

BUDGET POLICY AND REPORTING MANUAL

<i>date</i> 4/1/93	<i>subject</i> MAINTAINING ACCOUNTS RECEIVABLE	<i>item</i> K-021
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A. Purpose and Scope

This item establishes policies and procedures prescribed by the Director of the Budget for all State agencies regarding the maintenance of accounts receivable by State agencies.

State agencies shall develop internal guidelines and systems to record all activities involving agency-based debt collection.

All State agencies must update accounts receivable files — either in electronic or written form. Agencies must maintain current information on billings, collection efforts, the outstanding balance, the debt's accounting status, and the debt's legal status.

In addition, State agencies must maintain hard copies (microfilm, microfiche, image storage, or paper copy) of any written correspondence from the debtor and any documentation establishing and substantiating the validity of the debt. These documents will be required to support potential legal action against the debtor, justify uncollectibility, or satisfy an outside collection agency's informational needs.

B. Types of Information in An Account Receivable File

1. Efforts to Contact Debtor

The following information should be recorded when a State agency contacts a debtor by telephone or in writing to request payment for a past-due debt:

- a. When making telephone calls, the following information should be maintained in the agency's files:
 - i. Name of agency representative placing call;
 - ii. Person contacted (e.g., debtor, spouse, parent);
 - iii. Telephone number called;
 - iv. Date when call was made; and
 - vi. Outcome (e.g., promise for payment, debtor disputed debt).
- b. When contacting a debtor in writing, the following information should be maintained in the agency's files:
 - i. Type of notification (e.g., first payment request letter, second payment request letter, notification of certification);
 - ii. Date that notices and/or payment requests were mailed to the debtor; and

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- iii. Method of mailing (e.g., U.S. mail, certified mail).

Any contact with a debtor is also an opportunity to request updated information.

2. Contact from Debtor

State agencies have the responsibility to respond in a timely manner to written or telephone inquiries from a debtor regarding a debt.

A State agency must maintain any contact from a debtor in an electronic file or a written form that is centrally maintained by the State agency. The necessary information includes:

a. Telephone calls from debtors

- i. Date of contact;
- ii. Full name of person who called (e.g., debtor, debtor's spouse, debtor's parent);
- iii. Full name of person in the State agency who spoke with the debtor; and
- iv. Outcome of telephone call.

b. Written contact from debtor

- i. Date received by State agency;
- ii. Nature of letter, for example, debtor:
 - ! Does not acknowledge debt
 - ! Protests due date of debt
 - ! Protests dollar value of debt.

3. Outstanding Balance

The State agency must regularly update the outstanding balance of a debt. The outstanding balance reflects both payments received from the debtor and any additions to the debt.

a. Information regarding payments received:

- i. Date that payment was received;
- ii. Amount received;

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- iii. Form of payment and identification number (e.g., check number, receipt number for payments made in person); and
 - iv. Method of collection (directly from debtor, Attorney General's Office, private collection agency, Department of Taxation and Finance).
- b. Information regarding additions to the outstanding balance:
- i. Amount of interest and penalties (if appropriate);
 - ii. Nature of interest and penalties (e.g., interest, late payment charge, collection fee, returned check charge); and
 - iii. Date that interest and/or penalties were imposed.
- c. Information regarding any deferred payment arrangement:
- i. Date that agreement signed by debtor was received by State agency;
 - ii. Date when debt will be paid in full;
 - iii. Terms — amount to be paid per month;
 - iv. Date and amount of payments as made;
 - v. Date of missed payment (if applicable); and
 - vi. Date that debt was paid in full.
4. Accounting Status

The State agency is responsible for updating the accounting status of each account receivable when the account is paid in full, paid in part, or written-off.

5. Legal Status

The State agency must update the legal status of any debt, including information on any hearing that is held. At a minimum, this information includes:

- a. Type and date of hearing
 - i. State Administrative Procedure Act (SAPA) hearing;
 - ii. Similar to SAPA hearing; or
 - iii. Administrative forum.
- b. Deadline by which the debtor must have requested a hearing.
- c. Outcome of hearing, if applicable:

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- i. Debt confirmed or
 - ii. Reversal.
 - d. Referral date to Attorney General's Office for legal action, such as judgment, bankruptcy, or estate settlement.
6. Referral to Outside Collection Entity

The State agency must record to whom and when a debt was referred for collection (e.g., private collection agency, Attorney General's Office) or certified to the Department of Taxation and Finance. In addition, the State agency must record the outcome of the referral (e.g., payment received, account returned without payment).

7. Collection Expenses

In order to substantiate the assessment of collection fees, State agencies must document all collection actions (e.g., bills, letters, telephone calls, referrals to outside collection entities).

C. Maintaining Copies

While electronic files are particularly useful, the State agency must maintain hard copies (microfilm, microfiche, image storage, paper) of the following:

1. Copy of any application, acknowledgement of the debt, or contract signed by the debtor;
2. Any correspondence from the debtor;
3. Any signed written deferred payment arrangement that was reached between the State agency and the debtor;
4. Copies of any final administrative assessments, judgments, death certificates, witness statements, or any other documentation establishing and substantiating the validity of the debt; and
5. Copy of any dishonored check.

Agency counsel should determine how long the agency should retain these records.