

Statewide Operating Procedure

Minnesota Management and Budget, General Accounting
 Issued: July 1, 2011

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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>Internal policies should include a formal process to take appropriate, 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). 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 uncollectible debt. All actions taken by the state 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 with DOR for further collection actions. Once a debt becomes 121 days past due, it must be referred to DOR unless the exceptions noted in Statewide Operating Policy 0504-01 Debt Collection Process and Actions are met.</p>	Agency, DOR	As needed
3.	<p>State agencies must notify the debtor of the intent to refer the account for collection in writing.</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 with 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>State agencies should create their own past due schedules if they determine that the above schedule is not appropriate due to the nature of the receivable.</p>	Agency	As required
5.	<p>State agencies 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 unless otherwise prohibited by a contract where the debt arose or by state or federal law, or a written waiver has been approved by Minnesota Management and Budget (MMB).</p>	Agency	As required
6.	<p>Unless your agency has legal authority to retain interest, interest is deposited into a non-dedicated revenue budget in the General Fund.</p>	Agency	As Needed
7.	<p>Interest collected is transferred to the General Fund by MMB at year-end.</p>	MMB General Accounting	As Needed
8.	<p>To begin charging interest using SWIFT:</p> <ul style="list-style-type: none"> • Contact the SWIFT Help Desk (651 201-8100 option 2) to configure your business unit(s) to charge interest. • Establish a non-dedicated AppropID ending with OVDU for your agency. • Set up a revenue budget using the AppropID ending with OVDU in the General Fund using Account #512052 (Interest Chgs-Delinq Collect). <p>Create a Customer Statement note in SWIFT stating “Interest will be charged if not paid within 30 days of the invoice date” in the Statement Note Code field.</p>	Agency	As Needed
9.	<p>State Agencies may submit a written waiver for charging simple interest on debts owed to the state to MMB General Accounting at GeneralAcctg.MMB@state.mn.us, showing the costs of charging interest exceed the benefit.</p>	Agency	As needed and updated bi-annually
10.	<p>Review and approve/deny waiver for charging simple interest on debts owed to the state.</p>	MMB General Accounting	30 days after submission
11.	<p>When a debt is determined by a state agency to be uncollectible, the debt must be written off from their financial accounting records and no longer recognized as a debt for financial reporting purposes.</p>	Agency	As needed

Step	Action	Responsible Party	Timeline
12.	<p>The determination of the uncollectability of a debt must be maintained by state agencies along with the basis for that decision and reported as part of its quarterly accounts receivable worksheets to MMB – General Accounting at GeneralAcctg.MMB@state.mn.us.</p>	Agency	As needed, Quarterly
13.	<p>State agencies must use proper coding in SWIFT to indicate whether the reduction in the debt is a write-off or an adjustment. This will be used as a basis for preparing the report to the legislative committees on write-offs.</p> <ul style="list-style-type: none"> • For write-offs in SWIFT, agencies must use the correct “Entry Type” code on the maintenance worksheet that distinguishes write-offs as WOD (write-off debit amount) or WOC (write-off credit amount). • For adjustments in SWIFT, agencies must issue a credit memo in SWIFT to adjust the invalid debt. • For Non-SWIFT, write-offs and adjustments must be reported in the appropriate columns in the quarterly accounts receivable worksheet. 	Agency	As Needed
14.	<p>State agencies must report accounts receivable write-offs of \$100,000 or more to the legislature as required in Minnesota Statute 16D.09. See MMB Statewide Operating Policy 0504-01 Debt Collection Process and Actions.</p> <p>The state agency shall notify the chairs and ranking minority members of the legislative committees with jurisdiction over the state agency's budget at the time the debt is determined to be uncollectible.</p> <p>The information reported shall contain the classification of debt as public or nonpublic, legal authority for classification as nonpublic, the debtor name associated with the uncollected debt for classification as public, the amount of the debt, the revenue type, the reason the debt was written-off, and the duration the debt has been outstanding.</p>	Agency	As Needed
15.	<p>The Commissioner of MMB shall report to the chairs and ranking minority members of the legislative committees with jurisdiction over MMB an annual summary of the number and dollar amount of debts determined to be uncollectible during the previous fiscal year by October 31 of each year.</p>	MMB General Accounting	Annually

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.docx)
(<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0501-01-managing-reporting-ar-policy.docx>)

[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.docx) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-5/0504-01-debt-collection-policy.docx>)