Responsibilities of the OSDC

The responsibilities of the OSDC are outlined in statute found in Chapter 63A-8 (U.C.A.). These include:

-X Developing accounts receivable collection policies and procedures;

-X Providing technical assistance to agencies regarding the collection and management of accounts receivable and in association with the Division of Finance, provide uniform revenue recognition policies;

-X Writing an inclusive receivables management and collection manual for use by all state agencies;

-X Creating and/or coordinating a state accounts receivable database;

-X Monitoring and analyzing the receivables held by agencies; and

-X Preparing quarterly and annual reports of the state=s receivables.

Responsibilities of State Agencies

State agencies are responsible for the following regarding the management of accounts receivable:

-X Utilizing systems that are adequate to properly account for and report their receivables;

-X Reporting receivables, their age, collection status and funding source to the OSDC quarterly;

-X Developing and implementing procedures that adhere to the collection policies and guidelines established by the Attorney General and the OSDC. (U.C.A. 63A-8-201 and 63A-8-203);

-X Bill for and make initial collection efforts of its receivables up to the time the accounts must be transferred (U.C.A. 63A-8-201(6)(f)), and

-X Transfer collection responsibilities to the OSDC or its designee according to time limits established by the OSDC (U.C.A. 63A-8-201(6)(a)).

Chapter 3

Billing and Collection of Accounts Receivable

Collection Policy in State Agencies

Collection policies in state agencies need to fit the characteristics of each revenue source. For example, the effort expended on collection should be in proportion to the amount of revenue expected to be collected; in other words, it should be cost effective. The choice of collection enforcement may vary by revenue source and amount to be collected.

The state, seeking to exercise its full powers with regard to the collection of delinquent revenues, should not back down from any debt that is owed; however, all cases should be handled with care. Collection procedures should be firm but understanding. The state=s willingness and determination to impose penalty and interest charges and other sanctions against delinquent debtors will convince many citizens to comply with tax and revenue laws. In addition, the costs of collecting delinquent revenues should be recovered from debtors so that others are not required to subsidize these collection costs.

Any policies and procedures adopted for use in the collection of delinquent revenues must conform with the provisions of the Fair Debt Collections Practices Act. This law eliminates abusive debt collection practices, limits communications with debtors, and prohibits harassment or abuse, use of false or misleading representations, unfair practices, etc.

To achieve uniformity in the billing and collection of accounts receivable, state agencies shall use the Advanced Receivables Subsystem (ARS), when it is determined that it will meet agency needs. When it is determined that the ARS does not meet agency needs, exceptions will be granted to agencies as outlined in **A** below.

The following guidelines are established to assure that the citizens of the state are treated fairly and have received adequate notification and opportunity to pay the debt that is owed. To do otherwise imposes an undue burden upon the citizen and may lead to distrust of government or more serious consequences.

Agency Billing and Collection Activity

The following are the minimum actions and time schedules to be followed in the billing and collection of accounts receivable. Exception to these procedures are noted in **A**.

Activity	Action to be Taken	Time Scheduled	Expected Results
Event creating an accounts receivable.	- Create and mail Invoice. - Establish payment demand date.	No later than 10 days from event or next billing cycle if recurring	- Debtor receives timely billing for services, goods or state

	- Establish receivable on state records (when ARS is implemented, receivables will be recorded on state records when they are created).	billing.	imposed assessments. - Debtor is notified of payment due date. - Records receivable, begins tracking and subsequent collection events.
Receive returned or undeliverable mail.	- Verify billing address, make telephone contact if necessary to obtain correct address. - Correct and re-mail invoice. - If not correctable, transfer account to Central Collection Unit.	No later than 2 days from receipt.	Customer receives invoice as quickly as possible. If customer cannot be found, skip tracing can be started immediately.
Receive billing questions from debtor.	- Resolve questions, make adjustments as necessary and re-mail invoice if required.	The day the question is received.	Debtor has clear understanding regarding the obligation to the State.
Payment Demand Date (No later than 30 days from event date)			
Payment received in full as a result of Invoice.	- Credit account receivable.	- Current day, or no later than the next business day.	- Debtors account updated quickly preventing incorrect notices being sent.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
Partial payment received as a result of Invoice.	- Credit account receivable for amount received. - Contact by telephone and make arrangements for balance. - Send confirming letter of arrangements.	- Current day or no later than the next business day.	- Debtors account updated quickly. - Debtor receives credit for payment received. - Debtor understands the obligation to pay in full and time expectation.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
10 Days Past Payment Demand Date			
Payment due is equal to or greater than $1,000.	- Make telephone contact and get promise to pay. - Mail First Dunning Notice (Attach copy of original Invoice or billing document).	- No later than 10 days past the payment demand date.	- Debtor understands that the State is serious about the obligation and the expectation of payment.
Payment due is less than $1,000.	- Mail First Dunning Notice (Attach copy of original Invoice or billing document).	- No later than 10 days past the payment demand date.	- Debtor understands that the State is serious about the obligation and the expectation of

			payment.
35 Days Past Payment Demand Date			
Payment received in full.	- Credit account receivable.	- Current day or no later than the next business day.	- Debtors account updated quickly preventing incorrect notices being sent.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
Partial payment received.	- Credit account receivable for amount received. - Contact by telephone and make arrangements for balance. - Send confirming letter of arrangements.	- Current day or no later than the next business day.	- Debtors account updated quickly. - Debtor receives credit for payment received. - Debtor understands obligation to pay in full and time expectation.
	- Contact by telephone not achieved or available. (Make at least three attempts to contact by phone) - Mail Second Dunning Notice.	- Current day or no later than the next business day.	- Debtors account updated quickly. - Debtor receives credit for payment received. - State establishes the time limit for payment in full.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
No payment received.	- Contact by telephone and negotiate/renegotiate payment arrangements. - Send confirmation letter confirming negotiated payment agreement.	- Current day or no later than the next business day.	- State re-establishes the need to pay the obligation and the expected time when payment will be received.
	- Contact by telephone not achieved or available. (Make at least three attempts to contact by phone) - Mail Second Dunning Notice.	- Current day or no later than the next business day.	- State gives emphasis regarding the obligation to pay in full and establishes the time when payment should be received in full.
50 Days Past Payment Demand Date			
Payment received in full.	- Credit account receivable.	- Current day or no later than the next business day.	- Debtors account updated quickly preventing incorrect notices being sent.
Payment received in full.	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.

Partial payment received.	- Credit account receivable for amount received. - Mail Collection Letter (include notice of referral to Collection Agency if payment not received in full within 10 days).	- Current day or no later than the next business day.	- Debtor receives credit for payment received. - Debtor is notified of time limit obligation to pay in full within 10 days and the penalties for failure to pay.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
No payment received.	- Contact by telephone and renegotiate payment arrangements. If payment not received within 10 days the account will be turned over to a Collection Agency. - Send confirming letter regarding payment arrangements and action if payment not received.	- Current day or no later than the next business day.	- State reconfirms the necessity of debtor to meet payment obligations and the penalties for failure to keep obligations.
	- Contact by telephone not achieved or available. (Make at least three attempts to contact by phone) - Mail Collection Letter (include notice of referral to Collection Agency with additional penalties if payment in full not received within 10 days).	- Current day or no later than the next business day.	- State reconfirms the necessity of debtor to meet payment obligations and the penalties for failure to keep obligations.
61 Days Past Payment Demand Date			
Payment received in full.	- Credit account receivable.	- Current day or no later than the next business day.	- Debtor receives credit for payment.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.
Partial payment received.	- Credit account receivable for amount received. - Transfer account receivable and all Collection Activity Data to Centralized Collection Unit unless payment agreement negotiated.	- Current day or no later than the next business day.	- Debtor receives credit for payment received. - Further collection action transferred to Centralized Collection Unit.
	- Bank money.	- Daily or within 3 days of receipt.	- Money banked timely.

No payment received.	- Refer and/or transfer account receivable and all Collection Activity Data to Centralized Collection Unit.	- Current day or no later than the next business day.	- Debtor has failed to meet obligation to State Agency. - The Centralized Collection Unit will continue collection efforts to received payment in full for services, goods or State assessed obligations of the debtor.

A. *Exceptions to Agency Billing and Collection Activity*

Due to the complex nature of the receivable transactions, limited agency resources, and unique agency needs, certain state agencies may be granted exceptions from following the Agency Billing and Collection Activity and use of the state ARS. To gain these exceptions, the agency must provide the following:

1. Collection Policy and Procedures

The state agency shall provide to the OSDC the current billing and collection policies and procedures that are used to bill, record, collect and manage the accounts receivable of the agency. The OSDC will review the policies and procedures for adequacy in meeting the collection policy of the state given the special nature of the receivables found in the agency. If the agency policies and procedures meet or exceed the statewide collection policies and procedures the agency will be granted an exception. The OSDC will use the agency policies and procedures to monitor agency performance.

If the agency policies and procedures are not adequate to ensure that the collection policy of the state is being met, the agency shall be required to follow the statewide collection policies and procedures until such time as the agency can established new collection policies and procedures that are approved by the OSDC.

2. Agency Provided Receivables Management System

A state agency may gain exemption from the use of the ARS by:

a. Submitting to the Division of Finance, the requirements of the agency system regarding the handling of accounts receivable. If in the opinion of the Division of Finance, the ARS will not meet the needs of the agency, the Division of

Finance will recommend to the OSDC and Advisory Board to the OSDC that the agency be granted an exemption from using the ARS.

b. Submitting to the OSDC the completed attached form listing what information is available in the agency system, if information is not available, the projected date when it will be available, areas where reporting may differ because of the uniqueness of the receivable and procedures and format used to report the receivables. Providing the agencies management system meets the criteria established or negotiated for reporting receivables, the OSDC will recommend to the Advisory Board to the OSDC that the agency be granted an exemption. If the reporting is inadequate to meet the needs of the OSDC, the agency may be required to use the ARS until such time as it enhances the management system to meet the reporting requirements of the OSDC unless there is a negotiation stating otherwise.

c. The state agency will meet with the Assistant Controller of the Division of Finance to determine the appropriate accounting for revenue recognition associated with receivable reporting. The agency will be required to submit a monthly entry, using the FI-NET system to account on the books of the state the receivables owed to the state.

d. See Chapter 6 for the Reporting Requirements for State Agencies.

Chapter 4

Transfer of Collection Responsibility to the Office of State Debt Collection

Collection Responsibility of State Agencies

Normally, the ideal time to achieve collection of accounts receivable is during the first few weeks following the event that created the receivable. During this time, the agency creating the receivable transaction is in the best position to follow through and effect the collection. The collection goal of the state is to collect 85 percent of the accounts receivable in less than 60 days from the payment demand date. To achieve this goal, it will require a focus from the agencies to bill promptly and to aggressively collect during that time period.

On those occasions when the agency is unsuccessful, the OSDC has contracted with Private Sector Collectors who are prepared to accept the delinquent accounts receivable and using all legal enforcement options at their disposal, collect the money owed to the state.

The state agency is expected to use the processes of the Advanced Receivable Subsystem (ARS) to bill, record, collect and manage their receivables. This process is outlined in Chapter 3 of this manual. In the event that the agency is unsuccessful in collecting the debt, they are to refer the delinquent account receivable to the OSDC on the 61st day of delinquency.

Exceptions to this requirement are outlined below.

Transfer of Account Receivable Data

The following data is required when the account receivable is transferred to the OSDC:

-X Agency account reference number
-X Description of event creating the receivable
-X Date receivable was created
-X Name of responsible party
-X Address of responsible party
-X Telephone number of responsible party
-X Social Security Number of responsible party (if not in violation of state or federal law)
-X Federal Employers Identification number (if not in violation of state or federal law)
-X Date of birth of responsible person
-X Driver=s licence number
-X Amount owing

- -X Collection activity that has preceded the transfer. List special circumstances that must be considered, payments made on the account and if there were any special payment agreements.
- -X Is there any dispute on the amount owed that has not been resolved?
- -X List special interest charges that should be imposed and the percentage rate.
- -X What is the Revenue Source for this account?
- -X How are collected funds to be allocated? List percent and to whom or in what fund the allocation is to be deposited.
- -X Any other information you feel may be important to assist in collecting the account.

It is recognized that all of the above information may not be available in every case. To make the collections most effective, the agency should provide as much of the data as possible.

Format for Transfer of Accounts Receivable Data

The preferred method of transferring accounts receivable data will be electronically. However, all accounts will be accepted regardless of how the transfer takes place.. For those agencies who are using the ARS, the format will be a part of that system=s interface logic. For those agencies who obtain an exemption from use of the ARS, the format will be negotiated with the Private Sector Collector operating the CCU and the other contracted Private Sector Collectors with the objective of all Collectors being able to accept data in the same format from the agency. Again, the preferred method of transfer will be electronically.

Exemption of Transfer Requirements

Due to the unique character of receivables in some state agencies, it is appropriate that an exemption be granted from turning over their receivables to the OSDC as described above. This does not mean that pursuit of delinquent accounts will not be ultimately handled by the OSDC, but rather that special circumstances are recognized and honored. These circumstances may be due to existing legislation that prohibits assignment due to age restrictions, i.e., the Utah State Tax Commission cannot refer delinquent receivables for outside collection until the receivable is at least 24 months old. Another restriction may be the need of the agency to continue to monitor the account for compliance to judgements, i.e., the Courts may require the delinquent accounts for a longer period so that appropriate judicial review may take place. While other agencies may have some difficulty in turning over their accounts due to volume considerations, i.e., the Office of Recovery Services may require that certain criteria be met before the account can be turned over for collection.

Exemption Due to Legislative Restrictions

The OSDC may grant an exemption from turning over delinquent accounts receivable upon presentation of legislative restrictions in either Utah Annotated Code or Federal Annotated Code.

Exemption Due to Other Restrictions

The OSDC may grant an exemption from turning over delinquent accounts receivable when it is determined to be in the best interest of the state, upon presentation of compelling, extenuating circumstances that would either due harm to the citizen or to the state agency if aggressive pursuit of collection of the debt were undertaken or there is a negotiated agreement between the agency and OSDC.

Chapter 5

Writing-off Delinquent Accounts Receivable

While the goal is to reduce accounts receivable by collecting the revenues that are due, there is also a need to reduce accounts receivable by writing off certain debts that cannot be collected. This is required to fairly and more accurately present the state=s financial position. Large amounts of delinquent debt reported as accounts receivable is misleading because there may not be a reasonable expectation that such revenues will ever be collected.

Control of Writing-off Delinquent Accounts Receivable

To minimize confusion and ensure success, write-offs should be centralized in the OSDC. The Office will utilize accounts receivable aging analysis, completion of established processes and other criteria to identify delinquent accounts for possible write-off. Exemption from transfer of delinquent accounts receivable is found in Chapter 4. State agencies that have been granted exemption from transfer of their accounts receivable to the OSDC will be under the same obligation to write-off uncollectible accounts according to the conditions described below.

At What Point Should a Debt be Considered Uncollectible?

Debts are clearly uncollectible when the debt is included in a discharged bankruptcy, the debtor is deceased or the corporation is dissolved. In the absence of these events the decision regarding the collectibility of a debt is based on balancing the likelihood of collection and the expense and effort involved in collection against the amount owed.

Debts Considered Automatically Uncollectible

In certain situations, a debt will automatically be considered uncollectible. These include:

Discharge in bankruptcy. A discharge in bankruptcy means the receivable may no longer be pursued. The discharge acts as an injunction from a federal court prohibiting any further collection activity. A copy of the discharge notice from the bankruptcy court should be filed with the written-off account.

Death of debtor without sufficient assets to pay the state. The following should be filed with the written-off account: 1) a copy of the death certificate; 2) a statement that either a) no estate has been opened; or b) the estate=s assets are insufficient to pay the claim(s) of the state.

Corporation that has been dissolved and has no assets to pay the state. The following should be filed with the written-off account: Documentation from the Division of Corporations showing the date of dissolution.

Additional Criteria for Write-off Consideration

In most situations, there is not a single factor that clearly indicates the debt is uncollectible. Some of the compelling factors for consideration are:

Is there a statute of limitations and has it expired? Even if the limitations period has expired, the debt may still be collectible through Administrative Offset or routine collections.

Does the debtor have reasonable prospects of ever being able to pay? Factors to consider would be age, health, education and/or job training, current sources and amount of income, whether an inheritance is anticipated.

Are there problems with proof of the debt that would weaken the state=s case*?* For example, has evidence been lost or have witnesses died or disappeared?

Can the debtor be located after reasonable search*,* including diligent search by state employees and skip tracing firms? This, together with other factors, such as amount due, may be cause to determine a receivable uncollectible.

How much is owed? Although generally not the only factor considered, the amount owed is relevant in determining whether a receivable should be considered uncollectible. If the cost of collection is greater than the amount owed, and there are no laws prohibiting write-off, the account should be written-off.

How much effort has already been expended to collect the receivable? This is closely tied to the amount of the receivable, since larger receivables obviously merit greater efforts by the state to collect.

Exemption from Write-off By the OSDC

Upon certification from the Advisory Board to the OSDC that the state agency is not required to transfer their delinquent accounts receivable to the OSDC, the agency shall provide the OSDC with the following:

-X Agency policy and procedures governing the writing-off of uncollectible accounts.

In its role of managing the accounts receivable, OSDC will monitor the agency to assure that policy and procedures are being followed.

Pursuit of Collection after Write-off

There are instances when an account is written-off and subsequent events occur which makes assets to pay the claim(s) of the state available. The OSDC will establish a periodic review of written-off accounts to ensure that all assets have been exhausted and that no further efforts should be expended by the state in pursuit of the debt.

Chapter 6

Reporting of Receivables by State Agencies

The OSDC is required to compile quarterly reports for the Advisory Board to the OSDC and management purposes. The Governor and the Legislature require the OSDC to submit a report annually stating the status of the accounts receivable of the state by agency. To fulfill this mandate, the following is required from each state agency:

The number of Accounts Receivable and associated value by Revenue Source:

Revenue Source, Class and Group Designations

Revenue Source Range	Revenue Class	Revenue Group
0001 - 0086	001 - Taxes	FR - Free Revenue
0087		RE - Reimbursement
0110 - 0563	010 - Licenses, Fees and Permits	FR - Free Revenue
0600 - 0615	060 - Interest	
0627 - 0682	062 - Fines and Forfeitures	
0801 - 0880	080 - Sale of Services	
0926 - 0929	092 - Collections	
0981 - 0996	098 - Miscellaneous Other	
1010 - 1533	100 - Fees and Licenses	RR - Restricted Revenue
1600 - 1606	160 - Interest	
1627 - 1679	162 - Fines and Forfeitures	
1700 - 1756	170 - Sale of Goods	
1776 - 1799	177 - Sale of Assets	
1801 - 1895	180 - Sale of Services	
1901 - 1923	190 - Sale of Informational Services	
1932 - 1954	192 - Collections	
1955 - 1956	400 - Trust and Agency	RR - Restricted Revenue

1957 - 1977	192 - Collections	
1981 - 1988	198 - Miscellaneous Other	
1990	400 - Trust and Agency	
1992 - 1998	198 - Miscellaneous Other	
2011 - 2543	200 - Regulatory Fees and Licenses	DC - Dedicated Credits
2600 - 2606	260 - Interest	
2627 - 2694	262 - Fines and Forfeitures	
2701 - 2774	270 - Sale of Goods	
2776 - 2799	277 - Sale of Assets	DC - Dedicated Credits
2801 - 2895	280 - Sale of Services	
2900 - 2903	290 - Sale of Informational Services	
2904	270 - Sale of Goods	
2905 - 2925	290 - Sale of Informational Services	
2927 - 2954	292 - Collections	
2955 - 2956	400 - Trust and Agency	
2957 - 2976	292 - Collections	
2980 - 2999	298 - Miscellaneous Other	
3009 - 3745	300 - Federal Grants	GR - Federal Revenue
4010 - 4595	400 - Trust and Agency	TA - Trust and Agency

Contracts and Loans
Claims and Damage
Overpayments
Reimbursement of Expenses

<u>Tracking of the number of Accounts Receivable and associated value by Revenue Source:</u>

Beginning Gross Short-Term Balance (as of the beginning of the Fiscal quarter)
Adjustments to Prior Quarter
Receivables Created during the Quarter
Current Quarter Collections
Write-offs during the Quarter
Ending Gross Receivables
Allowance for Bad Debt
Total Net Short-Term Receivables
Long-Term Receivables (those due in excess of 1 year)

<u>Aging of the number of Accounts Receivables and associated value by Revenue Source</u>

Current Receivables (those not yet past due)
1-30 Days Past Due
31-60 Days Past Due
61-90 Days Past Due
Over 90 Days Past Due

The Legislative Fiscal Analyst=s have asked that in addition to the above aging, that accounts over 90 days be further stratified as follows:

Accounts past due between 90 days and 1 year
Accounts past due between 1 year and 2 years
Accounts past due between 2 years and 3 years
Accounts past due over 3 years

<u>Who is responsible for the Collection of the Accounts Receivable by Revenue Source by number of accounts and associated value</u>

Agency or Division
Private Collection Service
Attorney General=s Office
Office of State Debt Collection (CCU)
Administrative Offset Program (Finders)

Estimated Cost of Collection incurred in the agency during the quarter

Personnel
Operating
Systems
Private Collection Service Fees
Other

Note: See Chapter 9, Cost Of Collection, for detail regarding the reporting of collection costs.

Method and Timeliness of Reporting of Quarterly Accounts Receivable

State agencies that are utilizing the ARS will not be required to report their quarterly activity as the required information will be retrieved from the ARS system. The OSDC will use the data obtained from the state financial systems for quarterly reporting purposes.

Those agencies who have received an exemption from using the ARS will report their quarterly activity using the statewide In-Form Filler system which will provide the format for the collection of the information. The report should be completed so as to reach the OSDC no later than:

Quarter	Due by
Quarter ending September 30	November 15
Quarter ending December 31	February 15
Quarter ending March 31	May 15
Quarter ending June 30	August 15

Extenuating Circumstances creating Reporting Limitations

If an agency determines that, due to the unique characteristics and status of their current reporting capabilities, that reporting under the categories identified above many not be possible, they should contact the OSDC to negotiate the format of their quarterly reports.

Special Reporting Requirements for Annual Report

As the status and size of the accounts receivable of the state change, there will be special requests by the Governor=s Office or the Legislature for special information. The OSDC will collect and notify the agencies of these special requirements as soon as they become aware of them. Every effort will be made to anticipate the needs and minimize the impact upon the agencies due to these special requests for information.

Chapter 7

Centralized Collection Unit

The OSDC, as part of a Collection Pilot Project, has contracted with a National Private Sector Collector to operate the CCU for the state. They are responsible for:

- Collecting delinquent accounts receivable,
- Allocating accounts under the oversight of OSDC to other Private Sector Collectors as required, and
- Assist the OSDC in determining the optimum collection strategies for the state.

Collection of Delinquent Accounts Receivable

The Private Sector Collector operating the CCU of the state will be delegated the powers of the state by the OSDC and will receive 50% of the delinquent accounts that are referred to the OSDC as outlined in Chapter 4. The contractor will perform the collection services for the OSDC for a contingency fee. The contractor will have the delinquent accounts for a period not to exceed 12 months. The contractor will perform all of the collection duties and update the accounts receivable upon collection.

The contractor will receive delinquent accounts receivable from the OSDC, the Utah State Tax Commission and the Office of Recovery Services. The contractor will provide their own collection system which is capable of supporting the collection function and provide reporting and allocation services for the OSDC.

Allocation of Delinquent Accounts Receivable to other Private Sector Collectors

The Private Sector Collector, operating CCU will equitably allocate delinquent accounts receivable on the following share basis to itself and other Private Sector Collectors:

- 50% to the CCU
- 25% each to two other Private Sector Collectors.

The Contract Administrator of the OSDC will oversee the allocation process to assure that equitable treatment is being given to all parties involved. The allocation will be made based on volume of accounts, dollar value of accounts, age of delinquency and type of receivable requiring collection.

Development of Statewide Collection Strategies

The OSDC=s mandate is to seek the most efficient and effective means for the collection of delinquent accounts receivable. By utilizing the skills and background of the Private Sector Collector and continually seeking the aid of the established collection programs within the state agencies, the OSDC=s goal is to develop those strategies that will significantly reduce the outstanding receivables and improve the revenue producing streams of the state.

To assist in determining the effectiveness of each of the collection functions being used by the state, common performance measurements will be established. The performance measures will be used to help OSDC determine the most effective collection strategies for the State and to monitor the progress of the Private Sector Collectors and State agencies. Collection strategies used by the Private Sector Collectors performing traditional collection work, the Private Sector Collector operating the CCU, and the collection functions currently being carried out in the following state agencies:

- -X Juvenile Courts
- -X Office of Recovery Services/Collection Teams
- -X Utah State Tax Commission/Collection Division, and
- -X Workforce Services/Contribution Division

will be evaluated during the two-year Collection Pilot Project. Details of the common performance measurements of the Private Sector Collector(s) and all State Agencies are outlined in Chapter 8 - Performance Measurements of Collection of Accounts Receivable.

Chapter 8

Performance Measurements of Collection Operations

To assist the OSDC in determining the best collection strategies for the State, the following organizations and state agencies will be measured with a common set of Performance Measurements to assess the most effective and efficient means to collect State debt:

- -X Private Sector Collector/CCU
- -X Private Sector Collectors/Third Party Collectors
- -X Juvenile Courts
- -X Office of Recovery Services/Collection Teams
- -X Utah State Tax Commission/Collection Division
- -X Workforce Services/Contributions Division, and
- -X All other State Agencies that do not have regularly organized collection programs.

The following measurements will be used:

Measurement	Standard	What is being measured	Data Required for Measurement	Location of Data
Collections as a Percentage of Billings	90%	State=s effectiveness in collecting its current receivables	Receivables collected divided by Amount Billed (receivables created) - A high percentage indicates greater effectiveness and efficiency	Agency Quarterly Reports and ARS System
Days to Collect	90%	The average speed with which state agencies collect receivable dollars.	Divide the average dollars collected over a period into the average balance of outstanding receivables during the same period. This results in a turnover ratio. Multiply this ratio by the number of days in the period. - A lower number of days indicates greater efficiency in the collection of monies owed.	Agency Quarterly Reports and ARS System
Measurement	**Standard**	**What is being measured**	**Data Required for Measurement**	**Location of Data**

Collectible Receivables as a Percentage of Gross Receivables	95%	Estimates the collections that can be expected in the future	Gross Receivables less the allowance for doubtful accounts divided by the Gross Receivables	Agency Quarterly Reports and ARS System
Past Due Receivables as a Percentage of Gross Receivables (Past-due is defined as a receivable that is one day or more past the original due date	20%	Measures the integrity of the original receivable by indicating an agency=s efforts to prescreen accounts - A low percentage is an indication that agencies are utilizing effective collection and billing procedures because they collect accounts before they become past-due	Total past due receivables divided by gross receivables	Agency Quarterly Reports and ARS System
Receivables Over 90 Days Past-Due as a Percentage of Total Past-Due	15%	The effectiveness of agencies to collect receivables that have gone past-due and require more aggressive collection procedures - A lower % is desirable since it indicates fewer past-due receivables are 90 days old or older	Total receivables that are 90 or more days past due divided by Total Past-Due receivables	Agency Quarterly Reports and ARS System
Write-Offs as a Percentage of Past-Due Receivables	2%	The effectiveness of agencies collection programs by showing that agencies successfully collect most accounts	Accounts receivable write-off divided by total past-due receivables	Agency Quarterly Reports and ARS System
Measurement	**Standard**	**What is being measured**	**Data Required for Measurement**	**Location of Data**
Cost of Collection	TBD	The cost to generate $1.00 worth of revenue - A smaller number indicates	Cost of Collection divided by the revenue collected	Agency Quarterly Reports and ARS System

		the effectiveness of the agency		(Some agencies report no costs and will be captured in the ARS system only if identified under a separate Org.)
Netback to the State	TBD	The percentage of the amount referred that the state agency receives after paying for the collection agency=s costs.	Netback = Amount collected less the cost to collect divided by the amount referred. Amount collected = amount collected by Public Sector Collectors plus amounts collected by the state through revenue recapture or other means. Amount referred = original amount referred to Private Sector Collectors plus fees added by referring agency, less any amounts recalled by the state plus all other adjustments as reported by the referring agency. Cost to collect = fee that the state pays to the Private Sector Collector for services	Agency reports, (Provide # and amount of accounts referred) cost of collection - FINET Vendor Payment Table, ARS System, PSC Reports and agency reports should track amount collected
Customer Service	TBD	Measures the quality of service provided to State and State Customers	Timeliness, accuracy and clarity of reports, customer complaints	Not identified. Surveys and some type of tracking system may be necessary

Performance measurements will be calculated and published for each agency and collection organization quarterly and with the annual report.

Chapter 9

Cost of Collection

As stated earlier, in developing the collection policies of the state, there are two main goals:

1) the maximization of revenues through the aggressive pursuit of known and yet to be discovered delinquent entities, and
2) the maintenance of goodwill with the citizens of the state.

The pursuit of the first goal can result in more stable cash flows and improved collection rates (the ratio of actual collections to anticipated collections). Because the pursuit of the first goal will often conflict with that of the second, it is important that the revenue collections functions are as efficient, effective, and as inexpensive as possible.

The requirement to become efficient and effective drives the need to identify the costs associated with the collection of delinquent receivables.

What Costs Should be Collected?

An accurate accounting for the costs of collection requires the identification of both direct and indirect costs associated with the revenue collection operation. Costs that are directly related to revenue collection operations include:

-S Personnel costs (salaries and wages),
-S Fringe benefits,
-S Office overhead,
-S Equipment expense,
-S Supplies and materials,
-S Contract services, and
-S Administrative Overhead.

Indirect costs are those costs that are necessary for the functioning of the State agency or division but which cannot be allocated to one activity. Indirect costs are usually allocated to the revenue collection function and other line functions based on a formula, typically involving people and/or square footage, that accounts for the costs of the staff-type departments.

How Should the Costs be Collected?

Collection costs are often overlooked by the State agency or division in their evaluation of the revenue collection function. Part of the reason for this is the difficulty in assigning costs to individual revenue sources in offices where a number of different work functions are being performed. In addition, failure to evaluate collection activities may be due to the lack of staff and the low priority assigned to the task.

Recording cost information over time is essential to determining how well the revenue collections function is performing. Cost information can be used to compare current performance with that of prior years and established benchmarks and can affect personnel or management decisions. Not only is it useful in productivity and performance measurements, it is essential to the cost-benefit analysis of any proposed technological improvements.

To achieve a degree of uniformity in the collection of cost data, the following categories and their associated Expenditure Object Codes have been identified:

-S Personnel 5000-5999
-S Operating 6000-6499
-S Systems 6500-6699
-S Outside Collection Agency Fees
-S Other Costs

The Outside Collection Agency Fees and Other Costs are generally applicable only under special conditions.

To appropriately collect these costs, it may require that a special reporting mechanism be established, such as a distinct Org, under which the costs may be accumulated. In some instances, a percentage allocation of time of individuals involved in the revenue collection process be established by a study of the time involved in the activity.

Those State agencies and divisions who are utilizing the ARS system to manage their accounts receivable function would be advised to establish a distinct Org so that the cost of collection can be automatically collected along with their accounts receivable data.

Exemption from Reporting Cost of Collection

It is required that all State agencies and divisions report their cost of collection unless it can be demonstrated that the actual costs associated with the collection of revenue function is so small as to be immaterial. Immaterial costs would equate to less than $300 total costs per State agency or division per quarter. If the costs fall under this threshold level, the OSDC will grant an exemption to the reporting of costs of collection when such cost information has been provided.

Chapter 10

Handling of Non-Suffcient Funds Checks

See FIACCT 06-01.12 and/or FIACCT 06-02.02 Accounting Policies and Procedures at http://www.finance.utah.gov.