OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Financial Reporting Number: 35.30.20
DIVISION: Chief Financial Office Effective date: April 15, 2013
Chapter: Accounts Receivable Management
Part: Account Activity
Section: Invoicing and Interest
APPROVED: George Naughton, Chief Financial Officer

PURPOSE: This policy provides general guidelines on invoicing and interest requirements associated with the collection of accounts receivable.

AUTHORITY: ORS 291.015
ORS 293.590

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.

POLICY:

101. Agency management must ensure that agency personnel employ appropriate practices in the management and collection of accounts receivable.

102. Invoices must be mailed promptly and contain clear and detailed information regarding the debt, who to contact with questions, and where to send the payment.

103. If there is no written agreement regarding interest rates, an agency may elect to charge interest according to ORS 82.010, which regulates interest at 9 percent per year. The debtor must receive specific notification regarding potential interest charges before an agency may charge interest (see paragraph 106 below).

PROCEDURES:

Invoicing Customers

104. Each agency’s billing invoice must be clear and informative and should conform as closely as practicable to the format suggested by the sample invoice in OAM 75.35.10.FO. At a minimum, include the following components on the invoice:

a. Header: Include the name and address of the billing agency and the debtor; 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. Include a statement indicating when any penalty,
interest, or other charges will begin to accrue on late payments, NSF checks, collection actions, etc.

c. Footer: Include R*STARS billing information, if applicable, and a contact name and phone number for the debtor to call if they have questions regarding the invoice, including TTY information.

d. For multiple accounts with multiple due dates, the balances are to be aged from the original due date.

e. 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.

Interest on Accounts Receivable

105. Agencies determine the interest rate to charge based on the source of the debt. If the debt arises from a promissory note or contract, the note or contract may state the amount of interest that applies and when it begins to accrue. Some agencies may have specific statutes regulating interest rates. If no specific statutory authority exists, then an agency may elect to charge interest according to ORS 82.010, which currently provides for interest at the rate of 9 percent per year on monies owed.

106. The agency must notify the debtor before the agency may charge interest. A written agreement with the debtor is the best documentation of the notice given. Other forms of notification include information on the agency’s website, signs displayed in visible locations and counters where transactions take place, or additional information provided on the invoice (see 101.b). The following is an example of the notification language for charging interest: Any account that is not paid in full by the due date identified on the invoice will accrue interest of {X} % per year as authorized by ORS {statute}.

107. Interest 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.