CHAPTER 7: Business Affairs

Policy 7C.1: Accounts Receivable Management

Part 1. Authority

Board Policy 7.3 delegates to the chancellor authority to develop procedures to implement this policy.

Part 2. Objective

Accounts receivable is a significant asset for the college. Accounts receivable must be carefully managed to ensure efficient and effective collection of all debts owed to the college.

Part 3. Definitions

Debt: Any amount greater than zero owed to the college, 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 receivable are the result of various types of financial transactions including, but not limited to, student tuition, fees, and short-term loans, as well as sales of products and services to the general public.

Accounts Receivable Correction: An accounts receivable correction is due to an account that has been canceled or adjusted because the College is not entitled to collect the money.

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.

Student: A person who enrolls in any credit or noncredit course offered by the college.

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 and is not paid by the state agency.

Hold: The process by which the college 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 Department of Revenue for collection.

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Part 4. Management of Receivables

The college will establish a tuition due date for each semester. Those students who have not been deferred or paid by this date will be dropped out of their classes. The college will also process a drop for non-payment after the last day of drop/add for the semester. Additional drops for non-payment may be performed at the discretion of the Director of Fiscal and Auxiliary Services.

The college must have written policies and procedures, and a system of internal control for managing the accounts receivable process. Written procedures should include at a minimum:

- Requirement 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 the college 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 the ISRS at the time the account is first established, subject to Board of Trustees approval of tuition and fees.

In August 2006, the college will pilot a limited payment plan to fifty students based on criteria established by Educational Services. The college will fully implement a payment plan by August, 2007.

Subpart B. Collection Activities

The college will 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.

Note: Subparts C and D below are effective August 15, 2006

Subpart C. Billing

The college shall require students to view their account online, which shall constitute an electronic invoice. Paper invoices shall not be issued on a routine basis.

The college 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 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

The college 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. This requirement applies to balances due under a payment plan unless the college has 1) developed a process for identifying students with a current payment plan balance, and 2) exempting such students from the automated hold process, and 3) dropping registration for any exempted student delinquent in making the subsequent payment.

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.

The college 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.

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Subpart G. Writing-Off Uncollectible ~~A~~ccounts

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. The Business Office will prepare the list of uncollectible accounts for approval by the Cabinet, the President and the Vice President (if the President so chooses).

A clear distinction must be made between canceling accounts receivable and writing off accounts receivable. Accounts receivable can be canceled or adjusted when-1) the institution is not entitled to collect the money, or 2) the debtor qualifies for a waiver or refund (College Policy 5.H2 Refund of Tuition and Fees). Accounts receivable must not be canceled to avoid write-off procedures.

The college 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 ~~be~~ 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 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. 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.

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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 16.D.04, subd. 2, accounts receivable that the college 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 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 if the college determines that the debtor is adhering to acceptable payment arrangements.

Pursuant to MS 16D.07, the college 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 should discontinue any billing statements, demand letters, or active collection efforts for referred debts.

History:

12.2003 Adopted and implemented
01.2007 Revised language to reflect MnSCU policy

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