



Minnesota State Colleges and Universities System Procedures Chapter 7 – General Finance Provisions Procedures associated with Board Policy 7.6

7.6.2 Accounts Receivable Management

Part 1. Authority. Board Policy 7.6 delegates to the chancellor authority to develop procedures to implement this policy.

Part 2. Objective. Accounts receivable is a significant asset for the colleges, universities, and the Office of the Chancellor. Accounts receivable must be carefully managed to ensure efficient and effective collection of all debts owed to the college, university, or Office of the Chancellor.

Part 3. Definitions.

Debt. Any amount greater than zero owed to the colleges, universities, and Office of the Chancellor, including, but not limited to, debts for tuition, fees, loans, and sales of goods and services.

Debtor. An individual, business, non-profit organization, or any other public or private entity, including a state, local, or federal government, or a Native American tribe, that is liable for a debt or against whom there is a claim for a debt.

Accounts receivable. Any obligation arising from a consumer transaction. Accounts receivables are the result of various types of financial transactions, including, but not limited to: student tuition, fees, room, board, miscellaneous student accounts, and short-term loans, as well as sales of products and services to the general public.

Student. A person who enrolls in any credit or noncredit course offered by a college or university.

Account write-offs. Accounts that have been determined to be uncollectible and placed in inactive status. This does not eliminate the legal obligation to pay.

Revenue recapture. A Minnesota Department of Revenue process to collect debts owed to state agencies by applying an individual's income tax refund (or lottery winnings) against the amount owed to the state. The cost of participation in the program is deducted from the amount of the debtor's refund.

Hold. The process by which a college or university prevents defined, future student activity.

Minnesota Department of Revenue, Collection Division. The division is a state-operated collection management service. As required by MS 16D.04, subd. 2, accounts receivable must be referred to the Department of Revenue for collection.

Part 4. Management of Receivables. Minnesota State Colleges and Universities institutions must have written policies and procedures, and a system of internal controls for managing the accounts receivable process. Written procedures should include at a minimum:

- Requirements for establishing and recording a receivable.
- Collection actions and timeline for the collection process.
- Requirements for placing holds on student records.
- Approvals for adjustments to accounts.
- Periodic review of past due accounts.
- Criteria for referral to the revenue recapture program.
- Process for referring to the Minnesota Department of Revenue, Collection Division
- Criteria for writing off accounts and approvals needed.
- Process for restoring a previously written-off account and recording receipt of payment.
- Reporting.

All accounts receivable activities undertaken should be documented in writing and, as appropriate, recorded in the Minnesota State Colleges and Universities Integrated Statewide Record System (ISRS).

Subpart A. Establishing the receivable. It is the responsibility of each college and university to establish the terms and conditions for payment at the time an account is created. The debt must be acknowledged by the student or other debtor at this time. The acknowledgement must be either in writing or, with automated registration processes, by a positive action that indicates that the debtor is accepting the terms and conditions for payment.

The receivable must be entered into ISRS at the time the account is first established, subject to Board of Trustees approval of applicable tuition and fee rates.

Subpart B. Collection activities. Each college and university should follow up routinely and diligently on all accounts receivables. Written procedures and guidelines should be developed for collection activity, including determination of balances below which only minimal collection activity is required. A structured timetable for collection activities should include, at a minimum:

- Billing.
- Time frame for placing a hold on the student records.
- Time frame for contacting departments generating non-tuition/fee revenues regarding past-due receivables.
- Referral to the Minnesota Department of Revenue, Collection Division, including notification that the account is being referred to an outside collection agency.

All collection activity undertaken for each account should be documented in writing and as appropriate, recorded in ISRS.

Subpart C. Billing. Each college and university shall require students to view their account online, which shall constitute an electronic invoice. Paper invoices shall not be issued on a routine basis.

Each college and university shall mail a uniform printed invoice to the debtor at least 20 days before referral to the Minnesota Department of Revenue, Collections Division, pursuant to MS 16D.07. The invoice form shall be uniform in content and appearance across all colleges and

universities with the exception of designated space for school-specific information such as school name, address, phone number, and logo.

Subpart D. Hold placed on student records. Each college and university shall place a registration and official transcript hold on all unpaid student accounts with balances of \$30 or more and that are more than 30 days past due before the begin date of the next term registration. All balances of less than \$30 shall be carried forward to the next term without generating a hold.

Subpart E. Current receivables. Current term receivable activity should be reviewed monthly but no less than once each semester by the CFO or designee.

Subpart F. Past due receivables . Past due accounts should be reviewed monthly by the CFO or designee.

Colleges, universities, and the Office of the Chancellor should, on a quarterly basis but no less than annually:

- Age all accounts receivable amounts.
- Review all accounts receivable that are one year or more past due for write-off.
- Calculate an estimate of uncollectible accounts receivable amounts.

Subpart G. Writing off uncollectible accounts. The president or designee must periodically, but no less than annually, review all past-due accounts receivable. Accounts receivable deemed to be uncollectible based on internal policies and procedures must be written off in the Minnesota State Colleges and Universities accounting system and are no longer recognized as accounts receivable for management and financial reporting purposes.

A clear distinction must be made between canceling accounts receivable and writing off accounts receivable. Accounts receivable can be canceled or adjusted when the institution is not entitled to collect the money. Accounts receivable must not be canceled to avoid write-off procedures.

Colleges, universities, and the Office of the Chancellor must make every reasonable effort to collect an account before a write-off. In most cases, the collection effort should include written notices, attempted phone contact, consideration of revenue recapture, and the required referral to the Minnesota Department of Revenue, Collection Division.

Writing off an accounts receivable is sensitive and should therefore be subject to strong internal accounting controls. All write-offs of uncollectible accounts receivable require the approval of the president or designee.

Pursuant to MS 16D.09, when a debt is determined to be uncollectible, the debt shall be written off from the financial accounting records and is no longer-recognized as an account receivable for financial reporting purposes. A debt is considered to be uncollectible when it meets one of the following criteria:

1. All reasonable collection efforts have been exhausted.
2. The cost of further collection action will exceed the amount recovered.
3. The debt is legally without merit or cannot be substantiated by evidence.

4. The debtor cannot be located.
5. The available assets or income (current or anticipated) are insufficient.
6. The debt was discharged in bankruptcy.
7. The applicable statute of limitations for collection of the debt has expired.
8. It is not in the public interest to pursue collection of the debt.
9. The debt has been compromised, in the best interests of the state.

Determining that the debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt, except as under the criteria 3, 6, and 9.

Subpart H. Restoring the previously written-off receivable. Payment against a written-off accounts receivable should be accepted by the college or university. The receivable must be reestablished in ISRS to record the payment and deposit funds to the appropriate accounts. Reinstatement of all previously written-off accounts receivable requires periodic review of the president or designee.

The Office of the Chancellor will report for each college and university all accounts receivable and write-offs, with the basis for the decision, to the Minnesota Department of Finance using DOF forms FI-0054601 and FI-0054501. Both forms are available on the department's web page.

Subpart I. Referral to Minnesota Department of Revenue, Collection Division. As required by MS 16D.04, subd. 2, accounts receivables which the college or university is unsuccessful in collecting and are 121 days past due, or thirty days after the final class registration period has concluded for the following semester, whichever is later, must be referred to Minnesota Department of Revenue, Collection Division for collection. The college or university should refer debts with such necessary information including debt type, debtor name, date of debt origination, amount of debt, and whether a revenue recapture claim has been filed on the debt.

This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the college or university determines that the debtor is adhering to acceptable payment arrangements.

Pursuant to MS 16D.07, a college or university is required to send notice to the debtor by U.S. mail or personal delivery at the debtor's last known address at least 20 days before the debt is referred to Minnesota Department of Revenue, Collection Division, or any private collection agency. The notice must state the nature and amount of the debt, identify to whom the debt is owed, and inform the debtor of the remedies available under MS 16D, Debt Collection Act.

The college or university should discontinue any billing statements, demand letters, or active collection efforts for referred debts.

Related documents: *Minn. Stat. Section 16D, State Debt Collection*
 Board Policy 7.6, Business Activities
 System Procedure 7.6.1, Competition with Private Sector
 Guidelines for 7.6.2- Satisfactory Academic Progress Exception

Date of Approval: July 29, 2003

Date of Implementation: August 15, 2006

Date & Subject of Revisions: May 16, 2006 – To take effect August 15, 2006: Part 4, Subpart C, is added whereby colleges and universities will require students to view their account online as an electronic invoice in lieu of preparing and mailing routine paper invoices. Printed invoices with a uniform data format will be mailed to debtors selected for collection efforts in accordance with Minnesota Department of Revenue, Collections Division rules. Part 4, Subpart D, requires all colleges and universities to place a registration and official transcript hold on all unpaid student accounts with balances of \$30 or more and that are more than 30 days past due before the begin date of the next term registration. Other smaller changes throughout the procedure.