



Minnesota Management and Budget Statewide Operating Procedure

Minnesota Management and Budget, General Accounting
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Debt Collection Process and Actions

Objective

All state agencies are responsible for managing their accounts receivable and/or loans receivable to maximize the collection of state revenues through sound debt management practices consistent with statewide policies, Generally Accepted Accounting principles (GAAP) and to ensure compliance with Minnesota Statutes, federal and other state laws.

General Procedures

Step	Action	Responsible Party	Timeline
1.	<p>Each state agency with accounts receivable and/or loans receivable activity must establish internal policies and procedures in accordance with the Internal Control Policies and Procedures section of policy 0501-01—Managing & Reporting of Accounts Receivable.</p> <p>The internal policies should include a formal process to take appropriate, fair, consistent and cost-effective actions to assertively collect their debt. Each state agency should develop internal policies establishing criteria for which past due accounts will be referred to the Minnesota Department of Revenue (DOR). State agency internal policies and procedures should establish a formal process for determining when an account is uncollectible, as well as procedures for approving and writing-off the debt determined to be uncollectible. All actions taken by the agency to attempt to collect a past due debt should be clearly documented.</p>	Agency	As needed
2.	<p>State agencies must establish service level agreements and maintain a relationship with the DOR at Mdor.client@state.mn.us. Once a debt becomes 121 days past due, it must be referred to DOR unless the exceptions noted in Statewide Operating Policy 0502-01 are met.</p>	Agency, DOR MCE	As needed
3.	<p>State agencies must notify the debtor of the intent to refer the account for collection in writing at least 20 days before referral.</p>	Agency	At least 20 days prior to referring debt to DOR

Step	Action	Responsible Party	Timeline
4.	<p>Past due invoices must be sent to customers that have invoices that are 5 days past due, 31 days past due, 61 days past due and each month continuing until the invoice is paid, written off or referred to DOR.</p> <p>Agencies should create their own schedules if they determine that the above schedule is not appropriate due to the nature of the receivable.</p>	Agency	In a timely manner, as required
5.	A state agency shall charge simple interest on debts owed to the state if notice of the past due account has been sent according to the past due account schedule with no response from the customer.	Agency	In a timely manner, as required
6.	An agency may submit a written waiver for charging simple interest on debts owed to the state to Minnesota Management and Budget (MMB) General Accounting at GeneralAcctg.MMB@state.mn.us , showing the costs charging interest exceed the benefit.	Agency	As needed and updated bi-annually
7.	Review and approve or deny waiver for charging simple interest on debts owed to the state.	MMB General Accounting	One month after submission
8.	When a debt is determined by a state agency to be uncollectable, the debt must be written off from the state agency's financial accounting records in a timely manner and no longer recognized as a debt for financial reporting purposes.	Agency	As needed
9.	The determination of the uncollectibility of a debt must be maintained by the state agency along with the basis for that decision and reported as part of its quarterly accounts receivable worksheets to the commissioner of MMB.	Agency	As needed, Quarterly

Related Policies and Procedures

[MMB Statewide Operating Policy 0501-01 Managing and Reporting of Accounts Receivable](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf)
(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.pdf>)

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