OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Financial Reporting  Number: 35.30.60
DIVISION: Chief Financial Office  Effective date: April 15, 2013
Chapter: Accounts Receivable Management
Part: Account Activity
Section: Payment Plans

APPROVED: George Naughton, Chief Financial Officer  Signature on file

PURPOSE: This policy provides guidelines to assist agencies in developing payment plan agreements with debtors, including payment schedules.

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 of accounts receivable.

PROCEDURES:

102. When communicating with a debtor, attempt to verify debtor information and request additional information as necessary. This will ensure agency records are current and will ensure timely delivery of written notifications. Information regarding a debtor’s financial situation is also useful in establishing payment plan agreements.

103. Agencies must always request payment in full from a debtor. The debtor may be able to pay in full if the debtor uses a credit card or a debit card, or acquires a loan to fully payoff the debt.

104. In cases where the debtor does not pay in full, the debtor may request to repay the debt over time through installment payments. Alternatively, the agency may initiate establishment of an agreed upon payment plan, depending upon the circumstances of individual situations.

105. Agencies should create payment plans with the intent to receive full payment from the debtor as soon as possible. Agencies need to document their general guidelines for staff, including procedures to handle a debtor’s request for payment plans that do not match the general guidelines. Agency guidelines must establish a standard for the maximum length of time over which a debtor can make payments. For example, Agency guidelines provide for full payment of the account within twelve (12) months.

106. Agencies must always document, in writing, payment plan agreements between the agency and the debtor. A letter that is signed by an agency representative must be sent to the debtor with a
space for the debtor to sign and return to the agency. Receiving this written agreement with the debtor’s signature will ensure the account meets the requirement for becoming liquidated.

107. Agencies should explore alternative payment methods, such as ACH, when establishing payment plans. Using ACH allows the agency to receive notices of insufficient funds much sooner than similar notices for checks.

108. Agencies are required to use a mathematical formula (such as the Loan Amortization template in Excel) to calculate a debtor’s payments over the term of the payment plan.

109. After a payment plan has been agreed upon, request a payment be made that day, and then establish due dates for the remainder of the payments. Establish the payment schedule to coincide as closely as possible to a debtor’s payday.

110. The documentation provided to the debtor needs to 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
   e. Rate of interest (if charged)
   f. Procedure to acquire an account balance, if the debtor wishes to pay off the balance early
   g. Steps that will be taken by the agency if the terms of the payment plan are not strictly followed by the debtor
   h. Agency contact name and phone number

111. The agency may retain the right to do an offset (tax, vendor or other) even if the agency enters into a payment plan agreement with the debtor.

112. Sample Payment Plan Letter: Below is an example of a payment plan letter that agencies may use to clarify agency expectations in regards to a payment plan.

   (date)
   
   (debtor name)
   (address)
   (city, state, zip)

   RE: Payment Plan for {liabilities}

   Dear (debtor name):

   You have requested to pay the liabilities listed above to {Agency Name} in installment payments. Enclosed are two copies of the Payment Plan Agreement that we discussed on (date) and includes penalty and interest that is required by law. Interest continues to accrue as required by law on the unpaid balance. Please sign the original and return to {Agency Name} in the enclosed, prepaid envelope. The second copy is for your files.
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 immediate submission of your account to the Oregon Department of Revenue or a private collection form for collection, at which time you may also be responsible for collection fees of up to {X}%.

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 that we may need 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.

If you have any questions, please call me at {Phone #}.

Sincerely,

{name}, {title}

Enclosures

113. Sample Payment Plan Agreement: Below is an example of a payment plan agreement that agencies may use to communicate payment plan details to the debtor, including payment dates, interest, and account balance information.

Sample Payment Plan Agreement

This Agreement between {debtor name) and the {Agency Name} is made for the purpose of paying in full {debtor name) 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.

<table>
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<th>Pmt No.</th>
<th>Payment Date</th>
<th>Beginning Balance</th>
<th>Scheduled Payment</th>
<th>Principal</th>
<th>Interest</th>
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Monthly payments of $(payment) or more are due on the (date)th of each month starting (date). Any payment that is not received at {Agency Name} by the respective due date will 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 {collection fee} % that are associated with collecting this debt.