7.6.2 Accounts Receivable Management

Part 1. Purpose.
To ensure an efficient and effective collection of all debts owed to the college, university or the system office.

Part 2. Authority.
The Board of Trustees delegates to the chancellor authority to manage all enterprise or auxiliary activities, including but not limited to accounts receivable.

For the purpose of this procedure only, the following words and terms are defined as follows:

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

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

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

**Student.**
A person enrolled in any credit or noncredit course offered by a college or university.

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

**Revenue recapture.**
A Minnesota Department of Revenue process to collect debts owed to state agencies by applying an individual's income tax refund (or lottery winnings) against the amount owed to the state. The cost of participation in the program is deducted from the amount of the debtor's refund.
**Hold.**
The process by which a college or university prevents defined, future student activity.

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

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

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

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

**Subpart A. Establishing the receivable.**
Colleges and universities are responsible for establishing 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.

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

- Billing.
- Time frame for placing a hold on the student records.
- Time frame for contacting departments generating non-tuition/fee revenues regarding past-due receivables.
- Referral to the Minnesota Department of Revenue, Collection Division, including notification that the account is being referred to an outside collection agency.
All collection activity undertaken for each account should be documented in writing and as appropriate, recorded in ISRS.

Subpart C. Billing.
Each college and university shall require students to view their account online, which will constitute an electronic invoice. Paper invoices must not be issued on a routine basis. Each college and university shall mail a uniform printed invoice to the debtor at least 20 days before referral to the Minnesota Department of Revenue, Collections Division, pursuant to Minnesota Statutes § 16D.07. The invoice form must 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. Holds placed on student records.
Each college and university shall place a registration hold on all unpaid student accounts with balances of $100 or more and that are more than 30 days past due. Each college and university shall place an official transcript hold on all unpaid student accounts with balances of $30 or more and that are more than 30 days past due. These holds must be in place before registration begins for the next term. All balances of less than $30 shall be carried forward without generating a hold.

Each college and university shall place a registration and official transcript hold on all student accounts deemed uncollectible and written off pursuant to internal policies and procedures.

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

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

Colleges, universities, and the system office should, on a quarterly basis but no less than annually:
- Age all accounts receivable amounts.
- Review all accounts receivable that are one year or more past due for write-off.
- Calculate an estimate of uncollectible accounts receivable amounts.

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

A clear distinction must be made between removing accounts receivable and writing off accounts receivable. Accounts receivable can be removed or adjusted when the college or university is not entitled to collect the money. Accounts receivable must not be removed to avoid write-off procedures.
Application fees are considered unearned until the student completes the application process by paying the fee. Unpaid application fees may be removed rather than written off.

Colleges, universities, and the system office 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.

When a debt is determined to be uncollectible, pursuant to the factors of Minnesota Statutes § 16D.09, the debt must be written off from the financial accounting records and is 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 except when the debt has been discharged in bankruptcy or compromised pursuant to the factors of Minnesota Statutes § 16D.15.

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

The system office will report all accounts receivable and write-offs for each college and university, with the basis for the decision, to Minnesota Management and Budget.

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

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

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

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

Date of Approval: 7/29/03
Date of Implementation: 8/15/06
Date of Last Review: 11/12/15

Date and Subject of Amendment:
11/12/15 - Amended to create new Part 1. Amended Part 2. Amended Part 4 regarding holds for registration and transcripts. Registration hold threshold increased to $100; transcript hold threshold remains at $30. Formatting and style changes throughout.
8/26/13 - Part 4, subpart A, remove verbiage requiring entry of the receivable into ISRS at the time account is first established; Part 4, subpart D, added sentence to clarify uncollectable receivables will result in a registration and transcript hold; Part 4, subpart G, added sentence to clarify application fees not earned until the fee is paid, also changed the term “canceling” receivable to “removing” receivable per Finance User Group feedback.
1/25/12 - The Chancellor amends all current system procedures effective February 15, 2012, to change the term "Office of the Chancellor" to "system office" or similar term reflecting the grammatical context of the sentence.
07/27/09 - Technical changes including changing Department of Finance to Management and Budget.
5/16/06 - To take effect August 15, 2006: Part 4, Subpart C, is added whereby colleges and universities will require students to view their account online as an electronic invoice in lieu of preparing and mailing routine paper invoices. Printed invoices with a uniform data format will be mailed to debtors selected for collection efforts in accordance with Minnesota Department of Revenue, Collections Division rules. Part 4, Subpart D, requires all colleges and universities to place a registration and official transcript hold on all unpaid student accounts with balances of $30 or more and that are more than 30 days past due before the begin date of the next term registration. Other smaller changes throughout the procedure.