



POLICY No. BAA-D01

INTERNAL POLICY AND PROCEDURE

TITLE: Accounts Receivable and Collection Procedures

REVISED DATE: September 26, 2003

EFFECTIVE DATE: June 30, 2002

DIVISION: BUSINESS AND ADMINISTRATIVE AFFAIRS (BAA)

CATEGORY: Accounts Receivable (D)

**RESPONSIBLE
DEPARTMENT:** Controller's Office

POLICY STATEMENT

Delgado Community College has established accounts receivable and collection policy and procedures in accordance with the accounts receivable and collection policies and procedures as codified in the Louisiana Register, Volume 28, Number 11, dated November 20, 2002. The purpose of this internal policy and procedure is as follows:

1. To establish guidelines for accounts that are considered to be uncollectible.
2. To establish an authoritative approval process for uncollectible accounts to be written off for financial reporting purposes only.
3. To establish guidelines for implementation of internal control policy and procedure of accounts receivable.

The College's procedures for accounts receivables and collections are outlined in specific detail as follows.

PROCEDURES AND SPECIFIC INFORMATION

Accounts Receivable – The Billing Process

Objectives of the Billing Process

1. To ensure that the Accounts Receivable Department will receive payments and credit the appropriate debtor's account.

2. To ensure compliance with R.S. 39372 and the Louisiana Constitution Article VII, Section 9 (A), which requires “all monies received by the State or by any state board, agency, or commission shall be deposited immediately upon receipt in the State Treasury, except for certain listed therein.” (“Immediately” is defined as within 24 hours of receipt. State Treasury cash management practices requires state-depositing entities to deposit receipts in the State’s central depository account or designated regional depository accounts. Delgado Community College is responsible for revenue classification in its accounting system.)
3. To provide accurate and timely billing for amounts owed to the state.
4. To provide a means of tracking accounts receivable.
5. To provide billing capabilities for various types of receivables.
6. To provide the capabilities of monitoring the aging of accounts receivable and creating customer billings and statements based on the age of the receivable.
7. To provide internal control procedures and accountability.

Guidelines for Billing Event

1. Recording of the billing event will be performed by Delgado Community College. The Accounts Receivable Department will initiate the data entry, obtain approvals and process the billing.
2. Invoices and statements are printed by the College’s Accounts Receivable Department and sent to the debtor on a timely basis. The Accounts Receivable Department will provide statements at least monthly.
3. Once a receivable has been incurred, an invoice will be prepared and sent to the debtor on a timely basis.
4. The Accounts Receivable Department is responsible for tracking the College’s receivables and keeping records of and all correspondences pertaining to the account.
5. The Accounts Receivable Department will obtain complete and accurate information on each debt or in the event of default.
6. Each month a report is prepared by the Director of Accounts Receivable to review the accounts for further action. The report provides information relating to accounts that are over 30 days, over 60 days, over 90 days, and older.
7. The Accounts Receivable Department will inform and notify the debtor of additional fees, charges, and cost that may be incurred for failure to pay a debt:

- a. fee that will be charged for NSF checks;
- b. interest on unpaid balance per month, as applicable;
- c. attorney or collection agency fees, as applicable; and
- d. late penalty fees, as applicable.

Billing Procedures

1. Student fee schedules are provided to students at the time of registration in person. For students who register on the web site or over the telephone fee schedules are mailed to the student. The original student fee/schedule, which is provided to all Delgado students, is not included as one of the billing notices (invoices) sent to students as part of the billing process.
2. First notice (invoice) is mailed 10 days prior to the fee payment deadline date.
3. Registration and transcript holds are placed by batch transaction the day after the payment confirmation date. These holds will not allow the student to register for future classes at the College or have transcripts released to any party, including other colleges or universities.
4. A second notice (invoice) is mailed 15 days after the payment confirmation date.
5. A third notice (invoice) is mailed 15 days after the second notice but prior to mid-term.
6. A collection notice is mailed after 75 days following the first notice (when the account is 90 days past due). This notice provides the debtor with a final opportunity to make a payment in full or make appropriate payment arrangements or additional collection penalties (i.e., reporting to Credit Bureau and potential transfer of the account to the Attorney General's Office) will be enforced. The collection notice states that the debtor has 10 days to respond.
7. Defaulted accounts are coded as such and are prepared for placement with the College's Collections Department.

Collection Process

Collection Process Objectives

1. To identify delinquent accounts.
2. To pursue delinquent accounts by creating collection letters, which are tailored to the College's needs.
3. To apply late charges and interest to delinquent accounts, as appropriate.
4. To interface with other software to enhance the intercepting of payments.

5. To provide an updated customer account balance for any collection activity.
6. To provide the ability to write off uncollectible accounts with proper authority and documentation that debt is still owed to the state.

Guidelines for Collection Process

1. The collection process begins when the debt is recognized. The Accounts Receivable Department will provide an invoice or statement in a timely manner to the debtor.
2. Different messages will appear on the statement according to the status of the account to remind the debtor of the amount owed to the state, any payments and/or adjustments made since the last printed statement.
3. The College will apply interest and/or late charges as statutorily prescribed and as deemed appropriate by the College.
4. With the proper documentation and approval, the College may write off from the financial statements any account that is deemed uncollectible after following proper procedures.

Guidelines for Collection Follow-up Process

1. A minimum of one follow-up billing statement is sent to the debtor. The scheduled billing cycle is designated by the Accounts Receivable Department.
2. A second billing statement is sent to the debtor with a warning message explaining the action that will be taken within a scheduled billing cycle from the first statement.
3. Within a scheduled billing cycle from the second statement, a third billing statement is sent notifying the debtor that the account has been forwarded to the Collections Department.
4. The course of action after the third billing statement is for the Collection Department to collect amounts by all available means.
5. Further action may be taken as follows:
 - The Accounts Receivable Department may continue its collection process or assign the account to a private collection agency or refer the account to the Attorney General's Office.
 - The College may follow-up with the collection agency or the Attorney General's Office on the status of the account.
 - Accounts may be written off by the College.
6. If appropriate, past due customers will be contacted by telephone at any time during the collection process to ensure collection.

Procedures for Collection of Defaulted Accounts

1. All accounts are identified as being in default as of 90 days (following the third notice). The account is then transferred to the Delgado Collections Department.
2. At 90 days the Collections Department attempts to secure payment or work out a payment plan with the debtor. At this time the debtor's account is reported to the Credit Bureau.
3. The Collections Department will attempt to collect the debt or work out a payment plan with the debtor until the debt is 180 days old. At that time, if the account has not been paid or a payment plan has not been successful to reduce the debt, the account is referred to the Attorney General's Office for consideration of the next appropriate step, i.e., litigation.

Procedures for Collection of NSF Checks

1. Delgado Community College's banking institution will make two attempts for payment of NSF checks through the debtor's bank. After two unsuccessful attempts, the College's banking institution will return the check to the College.
2. Upon return of the check from the College's banking institution, the debtor's account is charged an NSF fee and check-writing privileges are removed on the account for one year. Only certified funds, such as cash, money order or certified checks will be accepted on the account. In addition, registration and transcript holds are placed on the student's account. These holds will not allow the student to register for future classes at the College or have transcripts released to any party, including other colleges or universities until the debt has been resolved.
3. The Accounts Receivable Department pursues a certified check from the debtor's bank. If the debtor's bank responds that funds are not sufficient, the Collections Department attempts to contact the debtor by telephone and sends a written notice to the debtor, which provides the debtor with 10 days to settle the debt.
4. After the 10 days and unsuccessful collection of an NSF check, the account will be reported to the Credit Bureau and referred to the State of Louisiana's Attorney General's Office. The debtor will be notified by certified mail that the account has been referred to the Attorney General's Office.

Allowance for Doubtful Accounts

1. The Accounts Receivable Department has established an allowance for doubtful accounts to ensure that the College's receivables are not overstated for financial reporting purposes.
2. The allowance method used is based upon historical data and other pertinent information relative to the receivable, and sound accounting theory is used at all times. The allowance method is based on the Historical Write-Off Method (i.e., an estimated five-year average of ending Accounts Receivable ÷ actual bad-debt write offs).

Write Off of Uncollectible Accounts

Write-Off Objectives

1. An authorization to write off an account does not constitute a forgiveness of indebtedness.
2. The debtor remains obligated to the College, and therefore, the state.
3. Write off authorizes the College to:
 - transfer an account to a dormant file;
 - discontinue incurring the expense involved in collecting the account; and
 - discontinue reporting the amount as a receivable on the General Ledger.
4. Proper write offs are encouraged on a fiscal year end basis.
5. The College will have the ability to write off an account from its financial statements when it is evident that it is uncollectible.
6. A Write-off Committee, composed of appropriate managerial personnel at the College, is established to recommend any write offs when the accounts are deemed uncollectible.

Write-Off Criteria

1. The amount is deemed uncollectible based on the age of the account—366 days or older.
2. The write off will not prejudice the position of the state.
3. All reasonable collection efforts have been exhausted by the College and the Attorney General's Office.
4. The debtor cannot be located or a discharge of bankruptcy has occurred.
5. The applicable statute of limitations for collection of debt has expired.
6. The debtor is deceased and there is no estate.

Write-Off Procedures

1. The Director of Accounts Receivable must request an account to be written off through the College's Write-off Committee, when it is deemed that the debt is uncollectible (i.e., when account over 366 days old; when all collection efforts have been made; as a result of debtor's employment or financial status, or debtor's accessibility, etc.) The committee is composed of the Controller, the Associate Controller, and the Vice Chancellor for Business and Administrative Affairs.

2. Amounts over \$5,000 require additional approval from the Chancellor, as recommended by the Write-off Committee.
3. The Accounts Receivable Director must include the following information in order to request a write off a receivable:
 - the name and address of the debtor;
 - the age of the account (generally at least 366 days old)
 - the nature of the amounts owed;
 - the collection efforts that have been made;
 - any other pertinent information to give a full understanding of the request such as the debtor's employment status, debtor's financial status, debtor's accessibility, etc.
4. Approved write offs are reported on the Quarterly Accounts Receivable Report and are removed from current records and retained as internal Collection records. Registration and transcript holds will remain on the account; these holds will not allow the debtor to register for future classes at the College or have transcripts released to any party, including other colleges or universities.
5. For payments received on a written-off account, the amount received is recorded as revenue, and the receivable is not re-established. If the written-off account's debts are satisfied, registration and transcript holds on the debtor's account are removed.

Debt Intercept or Offset Process

Revenue Recapture & Offsets

1. The College may choose to recapture the debt through the debtor's state lottery or gaming winnings through the Recapture programs, which are administered through the Department of Revenue.
2. The College is not authorized to pursue offsets against income tax refunds.
3. When such measures are deemed cost effective, the College may use garnishments, liens and judgments through a private collection firm or the Attorney General's Office.

Accounting Procedures Used for Accounts Receivable

1. The Accounts Receivable Department will maintain a proper segregation of duties such as opening the mail, recording the receipt, and maintaining the accounts receivable records. When not feasible, supervisory review and controls will be implemented.

2. The Accounts Receivable Department will provide a monthly Aged Trial Balance of all accounts, which will be checked and verified by the Controller that the amount equals the balance in the General Ledger, if applicable.
3. The Accounts Receivable Department will obtain all necessary information on the debtor in the event of default such as:
 - current home and work address and phone number
 - Social Security number or federal employer identification number
 - name of address or nearest relative or guardian
 - date of birth
 - any other relevant information

Quarterly Reporting of Accounts Receivable

Quarterly Reporting Objectives

1. To establish a report that shows the College's accounts receivable balances and activities during each quarter.
2. To establish quarterly reporting guidelines that are consistent and as accurate as possible.
3. To have uniformity of reporting and to ensure timely reporting of the quarterly report.

Procedures for Quarterly Reporting

The following forms will be used and will include the information listed:

1. Quarterly Activity (Form AR-1)
 - Gross Receivables and Debt at End of Quarter
 - Estimated Uncollectible for the Quarter
 - Net Receivable for the Quarter
 - Write Offs for the Quarter
2. Aging of Receivables (Form AR-2)
 - Past Due Receivables: 1-30 days
 - Past Due Receivables: 31-90 days
 - Past Due Receivables: 181 days – 1 year
 - Past Due Receivables: over one year
 - Total Receivables Past Due
 - Total Gross Receivable
 - Total gross Receivables must equal gross receivables and debt at end of quarter reported on form AR-1)

3. Collections Activity for Receivables over 180 days
 - Amount over 180 days past due
 - Collections within the Agency
 - Collections with Attorney General's Office
 - Collections with Private Collection Firm
 - Collections-Other (specify type)
 - Collections-Under Protest
 - Amount over 180 days past due must equal 181-1year and over 1 year total amount reported on form AR-2.

4. Write-Off Disclosure (form AR-4)
 - Number of Accounts
 - Amount of the Write Offs
 - Reason for the Write Offs
 - The total write off must equal write-off disclosure reported on Form AR-1).

5. Annual Comparison of Receivables (form AR-5)
 - Major Revenue Source
 - Amount Past Due-Prior Year Ending Balance
 - Amount Past due-Current year Ending Balance
 - Increase/Decrease
 - Percentage of Change
 - Explanation given for each comparison variance on the bottom of the page designated as "Explanation" for each category.

Accounts Receivable Quarterly Reports

Quarterly reports are available on the Office of State-wide Reporting and Accounting Policy's (OSRAP) website: <http://doa.louisiana.gov/OSRAP/>

Approved by: A.C. Eagan, Vice Chancellor for Business and Administrative Affairs
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