

OREGON ACCOUNTING MANUAL	
SUBJECT: Accounting and Financial Reporting	Number: 35.30.10
DIVISION: Chief Financial Office	Effective date: April 15, 2013
Chapter: Accounts Receivable Management	
Part: Account Activity	
Section: Scheduling Collection Activity / Due Process	
APPROVED: George Naughton, Chief Financial Officer	Signature on file

PURPOSE: This policy provides guidance on the scheduling of collection activity.

AUTHORITY: **ORS 291.015**
ORS 293.250
ORS 293.590
ORS 646.639

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.
- 102. Each agency must have clear, written internal policies and procedures for the billing and collection of accounts receivable. These 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.
- 103. Agency staff must review their collection policies and procedures on a regular basis to ensure compliance with state and federal laws.

PROCEDURES:

Collection Procedures

- 104. Collection activity procedures should be formal and detailed. The expected cost of the collection activity generally should not exceed the expected dollar recovery from the collected account. However, in some cases, the public policy benefit is more important than the cost, warranting aggressive collection efforts even though they are not cost effective. Examples include payments mandated by the Legislature or by the courts. Each agency needs to develop a schedule of collection efforts the agency will take that best fits its own business needs. See paragraph 114 for an example schedule of collection efforts that an agency may use to assist with development of its own schedule.

105. Due process procedures are essential, and statute requires the debtor the opportunity to be heard. A notice sent by mail is a sufficient way to inform a debtor of a pending action. The notice must adequately communicate the following information to the debtor:
- a) how to contact the agency
 - b) the time period the debtor has to submit the request to be heard
 - c) what the pending action will be if the debtor does not respond
 - d) whether the request can be made verbally or must be in writing
 - e) any other information such as forms and information that the debtor may need to submit at the time of the request.
106. To eliminate confusion for agency personnel, an agency's internal procedures need to include the appeal process that a debtor may use to dispute the debt. While some agencies will have fewer cases of disputes than others, it is still a requirement of due process to provide the debtor a chance to argue their case. This opportunity to dispute is a requirement for an account to become liquidated debt.
107. Agencies must develop collection procedures with the restrictions of **ORS 293.231** in mind. If an agency receives no payment on an account for a period of 90 days after liquidation, the agency must refer the account to the Department of Revenue or a private collection firm, unless the agency has an exemption under [OAM 35.40.10](#). Refer to [OAM 35.30.30](#) for the definition of a liquidated account.

Penalties and Interest

108. Agencies may add late fees or penalties if this was included in a written agreement prior to performing services or if applicable to the agency by statute. Each agency must educate its staff on the agency's authority to include penalty charges on accounts not paid by the due date and the process to follow in charging a late fee or penalty.
109. Agencies that are permitted to charge fees and/or interest may elect to include a statement on the invoice or in the agreement, such as: "I agree that in the event of default, or the return of my check for insufficient funds (NSF), I will be responsible for all reasonable administrative costs, collection costs, attorney's fees, and all other costs and charges necessary for the collection of any amount not paid when due, including but not limited to collection charges assessed by the Department of Revenue or by a private collection firm." Refer to [OAM 35.30.20](#) for more information.
110. Agencies must first apply payments received towards interest and penalties owed, and only after all interest and penalties are paid, may they apply payments to reduce the principal owed.

Record Keeping

111. Each agency must maintain accurate documentation of all contact made on each account. If an agency does not have an automated collection tracking database, manual records need to include the following information (see the format provided on form [OAM 75.35.05.FO](#)):
- The date contact was made with the debtor
 - The person contacted (debtors and/or others)
 - Any promises to pay (amounts and dates)
 - Any other relevant information

- 112. Agencies need to be sure to follow up on broken promises to pay. Record payment promises on the daily calendar as a reminder to follow up on broken promises. Keep a record of the follow up call and the results in the same manner as the first call. In this case, the letter may need to address consequences if the debtor does not pay as agreed.
- 113. Documented information is necessary to provide support for writing off the account in the event the account is later determined to be uncollectible (see [OAM 35.50.10](#)).

Example of Past Due Account Contact Schedule

- 114. Agencies may use the example schedule below to develop their own schedule of collection efforts.

<u>Account Balance</u>	<u>Action to be Taken</u>
\$1 - \$999	
1-30 days past due:	Mail first past due letter.
31-60 days past due:	Mail second past due letter; make phone contact and get a promise to pay.
61-90 days past due*:	Make phone contact, remind of broken promise, and send a new payment agreement confirmation letter.
Over 90 days past due:	Refer account to Department of Revenue Other Agency Account Unit or private collection firm; consider debt offset.
\$1,000 +	
1-30 days past due:	Mail first past due letter, make phone contact, and get a promise to pay.
31-60 days past due:	Mail second past due letter, make phone contact, remind of previous broken promise, get a new agreement to pay, and send agreement confirmation letter.
61-90 days past due*:	Make phone contact; submit account to management for review**.
Over 90 days past due:	Refer account to Department of Revenue Other Agency Account Unit or private collection firm; consider debt offset.

*Accounts in these categories have a serious risk of becoming uncollectible. Agency management needs to review these accounts and, in light of documented past payment history, make an evaluation as to what actions would be most cost effective.

**Once a promise to pay has been broken twice, management should consider assignment to the Department of Revenue or a private collection firm prior to the 90-day requirement.