

INTERNAL/DEPARTMENTAL POLICY AND PROCEDURE

TITLE: Accounts Receivable and Collection Procedures

EFFECTIVE DATE: July 9, 2015*
(*Procedural Update 6/1/18)

DIVISION: BUSINESS AND ADMINISTRATIVE AFFAIRS (BAA)

CATEGORY: Accounts Receivable (D)

RESPONSIBLE DEPARTMENT: Controller's Office

CANCELLATION: BAA-D01 (1/14/14)

1. **Purpose**

To publish the College's accounts receivable and collection policy and procedures.

2. **Scope and Applicability**

These policy and procedures apply to all budget units of the College.

3. **General Guidelines**

Delgado Community College has established accounts receivable and collection policy and procedures in accordance with [Louisiana Community and Technical College System \(LCTCS\) Policy #5.008, Accounts Receivables](#) and [LCTCS Policy #5.009 Allowance/ Write Off Policy](#), and as codified in the [Louisiana Register, Volume 28, Number 11, dated November 20, 2002](#). The purpose of the College's policy and procedure is as follows:

- To establish procedures for invoicing, collecting and writing off amounts due to the College.
- To establish parameters and guidelines used to determine when an account is delinquent and/or uncollectable.
- To establish an approval process for writing off for delinquent accounts for financial reporting purposes only.
- To establish guidelines for implementation of internal controls and procedures for accounts receivable department.

4. Procedures

A. Accounts Receivable – The Billing Process

Objectives of the Billing Process

1. Ensure that the College will receive payments and credit the appropriate debtor's account.
2. Provide accurate and timely invoicing to students and other debtors for amounts owed to the College.
3. Provide a means of tracking accounts receivable.
4. Establish internal control procedures and accountability for the accounts receivable department.

Guidelines for Invoicing

1. Jobs/reports are run in the ERP system to determine which accounts have amounts due and must be invoiced.
2. Invoices and/or notices are produced by the College's Accounts Receivable Department and provided to the debtor according to the semester schedule in one of the following ways: US postal service, e-mail, or through Student Self-Serve.
3. Invoices will include the total amount due, a description of the amounts due, a due date, and payment instructions.
4. The Accounts Receivable Department will use the demographic information available on the ERP system to track student whereabouts and attempt collection.
5. The Accounts Receivable Department is responsible for tracking the College's billing efforts and keeping records of and all correspondences pertaining to the account.
6. 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.

Student Billing Procedures

1. Student account balance information is available to students immediately at the time of registration and at any time during the semester through Student Self Serve, with the exception of the Fall Semester registration period when tuition rates and fees are pending LCTCS Board of Supervisors' approval.
2. Electronic Bills (E-Bills) are made available online to students periodically throughout the semester or session as follows:
 - a. Initial E-bills are provided to all students enrolled in credit courses prior to the start date of the semester or session.
 - b. A subsequent E-bill is sent to students with unpaid balances during the semester or session.
 - c. A final E-bill is sent after the final payment deadline notifying students the payment is past due.

3. Email notifications and reminders are sent to all students enrolled in the College's Payment Plan as follows:
 - a. Reminder emails are sent prior to the payment due dates.
 - b. Late payment reminders are sent the day after the payment was due and follow-up notifications are sent after payment is 15 days late.

B. Collection Process

Collection Process Objectives

1. To identify delinquent accounts.
2. To pursue delinquent accounts by creating and sending collection notices with appropriate information meant to encourage prompt payment.
3. To apply late charges and interest to delinquent accounts, as appropriate.
4. To place restrictive holds on unpaid accounts
5. To identify, place and manage accounts that have been deemed delinquent and refer these accounts to an external collection agency or to internal collections.

Guidelines for Collection Process

1. A nightly job is run in the Enterprise Resource Planning (ERP) system, which places restrictive holds on unpaid student accounts:
 - a. For accounts with amounts past due \$100.00 or less - holds restrict transcripts release, viewing of grades and graduation.
 - b. For accounts with amounts past due over \$100.01 - holds restrict transcripts release, viewing of grades and graduation and will prevent the student from registering for future classes at the College.
 - c. Holds are not released until the account is paid in full.
 - i. An exception may be made if a student will be receiving enough financial aid in a subsequent semester to cover both the past due balance and the amount due for the upcoming semester. This is called a "one term override." To be eligible for a one term override, the student must obtain written verification from the College's Student Financial Assistance Office, indicating the amount of aid that the student would receive for an upcoming semester if allowed to register. The one term override does not release the hold, but instead future dates the start date of the hold, allowing the student a short amount of time to register.
 - ii. Exceptions can be made by the Director of Accounts Receivable on a case by case basis. The explanation for any such exception is documented in the ERP system.
2. The collection process begins when the debt is recognized as delinquent. Accounts are considered delinquent on the day following the last payment due date for the semester.

3. A collection notice is mailed and emailed to the student's address on record semi-annually. This notice provides the debtor with:
 - a. A final opportunity to make a payment in full or face penalties including additional late fees, collection fees, and placement with an external collection agency.
 - b. A statement indicating that student is responsible for any and all collection related expenses, including collection costs and attorney fees, if account is turned over to an external collection agency.
 - c. A 30-day period with which to respond.
4. The College *may* apply interest and/or late charges to the past due account as deemed appropriate by the College.
5. If the delinquent account is not paid in full by the final notice deadline, the account is sent to the Louisiana Office of the Attorney General for collection.
6. Exceptions include:
 - a. If the account balance is less than \$50.00, it is placed in internal collections.
 - b. Accounts that require research and/or additional documentation for any reason may temporarily remain active or placed in internal collections.
 - c. The student is enrolled in the current or subsequent semester.
7. When a student's account is placed in collections (internal or external), the active account balance is re-established in the collection account in which it was placed as follows:
 - a. If the account was placed in internal collections, it will be re-established in the Delgado Internal Collections account in the ERP system.
 - b. If the account was placed in external collections, it will be re-established under the Office of the Attorney General contract in the ERP system.
8. An account that has been placed in collections (internal or external) will have a more restrictive hold placed on the account directing the student where the debt has been placed as follows:
 - a. Students with Attorney General holds are instructed to pay the Office of Attorney General directly so that additional fees due to the Attorney General may also be collected.
 - b. Students with internal collection holds are able to pay Delgado after their accounts have been re-activated and their debt has been re-established.
9. For accounts in active internal collections, further action may be taken as follows:
 - a. The Accounts Receivable Department may continue its collection process or later choose to assign the account to the Office of the Attorney General.
 - b. If appropriate, past due customers will be contacted by telephone at any time during the collection process.

Procedures for Collection of NSF Checks

In person checks:

1. Delgado Community College's banking institution will make two attempts to receive payment on a check through the debtor's bank. After two unsuccessful attempts, the College's banking institution reports the dishonored check to the College.
2. Upon notice of dishonored check from the College's banking institution:
 - a. An entry is made on the student's account to reverse the payment
 - b. The student is assessed an NSF fee
 - c. The NSF counter is increased by one
3. If the student's NSF counter is greater than two, the college may refuse future check payments from the student for up to one year.

Online payment:

1. If a check or credit card is dishonored for any reason, the College's payment gateway provider notifies the student via e-mail.
2. The College's payment gateway provider transmits and posts the following to the student account:
 - a. A reversal transaction to reverse the payment transaction
 - b. An increase to the NSF counter
3. The College's payment gateway provider assesses, collects, and retains an NSF fee from the student.
4. After two dishonored payments and/or certain dishonored disputes (such as theft, stop payment, etc.), the payment gateway provider will restrict future check and/or online payments and/or the ability to enroll in online payment plans.

C. Allowance for Doubtful Accounts

1. The College will establish an allowance for doubtful accounts to ensure that the College's receivables are not overstated for financial reporting purposes. In accordance with [LCTCS Policy #5.009, Allowance/ Write Off Policy](#), delinquent account receivables (defined as not having been paid after their due date) that are deemed uncollectible will be 100% reserved annually.
2. The allowance method used will be established by the College. However, the amount will be based on historical data or other pertinent information relative to the receivable. Sound accounting theory must be used at all time.

D. Write Off of Uncollectible Accounts

Proper write offs are encouraged on a fiscal year end basis. 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.

Write-Off Objectives

1. To identify uncollectable accounts.
2. To write off accounts found to be uncollectable.
3. To document and track accounts written off.
4. To establish a procedure for re-establishing and collecting debt that was written off.

Write-Off Classifications

1. *Account Deemed Uncollectable* - The College has the ability to write off an account from its financial statements when it is evident that it has become uncollectable. In most instances, an authorization to write off an account does not constitute a forgiveness of indebtedness. The debtor remains obligated to the College, and therefore, the state.
2. *Refund Committee Approval* – If a student tuition appeal is granted, the approved amount is written off and the debt is forgiven.
3. *Administrative Adjustment* – The Chancellor, the Vice Chancellor of Business and Administrative Affairs, and the Controller may under certain documented circumstances grant forgiveness of debt and write off the balance.
4. *Write-offs of Small Amounts* – Small balances that are the result of an error, overpayment or underpayment may be written off and cleared from the student's account with proper departmental approval.

Write-Off Guidelines

1. An account may be deemed uncollectible when one or more of the following conditions exist:
 - a. The account is two years or older.
 - b. All reasonable collection efforts have been exhausted by the College and/or an external collection agency.
 - c. The debtor cannot be located or a discharge of bankruptcy has occurred.
 - d. The debtor is deceased and there is no estate.
 - e. The debtor has been granted an appeal and the debt is forgiven.
2. Any single amount over \$5,000 must be reported to the LCTCS President as per [LCTCS Policy #5.009, Allowance/ Write Off Policy](#).

Write-Off Procedures

1. Based on the College's collections procedures outlined in Section 4B, *Collection Process*, delinquent accounts are placed in either external or internal collections to pursue payment. Using a collection report from the ERP system, or custom reports produced by the Information Technology department, collection accounts that are deemed uncollectible are reviewed by the Accounts Receivable staff and Director.

2. Accounts that meet the criteria for write off are compiled into one document that includes:
 - a. The collection agency in which the account was placed.
 - b. Total amount due by term and by student.
Student ID numbers that are available to reference, any special action taken to collect, notices of bankruptcy or death, or any legal action against student
3. Proposed write off accounts are presented to the Controller for review and approval.
4. Once approval to write off is granted, Accounts Receivable staff use appropriate code in ERP system to write account off in the agency account, which will allow for further collection efforts.
5. The collection hold remains on the student account preventing any future business with the College until amount is paid in full. A current listing of all collection accounts, including accounts that have been written off is available and the current balance due in the ERP system for periodic review.*

**(Note: All written off accounts prior to Banner implementation, which are referred to as "SIS Write Offs," are documented on a shared spreadsheet that cashiers and Accounts Receivable staff may refer to as needed.)*

6. If a student with an amount written off would like to return to the College or any LCTCS institution, the debt must be paid directly in full directly to the Attorney General's Office, or if in internal collections, must be re-established and the account activated. Once payment is verified, any restrictive holds can be lifted on the student's account.
7. The Accounts Receivable Department monitors collection amounts to determine if the amount of payments received on written off accounts so debt can be re-established in the agency account.
8. Approved write offs are reported on the Quarterly Accounts Receivable Report due to the Office of Statewide Reporting and Accounting Policy (OSRAP).
9. Quarterly reports are available on the Office of State-wide Reporting and Accounting Policy's (OSRAP) website: <http://doa.louisiana.gov/OSRAP/>.

Policy Reference: [Louisiana Register, Volume 28, Number 11, dated November 20, 2002](#)
[Louisiana Community and Technical College System Policy #5.008,](#)
[Accounts Receivables](#)
[Louisiana Community and Technical College System Policy #5.009](#)
[Allowance/Write Off Policy](#)

Reviewed by: Ad Hoc Accounts Receivable and Collections Policy Committee 7/7/15
 Business and Administrative Affairs Council 7/9/15

Approval: Vice Chancellor for Business and Administrative Affairs 7/9/15
 Procedural Update as per updated LCTCS Policy #5.009 – Vice Chancellor
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 Affairs Approval 6/1/18