



## [Code of Maryland Regulations \(Last Updated: April 6,2021\)](#)

- [Title 17. Department of Budget & Management](#)
- [Subtitle 01. CENTRAL COLLECTION UNIT](#)
- [Chapter 17.01.01. Standards for Administrative Collection of Claims](#)

### **Sec. 17.01.01.02. Scope**

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*Latest version.*

This chapter applies to the collection of all claims, delinquent accounts, and debts owed to the State or to an agency or official of the State in his official capacity, except those exempt by law from referral to the Central Collection Unit. The nature of certain claims owed to the State may cause the strict application of one or more of these standards to be impractical or not in the best interest of the State. Agencies may deviate from these standards only if this deviation has been requested in writing from and approved by the Secretary of Budget and Management. The written request shall specify the precise nature of the deviation or deviations, the types of account or accounts or claim or claims to be governed by the deviation or deviations, and the justification for these deviated standards

### **Sec. 17.01.01.03. Definitions**

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*Latest version.*

- A. In this chapter, the following terms have the meanings indicated.
- B. Terms Defined.
  - (1) "Debtor" means a person, company, agency, corporation, or other entity legally obligated to pay money to the State or to an agency or official of the State in his official capacity.
  - (2) Delinquent Account. An account shall be considered delinquent when the agency making the claim has documented that the following conditions exist:
    - (a) Appropriate demand has been made on the debtor;
    - (b) A third-party payor (for example, insurance company, government agency, etc.) that may be involved has refused benefits to the debtor sufficient to satisfy the State's entire claim on the debtor;
    - (c) The debtor:
      - (i) Is unable to pay all or any part of the State's claim, or
      - (ii) Refuses to pay all or a part of the State's claim.

### **Sec. 17.01.01.04. Agency Responsibility**

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*Latest version.*

A. Aggressive Collection Action. The agency head or his designee shall take aggressive action, on a timely basis with effective follow-up, to collect all claims of the State for money or property resulting from the activities of (or referred to) his agency in accordance with the standards set forth in this regulation.

B. Demand for Payment.

(1) Appropriate written demands shall be made upon a debtor in the form of invoices, letters, or other written communication, properly addressed and delivered to the debtor. The first demand may be made before the date the claim is due and payable or within a reasonable time after that. This demand shall inform the debtor of the amount and reason for the indebtedness and the date when payment is due. Information about a discount offered to

the debtor as an incentive to early payment as well as information about interest or other charges which may be assessed as a penalty for late payment shall be included in the first demand for payment.

(2) Written demands for past due amounts (reminder letters, for example) should also include a statement informing the debtor of the consequences (that is, declaration of account delinquency and transfer to CCU for possible enforced collection action) of failure to respond to the demand in a positive manner.

(3) Three written demands, at 30 day intervals, will normally be made before an account is declared delinquent. However, an agency should declare an account delinquent and transfer it to CCU immediately, without awaiting the expiration of a time period, whenever:

(a) The debtor's response to an appropriate demand indicates that further demand would be futile (for example, debtor's expressed refusal to pay);

(b) The debtor fails to respond in a positive way within 75 days of the original written demand;

(c) Prompt suit or attachment is required in anticipation of:

(i) The debtor's departure from the jurisdiction,

(ii) The debtor's removal or transfer of assets,

(iii) Imminent expiration of any applicable statute of limitations.

(4) There should be no undue delay in responding to a communication received from the debtor.

(5) A claim against a deceased non-delinquent debtor shall be filed promptly by the agency concerned and the account deemed delinquent only if the personal representative of the estate refuses payment. If an estate has not been opened within 180 days of the date of death, the account shall be deemed delinquent and referred to the Central Collection Unit for collection.

C. Personal Interview with Debtor. Agencies will undertake personal interviews and telephone contacts with their debtors when this is feasible, having due regard for the amounts involved and the proximity of the agency representatives to these debtors.

D. Collection from Third-Party Payors. Whenever the debtor may be eligible for benefits or financial assistance from a third party, such as veteran benefits, Medicaid, or Medicare, to help satisfy the debtor's obligation to the State, the agency shall render any assistance that it may deem reasonable and proper to assist the debtor in making claim on the third party, including billing the third party on behalf of the debtor. Collections from these third parties shall be used to reduce the debtor's obligation to the State to the extent permitted by law. In determining account delinquency, a debtor's refusal to apply for or make a claim for benefits from a third-party payor shall have the same effect as a refusal of benefits to the debtor by the third-party payor.

E. Collection by Offset. Collection by offset shall be undertaken administratively to the extent permitted by law.

#### F. Liquidation of Collateral.

(1) If the debtor fails to pay a debt within a reasonable time after demand, an agency holding security or collateral which may be liquidated should do so through the exercise of a power of sale in the security instrument or a nonjudicial foreclosure by procedures in accordance with applicable law, and apply the proceeds to debts due it, unless the cost of disposing of the collateral will be disproportionate to its value or special circumstances require judicial foreclosure.

(2) Collection from other sources, including liquidation of security or collateral, is not a prerequisite to requiring payment by a surety, insurance company, or other third-party payor unless this action is expressly required by statute or contract.

G. Collection in Installments. Claims should be collected in full in one lump sum whenever this is possible. However, if the debtor is financially unable to pay the indebtedness in one lump sum, payment may be accepted in regular installments. The size and frequency of these installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. If liquidation by installment payments should require more than 3 years, then the claim should be transferred as a delinquent account to CCU. An agency holding an unsecured claim for administrative collection may attempt to obtain an executed confessed judgement note. The form and content of these notes shall be as prescribed by the legal counsel of the agency concerned. Security for deferred payments, other than a confessed judgement note, may be accepted in appropriate cases. An agency may accept installment payments notwithstanding the refusal of a debtor to execute a confessed judgement note or to give other security, at the agency's option.

H. Exploration of Compromise or Abatement. Agencies shall neither abate nor compromise claims. If there is reason to believe that the debtor's financial ability will not permit payment of the claim in full, the claim shall be referred immediately to CCU for exploration of possible compromise or abatement.

I. Suspension or Revocation of License or Eligibility. Agencies seeking the collection of statutory penalties, forfeitures, or debts provided for as an enforcement aid or for compelling compliance shall give serious consideration to the suspension or revocation of licenses or other privileges, to the extent permitted by law, for inexcusable, prolonged, or repeated failure of a debtor to pay this claim and shall so advise the debtor.

#### J. Documentation of Collection Efforts.

(1) The agency shall document the collection efforts it has expended before declaring an account delinquent. As a minimum, this documentation shall consist of:

(a) An itemized list of charges to the account which have not been paid at the time the account is declared delinquent;

(b) Copies of invoices and originals of signed contracts or agreements to pay or promissory notes signed by the debtor or co-signer or other evidence to substantiate the existence and amount of the debt;

(c) Copies of follow-up letters sent to debtors;

(d) Copies of all correspondence and memoranda indicative of agency efforts to obtain payment from the debtor or those responsible for paying the debtor's bills (for example, parent, guardian, cosigner, estate executor, etc.);

(e) Copies of forms, correspondence, and memoranda recording the data used to determine the debtor's willingness or ability to satisfy his obligation to the State.

(2) Original copies of items documenting the agency's collection effort shall be furnished to CCU as specified in Regulation .05 of this chapter for use in preparing a legal prosecution of the State's claim. Photocopies of this documentation shall be made and retained by the transferring agency.

#### **Sec. 17.01.01.05. Transfer Procedure**

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*Latest version.*

A. All delinquent accounts shall be transferred to CCU for collection or abatement. Transfer shall take place within 15 days after the account is declared delinquent.

B. Agencies shall notify CCU of all disputed claims over \$5,000 that are not resolved within 180 days after notice of the claim to the debtor.

C. Agencies shall report to CCU semiannually the status of all accounts or claims over \$5,000 that have open audit findings.

D. Agency records of accounts transferred to CCU shall be maintained in accordance with generally accepted accounting principles and practices specified by the Comptroller of the Treasury.

E. On those accounts with a value of less than \$30, the agency should, monthly, prepare a list of these accounts showing name, amount, and reason for noncollection, and forward two copies of the list to the Central Collection Unit requesting Abatement Committee approval to write off these accounts. When the Committee approves the write-off, it shall return a copy of the transmittal letter authorizing the agency to close the account.

F. Accounts with a value of \$30 or more may be transferred manually or by computer tape.

G. Accounts Transferred Manually.

(1) Each account shall be forwarded in a file folder. Any accounts not submitted in file folders are subject to return to the agency. This file shall contain:

(a) Name of debtor;

(b) Original copies or photocopies of all documents supporting the State's claim against the debtor, to enable CCU to respond to telephone inquiries, and, if necessary, prove with litigation;

(c) All available documentation of the collection effort expended by the agency before declaring the account delinquent (see Regulation .04J of this chapter);

(d) The debtor's telephone number, Social Security number, date of birth, and driver's license number, if available;

(e) The names of financial institutions used by the debtor and the debtor's account numbers with these institutions, if available;

(f) Date of admission and date of discharge, if hospital charges are involved.

(2) Original copies of all supporting documentation shall be furnished within 1 week after request by CCU. CCU also may request the agency to furnish the debtor's complete file.

(3) Transmittal Letter.

(a) Each group of accounts forwarded to CCU shall be accompanied by two copies of a transmittal letter listing all the accounts transferred. The following information shall be included for each account:

(i) Name of debtor;

(ii) Agency account number;

(iii) Amount of each account (when applicable, this amount shall be apportioned by principal, collection fee, accrued interest, and other charges);

(iv) Fund to be credited (general, special, federal); and

(v) Certificate of deposit coding for general, special, federal, current restricted, and current unrestricted funds.

(b) The transmittal letter shall specify the total number of accounts and the total dollar value of receivables being transferred to CCU.

H. Accounts Transferred by Computer Tape.

(1) A hard copy print-out or microfiche of the data contained on the transfer tape shall accompany the tape at the time of transfer to CCU.

(2) The transfer tape shall be in the format prescribed by CCU.

(3) The following minimum data shall be recorded on the transfer tape for each account listed on the transfer tape:

(a) Agency account number;

(b) Name and last known address of debtor, cosigner, or other person or entity responsible for paying the amounts due on the listed account;

(c) Total amount due for each listed account (when applicable, this amount shall be apportioned by principal, collection fee, accrued interest, and other charges);

(d) Date of admission and date of discharge, if hospital charges are involved;

(e) Debtor's Social Security number, date of birth, telephone number, and driver's license number, if available; and

(f) The names of financial institutions used by the debtor and the debtor's account numbers with these institutions, if available.

(4) Original copies of all supporting documentation shall be furnished within 1 week after request by CCU (see Regulation .04J of this chapter). CCU also may request the agency to furnish the debtor's complete file.

(5) Accounts Forwarded by Computer Tape.

(a) Each group of accounts forwarded to CCU by computer tape shall be accompanied by two copies of a transmittal letter listing all the accounts transferred. The following information shall be included for each account:

(i) Fund to be credited (general, special, federal); and

(ii) Certificate of deposit coding for general, special, federal, current restricted, and current unrestricted funds, as applicable.

(b) The transmittal letter shall specify the total number of accounts and the total dollar value of receivables being transferred to CCU. If this information is included on the hard copy print-out of the data contained on the transfer tape, then extra copies of the print-out can be used as the transmittal letter listing.

(6) Computer tape transfer of delinquent accounts may not occur more than twice per month so as to be received by CCU by either the 10th of the month or the 25th of the month.

#### **Sec. 17.01.01.06. Central Collection Unit's Responsibility**

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*Latest version.*

A. The Central Collection Unit shall accept all delinquent accounts submitted in accordance with Regulation .05 of this chapter and shall initial and return one copy of the transmittal letter to the transferring agency.

B. The Central Collection Unit shall initiate collection procedures.

C. The Central Collection Unit monthly shall notify the agency of collections or abatements on its accounts by transmitting a copy of the cash and journal voucher report showing all monetary changes to the agency's accounts being collected by the Central Collection Unit. The Comptroller shall be notified of these collections, less any applicable charges, by STARS 120 Report from the Central Collection Unit.

D. The Central Collection Unit, whenever possible, shall collect attorney fees, collection fees, interest penalties, and other costs over and above the principal debt allowed by law, the original note, contract, or other documents.

#### **Sec. 17.01.01.07. Charges for Collections**

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A. The Central Collection Unit shall charge the debtor a collection fee of 17 percent on all accounts referred for collections, except on accounts referred to the Unit solely for collection under the tax refund intercept program.

B. For all collections resulting from the Central Collection Unit's efforts:

(1) The Central Collection Unit shall deduct from the proceeds a charge for administrative expenses and additional expenses, such as court costs and witness fees;

(2) The charge for administrative expenses is 17 percent of the total proceeds;

(3) The charge for administrative expenses on accounts referred to the Central Collection Unit solely for collection under the Tax Refund Intercept Program is 10 percent of the total proceeds.

C. The charges in A and B of this regulation may be waived or reduced at the discretion of the Central Collection Unit.

D. On an account forwarded by the Central Collection Unit to an out-of-State attorney or to a commercial collection agency, the fee paid to the attorney or collection agency, plus court costs, witness fees, and other expenses, shall be deducted from any proceeds. Under these circumstances, a fee may not be charged for the Central Collection Unit's

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