



Agency Policies and Procedures

Issue Date: December 8, 1997

Policy Number: FMR-3E-01

Revised Date:

Page: 1 of 2

Writing Off Uncollectible Accounts

Policy Objectives:

Agency policies and procedures for write-offs of uncollectible accounts are designed to:

- Ensure consistent accounting treatment for all collection and write-off transactions agency-wide;
- Provide assurances that accounts receivable balances are being valued and reported accurately; and
- Does not cancel debtor's legal obligation for the debt.

Background Information:

Write-off policies and procedures relate to debts that are determined to be uncollectible.

These agency policies and procedures supplement the MAPS Operations Manual Policy and Procedures 0507-01, *Writing-off Uncollectible Accounts*.

Authority:

- **Minnesota Statute**
M.S. § 16D.09 *Uncollectible Debts* – This statute specifies when a debt can be determined as uncollectible.
- **MAPS Operations Manual Policy and Procedure 0507-01** specifies the state's policies and procedures for writing-off uncollectible accounts.

Business Risks:

- When all reasonable efforts to collect a receivable have proven unsuccessful, and the receivable is not written off, the accounts receivable balance will be overstated.

Policies and Procedures:

1. Determine a Debt to be Uncollectible - A debt may be determined uncollectible if it meets one of the following legislative justifications:
 - A. All reasonable collection efforts have been exhausted,
 - B. The cost of further collection action will exceed the amount recovered,
 - C. The debt is legally without merit or cannot be substantiated by evidence,
 - D. The debtor cannot be located,
 - E. The available assets or income, current or anticipated, which may be available for payment of the debt is insufficient,
 - F. The debt was discharged in bankruptcy,

- G. The applicable statute of limitations for collection of the debt has expired (six years, if no applicable statute applies), or
- H. It is not in the public interest to pursue collection of the debt.

2. Write Off a Debt Determined to be Uncollectible

- A. The requesting Department of Administration division staff member completes form FI-00545, *Account Write-off*.
- B. The completed form is then forwarded to the financial management director by the end of the current quarter.
- C. The financial management director will review the form and either approve the write-off, request additional information, or not approve the write-off.
- D. If the write-off is approved by the financial management director, it will be included in the *Quarterly Accounts Receivable Report* submitted to the Department of Minnesota Management and Budget.
- E. The Financial Management and Reporting (FMR) Division accountant shall remove the uncollectible debt from the records. Both the FMR Division accountant, as well as the requesting division staff member, should retain copies of the paper documents to be used if payment is received at a future date.
- F. The Department of Minnesota Management and Budget will review the write-off determinations, included in the *Quarterly Accounts Receivable Reports*, for indications that they are reasonable and in the state's best interest.
- G. The Department of Minnesota Management and Budget may request additional information, if necessary, from the agency. They may also make suggestions for the agency to re-evaluate their decision, if necessary.
- H. If the financial management director denies the write-off of the receivable, the FMR Division accountant should re-establish the receivable record.
- I. If payment is received for a written off receivable, re-establish the receivable record, deposit funds to the appropriate account, and post the payment against that re-established record.

Forms:

MMB Forms:

[FI-00545, State of Minnesota Receivable Reporting Account Write-Off Reporting Form](#)
[FI-00546, State of Minnesota Quarterly Receivable Report Activity and Inventory Summary](#)

See Also:

[Maps Operations Manual Policy and Procedures 0503-03, Monitoring Activities and Balances](#)
[Maps Operations Manual Policy and Procedures 0507-01, Writing-off Uncollectible Accounts](#)