



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 4 – Receivables 2.0	EFFECTIVE DATE: 12/05/1994
TITLE: Invoice and Collection Procedures	REVISION DATE: 10/17/2016
AUTHORIZED BY: Director, Bureau of Fiscal Services	

BACKGROUND

A liability, money due or debt due to a Department of Health Services (DHS) unit establishes an “accounts receivable.” This generally occurs when a DHS unit issues an invoice for goods or services provided to a recipient, an organization, or another state agency. Other circumstances that also create an account receivable are:

- Amounts due DHS as a result of aid payments under contracts to counties, nursing homes or other provider agencies where the spending is less than the payments;
- Amounts due DHS as a result of audit findings, which reflect unused reimbursements in excess of allowable costs;
- Overpayments, or payments in error, to vendors or providers; or
- Any other circumstance where an obligation of money is due DHS.

Division and institution management and staff should use these procedures in their operation and oversight of account receivable activities. Bureau of Fiscal Services (BFS) staff should use these procedures in monitoring collection activities.

Exceptions: Separate procedures apply to the Billing and Collections provided by developmental disabilities centers and mental health institutes operated by DHS.

POLICY

The Department’s policy is to maximize revenues through timely and systematic collection efforts and to apply cost-benefit principles to the collection of receivables. Effective and efficient collection efforts are essential to proper account receivable management. Collection efforts of accounts receivable shall, at a minimum, comply with all of the following:

1. **Billed Timely.** Staff are to prepare invoices as soon as it is determined a receivable is due. All accounts receivable are to be recorded in the Statewide Accounting system. Staff must justify, in writing, a decision not to bill a valid obligation or a decision to cancel a valid existing obligation. Either decision requires the approval of the administrator of the Division of Enterprise Services (DES), or designee. Each organization should establish, within DHS policies and procedures, the terms and conditions for payment at the time an account receivable is established.
2. **Collected Promptly.** Each DHS organization is responsible for monitoring their accounts receivable to ensure that timely and appropriate collection policies are in place.

To increase the likelihood of collection, accounts should be collected within 60 days of being established. Any account outstanding for more than 90 days shall be evaluated to determine if further credit should be granted or payments made to that recipient. Any account more than 90 days overdue requires immediate attention.

Every effort should be made to collect receivables during the fiscal year of origin. This increases the likelihood of collection and maximizes the program benefit.

- 3. Handle According to Standards for Collection Efforts.** Accounts receivable management is an important revenue-producing activity. Divisions and institutions should ensure that accounts receivable activities are well defined and that staff are adequately trained in collection efforts. Proper supervision and oversight of all accounts receivable activities are also an integral part of the overall collection process.

The collection effort may be influenced by the amount due as indicated by levels of collection activity. The expenditure of time and money to collect a large amount is appropriate whereas the same effort to collect a small amount may not be. If one approach fails, another approach may result in a successful collection. For example, telephone contact may be required if there has been no response to a written communication.

- 4. Subject to a Thorough and Concerted Collection Effort.** Collection efforts are to be regular, timely and coordinated with at least one attempt to collect in each 30-day period.

Department of Administration (DOA) standards require “thorough and concerted” collection efforts for receivables larger than \$1,000. “Thorough and concerted” efforts include using multiple strategies, such as demand letters, telephone calls, installment plans, State Debt Collection Initiative, tax intercept, judgments, garnishments, liens, or other legal action. For receivables of \$1,000 or more, three strategies should generally be pursued.

- 5. BFS Technical Assistance.** DHS organizations may submit receivables greater than \$100 and more than 90 days overdue to BFS for review and technical assistance in the collection effort. The facts and circumstances of a particular account may require additional collection efforts. BFS staff will either take direct action on the account or recommend actions to be taken. In all cases, receivables are the responsibility of the organization that incurred them. Approval of a write-off, assistance with collection and accounting efforts, and advice on further collection efforts are available from BFS.
- 6. Applicability.** Unless BFS has approved in writing an alternative bad debt and collection policy, these guidelines apply to all divisions and institutions regardless of program area. Those already approved are noted under Background above titled “Exceptions.”

PROCEDURES

- 1. Timely Billing.** Divisions and institutions shall issue an invoice within 15 days of the provision of goods or services or determination of other debts, such as salary overpayments. All accounts receivables are to be recorded in the Statewide Accounting system accounts receivable module. The invoice shall, at a minimum, include the amount due, the due date for payment, a brief description of why the amount is due (for example, “for training on April 1, 2016,” or “salary overpayment”), where to remit payment, and a contact for questions.
- 2. Invoice Request.** The billing organization shall prepare an invoice request form for the billing of goods or services (F-80921) and submit it to BFS. Invoice Request Instructions (F-80921A) are available on the DHS WorkWeb. The entry of data from the Invoice Request into STAR will generate an invoice which will be mailed.
- 3. Timetable for Routine Collection Efforts.** The following are the minimum collection efforts for accounts receivable from non-state recipients.

- a. If a receivable remains uncollected for 30 days, a follow-up letter must be issued within 30 days (60 days after the invoice date). This first demand letter must specify the payment date, the amount due, and the name and phone number of a person to contact if there are any questions or if the debtor disputes the amount billed.
 - b. If a receivable remains uncollected for 60 days, a second demand letter must be issued within 30 days (90 days after the invoice date). The second letter should contain the same information as in the first collection letter and establish that progressive action will be taken until the debt is cleared. In addition, DOA recommends that telephone contact be made if there is no response to collection letters.
 - c. The program manager, contract administrator or other divisional management staff, as appropriate, shall determine if further credit will be granted, if payments will be made, or if credit will be extended to any recipient or organization with an account over 90 days old. This decision must be documented and written notice given to the debtor and to BFS. In addition, the account should be referred to the Department of Revenue (DOR) Debt Collection Initiative, or an installment plan proposed, or both.
4. **Levels of Collection Efforts.** DOA has established various thresholds for levels of collection effort. At a minimum, the following collection efforts are required based on the debt amount.
- a. **Amounts of \$50 or more.** BFS will review the referred account and determine the most appropriate collection action. The account may be referred to the DOR Debt Collection Initiative. Accounts referred to DOR require the agency to provide identifying data, including a Social Security Number, Federal Employer Identification Number, or State of Wisconsin Driver's License Number.
 - b. **Receivables may be returned from the DOR Debt Collection Initiative as uncollectible.**
 - (1) **Amounts between \$100 and \$1,000.** If returned as uncollectible by DOR and the amount due is between \$100 and \$1,000, the receivable may be submitted to BFS for write-off with no further action needed by the division.
 - (2) **Amounts Greater than \$1,000.** If returned as uncollectible by DOR and the amount due is \$1,000 or more, the account must be approved for write-off by the State Controller's Office.
 - (3) **Amounts Greater than \$1,000 under unusual circumstances.** For amounts greater than \$1,000 and where there are unusual circumstances, referral to the Department of Justice (DOJ) shall be made via the DHS Office of Legal Counsel (OLC). Following the review, if recommended for write-off, the account must be approved for write-off by the State Controller's Office. Following legal counsel review, if additional legal action is pursued, BFS shall follow the recommendations of DOJ and OLC.
5. **Installment Plan.** A repayment plan may be established provided it is in writing and signed by the debtor and a division/institution representative. Repayment plans should be for a reasonable amount, with a minimum amount due of \$50 per month (amounts less than \$50 per month are too expensive to process). Generally, three percent of gross income per month is considered an appropriate amount. In addition, installment plans must be for a reasonable period of time. BFS must approve installment plans prior to acceptance by the division representative to ensure that the terms are manageable. (See Attachment 1 for a template Installment Agreement.)

Billing organizations should monitor the terms of the repayment plan to ensure that regular payments are made. The existence of an installment plan does not relieve the division or institution from continuing obligations to collect the receivable. Reminder notices should be sent within 30 days if payments are not received, and telephone calls should be made if reminder notices are not effective. If payments are not received for a period of three months, the receivable should be referred to DOR after a notice to that effect is sent to the debtor.

- 6. Timeliness of Collection Efforts.** Collection efforts must be timely at all stages of the collection process. The probability of collection decreases substantially after 90 days and more so after one year. “Timely collection effort” means one collection effort in a 30-day period except when receivables are at a collection agency, DOR, Division of Hearings and Appeals, BFS, or DOJ. When receivables are returned as uncollectible, the division or institution must take any required additional collection efforts within 30 days.

Division and institution managers have the responsibility for ensuring that collection efforts meet all applicable requirements. Any indication of non-timely collection efforts or collection efforts that are not thorough or concerted requires immediate corrective action.

Under no circumstances should the statute of limitations be exceeded without thorough and concerted collection efforts and consultation with BFS and OLC.

- 7. Unknown Addresses.** It is common for collection or demand letters to be returned by the post office as “address unknown.” “Unknown address” is **not** a valid reason for write-off unless the receivable is \$50 or less.

Each organization is responsible for using all available resources to trace address changes if the receivable balance is greater than \$50. Some of these resources are: telephone calls to the debtor if the telephone number is known; telephone books; directory assistance; the Department of Transportation’s Division of Motor Vehicles; the Department of Safety and Professional Services for addresses and telephone numbers of licensed professionals, and internal resources, such as program information.

If the receivable is greater than \$100 and available information does not yield a valid address, referral to DOR is required. Some collection agencies use skip-tracing methods to locate individuals and businesses. If the collection agency returns a receivable as “hopeless skip,” the account may be written off by the division or institution if the amount is \$1,000 or less or recommended for write-off if the amount is greater than \$1,000.

- 8. Disputed Amounts.** Disputed amounts are not uncommon in debt collection. In such a case, the responsibility of the division or institution is to provide information in a timely manner that will demonstrate that a debt is due to DHS. In some cases, referral to OLC may be needed to resolve legal issues that arise. Normally, this information should be provided within 30 days or sooner if practicable.

Under no circumstances should debt collection cease due to a disputed payment unless substantial doubt exists as to the validity of the receivable or OLC instructs the division or institution to cease collection efforts.

Disputed amounts appealed to the Division of Hearings and Appeals will cease any collection efforts pending resolution of an appeal. The division or institution has the responsibility to monitor the status of an appeal and to remain in contact with the assigned OLC attorney when an appeal does not appear to be progressing normally.

Adjustments made to receivables as the result of a review of a disputed amount may not require write-off approval, provided the account is less than \$1,000, but must be reported as an adjustment on the annual reports of receivables. Adjustments to any account receivable must state a valid reason for adjustment and be documented. All adjustments must be approved by someone other than the person who maintained the account receivable record or collected receivables.

9. **Bankruptcy, Dissolutions and Other Ownership Changes.** Federal, state and DHS policy require debt collection to continue to the extent possible under the relevant laws when bankruptcy or other legal status of an organization changes. Upon any indication of impending bankruptcy, the receivable should be referred to OLC immediately for assistance. Generally, collection efforts will not continue once bankruptcy is filed; however, attorneys may take action through the bankruptcy court.

Similarly, corporate dissolutions, sale of a business or any change in ownership should be referred to OLC for legal assistance. In these cases, collection efforts should continue since receivables are generally transferred to new owners, or they may be the personal responsibility of a sole proprietor or partner. In these instances, collection should continue until OLC advises otherwise. It is the responsibility of the division or institution to follow up on all leads in collecting these debts and to continue to send demand letters or refer the receivable to DOJ for collection via OLC.

10. **Recordkeeping and Audit Trail.** Debt collection requires adequate recordkeeping to demonstrate that thorough and concerted collection efforts were done and to provide an audit trail for internal and external auditors. Most importantly, any legal action requires complete documentation of all facts relating to the receivable, including documentation of the overpayment or invoice, any disputed amounts and their resolution, and all collection activities.

Recordkeeping for collection efforts include dates and results of telephone calls, envelopes returned with address unknown and certified letter stubs. Electronic records or a hard copy should be preserved as the relevant audit trail. The loss of any of these materials could jeopardize further collection activities.

ATTACHMENTS

1. Installment Agreement (Sample)
2. Notice of 30 Days Past Due (Sample)
3. Notice of 90 Days Past Due – Notice of Intent to Refer Debt to DOR (Sample)

CONTACTS

[Revenue and Cash Management Section Chief](#)

[Accounts Receivable Specialist](#)

ATTACHMENT 1



**Department of Health Services
Division of Enterprise Services
Bureau of Fiscal Services
1 West Wilson Street
PO Box 7850
Madison WI 53707-7850**

INSTALLMENT AGREEMENT

Date: November 3, 2016

Payer:

Debt Type: DHS Unpaid Invoice

Invoice Number: 43512XXX-XXX

Balance Due: \$

1. I agree to make payments to satisfy this obligation **in full** within 12 months of the date I sign this agreement.
2. Monthly payments in the amount of \$ _____ will be made, beginning in **Month Year**.
3. My first payment of \$ _____ is enclosed.
4. I understand that this agreement is valid only if I sign below and return **with my first payment** to DHS within 10 days of this notice date.
5. I understand that if I do not pay according to this agreement with DHS, the Department may refer the unpaid balance of my debt to the Wisconsin Department of Revenue, pursuant to Wis. Stat. § 71.93 (8) (b), with no further notice to me.

Signature

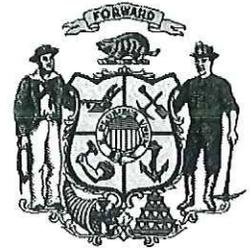
Date

Instructions

1. If you have further questions, or wish to make other payment arrangements, please contact the **Bureau of Fiscal Services** at **608-261-8870**.
2. Make your check payable to the **Department of Health Services**.
3. Mail your check and a signed original agreement to:
WI DEPT OF HEALTH SVCS
DIV OF ENTERPRISE SERVICES, BUREAU OF FISCAL SERVICES
PO BOX 1668
MADISON WI 53707-1668

ATTACHMENT 2

State of Wisconsin
 Department of Health Services



11/1/2016

1

CUSTOMER NAME
 STREET ADDRESS
 CITY STATE ZIP

Dear Valued Customer

Payment has not been received on this invoice which is now 30 days past due. Please remit the balance immediately to avoid referral to a collection agency. If you have made payment, please disregard this notice.

Business Unit Sequence	43500 Item	Customer Line	0000031382 Entry Type/Reason	CUSTOMER NAME / Balance	Overdue Charges	Due Date	Accounting Date	Days Late
1	435-00000XXXXX	0	IN STNRD	1,000.00 USD	0.00	9/30/2016	8/31/2016	32
				1,000.00 USD	0			
				1,000.00 USD				

Please remit payment immediately.

Please feel free to call if you have any questions regarding your account.

Sincerely,

AR SPEC

End Of Dunning Letter

ATTACHMENT 3
 State of Wisconsin
 Department of Health Services



11/1/2016

1

CUSTOMER NAME
 STREET ADDRESS
 CITY STATE ZIP

Dear Valued Customer

This invoice is now 90 days past due.

NOTICE OF INTENT TO REFER DEBT TO THE DEPARTMENT OF REVENUE

Per WI Stats s.71.93(2) you are hereby notified that the agency may certify the above debt to the WI Department of Revenue (DOR). If not paid in full within 30 days of the date of this notice, it may be referred to DOR for collection action. A fee of 15% of the unpaid balance or \$35.00, whichever is greater, will be added to the amount due.

DOR actions may include any of the following, which may result in additional fees being added to your debt:

- Interception of WI tax refunds;
- Attachment of Wages or Other compensation;
- Garnishment, seizure or levy against your property, including bank accounts and IRAS;
- Filing a delinquent tax warrant with the Clerk of Courts in the county in which you reside or own personal property. This tax warrant will act as a judgment and lien on any real and personal property that you own and may affect your credit rating.

Filing a delinquent tax warrant with the clerk of Courts in the county in which you reside or own personal property. This tax warrant will act as a judgment and lien on any real and personal property that you own and may affect your credit rating.

Business Unit Sequence	43500 Item	Customer Line	0000041617 Entry Type/Reason	CUSTOMER NAME Balance	Overdue Charges	Due Date	Accounting Date	Days Late
4	435-00000XXXXX	0	IN STNRD	1,000.00 USD	0.00	7/23/2016	6/23/2016	101

1,000.00 USD

Please remit payment immediately.

1,000.00 USD

Please feel free to call if you have any questions regarding your account.

Sincerely,

End Of Dunning Letter