

<b>OREGON ACCOUNTING MANUAL</b>	
<b>SUBJECT:</b> Accounting and Financial Reporting	<b>Number:</b> 35.40.20
<b>DIVISION:</b> Chief Financial Office	<b>Effective date:</b> April 15, 2013
<b>Chapter:</b> Accounts Receivable Management	
<b>Part:</b> Account Assignments	
<b>Section:</b> Collection Fees	
<b>APPROVED:</b> George Naughton, Chief Financial Officer	Signature on file

**PURPOSE:** This policy provides information and guidelines for adding the cost of collection when using a Private Collection Firm (PCF) in accordance with ORS 293.231.

**AUTHORITY:** **ORS 291.015**  
**ORS 293.231**  
**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.

**PROCEDURES:**

**Debtor Notification**

- 102. **ORS 293.231 (12)** authorizes state agencies to add the cost of collection to the debt when using a private collection firm, as long as proper notification has been given to the debtor:
  - a. Of the existence of the debt;
  - b. That the debt may be assigned to a private collection firm for collection; and
  - c. Of the amount of the fee that may be added to the debt under **ORS 293.231**.
- 103. The Department of Justice has provided the following language for agencies to incorporate into agency collection letters when state agencies add the cost of collection under **ORS 293.231 (12)**.

“As of {Date}, you owe [state creditor-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.

Under Oregon Revised Statute **(ORS) 293.231**, [state creditor-agency] must refer your account to collection if it has received no payment on the account for more than [prescribed statutory period]. If the [state creditor-agency] does not receive a payment from you by [date], then the [state creditor-agency] will assign your account to the Oregon Department of Revenue or a private collection agency for collection. At that time, you also will become responsible for the payment of an additional collection fee of (\*or 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.”

*\*Notices including the “up to” terminology should only be used when absolutely necessary, and only to cover the highest contractor collection fee possible in the case of a creditor-agency that has multiple collection contractors.*

*\*\* Collection Rate: When at all possible, a specific collection fee percentage should be stated using the formula “rate/(1-rate)”. (Rate= Private Collection Firm contracted collection fee.)*

### **Assignment to the Private Collection Firm**

104. At the time an account is assigned to a private collection firm, agencies will need to provide the following information to the private collection firm regarding the account balance:
- Principal balance
  - Accrued interest (if agency charges interest)
  - Collection fees: At the time of assignment to a PCF, agencies must calculate the amount of the PCF collection fee using the following formula: ((Principal + Interest) divided by (1- PCF Collection Fee)) less (Principal + Interest) = Collection Fee
105. An agency that charges interest on collection accounts must identify the rate and calculation method on the agency Purchase Order. See the Collection Contract for more information on Purchase Order requirements. The contractor must adhere to the language of the contract to maintain the balance of the collection fees using the formula in paragraph 104 at any time interest is calculated and applied to an account. The contract Account Assignment Requirements indicate:

*If Authorized Purchaser has indicated in the Purchase Order that the Authorized Purchaser passes along the cost of collection, Authorized Purchaser may require Contractor to, at the time of assignment, calculate the collection fee amount using the following calculation: ((Principal + Interest) divided by (1- Collection percentage from Exhibit B)) less (Principal + Interest) = Collection Fee. This calculation will ensure that the Authorized Purchaser has recovered all costs of collection once account is paid in full.*

*If Authorized Purchaser has indicated in the Purchase Order that the Authorized Purchaser passes along the cost of collection and Contractor pricing is a flat fee, Authorized Purchaser may require Contractor to, at the time of assignment, add the fee proposed in Exhibit B to the total amount assigned by the Authorized Purchaser.*

### **Payment of Collection Fees**

106. Upon collection of funds, the private collection firm must follow the terms of the contract and purchase order to remit the funds to the state agency.
107. The Collection Contract identifies that payment be made to the contractor no later than 45 days from date of acceptance of service. After 45 days, the contractor may assess interest at the rate of 8% per annum (see **ORS 293.462**).

### **Accounting Entries for Collection Fees**

108. Refer to [OAM 15.35.00](#) for guidance on accounting entries for the collection fees associated with the use of the Department of Revenue Other Agency Accounts Unit or private collection firms.