

Receivable Collection Best Practices

The receivable collection best practices resource provides general guidelines as well as procedures and resources agencies should consider related to the collection of state receivables. Given the diverse nature and size of agency programs related to collection activities, a broad range of best practices is included. Some of the best practices are required by the *State Administrative and Accounting Manual* (SAAM). However, many are discretionary. Agencies should utilize a combination of these discretionary collection practices that is cost effective and consistent with program goals and legal constraints.

I. General Guidelines

- A. Develop written policies. Review policies periodically and update as necessary. Per SAAM 85.54.50.b, agencies are required to develop and follow written procedures for handling past due receivables. For more information, refer to the Resources section below and consider networking with an agency of like size or business to share resources.
- B. Develop a procedures manual. Consider program-specific manuals if there are different criteria, clientele, etc. For more information, refer to the Resources section below for more information and consider networking with an agency of like size or business to share resources.
- C. Train all appropriate staff on collections-related policies and procedures. Target new employees, document training, and consider requiring all staff to take periodic mandatory training for review.
- D. Establish reasonable caseloads.
- E. Clearly define account ownership. Each receivable should be the responsibility of a specific person.
- F. Stress the importance of documenting all actions. Documentation should be clear, complete, accessible, and retained. Per SAAM 85.54.50.f, agencies are to document all efforts made toward the collection of receivables.
- G. Establish and monitor accounts receivable performance goals. For more information, contact your agency performance measures section or refer to OFM's Performance Resources website at <http://www.ofm.wa.gov/performance/resources.asp>
- H. Consider offering a variety of payment options. Weigh cost effectiveness, consider legal authority, and follow applicable procedures. For information on credit card acceptance, refer to SAAM Chapter 40 E-Commerce: Electronic Acceptance and Disbursement of State Funds/Benefits at <http://www.ofm.wa.gov/policy/40.pdf>.
- I. Prepare and use monthly aging reports. Document that management has reviewed the report. Per SAAM 85.54.50.a, agencies with more than \$50,000 in past due receivables are to prepare aging reports at least monthly and the reports are required to be reviewed by management and the review documented on the report.

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- J. Follow records retention schedules for accounts receivable records. For more information, contact your agency records management officer or refer to the Secretary of State's Records Management website at <http://www.secstate.wa.gov/archives/>.
- K. Periodically verify that written policies and procedures are being followed and reconcile any differences as appropriate. Refer to your agency internal control officer for information on periodic risk assessments and internal control questionnaires.
- L. Establish effective internal control over accounts receivable. For more information, refer to your agency internal control officer or SAAM Chapter 20 which is available at <http://www.ofm.wa.gov/policy/SAAMvol1.pdf>.
- M. Centralize accounts receivable functions as appropriate.

II. General Procedures for Billing and Collections

- A. Prepare and send timely billing statements.
- B. Prepare and send clear and complete billing statements that include contact information and remittance information.
- C. Employ in-house collections personnel where practical.

III. Special Procedures for Overdue Accounts.

For the following, weigh cost effectiveness and consider legal authority and special circumstances.

- A. Contact the debtor within 30 days of the due date.
- B. Contact the debtor by phone.
- C. Prepare and send past due collection letters and statements. Clearly communicate interest and penalty charges, next steps if unpaid, and the process for refuting the bill.
- D. Enter into data sharing agreements with other agencies. For further information, contact your agency Assistant Attorney General or the Departments of Revenue, Labor and Industries, and Employment Security, which currently have such agreements.
- E. Use letter services. Agencies should be aware that the assignment of accounts to "letter services," which send debtors a series of letters but do not actually collect monies for the state, is not subject to the collection agency requirements in item F below. Agencies may use such "letter services" as part of their collection efforts whenever they determine such services to be cost effective. The same is true of "precollect" services that send the 30-day notice but do not collect money for the state. (SAAM 85.54.50.d.)
- F. Use the services of collection agencies when they are deemed more practical than in-house services. "RCW 19.16.500 and 82.32.265 allow the

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use of collection agencies for the purpose of collecting public debts. Agencies are encouraged to use collection agencies whenever they determine that this will be more cost effective than internal collection efforts. Debts may be assigned to a collection agency when all of the following conditions have been met:

- i. A written contract has been established with the collection agency;
- ii. There has been an attempt to notify the debtor of the existence of the debt and the fact that the debt may be assigned to a collection agency for collection if the debt is not paid; and
- iii. At least thirty days have elapsed from the attempted notice.

The Office of State Procurement, Department of General Administration (GA), maintains a statewide contract for collection agency services. This contract may be used by state agencies and satisfies the requirements of this section.” (SAAM 85.54.50.d.) More information is available at GA’s website <http://www.ga.wa.gov/Purchase/contracts.htm>. Search “collection agency” for current contract information.

- G. Take legal action. For more information, consult your agency Assistant Attorney General.

IV. Resources

- A. *State Administrative & Accounting Manual* (SAAM) is available at <http://www.ofm.wa.gov/policy/default.asp>.
- B. *Billing and Collections Best Practices* by Stephen M. Bragg. Wiley Publishing, 2004. For more information refer to http://www.stevebragg.com/Pages_Books/Billing_BP.html.
- C. The Washington State Department of Revenue (DOR) collects much of the state’s debt and has received commendations for its collection programs. DOR offers its expertise on a variety of collection topics. Contact Janetta Taylor at 360-902-7001.
- D. There are a number of professional groups that offer opportunities to network with peers and share resources. Some of the groups are: Association of Government Accountants (AGA), Financial Management Advisory Council (FMAC), Washington State Society of Certified Public Accountants (WSCP), and Institute of Internal Auditors (IIA) Nisqually Chapter.
- E. As they become available, OFM Statewide Accounting will add resources to the Resources website at <http://www.ofm.wa.gov/resources/default.asp>.