The State of Minnesota

The Department of Human Services

Accounts Receivable Policy Manual

Table of Contents

1. INTRODUCTION
   - 1.1 Purpose
   - 1.2 Use of the Manual
   - 1.3 Policy
   - 1.4 Procedures
   - 1.5 Approval Process
   - 1.6 Finance and Administration Policy Compliance
2. ESTABLISHING ACCOUNTS
   - 2.0 Program Areas Establish Receivables
   - 2.1 SWIFT Accounts Receivable Subsystem
   - 2.2 Charging Interest
3. BILLING ACCOUNTS
   - 3.0 Financial Operations Division Billing
   - 3.2 Minimum Billing Amount
   - 3.3 Convert Small Stand-alone A/R Systems to SWIFT
4. RECEIPTING
   - 4.0 Financial Operations Division Receipting
   - 4.1 Minimum Refund Amounts
5. ACCOUNTING
   - 5.0 Financial Operations Division Accounting
   - 5.1 Quarterly Accounts Receivable Reporting
   - 5.2 Writing-off Uncollectible Accounts
   - 5.3 Recognizing and Reporting Receivables
   - 5.5 Receivable Management Plan
6. COLLECTING ON PAST DUE ACCOUNTS
   - 6.0 Financial Operations Division Collection Management
   - 6.1 Referral of Debt 121 Days Past Due
     - 6.1.1 Financial Operations Division Collection Services
     - 6.1.2 Financial Operations Division Collection Actions
   - 6.2 Dept. of Revenue Collection Division & Collection Agencies
     - 6.2.1 Debtor Notification of Referral to DOR Collection Division
     - 6.2.2 Referring Past Due Accounts to DOR Collection Division
     - 6.2.3 Managing Accounts Referred to DOR Collection Division
     - 6.2.4 Service Level Agreement
   - 6.3 Payment Agreement Guidelines
   - 6.4 Writing off Balances Less than $25.00
7. GLOSSARY
8. INDEX

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy Manual

1. INTRODUCTION

Working with many others, DHS helps people meet their basic needs so they can live in dignity and achieve their highest potential. As financial managers, our role should be to search constantly for ways to better manage financial assets. One way this can be achieved is by ensuring funds owed to the state, be it fees, costs of care, or other, are collected in a timely fashion using the most efficient and effective management practices available to the department. This manual is designed to assist the department in this mission and to address ongoing challenges in a changing environment.

1.1 Purpose

The purpose of the DHS Accounts Receivable Policy Manual is to provide DHS with both statewide and department specific policies and procedures to manage accounts receivable and collections. This manual addresses methods and approaches to accounts receivable and collections management, and is intended to assist the department in developing and updating internal policies and procedures to properly manage, collect, account for, and report accounts receivable.

1.2 Use of the Manual

This manual is designed to be a comprehensive resource and contains information valuable to department staff responsible for accounts receivable and collection management. The manual includes recommended state guidelines for receivables administration and procedures for specific instruction. It is the responsibility of every agency and specifically DHS Accounts Receivable, Collection, Financial Reporting and Receipt Center staff to develop, maintain, and implement internal policies and procedures for accounts receivable management.

The table of contents and format of the manual follows the accounts receivable life cycle:

Section 2) Establishing Accounts
Section 3) Billing Accounts
Section 4) Receipting
Section 5) Accounting, and
Section 6) Collecting on Past Due Accounts

1. INTRODUCTION, continued.

1.3 Policy

The overall policy of the state is to take all appropriate and cost effective actions to aggressively collect accounts receivable and ensure firm, fair, and consistent collection steps throughout the state. The objective of the policies in this manual is to improve DHS' management of its receivables in support of this policy.

Minnesota State Statute 16D, entitled the Debt Collection Act, includes directives for managing accounts receivable. These directives include the establishment of internal guidelines for the recognition, tracking, reporting, and collection of debts owed the state. The internal guidelines will include accounting standards, performance measurements, and uniform reporting requirements, as well as expanded collection abilities. These efforts ensure the success of the overall policy.

1.4 Procedures

Procedures provide the details of steps to follow to implement a certain strategy. Whenever possible, procedures are incorporated with policies to identify staff responsible for specific tasks and the order of actions to be taken. Unlike policy statements, procedures are expected to require occasional revisions to keep them accurate and useful.

1.5 Approval Process

Policies and procedures for the DHS Accounts Receivable Policy Manual required approval by the department's Accounts Receivable Work Group Members. Members of the Accounts Receivable Work Group directly manage DHS receivables. The Accounts Receivable Work Group formerly consisted of two bodies, the Advisory Group and Steering Committee. Participants of these former committees merged to form the Accounts Receivable Work Group. The original policies in this manual may identify the former two committees as the agents who approved the policy.

Policies are drafted, maintained, and issued by the Accounts Receivable, Collection, Financial Reporting and Receipt Center Units of the Financial Operations Division. The drafted policies are submitted to the Accounts Receivable Work Group Members for review and approval. Approved policies include the date on which the Accounts Receivable Work Group, or former bodies, accepted the policy. Any change to a policy statement requires the approval of the Accounts Receivable Work Group.

Policy ideas or requests may be submitted in writing, e-mailed, or telephoned at any time to the Accounts Receivable, Collection, Financial Reporting and Receipt Center Unit Supervisors in the Financial Operations Division.

Resources: MMB Statewide Operating Policy. Debt Collection Process and Actions 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Finance and Administration Policy Compliance	**Number:**	1.6
Approval:	Accounts Receivable Committee Approval 9/1/00	**Revision Date:**	1/01/24
		Page:	1 of 1

Objective: To acknowledge and comply with current policies and procedures set forth by Minnesota Management and Budget (MMB) and Administration, Chapter 5 - Accounts Receivable.

Policy: DHS will follow current accounts receivable policies issued by MMB to improve the management of our receivables and in forming our policies, unless these policies specifically conflict with or are prohibited by other federal or state laws.

Background: MMB heads the financial administration of the State. The mission of MMB is to improve the performance of state government for the people of Minnesota by providing leadership in statewide financial planning and financial resource management. It is the goal of MMB to:

- Ensure the integrity of the state's financial resources;
- Provide statewide governmental financial management leadership;
- Accurately present the state's financial condition;
- Facilitate informed decision making; and
- Improve accountability and promote the prudent use of state resources.

MMB strives to accomplish these goals by providing the following services:

- State business administration
- State information management
- State analytical services

Given these directives, DHS acknowledges their role and expertise in assisting MMB with the financial management of its receivables.

Statutes: 16A.01 Department of Management and Budget: Commissioner: Employees
Subdivision 1. Commissioner. The commissioner of Minnesota Management and Budget manages Minnesota Management and Budget. The commissioner is the state's controller and chief accounting and financial officer.

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Program Areas Establish Receivables		**Number:**	2.0
Approvals:	Advisory Committee Approval	1/4/94	**Date:**	1/01/24
	Steering Committee Approval	1/10/94	**Page:**	1 of 1

Objective: To recognize that the first step of the accounts receivable life cycle, establishing debt, is a function designed to be independently handled by the program area. This acknowledges the program areas expertise in services or products they provide to the clients they serve. Historically, the department has maintained the distinction of program areas as separate operating units or divisions that can best respond to individual client concerns and appeals in the most appropriate and timely manner.

Policy: Program areas will establish accounts receivable debt for the services or products they provide and issue initial notification of the debt to the debtor.

Purpose: Retaining program area staff for establishing receivables maintains the integrity of properly initiating receivables, correctly defining the services or products delivered, and assuring the best customer service and problem solving methods. Program area staff have the expertise to determine the appropriate action to follow for disputed receivables and maintaining their client base. The program area staff are also in the best position to assure that certain internal accounting control measures are followed. These include reasonable assurance that transactions are properly classified, recorded, authorized, valid, timely, and are at proper values.

Background: Establishing a debt is the first step of the accounts receivable life cycle. The term *establish* is defined as the process of booking a receivable and recognizing its existence. A debt that has been established is: enforceable within limitations of the appeals process; defined and reportable as an asset to the state; and, identified as a liability to a specific debtor. Issuing the first notification to the debtor is part of the *establish* process.

This policy is a result of the accounts receivable direction to consolidate all functions, except for establishing debt, on a departmental level rather than at the program level. In January 1994, at the beginning of the Accounts Receivable Project, the Advisory and Steering Committees approved the recommendation that billing and collection functions will be managed by the Financial Operations Division, and that receipting and accounting (reporting) functions will also be administered by Financial Operations. Establishing receivables have historically and will continue to be instituted by the program areas who have the knowledge of statutes and details of their programs, services, or products for which the department bills. Formalizing this decision into policy is fundamental to the structure for the department's accounts receivable management and to its policies.

Statutes: None applicable.

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Swift Accounts Receivable Subsystem		**Number:**	2.1
Approvals:	Advisory Committee Approval	6/29/95	**Revised Date:**	1/01/24
	Steering Committee Approval	6/29/95	**Page:**	1 of 1

Topic: The Statewide Integrated Financial Tools System (SWIFT).

Objective: To establish SWIFT as the primary accounts receivable system choice for any new accounts receivable managed by the department. This objective serves to meet the department's goals to consolidate billing, receipting, accounting, and collection efforts by using the statewide system for all new accounts receivables.

Policy: SWIFT shall be considered the primary accounts receivable system choice for any new accounts receivable managed by the department.

Background: The SWIFT system provides a statewide, centralized, automated billing and collection system. SWIFT enables agencies to manage accounts receivables and control collections of state revenues. It provides a global customer database that will be used by all state agencies. Agencies are able to manage their accounts receivables by applying late fees to delinquent accounts, sending dunning messages and collection letters, processing non-sufficient funds checks, referring accounts to collections, handling warrant intercepts, and processing write-offs. A detailed history of all receipts and collection actions taken will be available on-line.

Program areas shall consider SWIFT among their system choices when evaluating accounts receivable system options.

Program areas may contact the Financial Operations Division for assistance in obtaining information on SWIFT system capabilities, assessing accounts receivable needs, and system implementation.

Statutes: None applicable.

Accounts Receivable Policy

Title:	Charging Interest	**Number:**	2.2
Approval:	Accounts Receivable Committee Approval 9/1/00	**Date:**	1/01/24
		Page:	1 of 1

Objective: To charge interest on receivables in accordance with M.S. 16D.13 and Minnesota Management & Budget (MMB) Statewide Operating Policy 0501-01.

Policy: Unless otherwise provided by contract out of which the debt arises or by state or federal law, DHS shall charge simple interest on debts owed to the state at the rate provided in M.S.16.13 subdivision 2 if notice has been given. Interest charged under this section begins to accrue on the 30th calendar day following the first written demand for payment that includes notification to the debtor that interest will begin to accrue on the debt.

Exclusions: DHS may not charge interest under this section on overpayments of assistance benefits under the programs formerly codified in sections 256.031 to 256.0361, 256.72 to 256.87, and under chapters 256D and 256I, or the federal food stamp program. Notwithstanding this prohibition, any debts that have been reduced to judgment under these programs are subject to the interest charges provided under section 549.09.

Application: Initial notification of debt must include language of the terms for which simple interest will be charged.

Computation:

Notwithstanding chapter 334, the rate of interest is the rate determined by the state court administrator under section 549.09, subdivision 1, paragraph (c). Subd. 3.

Statutes and Resources: M.S. 16D.13 Interest:

Subdivision 1. Authority. Unless otherwise provided by contract out of which the debt arises or by state or federal law, a state agency shall charge simple interest on debts owed to the state at the rate provided in subdivision 2 if notice has been given in accordance with this subdivision. Interest charged under this section begins to accrue on the 30th calendar day following the state agency's first written demand for payment that includes notification to the debtor that interest will begin to accrue on the debt in accordance with this section.

Minnesota Management and Budget Statewide Operating Policy 0501-01

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Financial Operations Division Billing		**Number:**	3.0
Approvals:	Advisory Committee Approval	1/4/94	**Revised Date:**	1/01/24
	Steering Committee Approval	1/10/94	**Page:**	1 of 1

Objective: To consolidate the department's accounts receivable billing for all program areas by the Financial Operations Division.

Policy: The accounts receivable billing function will be consolidated and managed by the Financial Operations Division after debt has been established by the program area.

Purpose: This policy is a result of the accounts receivable direction to consolidate functions on a departmental level, rather than at the program level. The purpose of the consolidation includes centralizing accounts receivable data, standardizing billing formats and procedures, freeing program area staff for more critical tasks, and promoting economies of scale in billing operations.

Background: Billing is the second step of the accounts receivable life cycle. The term *bill* or *billing* is defined as the process of issuing notices and requesting payment from the debtor. Billing includes issuing subsequent notices to the debtor after the program areas send the initial notification. Bills and notices are issued in the expectation of receiving payment.

In January 1994, at the beginning of the Accounts Receivable Project, the Advisory and Steering Committees approved the recommendation that billing and collection functions will be managed by the Financial Operations Division, and that receipting and accounting (reporting) functions will be administered by Financial Operations. Formalizing this decision into policies is fundamental to the structure for the department’s accounts receivable management and to its policies.

As new receivables are established and as others are converted to SWIFT, MMIS, Avatar, PRISM or MAXIS, the Financial Operations Division will manage the billing function for all program areas. The Financial Operations Division Accounts Receivable staff will work closely with program areas to assure customer satisfaction. Any disputed bills will be directed to the program areas to resolve.

The billing function corresponds to collections, which is also handled by the Financial Operations Division. This allows for seamless tracking of aging accounts from billing through collections without inconsistencies for the customer. Diligent billing and prompt collection practices prove a greater likelihood of recovery of debt, which is among our goals.

Statutes: None applicable.

Accounts Receivable Policy

Title:	Minimum Billing Amount	**Number:**	3.2
Approvals:	Accounts Receivable Committee Approval 3/13/98	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To avert billing, collection, and other administrative costs that are greater than the amount of a potential receivable.

Policy: The state will not send an invoice to the customer if the cost to process the related receivable and cash receipt transactions exceeds the amount of the invoice, unless required by law. The minimum amount on an invoice should be $5. Amounts less than $5 may be accumulated for future invoices.

Background: System automation provides certain cost effective methods of maintaining records, billing, and accounting. Other costs, such as postage, handling, and administrative work may exceed the benefit of pursuing small receivables of $5 and under. This policy offers program managers and other accounts receivable staff a cost effective method of managing small receivables.

Statutes: None applicable.

Application: Receivables should not be established and billed if the amount is less than $5. For those accounts with amounts less than $5 may be accumulated for future invoices.

This policy does not apply to receivables that are required by law to be billed, no matter the amount.

Please feel free to contact the Billing Unit of the Financial Operations Division for assistance and information.

Resources: Minnesota Management and Budget Statewide Operating Policy 0501-01

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Convert Small Stand-alone A/R Systems to SWIFT	**Number:**	3.3
Approval:	Accounts Receivable Committee Approval 2/12/96	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To streamline the department's billing function by converting smaller, stand-alone billing systems to the Statewide Integrated Financial Tools Systems (SWIFT). To assist in the department's goal to unify the number of receivable systems to five major systems: MMIS, MAXIS, PRISM, AVATAR, and SWIFT.

Policy: The accounts receivable project team shall assess current billing systems with the program area staff to determine the feasibility of converting small stand-alone billing systems to SWIFT. All small stand-alone or free-standing accounts receivable billing systems will be converted to SWIFT where feasible to do so.

Background: In the absence of a statewide accounts receivable system, DHS and other agencies developed their own mechanisms to support billing, collection, and accounts receivable accounting. While some areas invested in sophisticated systems to support these activities, others relied upon manual or PC-supported systems which have been severely strained by growing demands of increasing activity. Oftentimes these systems lack the ongoing support that a statewide system, like SWIFT, offers. Rather than encouraging proliferation of different accounts receivable systems based on individual agency or program needs, the state invested in one system that meets rigorous accounting and reporting standards, shares global customer information, and has the capacity to communicate electronically with some systems already in place and for future automated efforts. SWIFT was designed to provide an automated systems solution to support agencies' business processes. The Accounts Receivable Module provides a statewide centralized automated billing and collections systems.

SWIFT enhances and simplifies the accounts receivable function by automating previously manual functions and expanding DHS' capabilities to bill for services owed to the department. It generates invoices and/or statements, records receipts against receivables, tracks delinquent accounts, adds finance charges or late payment fees when applicable, generates dunning messages and collection letters, processes NSF checks and warrant intercepts, facilitates referrals to the Department of Revenue's Collection Unit, and permits the write-off of uncollectible accounts. SWIFT also generates reports that provide a vast amount of information about customers and accounts, billing activity and billing performance. It provides decentralized access while providing a uniform process statewide.

SWIFT was selected as a direct result of the statewide project aimed at improving the management and collection of receivables. Converting small stand-alone accounts receivable systems to SWIFT unifies the accounting process as well as reducing the number of systems, which serves to accomplish the department's goal to streamline the billing function.

Accounts Receivable Policy

Title:	Financial Operations Division Receipting		**Number:**	4.0
Approvals:	Advisory Committee Approval	1/4/94	**Revision Date:**	1/01/24
	Steering Committee Approval	1/10/94	**Page:**	1 of 1

Objective: To consolidate the department's receipting and cashiering function for all program areas within the Financial Operations Division.

Policy: The receipting function will be consolidated within and managed by the Financial Operations Division.

Purpose: This policy is a result of the accounts receivable direction to consolidate functions on a departmental level, rather than at the program level. The purpose of consolidation is that it offers a method to uphold expected practices, such as meeting Generally Accepted Accounting Principles (GAAP), internal control standards and promoting economies of scale in receipting and cashiering operations. Furthermore, it positions the department for technological advances, as in facilitating standardized billing practices with machine readable invoice stubs, centralized receipt image retrieval, deposit correction procedures, etc.

Background: The process of recording payments against a receivable is *receipting*. This is also referred to as *posting* a receivable. Receipting includes making deposits to the bank. Methods of payment may include cash, checks, Visa, MasterCard, electronic funds transfer, offsets against state payments to the debtor, and transfer of funds from bank accounts (levy), or other sources of income (garnishment).

Receipting has a well-established and successful history in the Financial Operations Division. The significance of Financial Operations handling the receipting function is that it assures separation of duties, recognized as an expected and professional accounting practice. Program areas establish the accounts and the Financial Operations Division bills and collects for them. Financial Operations Division should solely handle cashiering and receipting. This policy assures that separation of duties in handling receipts is satisfied.

This policy is also a result of the accounts receivable direction to consolidate functions on a departmental level, rather than at the program level. In January 1994, at the beginning of the Accounts Receivable Project, the Advisory and Steering Committees approved the recommendation that billing and collection functions will be managed by the Financial Operations Division, and that receipting and accounting (reporting) functions will be administered by Financial Operations. Formalizing this decision into policies is fundamental to the structure for the department’s accounts receivable management and to its policies.

Statutes: None applicable.

Accounts Receivable Policy

Title:	Minimum Refund Amounts	**Number:**	4.1
Approval:	Accounts Receivable Committee Approval 10/1/00	**Revised Date:**	1/01/24
		Page:	1 of 1

Objectives:

1. To establish minimum refund amounts for accounts with credit balances.
2. To comply with M.S. 15.415 and M.S.16A.49.

Policy: Refunds should not be made for credit balances less than $5. Those accounts with credit balances of $5 or more should be refunded. Credit balances may be applied to offset new or ongoing receivables. However, when a credit balance over $5 is created and is not expected to be offset by a new receivable within 60 days, account managers must either:

1. Immediately notify the customer of their credit balance, and offer to make a refund. If the customer requests a refund, make the refund within one week of the request. If the customer does not request a refund, a refund should be issued within six months after the credit balance was credited; or,

2. Do not notify the customer, simply issue a refund no later than 60 days after the credit balance was created.

Background: Debits and credits to accounts must be properly documented to protect the integrity of accounting records and to maintain high-quality customer service.

Minnesota Statute 15.415 states that in any instance where a correction concerning any state department or agency transaction involves an amount less than the administrative cost of making the correction, the correction shall be waived unless it is possible at a relatively nominal expense to include the correction in a later transaction. If the amount of any correction is less than $5 it shall be prima facie evidence that the cost of the correction would exceed the amount involved.

Statutes & References: M.S. 15.415 Corrections in Transactions, Waiver
M.S. 16A.49 Refunds of $1 or Less

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Financial Operations Division Accounting		**Number:**	5.0
Approvals:	Advisory Committee Approval	1/4/94	**Revised Date:**	1/01/24
	Steering Committee Approval	1/10/94	**Page:**	1 of 1

Objective: To consolidate the department's accounting and reporting function for all program areas within the Financial Operations Division.

Policy: The accounts receivable accounting and reporting function will be consolidated and managed by the Financial Operations Division.

Purpose: This policy is a result of the accounts receivable direction to consolidate functions on a departmental level, rather than at the program level. The purpose of consolidating the accounting function is that it assures consistency and better control to protect against errors, fraud, disaster, and misuse of departmental data. Financial Operations performs the majority of accounting and other high level reporting for the department. Program areas and the Financial Operations Division play important roles in properly recording transactions for which they are responsible. Financial Operations staff has the expertise to direct and administer accounting and reporting, as well as the receipting function. As reporting needs increase or change, the department will be better positioned to respond with Financial Operations overseeing the process.

Background: The term *accounting* is defined and used here as the process of recording on receivable status and activity. The accounting process largely entails reporting. Accounting includes recording debts and receipts in the subsidiary ledger, either through manual or automated means. Accounting occurs at all steps in the accounts receivable life cycle.

The Financial Operations Division manages several accounting and reporting functions for the department. As receivables grow and practices change, some accounting and reporting needs may change. The Financial Operations Division's expertise offers the department the methods and tools to best meet accounting and reporting needs.

In January 1994, at the beginning of the Accounts Receivable Project, the Advisory and Steering Committees approved the recommendation that billing, collections, receipting and accounting (reporting) functions will be administered by Financial Operations. Formalizing this decision into policies is fundamental to the structure for the department's accounts receivable management and to its policies.

Statutes: None applicable.

Accounts Receivable Policy

Title:	Quarterly Accounts Receivable Reporting		**Number:**	5.1
Approvals:	Advisory Committee Approval	6/12/95	**Revised Date:**	1/01/24
	Steering Committee Approval	6/12/95	**Page:**	1 of 3

Objective: To comply with 16D.03, subd. 2 requiring state agencies to report quarterly to the Commissioner of Minnesota Management and Budget (MMB) the debts owed to them.

Policy: The Financial Reporting Unit in the Financial Operations Division shall report quarterly to the Commissioner of MMB the debts owed to the department.

Background: Program areas that manage accounts receivable are responsible for supplying information needed to meet the reporting requirements of the state.

The Financial Reporting Accounting Officer requests report information from the program areas within fifteen (15) days after the quarters ending March 31, June 30, September 30, and December 31. Documentation in the form of system generated reports and other supporting records should be forwarded to the Financial Reporting Accounting Officer within the requested due date. Standard information required for the quarterly report includes:

1. Beginning Gross Receivables
   (this amount must equal previous quarter's Ending Gross Receivables)
2. Billings
3. Collections
4. Write-offs
5. Adjustments
6. Accounts in Appeal
7. Ending Open Receivables
8. Allowance for Uncollectible accounts (if applicable)
9. Aging of Open Receivables as follows
   (the total must agree with item # 7 above):

   I. Current Receivables (# of Accounts and $ Amount)
   II. Past Due Receivables:
      - 1 - 30 Days Past Due (# of Accounts and $ Amount)
      - 31 - 60 Days Past Due (# of Accounts and $ Amount)
      - 61 - 90 Days Past Due (# of Accounts and $ amount)
      - 91 - 120 Days Past Due (# of Accounts and $ Amount)
      - 121 - 365 Days Past Due (# of Accounts and $ Amount)
      - More than 1 Year Past Due (# of Accounts and $ Amount)
   III. Total # of Accounts and $ Amounts

Continued …

10. Accounts Receivable by Debtor Type as follows:
    I. Amount owed by individuals
    II. Amount owed by Businesses
    III. Amount owed by the Federal Government
    IV. Amount owed by Other State Agencies
    V. Amount owed by Other Governmental Entities

11. Accounts Receivable by Fund Type as follows:
    I. Amount owed to the General Fund
    II. Amount owed to the Federal Fund
    III. Amount owed to the Special Revenue Fund
    IV. Amount owed to Other Funds (Not listed above)

12. The Collection Status of Accounts that are more than 120 Days Past Due as follows:
    I. The dollar amounts and the number of accounts being worked on by the Internal Collection Unit
    II. The dollar amounts and the number of accounts on Recoupment, Payment Plan, or Revenue Recapture
    III. The dollar amounts and the number of accounts in Suspense
    IV. The dollar amounts and the number of accounts in Litigation
    V. The dollar amounts and the number of accounts with DOR
    VI. The dollar amounts and the number of accounts at Private Collection Agencies
    VII. The dollar amounts and the number of accounts of Other (Not listed above, please explain).

13. Effective September, 2007 MMB required the accounting information to also be reported by GL Account, Cost Code, and Fund information

14. Footnotes to explain or clarify the data in your report.

15. Attachments to support the above information

The Financial Reporting Accounting Officer examines the information and consolidates it in the Departments Reporting format. The Director of the Financial Operations Division then reviews, certifies and submits the report to MMB. The final report contains both departmental totals and individual program area totals.

Continued …

The final report is due to the Commissioner of MMB forty-five days after the quarter ending March 31, September 30, and December 31, and sixty days after fiscal year end of June 30. It is the responsibility of the Financial Reporting Accounting Officer to comply with the reporting schedule:

Receivable Reporting Schedule

Quarter Ending:	Official Due Date:	DHS Extended Due Dates:
September 30	November 15	December 1
December 31	February 15	March 1
March 31	May 15	June 1
June 30	September 1	September 15

Note: MMB has approved the extended DHS Due Dates due to some of DHS's programs not having final accounting information until just prior to the Official Due Date.

Statutes: 16D.03 Supervision of State Debt Collection

Title:	Writing-off Uncollectible Accounts	**Number:**	5.2
Approvals:	Accounts Receivable Committee Approval, 8/5/96	**Revised Date:**	1/01/24
		Page:	1 of 3

Objective:

1. To obtain accurate reporting of DHS' receivables by writing-off accounts that are determined to be uncollectible.
2. To provide closure to collection activities.
3. To comply with MN Department of Finance Policy 0504-01, M.S. 16D, Debt Collection Act and AR 6.40, Writing Off Balances Less Than $25.

Policy:

Statutory Authority

Pursuant to M.S. 16D.09, Uncollectible Debts, when a debt is determined by a state agency to be uncollectible, the debt may be written-off by the state agency from the state agency's financial accounting records and no longer recognized as an account receivable for financial reporting purposes.

Determining that the debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt.

A debt is considered to be uncollectible when one or more of the following conditions are met:

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) is insufficient,
6) the debt was discharged in bankruptcy,
7) the applicable statute of limitations for collection of the debt has expired, or
8) it is not in the public interest to pursue collection of the debt.

Program area accounts receivable staff may consult with the Financial Operations Division Collection Supervisor for assistance in determining whether the debt qualifies to be written-off pursuant to the statutory standards.

Background:

Reporting Requirement

The write-off determination must be reported with the basis for that decision using the Account Write-off Reporting Form, FI-00545.

Write-Off Documentation

The Financial Operations Division Director reviews the Write-off Reporting Form, FI-00545 for indications that the write-offs are reasonable and in the state's best interest. Prior to approval, the Financial Operations Division Director may request additional information depending on the dollar amounts written-off and the program area's write-off trends.

M.S. 138.17 requires every agency to have a record retention schedule detailing the length of retention for certain records. M.S. 15.17 requires all state agencies to make and preserve all records necessary to a full and accurate knowledge of their official activities. State agencies should follow state statutes concerning the retention of records and create a schedule for the retention of accounts receivable and collection records.

Retention Schedule

Program areas will develop retention schedules for documents provided to FOD. FOD will develop retention schedules for documents used for reporting purposes.

Reactivated Accounts

The appropriate program area should accept payment against a written-off receivable. In these cases, a program area should re-establish the receivable record, and post the payment against that record. The Financial Operations Division deposits funds to the appropriate account.

Procedures:

Step	**Responsibility**	**Action**
1.	Program Area	Review account to ensure collection steps in DHS's A/R Policies 6.2.2 and 6.2.3 were followed.
2.	Program Area	Determine that the account to be written-off is based on one of the eight statutory justifications.
3.	Program Area	Complete the FI-00545 form (Account Write-off Report) and Write-Off Program Area Approval Form. Both forms are available from the Financial Operations Collection Unit Supervisor.
4.	Program Area	Submit the FI-00545 form to the Financial Operations Collection Supervisor no later than 15 days prior to the financial quarter end (March 31, June 30, September 30, and December 31).

Step	Responsibility	Action
5.	Collection Supervisor	Review write-off determinations for indication that the write-offs are reasonable and in the agency's best interest.
6.	Collection Supervisor	Request additional information from the programs areas, if necessary. Make suggestions to the program areas to re-evaluate write-off decision, as appropriate.
7.	Collection Supervisor	Send write-off reporting request to the DHS Financial Operations Division Director for approval.
8.	Financial Operations Division Director	Review the write-off request; approve or dispute the request.
9.	Financial Operations Division Director	Return the write-off request to the Collection Supervisor.
10.	Collection Supervisor	Promptly notify the program area staff in writing of the approval or dispute of the write-off request.
11.	Collection Supervisor	Retains the approved Write-off Report Form with the quarterly receivable report records.
12.	Program Area	Remove accounts from accounts receivable system records that have been approved for write-off. Retain approved archived records according to the program retention schedule.

Statutes: M.S. 16D.09 Uncollectible Debts, Debt Collections Act
http://www.revisor.leg.state.mn.us/stats/16D/09.html
M.S. 16D.15 Compromise of Debt
http://www.revisor.leg.state.mn.us/stats/16D/15.html
M.S. 138.17 Government Records; Administration
M.S. 15.17 Official Records

Forms: Form FI-00545 (Account Write-off Reporting Form)
Write-Off Program Area Approval Form

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Recognizing and Reporting Receivables	**Number:**	5.3
Approval:	Accounts Receivable Committee Approval 3/6/98	**Revised Date:**	1/01/24
		Page:	1 of 2

Objectives: 1) To report receivables uniformly throughout the department.
2) To acknowledge the state's definition of a receivable.
3) To clarify what receivables should be tracked and reported along with other expected receivable activity.
4) To comply with M.S. 16D.02, subd. 3, the Debt Collection Act, Debt Definition.

Policy: Receivables shall be recognized by the state's definition and be reported as receivables in the accounting period in which they become both measurable and available. Available means billable or collectible. Receivable amounts do not have to be currently due to be reported.

Background: There are two criteria which are essential to the creation of an accounts receivable:

1. The revenue event must be completed or the claim legally enforceable to the extent that payment is the only incomplete action remaining.
2. The claim must be measurable. This means it must have a monetary value established by state law and/or administrative regulation or rule.

DHS has a variety of receivables for services provided to the public, and for other insurance, vendor, and business operations. The uniqueness of certain receivables has caused discussions such as *when is a receivable a receivable*, *when should a potential receivable be reported*, and *what is a receivable?* In consulting Minnesota Management and Budget (MMB) and other accounting standards resources, the policy statement above stands as the basis for which the department will recognize and report its receivables.

MMB has developed and issued the following definition:

> *Receivables* - financial claims against customers for services, product, fines, loans, taxes and other assessments, for which payment has not been received. Receivable amounts do not have to be currently due. They may be under appeal (example, an agency that fines a business for water pollution incurs a receivable at the moment the fine is invoked or levied. If the debtor appeals the fine, it remains a receivable until it is paid, waived, revoked, dismissed, settled or written-off by the state agency that established the fine.)

Application: Program areas or revenue managers should normally recognize receivables when goods are delivered or services performed, overpayments discovered, or when the State's claim for future cash is reasonably estimable.

Continued …

In instances of cash over-the-counter, no accounts receivable should be recognized. Program areas and receivable managers may have concerns about reporting high balances, multiple adjustments, and large disputed amounts. Part of good receivable management and accounting includes tracking this type of normal and expected activity. It reflects the business as it is, the nature and complexity of receivables that DHS manages, and of the client base served.

DHS program areas and receivable managers shall report advance billings, any billings to vendors, third party payer claims, estimated billings, and all other amounts defined as a receivable for which payment is expected. Any expectation of payment for which a statement, claim, or billing notice is issued is a receivable that should be tracked and reported in compliance with AR Policy 5.1 - Quarterly Accounts Receivable Reporting.

Once the receivable amounts are identified, program areas and receivable managers must track and report changes in status, such as appeals, disputes, and other adjustments, to accurately reflect aging and open balances. Aging is suspended for those receivables in dispute and in appeal.

Historically, DHS has received or collected receipts for some receivables not reported that should have been reported. This causes a discrepancy in the department's volume of activity and accuracy of reporting. MS 16D requires agencies to accurately report receivables, which are assets of the state. When receivables are not reported that should be, MMB, the legislature, auditors, and other concerned entities may consider omissions as negligent and violations of law.

Receivable managers and programs areas may comply with governing regulations if this policy conflicts with individual statutes for their receivables. Any exemptions should be discussed with Financial Reporting Unit staff in the Financial Operations Division.

Statutes: M.S. 16D - Debt Collection
https://www.revisor.mn.gov/statutes/?id=16D

References: MMB Operating Policy 0501-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf

Accounts Receivable Policy

Title:	Receivable Management Plan	**Number:**	5.5
Approval:	Accounts Receivable Committee Approval 4/10/98	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To develop and maintain a viable Receivable Management Plan for the department's program areas and receivable managers.

Policy: The DHS Receivable Management Plan will be reviewed and revised annually by the Accounts Receivable Work Group.

Background: The Receivable Management Plan is written in compliance with Minnesota Management and Budget (MMB) Operating Policies 0501-01 (Managing and Reporting of Accounts Receivable) and 0504-01 (Debt Collection Process and Actions). The plan expands on these policies and addresses the following:

- Receivable Description(s)
- Organization and Responsibilities for Receivables
- Receivable Systems
- Receivable Goals and Objectives
- Receivable Strategies and Procedures

The plan should be considered a management tool that will assist in the effective, efficient, and aggressive collection and management of accounts receivable. The plan should reflect how to best utilize resources to effectively collect each type of open receivable. The plan must incorporate and comply with M.S. Chapter 16D, DHS specific statutes, and all other Federal or State laws that apply.

The DHS Receivable Management Plan exceeds these criteria.

References: MMB Operating Policy 0501-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf
MMB Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf
M.S. Chapter 16D
http://www.revisor.leg.state.mn.us/stats/16D

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Financial Operations Division Collection Management		**Number:**	6.0
Approvals:	Advisory Committee Approval	1/4/94	**Revised Date:**	1/01/24
	Steering Committee Approval	1/10/94	**Page:**	1 of 1

Objective: To consolidate the department's collection of accounts for all program areas within the Financial Operations Division Collection Unit.

Policy: The accounts receivable collection function will be consolidated within and managed by the Financial Operations Division Collection Unit.

Purpose: This policy is a result of the accounts receivable direction to consolidate functions on a departmental level, rather than at the program level. The benefits of consolidating the collection function assures standardized collection procedures, consistency for the department's customers, facilitates automation of collection activities, frees program staff for more critical tasks for their goals to serve customers, and promotes economies of scale by streamlining the process in one division.

Background: The term *collection* is defined as the process of pursuing delinquent accounts and enforcing debt recovery. Delinquency is the point in time where billing alone is no longer considered likely to result in resolution of the receivable. Collection may include location of debtors, identification of assets or income, contact with debtors, issuance of liens or levies as allowed by law, and legal action.

In January 1994, at the beginning of the Accounts Receivable Project, the Advisory and Steering Committees approved the recommendation that billing and collection functions will be managed by the Financial Operations Division, and that receipting and accounting (reporting) functions will be administered by Financial Operations. Formalizing this decision into policies is fundamental to the structure for the department's accounts receivable management and to its policies.

DHS values the need to assure public accountability and trust through responsible use of available resources. As financial managers, our role should be to search constantly for ways to better manage financial assets. Collecting debt owed to the state in a timely fashion, using the most efficient and effective management practices available to the department, is a sound method to ensure we are focusing on these values.

The Financial Operations Division Collection Supervisor provides collection services, tools, systems, interfaces, expertise in working formerly with private collection agencies and now with the Department of Revenue's Collection Unit, knowledge of collection compliance laws and state regulations, and maintains a staff of professional collection officers to best manage accounts receivables.

Statutes: None applicable.

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Referral of Debt 121 Days Past Due	**Number:**	6.1
Approval:	AR Committee Approval 10/1/00	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: 1. To comply with M.S. 16D.04, subd. 2, paragraph (b).
2. To complement existing DHS accounts receivable policies for collecting on past due accounts and managing debt.
3. To improve days to collection.

Policy: When a debt owed to DHS becomes 121 days past due, DHS must refer the debt to the Department of Revenue's Collection Unit (DOR) for collection. 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 if the debtor is adhering to acceptable payment arrangements. The Commissioner of Minnesota Management and Budget (MMB), in consultation with the Commissioner of Revenue, may provide that certain types of debt need not be referred to DOR for collection. Methods and procedures for referral must follow internal guidelines prepared by the commissioner of MMB.

Background: This policy is part of the Debt Collection Act and concurs with other DHS accounts receivable policies on collection. The Financial Operations Collection Supervisor will coordinate the collection process and work the accounts until 121 days past due. The 30-day notice of referral to DOR to the debtor will be issued at 90 days past due. All debt 121 days old will be issued to DOR automatically unless MMB waives or modifies the 121 day past due requirement.

To ensure compliance and an automated approach, the three major DHS accounts receivable systems (MMIS, MAXIS, and SWIFT) will target those accounts that meet the selection criteria. The selection criteria of the receivables to be referred to DOR include the following:

- 121 days past due
- account is in excess of $25
- debtor must be off public assistance programs

Statutes and Resources: M.S. 16D The Debt Collection Act http://www.revisor.leg.state.mn.us/stats/16D
The DHS Receivable Management Plan
DHS Accounts Receivable Collection Policies
MMB Operating Policy 0501-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf
MMB Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

Accounts Receivable Policy

Title:	Financial Operations Division Collection Services	**Number:**	6.1.1
Approvals:	Accounts Receivable Committee Approval 8/11/95	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To improve accounts receivable management by recommending that program areas forward past due accounts to the Financial Operations Division Collection Supervisor, using referral time frames and informational guidelines agreed upon between the program area manager and the Collection Supervisor.

Policy: Program areas are advised to refer past due accounts, which have had no established payment arrangement, to the Financial Operations Division Collection Supervisor to pursue collection efforts.

Background: Successful collection of receivables occurs within the first ninety days after the debt is incurred or invoice is issued. Prompt referral of doubtful accounts assures that payment in full is more likely to be received than by allowing time to pass using additional statements as the sole collection tool.

In keeping with the department's values to make responsible use of available resources, the Financial Operations Division Collection staff offers services to assist program areas with accelerated collection efforts and advanced collection expertise. Using in-house collection services and new systems reduces the days to collection and the need for referral to DOR. When in-house efforts are exhausted, the Collection Supervisor and staff will recommend the next best course of action, which streamlines the collection process for the program areas.

The Financial Operations Division Collection Supervisor is available to advise program area staff on referral of past due and inactive accounts. Initial account referrals require a conference between the program area manager and the Collection Supervisor to:

- define accounts appropriate for referral
- explain and design a customized collection referral form, or other account referral mechanisms
- determine a consistent time frame to refer accounts; e.g. the first of each month
- assign program area and collection staff contacts

Status reports of collection activities on referred accounts will be established for each program based upon the accounts receivable system used and the resources available.

Statutes: None applicable.

Accounts Receivable Policy

Title:	Financial Operations Division Collection Actions	**Number:**	6.1.2
Approvals:	Accounts Receivable Committee Approval 8/11/95	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To establish that the Financial Operations Division Collection staff will perform certain actions on accounts referred for collection services, given the authority and remedies available to them, to achieve the best results possible.

Policy: The Financial Operations Division Collection staff shall comply with laws governing the collection of accounts receivables referred to them, and shall perform collection activities under standards and practices set by the Financial Operations Division Collection Supervisor.

Background: The Financial Operations Division Collection staff may perform, but are not limited to, the following collection actions and practices on accounts referred to them for collection services:

- issuing collection letters and notices
- skip-tracing to locate the debtor
- contacting the debtor by telephone
- negotiating payment arrangements
- filing revenue recapture claims
- referring accounts to Department of Revenue
- compromising debt

The Collection Supervisor will work individually with each program area manager to develop the most appropriate forms of action for their accounts.

Collection actions described above are an extension of Policy 6.1.1, which recommends the use of Financial Operations Division Collection services.

Statutes: United States Public Law 91-109
M.S. 16D.04 and other related portions
M.S. 256.016
Fair Debt Collection Practices Act
Plain Language in Written Materials Act

References: Minnesota Management & Budget Statewide Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

Accounts Receivable Policy Manual

Title:	Department of Revenue Collection Unit (DOR)	**Number:**	6.2
Approvals:	AR Committee Approval 8/11/95	**Revised Date:**	1/01/24
		Page:	1 of 1

Background: The Commissioner of Minnesota Management and Budget (MMB) holds responsibility for supervising and reporting state debt collection. As a means to facilitate the debt collection activities within state agencies, the Commissioner of MMB has contracted with both private collection agencies and the Minnesota Department of Revenue (DOR).

Department of Revenue Collection Unit
The DOR Collection Unit is a collection entity within the Department of Revenue designed to provide specialized collection expertise to all state governmental agencies.

Private Collection Agencies
Prior to September 1997, state agencies had the ability to refer debts to private collection agencies. With the development of M.S. 16D, all referrals for collection from state agencies now go to DOR. DOR may use, at its option, other outside collection entities to pursue accounts, especially those where the debtor has left the state.

Application: The policies residing under section 6.2 will address issues related to referring of debt to DOR, managing accounts after referral, and other obligations related to notifying debtors, and forming agreements with the DOR.

Statutes: 16D Minnesota Debt Collection Act
http://www.revisor.leg.state.mn.us/stats/16D

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Debtor Notification of Referral to Department of Revenue		**Number:**	6.2.1
Approvals:	Advisory Committee Approval,	3/22/94	**Revised Date:**	1/01/24
	Steering Committee Approval,	6/6/94	**Page:**	1 of 1

Objective:

1. To notify a debtor that past due account(s) will be referred to Department of Revenue Collection Unit (DOR) for collection in thirty days.
2. To collect payment on past due accounts before referring to collection.

Policy: Debtors will be notified in writing thirty days before a past due account is referred to DOR for collection. The notice must state the nature and the amount of the debt, identify to whom the debt is owed, and inform the debtor of the remedies available.

Background: M.S. 16D.07, Notice to Debtor, states that the referring agency shall send notice to the debtor by United States mail or personal delivery at the debtor's last known address at least 20 days before debt is referred to DOR. DHS has adopted the policy of a thirty-day notice in keeping with our mission statement and to focus on our customers.

Debtors will have the opportunity to pay outstanding balances within the thirty-day time frame to avoid having the account referred for collection. The payment must be received by the Department of Human Services within the thirty-day interval to stop the account from going to DOR.

Application: The Collection Supervisor managing these past due accounts for the program manager will issue the notice and refer past due accounts to DOR after standard billing and collection efforts have been exhausted, in compliance with M.S.16D and the terms agreed upon with the program manager for those accounts.

Program area managers must notify the Collection Supervisor immediately of any payments received from these debtors during the thirty-day time period.

Statutes: Notifications sent to debtors must comply with the following:

- M.S.16D.07 Minnesota Debt Collection Act, Notice to Debtor
  http://www.revisor.leg.state.mn.us/stats/16D/07.html
- M.S. 256.016 Plain Language in Written Materials Act
  http://www.revisor.leg.state.mn.us/stats/256/016.html
- United States Public Law 111-203, Fair Debt Collection Practices Act
  http://www.ftc.gov/os/statutes/fdcpa/fdcpact.shtm

Accounts Receivable Policy

Title:	Referring Past Due Accounts to DOR	**Number:**	6.2.2
Approvals:	Advisory Committee Approval, 1/10/95	**Date:**	1/01/24
	Steering Committee Approval, 1/9/95	**Page:**	1 of 2

Objective: 1. To provide uniform criteria in selecting accounts for referral to the Minnesota Department of Revenue (DOR).
2. To describe the process of referring past due accounts to DOR.

Policy: 1. Referral of past due accounts to DOR must meet certain criteria.
2. The past due account referral process will be coordinated by the Financial Operations Division collection staff.

Background: The Collection Supervisor will determine and select the past due accounts that should be sent to DOR, using the following criteria:

- The account must be past due or debtor has multiple past due accounts. A past due account includes any debt for which no payment has been received within the agreed upon terms by the program manager; or, any debt for which a payment plan has been established and for which no payment has been received within the agreed upon terms by the program manager.
- The past due account totals must not be in dispute or in appeal by the client.
- The total of past due debt must be at least $25.00.
- The debtor cannot be located.
- The debtor refuses to pay.
- All reasonable DHS collection efforts have been exhausted without results.
- All accounts must be within the statute of limitations for the receivable type.

<u>Exclusions</u>
Certain conditions affecting past due accounts make them inappropriate candidates for referral to collection. The following types of past due accounts are excluded from the DOR referral process and must not be forwarded for collection:

- Chapters 7 and 13 Bankruptcy accounts will be retained by the program area to monitor payments.
- Estate claim accounts may be filed by program areas if allowed by program area policy.
- Accounts with court ordered payments through court services will be retained by the program area.

Procedures:

Step	Responsibility	Action
1.	Collection Supervisor	Reviews all past due accounts. Identifies and selects those accounts that meet the criteria above to refer to DOR.

Step	**Responsibility**	**Action**
2.	Collection Supervisor or Program Area	Places past due accounts on Revenue Recapture when allowed by law. All accounts over $25 may be referred to Revenue Recapture prior to sending to DOR. Revenue Recapture will be removed prior to referral to DOR in accordance with the service level agreement.
3.	Collection Staff	Issues a *Notice of Referral to Collection Agency* letter to each debtor for past due accounts identified in Step 1, DHS Accounts Receivable Policy 6.2.1 Debtor Notification of Referral to Collection Agency. Collection staff provides the program areas with a list of debtors who have been sent a notice when required.
4.	Program Area	Notifies collection staff of any receipts, collections, deletions, or adjustments to debtor accounts, full or partial, that occur during the thirty-day period.
5.	Collection Supervisor	Forwards the past due account to DOR after the thirty-day period has passed. The Collection Supervisor and assigned Collection Officers are the liaisons between the program areas and DOR.

Statutes: M.S.16D, The Debt Collection Act
http://www.revisor.leg.state.mn.us/stats/16D

References: Minnesota Management & Budget (MMB) Operating Policy 0501-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf
MMB Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

Accounts Receivable Policy

Title:	Managing Accounts Referred to Department of Revenue	**Number:**	6.2.3
Approvals:	Advisory Committee Approval, 1/10/95	**Revised Date:**	1/01/24
	Steering Committee Approval, 1/9/95	**Page:**	1 of 1

Objective: To provide procedures for managing accounts referred to Department of Revenue Collection Unit (DOR). This includes an explanation of the process, the areas responsible, and the communication plans.

Policy: The Financial Operations Division Collection Supervisor is responsible for managing collection activity on accounts referred to the DOR.

Background: Program Areas that incur accounts receivable may refer past due accounts to DOR to pursue the debt. Once accounts have been referred, both the Financial Operations Division Collection Supervisor and the program staff have certain responsibilities in managing the accounts.

Application: The Collection Supervisor will work with program area managers to explain the current processes, areas of responsibility and tasks, and the methods for sound communication concerning accounts referred to DOR for collection and their status. The Collection Supervisor will provide all coordination and referral of accounts to DOR.

Statutes: None applicable.

Reference: Minnesota Management & Budget Statewide Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

Accounts Receivable Policy

Title:	Service Level Agreement (Formerly Debt Qualification)		**Number:**	6.2.4
Approvals:	Advisory Committee Approval	6/12/95	**Revised Date:**	1/01/24
	Steering Committee Approval	6/12/95	**Page:**	1 of 1

Objective: To establish that a Service Level Agreement must be developed and signed in order to refer debt to and use the collection services of the Department of Revenue Collection Unit (DOR).

Policy: A signed Service Level Agreement is required for DHS to refer debt to DOR for collection services.

Background: DHS may refer debt to DOR for collection services in accordance with a signed Service Level Agreement. A Service Level Agreement is an agreement entered into between DHS and DOR that defines the terms and conditions by which DOR will provide collection services for DHS. Separate Service Level Agreements may be developed for each accounts receivable debt type or may be incorporated into an existing plan by amendment.

The Financial Operations Collection Supervisor is responsible for directing the process and overseeing the completion of Service Level Agreements on behalf of program areas interested in using the services of DOR. Program areas will provide information necessary for the Collection Supervisor to develop the debt qualification plan or amendment.

Statutes: 16D.02, subd. 6 Debt Collection Act, Referring agency.
http://www.revisor.leg.state.mn.us/stats/16D/02.html
16D.04, subd. 3 Debt Collection Act, Collection activities; Services.
http://www.revisor.leg.state.mn.us/stats/16D/04.html

References: Minnesota Management & Budget Statewide Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

Accounts Receivable Policy

Title:	Payment Agreement Guidelines	**Number:**	6.3
Approval:	Accounts Receivable Committee Approval 12/3/04	**Revised Date:**	1/01/24
		Pages:	1 of 2

Objective:

1) To establish guidelines for making payment agreements with customers to pay debt owed to DHS.
2) To be consistent with Minnesota Management and Budget (MMB) Operating Policy 0504-01 to take appropriate, fair, consistent and cost-effective actions to assertively collect debts owed to DHS.

Policy: All DHS accounts receivable and collection staff will follow the payment agreement guidelines set forth in this policy.

Background:

The best way to resolve an accounts receivable is to have the debtor pay the full amount due immediately including the original amount and any interest charges, administrative charges, and penalty fees.

Payment Agreements are an alternative that can be considered in instances where the debtor does not have the assets readily available to pay the entire debt, but there is a likelihood of future payment if the amount is spread out over time. If, during the collection process, DHS determines the best opportunity for collecting the debt is through periodic payments, DHS may enter into a payment agreement with the debtor. A payment agreement should not be used unless the debtor can demonstrate an inability to pay the full amount due at the present time.

A payment plan that will liquidate the balance in the shortest time possible without placing an unreasonable hardship on the debtor should be used. It is also advisable to insist on a large initial payment to precede any installment agreement. This is especially important when an identified and outstanding debt obligates DHS to repay federal funds before the amount due DHS is actually collected.

The account should be considered resolved only when the debtor has paid off the entire debt. Failure to pay all installments, or other terms and conditions of the agreement, would constitute a default by the debtor and enforcement action should resume immediately.

Guidelines:

The terms of each plan will vary with the size and nature of the debt; however, any formal payment agreement should be written using the following guidelines:

- All unpaid liabilities, including interest and penalties, should be included in the principal amount of the payment agreement;
- Terms should be established with a minimum duration and should be less than the time allowed for DOR collection of that receivable or 4 ½ years in the event of a default If the amount exceeds $300,000 and the debtor is a governmental or quasi-governmental entity payment terms cannot exceed a maximum of three years;
- Interest should (if applicable) be charged on the remaining balance;
- Payment frequency (monthly, quarterly) should be defined with specific payment dates;
- Periodic payment amounts should be defined;
- Payment agreement default conditions should be stated;
- Debtor should be obligated to stay current with any future obligations.

It is recommended that before any payment plan is accepted, additional information which is not currently recorded should be gathered from the debtor. Information should be gathered and analyzed, such as:

- employer
- current banking information, and
- financial information

A confession of judgment should be considered if DHS has reason to believe the debtor will not abide by the payment agreement due to past payment history or unstable income. If the debtor defaults on the payment agreement, DHS may simply file the confession of judgment with the court for automatic judgment for enforcement. A confession of judgment must follow the requirements of M.S. 548.22

Authority: M.S. 548.22
https://www.revisor.leg.state.mn.us/statutes/?id=548.22
M.S. 16D
https://www.revisor.leg.state.mn.us/statutes/?id=16D
MMB Operating Policy 0504-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.pdf

The State of Minnesota
The Department of Human Services

Accounts Receivable Policy

Title:	Writing Off Balances Less Than $25.00	**Number:**	6.4
Approvals:	Accounts Receivable Committee Approval 3/13/98	**Revised Date:**	1/01/24
		Page:	1 of 1

Objective: To avert billing, collection, and other administrative costs that are greater than the amount of an outstanding receivable.
To devote resources to collecting significant receivables of $25 or more.

Policy: Receivables less than $25 should be billed to the debtor. After the initial invoice or statement is issued, balances of less than $25 can be written-off 120 days after billing unless otherwise required to pursue in full.

Background: System automation provides certain cost effective methods of maintaining records, billing, and accounting. Other costs, such as postage, handling, and administrative work may exceed the benefit of pursuing small receivables of under $25, or on balances of less than $25 that have had no activity in 60 days. This policy offers program managers and other accounts receivable staff a cost effective method of managing small receivables after establishing the account and issuing the initial bill or statement.

Statutes: None applicable.

Application: Receivables should be established and billed as usual. For those accounts that are less than $25, subsequent billing statements do not have to be issued after the initial notification to the debtor has been sent, unless otherwise required to pursue in full. These receivables will still be recognized, reported, and aged as any other receivables according to A/R Policy 5.3.

If payment is not received within 120 days for receivables of less than $25, the account may be written-off according to A/R Policy 5.2. If a debtor has multiple accounts with a total balance greater than $25, the standard billing and collection process should be followed throughout the life of the receivables.

For account balances of less than $25, the amount may be written-off if no payment activity has occurred in 60 sixty days and the account is 120 days old or older, unless otherwise required to pursue in full.

Please feel free to contact the Collections Unit of the Financial Operations Division for assistance and information.

Resources: Minnesota Management & Budget Operating Policy 0501-01
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf

AFDC	Aid for families with dependent children
AR	Accounts Receivable
BSF	Basic Sliding Fee
CCDTF	Consolidated Chemical Dependency Treatment Fund
CD	Chemical Dependency
DD	Developmentally Disabled
DOF	Department of Finance
DOR	Department of Revenue
DQP	Debt Qualification Plan
EA	Emergency Assistance
EFT	Electronic Funds Transfer
FOD	Financial Operations Division
FTROP	Federal Tax Revenue Offset Program
GA	General Assistance
GAMC	General Assistance Medical Care
GFS	Government Financial System
LTC	Long-Term Care
MA	Medical Assistance
MAXIS	An automated eligibility system for the administration of Public Assistance benefits such as AFDC, Food Stamps, MA, GA, EA, Work Readiness, Minnesota Supplemental Aid, and Minnesota Family Investment programs.
MMB	Minnesota Management & Budget
MMIS	Medicaid Management Information System
PA	Public Assistance
SIRS	Surveillance and Integrity Review
SWIFT	Statewide Integrated Financial Tools