

Accounting Office

Policy and Procedures Manual

Receivables Management

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**ACCOUNTING OFFICE
Policy and Procedures Manual**

Receivables Management

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RECEIVABLES MANAGEMENT

I. POLICY GUIDELINES

A. Granting of Credit

Granting of credit is not a primary function of the university. There are however, instances where it may be advantageous to the university to grant credit, therefore, credit will be granted only as indicated below:

1. Credit is granted to students as required for the administration of fines and the assessment of additional fees that may be determined to be applicable after the student registers.
2. Credit is granted to students in accordance with existing policies pertaining to registration which may allow the deferred payment of fees for financial aid recipients and for sponsored students. Authorization for deferring fees is found in Education Code, Section 89301, BA 76-48, and BA 77-3.
3. Credit is granted to students in accordance with existing policies pertaining to student loans.
4. Credit may be granted to faculty and staff for travel advances.
5. Credit is automatically extended to governmental units, California State University, Fresno auxiliaries and financial sponsors during time claims for reimbursement are outstanding. Diligence must be exercised to insure timely billing and collection efforts to minimize the receivables going uncollected.

Implicit in the granting of credit is the intention that payment will be made in full upon receipt of a bill. Although cash should be collected whenever possible, credit may be granted when there are no facilities for the collection of cash or when non-collection of cash is deemed to be in the best interest of the university. In these cases, prudence with respect to the credit risk incurred must be observed at the time of transaction.

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B. Billing, Collection, and Analysis

Prompt billing for reimbursement of expenses or fees arising from services provided under various agreements is essential for effective management of receivables. Information must be maintained on the status of all unbilled accounts to insure that all actions necessary for the preparation of the bill have been taken as required so that the bill may be issued as expeditiously as possible.

Amounts not collected through routine follow-up may be taken to small claims court for action and/or may be submitted through the franchise tax board for offset (see SAM Section 8790.1 for Offset Procedures), or may be turned over to a collection agency.

Adequate information concerning the age of outstanding bills and claims is essential for proper overall control of accounts receivable, therefore:

1. Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner.
2. Levels of effort in record keeping and collection must be commensurate with collection value.
3. In general, bills must be collected as expeditiously as possible, but the cost of collection must not be allowed to exceed the expected revenue. Accounting data gathering systems must recognize and preclude situations in which collection effort and potential benefits become imbalanced.
4. All collection activity needs to be documented.

C. Franchise Tax Offset Program

The university receives an *Interagency Intercept Collections Participation Booklet* from the Franchise Tax Board every year in July. The Booklet includes instructions for joining the program as well as magnetic media specifications for exchanging data. The participation request is due by August 15 for those agencies that have not participated before. Since the university participates every year, we only need to send an "Intent-to-Participate" by October 15 or before. At that time, the departments that participate in the program are notified by the Accounting Office, that they need to send a 30 day intercept letter (see Exhibit 1) to their debtors notifying them that they will be submitted for collection to the Franchise Tax Board if they do not pay off their debt within 30 days. After the 30 days have passed, the debtors are submitted to the Franchise Tax Board on a magnetic tape. The tape is due by December 1 or before for the next calendar year. (See SAM Section 8790.1 for offset Procedures.)

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Each week starting in January of the following year, the university receives an Offset Detail Report. This report lists taxpayers and the offset amount of what the university will be receiving. At the beginning of the following month, the university receives a memorandum with the total amount received for that month. Each month the money is reconciled and receipted. The money is applied toward the outstanding debt, or refunded to the debtor if the debt has been paid in full in the interim.

D. Bankruptcy of a Debtor-Federal Programs

When the university receives a "Notice of Commencement of Case Under the Bankruptcy Code, Meeting of Creditors, and Fixing of Dates," attention must be given to this notice to assure federal law and regulations are complied with, and that the bankrupt individual's rights are not violated. This notice informs the university that all collection efforts, whether written or verbal, must be stopped immediately. The Accounting Office will first decide if the bankrupt is a Perkins/Nursing loan borrower. If the bankrupt has a loan in repayment owed to the university the notice will be given to the appropriate collector in the Student Loan Collection Office. The collector will immediately take steps to report the bankruptcy notice to EFG billing service (or applicable agency) and initiate action to monitor the bankruptcy to protect the rights and interests of the federal government and the university.

If the bankrupt owes registration fees and other charges to the university, Student Financial Services will suspend the billing of the student's account. The student will be disenrolled for nonpayment of fees if not paid by the end of the semester. Charges will be removed from the student's account allowing the student to register for the subsequent semester. Subsequent to disenrollment, the student may petition for reinstatement of classes if payment from the student is received.

E. Death of a Debtor

A claim against the estate of a California resident may be prepared in accordance with specific regulations and should be filed within four months after first publication of notice to creditors. General Counsel is to be sought whenever notification is received that a person owing money to the university has died. If the estate of the debtor has no assets, or if anticipated costs of collection appear to exceed potential revenue, billings will be stopped and the invoice canceled/written-off.

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II. CONTROL PROCEDURES

E. Invoices

Particular attention is required in all phases of the management function because these may represent a large number of transactions that arise from all types of activities. The bulk of the transactions may involve relatively small amounts that become significant when taken as a whole. The potential for bad debts could be high due to the fact that many debtors do not do business with the university regularly.

Invoices prepared must be press numbered for accountability. Establishment of collection effort standards based upon amount of money owed makes it especially important that information be available concerning payment records of individual debtors.

Minimum standards require that data be maintained in a manner that provides information as to which bills are 30 days old or less at the beginning of a month, which are 31 to 60 days old, 61 to 90, 91days to 1 year and over 1 year old. The aging will be based on the date of the billing.

F. Student Bills

The university utilizes a student billing module to capture amounts owed by students and subsequent payments applied to an outstanding balance. Students are sent statements as a normal procedure, during the semester.

Transactions that require the granting of credit to students generally fall into three categories: They are the result of punitive action for failure to comply with campus or departmental regulations in which case, the student is not available at the time it is determined that a fine is in order. Consequently, a charge is made to the students account through the Billing and Receivables system and subsequently a statement listing the charge is generated and sent to the student; The university is obligated to grant temporary credit to registering students on financial aid. These students are temporarily granted credit while their financial aid is processed through the system; When an agency has entered into agreement with the university to cover registration costs for a student(s). These are referred to as "Sponsored Billings" or "Agency Billings" and in the event that collection from the agency is not received, collection activity is to be directed to the student.

Administrative action is to be taken at the end of the semester on all unpaid student accounts. This action may include dropping the student from the rolls (disenrollment) by

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the end of the semester, prevention of future registration, refusal to transmit transcripts or provide other services, but positive action to stimulate payment must be taken. The procedure must be consistently and fairly applied and the student should be informed of the action.

C. Employees

In general, a current indebtedness to the university from an employee may be deducted from an amount owing by the university to that individual. The consent of the debtor is not a necessary prerequisite to this offset procedure, nor is there any legal requirement that a deduction be accomplished in installments. The entire amount can be deducted from salary payments or any other amount owed the employee by the university. However, this offset procedure should be considered only when a receivable has clearly become delinquent and there is a high risk of nonpayment. The opinion of General Counsel should be sought in any doubtful situation.

The campus should maintain procedures to insure that when an employee is leaving university service, all his financial obligations to the university are settled before any amounts owing to him are released.

Whenever an employee debt is settled through payroll deduction, a copy of the notification to make such a payroll deduction will be sent to the Human Resources Office for placement in the employee's file.

D. Government Agencies

Claims against governmental agencies may involve large sums of money. In such cases, follow-up collection procedures must be documented and carried out rigorously. A definite time sequence of letters following, but excluding referral to a collection agency, must be established and followed.

E. Provision for Bad Debts

Bad debts will be recognized as accounts are deemed to be uncollectable. As the total dollar volume of bad debts should not be large and as a large number of income sources are affected, reserves for bad debts will not routinely be established. Where special requirements for such reserves are noted, authority for establishment will be requested from the Vice President for Administration. Uncollectable accounts should be written off on a regular schedule in order to avoid large, infrequent charges against revenue.

F. Travel Advances

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1. Granting of Credit - Employees (and where regulations allow students) may receive a travel advance no sooner than 30 days before a travel expense is to be paid or incurred. Normally an employee should not have more than one advance outstanding at a time; each advance should be accounted for before another advance is granted. The travel advance must be reasonably calculated not to exceed anticipated expenses. If a trip is canceled or postponed indefinitely, the advance must be returned immediately, but not later than 30 calendar days from the date of the advance. See HR 96-11 for the CSU Policy and Procedures Governing Travel and Relocation Expense Reimbursement.

2. Aging and Analysis - Data similar to that needed for other receivables are required in the case of travel advance claims. Aging will be based on the date travel is completed plus 30 days. Advances for which an accounting is not yet due should be separately identified.

3. Collection - California State University travel rules require that the Travel Expense Claim (TEC) be submitted to substantiate travel expenses within a reasonable period of time not to exceed 60 days. If the advance exceeds the substantiated expenses, the employee must submit a check or money order with the TEC to return the excess advance no more than 60 days after the expense is paid or incurred. If an employee does not substantiate and return any excess advances, if applicable, that amount will be deducted from the next payroll warrant. Immediate refund of a travel advance is also required when an authorized trip is canceled or indefinitely postponed. If, in the absence of extenuating circumstances, an outstanding advance has not been recovered within 60 days from the date the accounting for the trip was due, the campus may initiate action for recovery by deduction from salaries, wages, or other amounts due the traveler. Prior to effecting recovery by salary deduction, the following procedures can be initiated:

- 30 days past due - Phone call to employee
- 2 weeks later - Courtesy memo to employee (see Exhibit 2)
- 2 weeks later - Memo to employee of pending payroll deduction (see Exhibit 3)
- 2 weeks later - Request to Payroll for payroll deduction (see Exhibit 4)

If collection procedures should require that an employee's wages be deducted in order to effect collection, future advances to said employee can be denied.

In the event that an individual with an outstanding travel advance has left the university and has no payments due him to offset the advance that is due, the procedure for collection will follow the same process as general receivables.

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G. State, Federal and Similar Receivables

1. Billing - Federal contract and grant activity or with State or private research agreements generally are accounted through the California State University, Fresno Foundation Inc. On those rare cases where these activities are processed through the

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State Office, claims must be submitted promptly and accurately since these claims are usually for large sums. The following billing standards are to be observed to the fullest extent practicable:

- a. Periodic Interim Claims - All reimbursable expenditures, net of amounts required to be withheld until final claims, should be billed to the proper agency within 60 days of the close of the period (monthly, bimonthly, quarterly, etc.) for which reimbursement can be claimed.
 - b. Final Claims - Final claims for reimbursable expenditures should be submitted to the proper agency within 90 days of the completion of the term of the contract, grant, or other agreement under which the expenses have been incurred.
2. Collection and Analysis - In order to insure the prompt collection of these claims, a definite sequence of reimbursement collection efforts must be established, although the procedures will necessarily vary from agency to agency. Aging information required is similar to that needed for general receivables. In those instances where claims must be rebilled, the original billing date will continue to be used for aging purposes.

H. Sponsored Students Deferred Fees

Deferred registration fees for sponsored students should be billed to the proper sponsoring agency within 45 days of the close of the registration period for the semester for which the fees are due. Collection procedures should follow the pattern established for other receivables.

III. Write-Off of Bad Debts

G. Debts of \$1000 or less.

Education Code 89750.5 gives the Trustees of the California State University authority to discharge from accountability, debts of \$1000 or less that are determined to be uncollectable or where the amount does not justify the collection costs.

Discharge from accountability, of course, does not release the debtor from his/her obligation to the CSU. The campus may continue to withhold services pursuant to Section 42385 of Title 5, California Code of Regulations, despite the discharge of accountability.

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After normal collection procedures have been followed, and as soon as a debt is recognized as being uncollectable, the debt (if \$1000 or less) should be written off.

H. Debts of \$1001 or More.

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Write-off of debts in excess of \$1000 must be submitted to the State Controller's Office for approval. If all reasonable collection procedures do not result in payment, the accounting office may request discharge from accountability of uncollectable amounts due from private entities. An "Application for Discharge from Accountability" form, STD. 27 will be filed with the State Controller's Office, Division of Collections. (Reference: SAM 8776.6)

Applications for Discharge from Accountability of uncollectable amounts of \$5,000 or more will be filed separately from applications for amounts of less than \$5,000. The \$5,000 amount applies to the debtor, not to the receivable. The application for discharge shall include:

1. A statement of the nature of the amount due;
2. The name(s) of the person(s) liable;
3. The estimated cost of collection; and
4. Any other fact(s) supporting the request, including offset attempts.

I. Disenrollment for Nonpayment of Registration Fees.

A student's registration process is not considered complete until all required fees have been paid. When a student whose fees were deferred in accordance with Board of Trustees policy fails to make the necessary payments, the student may be disenrolled. Students will be sent a final demand notice requiring payment within 10 days. If such action is taken prior to the end of the term, the account receivable that may have been established may be written off locally, regardless of the dollar amount involved. The student may petition for reinstatement of classes if the student has funds to pay the fees.

The campus may require that students disenrolled for nonpayment of fees will not be permitted deferment of registration fees in the future.

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(References: Education Code, Section 89301: Memoranda 8123, BA 81-37, and BA 84-13.)

IV. Accounting and Financing Procedures

A. General Funds

There are two methods for writing off General Fund accounts. Which one is used depends on the nature of the original charge.

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1. Revenue Transactions - If the original action that established the receivable resulted in a credit to a General Fund revenue account (e.g., Physical Education Locker Fines, Chemistry Fines, etc.), the entry made will be the reverse of the entry that established the receivable. If the revenue account is no longer active, section IV-A-2 below applies. The entry debiting the revenue account reduces funds available for appropriation, thus providing an automatic funding for the write-off by netting against current receipts.
2. Other Transactions - For receivables established by reduction of another asset (e.g., a cash disbursement resulting in a travel or other cash advance) or from an erroneous charge to departmental accounts (e.g., an overpayment of an employee or vendor that results in a refund due from the employee or vendor), or where the original entries were credited to an account which is obsolete or has no balance at the time of the write-off, a Request for Budget Transfer recommending an appropriation to the Bad Debts and Collections account to provide financing will be made to the Budget Officer.

B. Other Income Producing Activities

The campus accounting office will prepare a financial journal entry debiting the income account of the operations and crediting the accounts receivable for those items approved for write-off. By debiting the income account of the operations, the funds available for appropriation are reduced, thus providing an automatic funding for the write-offs.

C. Emergency Student Loans

This group of loans is composed of emergency loans made to students from donations made by private sources to the California State University, Foundation but administered through a university officer. When a loan of this nature is determined uncollectable, approval for write-off and funding must be obtained from the governing board of the auxiliary.

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E. Loan Funds

When loans advanced from Federal or State loan funds are determined to be uncollectable, they are to be written off following the specific instructions for write-off contained in the respective program instructions. If campus funds are required for funding of the write-off, the Budget Officer will identify the source of funds to be used.

F. Recoveries

All recoveries will be recorded by reversing the entry made to write off the uncollectable account, with the exception of uncollectable accounts charged to the Bad Debts and Collections account. Recoveries of this nature will be recorded as miscellaneous income.

V. Collection Agencies

Agreements between the campus and a collection agency should be in writing and should require that collection agencies report collection progress at least quarterly. In order to maximize the effectiveness of a collection agency, accounts should be referred to them as soon as the collection effort is completed. Unless there has been evidence of good faith intention to pay, an uncollected account should be referred to the agency before it has become 360 days old. Collection agencies should not retain accounts more than six months unless there is evidence that collection is imminent.

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Exhibit 1

**SAMPLE
PRE-INTERCEPT NOTICE**
(state agencies and universities)

We are writing to notify you that your name will be submitted to the California Franchise Tax Board for an intercept of any money that is owed to you to pay your liability to (Agency). In the event you are owed a tax refund or you win a California Lottery prize, the Franchise Tax Board will intercept from that money the amount you owe this agency.

California Government Code Sections 12419.5, 12419.7 and 12419.9 authorize the Office of the State Controller to collect money owed to a state agency or an educational institution by intercepting any money that the state owes the debtor. An amount owed to the debtor by the state includes a refund of taxes or state lottery winnings.

Our records show that the total amount now due and payable to (Agency) for this liability is \$_____ . You have 30 days to pay voluntarily before we submit your name to the Franchise Tax Board for an intercept. If you have any questions about the nature of this liability or if you object to this action, please contact us within 30 days of the date of this letter. A representative will review your case upon receipt of your objections. If you submit no objections or if we consider the objections to be insufficient, we will proceed with this action.

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Exhibit 2

**SAMPLE
Courtesy Memo to Employee**

Date

To: Employee Name

From: Travel Technician
M/S # JA58 - Ext. 8-4019

Subj: **Outstanding Travel Expense Claim**

Based upon a review of my travel records, I find that application # _____ is still open pending the Travel Expense Claim. You were issued an advance in the amount of \$ _____ for a trip scheduled to _____ on _____.

Please remit the past due Travel Expense Claim with the original receipts to the Accounting Office, Attention: Travel Technician, M/S # JA58, no later than _____ so that your advance can be cleared.

Any amount advanced, for which repayment is due, can be satisfied by cash payment, check payable to California State University, Fresno, or payroll deduction.

Thank you for your cooperation. If you have any questions, or if I can assist you in any way, please call me at my extension above.

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Exhibit 3

**SAMPLE
Memo to Employee Warning of Payroll Deduction**

Date

To: Employee Name

From: Travel Technician
M/S # JA58 - Ext. 8-4019

Subj: **Outstanding Travel Expense Claim - Payroll Deduction**

Based upon a review of your Travel Expense Claim for a trip to _____ I find that your advanced amount of \$_____ is greater than your actual expenses (\$_____), in which case reimbursement to the State is necessary. The amount due is \$_____. As of this date, I have not received the amount past due, and previous communications with you have not resolved this.

Any amount advanced, for which repayment is due, can be satisfied by cash payment, check, (payable to California State University, Fresno and sent to the Cashiering Office, M/S # JA58, Attention Travel Technician), or payroll deduction. If the amount past due is not received by _____, I am directed to collect the amount due by payroll deduction. **Note: If your payroll warrant is an automatic direct deposit, the payroll deduction will stop the direct deposit.**

Thank you for your cooperation. If you have any questions, or if I can assist you in any way, please call me at my extension above.

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Exhibit 4

**SAMPLE
Request to Payroll for Payroll Deduction**

Date

To: Payroll Technician
Payroll Services

From: Manager, Accounts Receivable
M/S # JA58

Subj: **Payroll Deduction to clear a Travel Advance**

_____ from the Department of _____ received a travel advance on travel application # _____ in the amount of \$ _____. When the Travel Expense Claim was filed, the advance of \$ _____ was greater than the Claim total of \$ _____, in which case reimbursement to the State is necessary. The total due from _____ is \$ _____. Numerous attempts have been made to collect the amount due, to no avail.

Please deduct the sum of \$ _____ from this employee's pay warrant according to State Regulation # HR 96-11 / (108) to clear his advance. The check should be issued to California State University, Fresno and be directed to _____, Travel Technician, M/S # JA58.

Thank you for your assistance. Any questions may be directed to _____, at extension 8-4019.