



College Policy 5.10

Accounts Receivable Management

Part 1. Authority

Minnesota State Colleges and Universities (MnSCU) System Procedures for Board of Trustee Policies 7.3 and 7.6. College Policy 5.02, Finance and Administrative Authority, delegates to the Vice President of Finance and Operations authority to develop procedures and guidelines to implement College procedures.

Part 2. Purpose

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. Definition

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, personal service fees, library and parking fines, short term loans, continuing education open enrollment courses, customized training, reimbursement method grants as well as from sales of products and services.

Account Cancellation: An account that has been canceled or adjusted because the College is not entitled to collect the money.

Account Write-offs: An account that has been determined to be uncollectible and placed in inactive status. This does not eliminate the legal obligation to pay.

Debt: All amounts owed to the College including but not limited to debts for tuition, fees, loans, 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 an Indian tribe, that is liable for a debt or against whom there is a claim for a debt.

Minnesota Department of Revenue Collections: A division within the Minnesota Department of Revenue, Minnesota Department of Revenue Collections is a state-run collection management service. As required by MN Statute 16D.04, sub. 2, accounts receivable must be referred to Minnesota Department of Revenue Collections for collection.

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 not paid to the state agency.

Student: An individual is considered a student once the Admissions Department has processed their Application for Admission. Additionally, individuals who register for non-credit courses offered by the College are considered students.

Part 4. Management of Accounts Receivable

All accounts receivable activities must be documented and, as appropriate, recorded in the MnSCU Integrated Student Record System (ISRS). The student or other debtor must acknowledge the debt at the time an account is created. The acknowledgment 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 MnSCU ISRS system at the time the amount is first established or within a reasonable period afterwards.

Part 5. Collection Activities

The College will follow up routinely and diligently on all accounts receivable. The Vice President of Finance and Operations will designate staff to follow a structured timetable for collection activities including billing intervals, required phone calls, record holds, past due notices, and referral to Minnesota Department of Revenue Collections. All collection activity undertaken for each account should be documented in writing and as appropriate, recorded in ISRS.

The Vice President of Finance and Operations will designate staff to review past due accounts monthly.

The College will on a quarterly basis, but no less than annually age all accounts receivable amounts and review records that are one year or more past due for write-off. The College will calculate an estimate of uncollectible accounts receivable amounts.

As required by MN Statute 13.D.04, sub. 2 accounts receivables which the College is unsuccessful in collecting and are 121 days past due, must be referred to Minnesota Department of Revenue Collections 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 the institution determines that the debtor is adhering to acceptable payment arrangements. The College will discontinue any billing statements, demand letters, or active collection efforts for referred debts.

Minnesota Department of Revenue Collections will file a Revenue Recapture claim for each referred student on behalf of the College. Unpaid balances returned to the College by Minnesota Department of Revenue Collections should be referred directly to Revenue Recapture as appropriate.

Part 6. Writing Off Uncollectible Accounts

The College will periodically, but no less than annually, write off accounts receivable deemed to be uncollectible in the MnSCU ISRS. The Business Office will prepare the list of uncollectible accounts for approval by the Vice President of Finance and Operations. Uncollectible accounts are no longer recognized as an accounts receivable for management and financial reporting purposes.

The College will cancel or adjust accounts receivable if appropriate. An accounts receivable may be canceled or adjusted because the institution is not entitled to collect the money, or because the debtor qualifies for a waiver or refund (College Policy 5.02 Tuition Refunds and Waivers). An accounts receivable may not be canceled to avoid write-off procedures.

Pursuant to MN Statute 16D.09, when a debt is determined to be uncollectible, the debt may be written off from the financial accounting records and 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:

- All reasonable collection efforts have been exhausted.
- The cost of further collection action will exceed the amount recovered.
- The debt is legally without merit or cannot be substantiated by evidence.
- The debtor cannot be located.
- The available assets or income, (current or anticipated), are insufficient.
- The debt was discharged in bankruptcy.
- The applicable statute of limitations for collection of the debt has expired.
- It is not in the public interest to pursue collection of the debt.
- 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 the criteria 3, 6 and 9.

The Office of the Chancellor will report all accounts receivable and write-offs, with the basis for the decision to the Minnesota Department of Finance using DOF forms FI-054601 and FI-0054501.

Part 7. Restoring the previously written off receivable

The College will accept payment for accounts receivable previously written off. The CFO will designate staff to reinstate the previously written off accounts receivable in the MnSCU ISRS system to record the payment and deposit funds to the appropriate accounts.

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Date of Implementation (if different from from adoption date):

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Date and Subject of Revisions: