


# MANAGEMENT DIRECTIVE

## Commonwealth of Pennsylvania Governor's Office

<b>Subject:</b> Collection, Referral, and Compromise or Write-Off of Delinquent Claims	<b>Number:</b> 310.10 Amended
<b>Date:</b> November 18, 2011	<b>By Direction of:</b>  Charles B. Zogby, Secretary of the Budget
<b>Contact Agency:</b> Office of the Budget, Office of Comptroller Operations, Bureau of Planning and Management, Telephone 717.787.6496	

**This directive establishes policy, responsibilities, and procedures for the collection, referral, and compromise or write-off of delinquent claims. This amendment adds definitions; increases the amount that can be written-off without a referral to the Office of Attorney General (OAG) to \$100; updates requirements for referrals to the OAG, including electronic referral via the OAG website; and gives agency heads authority to approve requests for compromise and write-offs. Marginal dots are excluded due to major changes.**

- 1. PURPOSE.** To establish policy, responsibilities, and procedures for the collection, referral, and compromise or write-off of delinquent claims.
- 2. SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction. Agencies not under the Governor's jurisdiction are encouraged to follow this directive.
- 3. OBJECTIVES.**
  - a.** Provide for uniform minimum collection efforts.
  - b.** Ensure consistent application of the procedures for referring delinquent claims and requesting compromise or write-off.
  - c.** Ensure timely deposit of funds collected on referrals to the OAG.

#### 4. DEFINITIONS.

- a. **Cancel Report.** A monthly report provided by the OAG listing referrals that have been paid in full, returned at the request of the referring agency, or for which collection efforts have been exhausted.
- b. **Client Statement.** A monthly report provided by the OAG that summarizes the accounting transactions affecting each referral, including net collection amounts transferred to referring agencies, payments received, and adjustments.
- c. **Compromise.** A process whereby an agency settles a delinquent claim against a debtor.
- d. **Delinquent Claim.** An amount of money owed to the commonwealth for which payment is overdue, excluding interagency accounts receivable and amounts subject to an agency-approved payment plan.
- e. **Dunning.** The act of notifying a debtor of a delinquent claim.
- f. **Dunning Cycle.** The number of notices and frequency with which an agency notifies a debtor of a delinquent claim. The standard dunning cycle for the commonwealth is 30/60/90; a dunning notice is issued on the 1<sup>st</sup> day after the invoice due date, with additional dunning notices issued on the 31<sup>st</sup> and 61<sup>st</sup> days after the invoice due date. A fourth notice is generated on the 91<sup>st</sup> day after the invoice due date, prompting the agency to refer, compromise, or write-off the delinquent claim.
- g. **OAG Collections Process Manual.** A document containing detailed procedures for submitting, updating, and deleting delinquent claims and payment information on the OAG website.
- h. **OAG Website.** The online mechanism for submitting, updating, and deleting delinquent claims and payment information to the OAG. The address for the OAG website is <https://portal.attorneygeneral.gov>.
- i. **Referral.** A delinquent claim that has been submitted to the OAG for collection.
- j. **Restricted Receipts Fund.** A mechanism to record and classify revenue collected by the commonwealth but due and payable to another entity; to accumulate resources that are restricted by the commonwealth and for use by the commonwealth; or to record certain types of taxes.
- k. **Write-Off.** A process whereby an agency cancels a delinquent claim against a debtor.

#### 5. POLICY.

- a. Agencies must bill, monitor, and make reasonable efforts to collect accounts receivable, including dunning for delinquent claims. Procedures for billing and monitoring accounts receivable should be reviewed periodically for possible improvements.

- b. Delinquent claims must be referred, compromised, or written-off in accordance with procedures in this directive and the [OAG Collections Process Manual](#), except when the OAG has delegated collection authority or approved alternate procedures for processing delinquent claims.
- c. Agency heads are the approving authority for all compromises and write-offs. Compromises and write-offs prior to completion of the standard dunning cycle or prior to referral also require approval of the OAG, except when the OAG has delegated collection authority.
- d. Referrals shall be deemed ready for compromise or write-off when the OAG notifies the agency that the delinquent claim is uncollectible (uncollectible claims will be listed on the cancel report with a status of "exhausted"). Agencies are not required to submit Form STD-199, Request for Compromise or Write-Off (Form STD-199) to the OAG for a compromise or write-off if the OAG has determined the delinquent claim is uncollectible.
- e. Proceeds from the collection of delinquent claims must be safeguarded from loss and theft and deposited promptly in accordance with this directive, *Management Directive 305.11, Depositing Checks, Money Orders and Cash*, and *Management Directive 305.5, Cash Management*.
- f. Commission paid to private collection agencies and other costs incurred by the OAG during the collection of delinquent claims shall be deducted from the gross collection amounts; net collection amounts shall be transferred to agencies each month.
- g. Transfers of net collection amounts from the OAG to agencies shall be recorded using the SAP accounting codes (including SAP fund, general ledger account, cost center, and internal order number, if applicable) provided by each agency.
- h. When a separated commonwealth employee has not paid an undisputed delinquent claim, the commonwealth must attempt to recover such money by offsetting the amount due against payouts for annual leave, personal leave, sick leave, retirement, and any other amounts due the employee, consistent with *Management Directive 315.8, Restitution of Overpayments*. If that is not possible, follow the procedures in this directive for employee-related delinquent claims.

## **6. RESPONSIBILITIES.**

### **a. Agency Heads shall:**

- (1) Initiate periodic reviews of agency procedures for billing and monitoring accounts receivable and evaluate possible improvements.
- (2) Approve or disapprove compromises and write-offs.
- (3) Consult the agency chief counsel, as needed, on possible legal action against debtors whose delinquent claims have been deemed uncollectible by the OAG.

**b. Agencies shall:**

- (1) Bill, monitor, and make reasonable efforts to collect accounts receivable.
- (2) Issue dunning notices for delinquent claims.
- (3) Refer delinquent claims to the OAG in accordance with policy and procedures in this directive.
- (4) Provide valid SAP accounting code to the OAG for recording the transfer of net collection amounts and immediately notify the OAG of changes to the SAP accounting code.
- (5) Notify the OAG and the Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Accounting (BCA), Accounts Receivable Section when the agency deposits a payment for a referred delinquent claim.
- (6) Establish accounts receivable and record any related collections, referrals, compromises, or write-offs in the agency accounts receivable system (if the agency does not use SAP for accounts receivable).
- (7) Reconcile the client statement to the agency accounts receivable system (for any accounts receivable not recorded in SAP).
- (8) Prepare and submit requests for compromise or write-off in accordance with policy and procedures in this directive.

**c. BCA, Accounts Receivable Section shall:**

- (1) Monitor the BCA accounts receivable email resource account ([ra-arwriteoffref@pa.gov](mailto:ra-arwriteoffref@pa.gov)).
- (2) Establish SAP accounts receivable and record any related collections, referrals, compromises, or write-offs.
- (3) Notify the OAG when the BCA, Accounts Receivable Section deposits a payment for a referred delinquent claim.
- (4) Update SAP accounts receivable for returned checks; notify the OAG when a returned check is less than the entire amount of the referral.
- (5) Reconcile the client statement to SAP accounts receivable.
- (6) Process a monthly adjustment memorandum to transfer net collection amounts for delinquent claims from the OAG to each affected agency.

**d. Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO) shall:**

- (1) Bill separated employees and issue dunning notices for employee-related accounts receivable and delinquent claims.

- (2) Refer delinquent claims to the OAG in accordance with policy and procedures in this directive.
- (3) Notify the OAG when the BCPO deposits a payment for collections on delinquent claims.
- (4) Establish and update employee-related accounts receivable in SAP.
- (5) Reconcile the client statement to SAP payroll records.
- (6) Process write-offs for delinquent claims by entering appropriate adjustment transactions in SAP Human Resources & Payroll module and, if over \$100, by preparing and submitting Form STD-199 to the OAG.
- (7) Process SAP adjustment memorandums to transfer net collection amounts for employee-related referrals from the OAG to each affected agency.

**e. OAG shall:**

- (1) Ensure availability of the OAG website for posting referrals, payments, returned checks, and other updates to the status of referrals.
- (2) Initiate collection procedures for referrals.
- (3) Provide weekly and monthly payment files to referring agencies and the BCA, Accounts Receivable Section.
- (4) Update the OAG collections system for payments and returned checks received by the OAG for referrals.
- (5) Prepare and provide a client statement to each referring agency.
- (6) Transmit an adjustment memorandum file to SAP for the transfer of net collection amounts from the OAG restricted receipts fund to each affected SAP agency and issue a check to distribute net collection amounts to each affected non-SAP agency.
- (7) Approve or disapprove within 30 days of receipt any request for compromise or write-off of delinquent claims not previously referred to the OAG.
- (8) Approve or disapprove agreements between agencies and the OAG that provide for the delegation of collection authority or alternate procedures for processing delinquent claims.

## **7. PROCEDURES.**

### **a. Managing Agency Accounts Receivable.**

- (1) The agency bills the debtor, specifying a payment due date.

- (2) The agency issues a dunning notice on the first day after the invoice due date.
- (3) The agency addresses delinquent claims at least twice more, in writing, in accordance with the standard dunning cycle or a more stringent dunning cycle established by the agency.

**NOTE:** If the agency is seeking compromise or write-off of delinquent claims before completing the standard dunning cycle, it must submit a request to the OAG, including detailed justification, in accordance with Section 7.b.(3) of this directive.

**b. Options for Processing Delinquent Claims After Agency Billing and Dunning Efforts Have Been Exhausted.**

**(1) Refer Delinquent Claims Greater Than \$100 to the OAG.**

**(a) Action By: Agency.**

- 1** Enter the referral on the OAG website according to procedures in the [OAG Collections Process Manual](#).
- 2** Update the SAP invoice dunning block indicator to "2", which indicates that the delinquent claim has been referred to the OAG.

**(b) Action By: OAG.**

- 1** Initiate collection procedures.
- 2** Maintain documentation of the referral, including the nature and litigation status.
- 3** Provide a client statement each month to the referring agency and the BCA, Accounts Receivable Section.
- 4** Update the OAG website when a referral is determined to be uncollectible and provide a cancel report each month to the referring agency and BCA, Accounts Receivable Section.

**(c) Action By: Agency Head or Designee.** Approve a compromise or write-off within 30 days of receipt of the cancel report or consult the agency chief counsel regarding possible legal action against the debtor.

**(d) Action By: Agency.**

- 1** For uncollectible claims approved by the agency head or designee for compromise or write-off, prepare and submit Form STD-199 to [ra-arwriteoffref@pa.gov](mailto:ra-arwriteoffref@pa.gov) (referrals determined by the OAG to be uncollectible should not be resubmitted to the OAG for compromise or write-off).

**2** For claims not approved by the agency head or designee for compromise or write-off, pursue legal action as determined appropriate by the agency chief counsel.

**(e) Action By: BCA, Accounts Receivable Section.** Post an SAP entry for compromise or write-off for each approved Form STD-199.

**(2) Compromise or Write-Off of Delinquent Claims Less Than or Equal To \$100.**

**(a) Action By: Agency.** Prepare and submit Form STD-199, approved by the agency head or designee, to [ra-arwriteoffref@pa.gov](mailto:ra-arwriteoffref@pa.gov).

**(b) Action By: BCA, Accounts Receivable Section.** Post an SAP entry for compromise or write-off for each approved Form STD-199.

**(3) Request Compromise or Write-Off of Delinquent Claims Greater Than \$100 (No Prior Referral to the OAG).** This procedure applies in exceptional circumstances, such as business closure, bankruptcy, or excessive cost to collect a delinquent claim; most delinquent claims greater than \$100 will be subject to dunning and referred to the OAG for collection before compromise or write-off occurs.

**(a) Action By: Agency.** Prepare and submit Form STD-199, approved by the agency head or designee, to the OAG at [finenf@attorneygeneral.gov](mailto:finenf@attorneygeneral.gov).

**(b) Action By: OAG.** Approve or disapprove Form STD-199 within 30 days of receipt.

**1** If approved, forward Form STD-199 to the BCA, Accounts Receivable Section.

**2** If disapproved, return Form STD-199 to the agency to begin the referral process in accordance with section 7.b.(1) of this directive.

**(c) Action By: BCA, Accounts Receivable Section.** Post an SAP entry for compromise or write-off for each approved Form STD-199.

**c. Depositing Payments for Delinquent Claims Referred to the Office of Attorney General.**

**(1) Payments Received by the Agency.**

**(a) Action By: Agency.**

**1** Create a transmittal of revenue to deposit the payment.

**2** Record the payment information on the OAG website.

**3** Provide the payment information to [ra-arwriteoffref@pa.gov](mailto:ra-arwriteoffref@pa.gov).

**(b) Action By: BCA, Accounts Receivable Section.** Update the SAP accounts receivable record to reflect the payment deposited by the agency.

**(c) Action By: OAG.** Provide the payment files and an updated monthly client statement to the referring agency and the BCA, Accounts Receivable Section.

**(2) Payments Received by the BCA, Accounts Receivable Section.**

**(a) Action By: BCA, Accounts Receivable Section.**

**1** Create a transmittal of revenue to deposit the payment.

**2** Record the payment information on the OAG website.

**3** Update the SAP accounts receivable record to reflect the payment.

**(b) Action By: OAG.** Provide the payment files and an updated monthly client statement to the referring agency and the BCA, Accounts Receivable Section.

**(3) Payments Received by the OAG.**

**(a) Action By: OAG.**

**1** Create a transmittal of revenue to deposit the payment into the OAG restricted receipts fund.

**2** Record the payment information in the OAG collections system.

**3** Provide the payment files and an updated monthly client statement to the referring agency and the BCA, Accounts Receivable Section.

**(b) Action By: BCA, Accounts Receivable Section.** Update the SAP accounts receivable record to reflect the payment deposited by the OAG.

**d. Adjusting for Returned Checks.**

**(1) Action By: BCA, Revenue Accounting Section.** Prepare an SAP adjustment memorandum for the returned check in accordance with section six of the Office of Comptroller Operations Refund of Expenditures Procedure Manual and provide a copy of the adjustment memorandum to the BCA, Accounts Receivable Section.



**(2) Action By: BCA, Accounts Receivable Section.**

- (a)** Update the SAP accounts receivable payment document to reflect details of the adjustment memorandum for the returned check.
- (b)** Create a new SAP invoice for the account receivable in the amount of the returned check.
- (c)** If the returned check was less than the entire amount of the account receivable, post an NSF transaction on the OAG website.

**e. Processing Client Statements.**

**(1) Action By: OAG.**

- (a)** Transmit a file to SAP monthly to transfer net collection amounts via adjustment memorandum from the OAG restricted receipts fund to SAP agencies.

**NOTE:** Agencies not using SAP will receive a check from the OAG for the transfer of net collection amounts.

- (b)** Prepare a client statement for each agency showing collections transferred to agencies, payments received, and adjustments.
- (c)** Email a copy of the client statement and the SAP adjustment memorandum number to each agency's point of contact.

**(2) Action By: BCA, Accounts Receivable Section.**

- (a)** Verify receipt of the monthly transfer of net collection amounts; use SAP transaction code FB03 to enter the document number and view the adjustment memorandum.
- (b)** Prepare an SAP adjustment memorandum to distribute net collection amounts to the affected SAP agencies.
- (c)** Reconcile the client statement to the SAP accounts receivable balances.

**NOTE:** The agency must reconcile the client statement to the balances of any accounts receivable recorded outside SAP.

**f. Managing Employee-Related Accounts Receivable (BCPO Use Only).**

- (1)** BCPO bills separated employees for amounts owed to the commonwealth and issues dunning notices for employee-related delinquent claims.
- (2)** BCPO monitors the status of employee-related delinquent claims until the completion of the standard dunning cycle.

- (3) BCPO determines whether an employee-related delinquent claim must be referred to the OAG for collection or written-off.
- g. Options for Processing Employee-Related Delinquent Claims After Billing and Dunning Efforts Have Been Exhausted (BCPO and OAG Use Only).**
- (1) Refer Employee-Related Delinquent Claims Greater Than \$100 to the OAG.**
- (a) **Action By: BCPO.** Enter the referral on the OAG website in accordance with the [OAG Collections Process Manual](#).
- (b) **Action By: OAG.**
- 1** Initiate collection procedures.
  - 2** Maintain documentation of the referral, including the nature and litigation status.
  - 3** Provide a client statement each month to BCPO.
  - 4** Update the OAG website when a referral is determined to be uncollectible and provide a cancel report each month to BCPO.
- (c) **Action By: BCPO.** Within 30 days of receipt of the cancel report, process a write-off adjustment in the SAP Human Resources & Payroll module or consult the agency chief counsel regarding possible legal action against the debtor.
- (2) Compromise or Write-Off Delinquent Claims Less Than or Equal To \$100.** BCPO processes a write-off adjustment in the SAP Human Resources & Payroll module.
- (3) Request Compromise or Write-Off of Delinquent Claims Greater Than \$100 (No Prior Referral to the OAG).**
- (a) **Action By: BCPO.** Prepare and submit Form STD-199, approved by the agency head or designee, to the OAG at [finenf@attorneygeneral.gov](mailto:finenf@attorneygeneral.gov).
- (b) **Action By: OAG.** Approve or disapprove Form STD-199 within 30 days of receipt and return the form to BCPO.
- (c) **Action By: BCPO.**
- 1** If Form STD-199 has been approved by the OAG, process a write-off adjustment in the SAP Human Resources & Payroll module.
  - 2** If Form STD-199 has been disapproved by the OAG, begin the referral process in accordance with Section 7.g.(1) of this directive.

**h. Depositing Payments for Employee-Related Delinquent Claims (BCPO and OAG Use Only).**

**(1) Payments Received by BCPO.**

**(a) Action By: BCPO.**

- 1** Process a payroll adjustment in the SAP Human Resources & Payroll module that creates a refund of expenditures, crediting funds to the affected agencies.
- 2** Record the payment information on the OAG website.

**(b) Action By: OAG.** Provide the client statement each month to BCPO.

**(c) Action By: BCPO.** Reconcile the client statement to payroll records.

**(2) Payments Received by the OAG.**

**(a) Action By: OAG.**

- 1** Create a transmittal of revenue to deposit the payment into the OAG restricted receipt account.
- 2** Record the payment information in the OAG collections system.
- 3** Provide the client statement each month to BCPO.
- 4** Process a monthly SAP adjustment memorandum transferring collected amounts from the OAG restricted receipt account to the BCPO restricted receipt account.

**(b) Action By: BCPO.**

- 1** Reconcile the client statement to payroll records.
- 2** Process a payroll adjustment in the SAP Human Resources & Payroll module.
- 3** Process an SAP adjustment memorandum to distribute net collection amounts from the OAG to the affected agencies.

**i. Adjusting for Returned Checks for Employee-Related Delinquent Claims (BCPO and OAG Use Only).**

**(1) Action By: BCA, Revenue Accounting Section.** Prepare an SAP adjustment memorandum for the returned check in accordance with section six of the Office of Comptroller Operations Refund of Expenditures Procedure Manual and provide a copy of the adjustment memorandum to BCPO.

- (2) **Action By: BCPO.** Inform the separated employee of the returned check and request a replacement payment by certified or cashier's check.
- (a) If the separated employee provides a certified or cashier's check, deposit the check as a refund of expenditures in accordance with section one of the Office of Comptroller Operations Refund of Expenditures Procedure Manual.
  - (b) If the separated employee does not respond to the BCPO request for a replacement check within 90 days, refer the delinquent claim to the OAG in accordance with Section 7.g.(1) of this directive.

**This directive replaces, in its entirety, *Management Directive 310.10*, dated August 29, 1996.**