

# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b>	<b>SUPERSEDES</b>
	<b>EFFECTIVE DATE</b>	<b>PAGE NUMBER</b>
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b>	
<b>Policy Owner</b> Statewide Accounting and Reporting Services	ORS 291.015                      ORS 293.226 ORS 293.231                      ORS 293.233 ORS 293.250                      ORS 293.252 ORS 293.590                      ORS 646.639	
<b>SUBJECT</b> Accounts Receivable Management- Account Activity: Letter Collections	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

**PURPOSE**

This policy provides guidelines for the use of letters as a tool for collecting delinquent debts.

**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](#).

**FORMS/EXHIBITS/INSTRUCTIONS**

None.

**DEFINITIONS**

**Delinquent:** an account receivable for which the state agency did not receive payment by the original due date.

**Account:** As used in this policy, refers to a debt owed to a state agency.

Click here for other [definitions](#).

**EXCLUSIONS AND SPECIAL SITUATIONS**

Amounts owed by a debtor that were established through an administrative or judicial procedure do not require the issuance of a collection letter; however, all notification requirements described in this policy must be provided to the debtor in writing.

**POLICY**

101. Agency management must ensure that agency personnel employ appropriate and lawful practices in the collection of accounts receivable.
102. Agency management is responsible for providing clear guidelines to employees responsible for collecting **delinquent** accounts receivable.

103. Agencies must comply with the Oregon Unlawful Debt Collection Practices statute, **ORS 646.639**, related to consumer debt. Agency staff undertaking letter collections must read, understand, and comply with the provisions of **ORS 646.639**.
104. State employees who collect debt during the performance of their official duties are specifically exempt from coverage under the Fair Debt Collections Practices Act (15 U.S.C. §§1692a(6)(C)). This law does not bind state employees whose specific job entails collecting debt; however, the State of Oregon sees the value of the Fair Debt Collections Practices Act and recommends that all agencies voluntarily comply. Many provisions of the state and federal laws overlap.
105. Agencies are required to send at least one collection letter to the debtor for each **delinquent** account, unless the debtor has an open bankruptcy case; the agency has agreed to accept payments from the debtor and the debtor is complying with the payment plan (refer to OAM 35.30.60); or the debt was established through an administrative or judicial procedure (refer to exclusions and special situations above). The collection letter should be sent before the agency takes progressive action to collect the account. The collection letter should contain the following elements:
  - a. The name, address, and phone number of the state agency making the demand for payment;
  - b. The amount owed by the debtor, including principal, interest, and penalties (if any);
  - c. A request for action (e.g. payment, making payment arrangements);
  - d. The facts pertaining to the existence of the obligation (e.g. description of debt, original due date, invoice number);
  - e. The deadline for the debtor to respond;
  - f. A statement explaining what will happen if the debtor does not make payment by the date set forth in the letter (refer to paragraph 106);
  - g. An encouragement for the debtor to take action (e.g. continue as a customer, avoid withholding of services, avoid potential actions referenced in paragraph 106); and
  - h. Procedures for the debtor to correct any errors or dispute the debt (applicable if not previously provided through administrative or judicial processes).
106. Collection letters serve to notify the debtor of all potential actions that may result from the debtor's failure to pay or respond. Agencies may not refer to potential actions that the agency does not have the authority to take or does not intend to take. Potential actions include, but are not limited to:
  - a. Assignment to Department of Revenue Other Agency Accounts (DOR-OAA) unit (refer to OAM 35.40.30)
  - b. Collection fees (refer to OAM 35.40.20)
  - c. Interest charges (refer to OAM 35.30.20)
107. Collection letters should be prepared using a business letter format and printed on agency letterhead. The content should incorporate professional language that the debtor will easily understand and be as simple and concise as possible while still communicating the required information. (Refer to collection letter samples provided in paragraphs 111-113.)

108. Agencies must keep a record of collection letters sent to debtors with other correspondence related to the **delinquent** account.
109. Agencies shall use returned mail services and follow-up on all returned mail promptly. These services notify the agency when a debtor has a forwarding address or if the collection letter is undeliverable. If the debtor moved and left no forwarding address, or if the address provided proves to be inaccurate, refer to [OAM 35.30.70](#) for information on skip tracing.
110. Agencies shall establish a mechanism to track the collection letter response timeframes referenced in paragraph 105. If the timeframe outlined in the collection letter expires without a response or payment from the debtor, the agency shall proceed with the action outlined in the letter.

## **PROCEDURE**

111. **Sample collection letter #1:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to [OAM 35.40.20](#)) and interest charges (refer to [OAM 35.30.20](#)).

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount plus interest accrued to date} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}. The amount you owe will increase {over time/monthly/other period to be recomputed} as interest accrues at a rate of {interest rate} on the unpaid principal amount.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate\*} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate\*\*} percent of the amount you owe. This additional percentage will apply to any increase in the amount you owe due to the accrual of interest on the unpaid principal amount.

To prevent your debt from accumulating interest, or from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.

If you dispute the past due balance, please {agency’s dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory’s phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST).”

*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by DOR-OAA)*

*\*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

112. **Sample collection letter #2:** Below is recommended language for agencies to incorporate into collection letters when state agencies add the cost of collection (refer to [OAM 35.40.20](#)) but do not assess interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231. At that time, you will also become responsible for the payment of an additional collection fee of up to {collection rate\*} percent of the amount you owe.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231. At that time, you will become responsible for the payment of an additional collection fee of up to {collection rate\*\*} percent of the amount you owe.

To prevent your debt from being assigned to collections at an additional cost to you, we must receive payment no later than {date}.

If you dispute the past due balance, please {agency’s dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory’s phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST).”

*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by DOR-OAA)*

*\*\* Collection rate: A specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate = highest collection fee as provided by the private collection firm)*

113. **Sample collection letter #3:** Below is recommended language for agencies to incorporate into collection letters when state agencies do not add the cost of collection or interest charges.

“Our records indicate your debt is past due. As of {date}, you owe {state agency} the sum of \${principal amount} for {describe the nature of the debt, fine, restitution, judgment, or other liability, etc.}.

If the {state agency} does not receive a payment from you by {date}, then your debt will be assigned to the Oregon Department of Revenue for collection as required by Oregon Revised Statute 293.231.

The Oregon Department of Revenue may subsequently assign your debt to a private collection firm for collection as required by Oregon Revised Statute 293.231.

To prevent your debt from being assigned to collections we must receive payment no later than {date}.

If you dispute the past due balance, please {agency's dispute process} and submit to {the agency} by {date}.

Your prompt attention to this matter is greatly appreciated. You may contact me at {signatory's phone number} Monday through Friday between {time} a.m. (PST) and {time} p.m. (PST)."