

Student Accounts Receivable

Original Implementation: July 15, 2008

Last Revision: January 26, 2016

PURPOSE

This document establishes guidelines for the prudent collection of student accounts receivable in the best interest of Stephen F. Austin State University and the state of Texas. Although this policy primarily applies to student accounts receivable, including certain university issued short term loans, procedures stated herein may be used to process other delinquent receivables from vendors and non-student accounts. This policy does not apply to the write-off of any federal loans. Policy procedures will be maintained by the controller's office, for at least the following:

- a process to ensure that the requested extension of credit is not a prohibited transaction;
- a procedure to ensure that any extension of credit (installment plan contract, short term loan request, or repayment agreement) is done so in a prudent manner, including the use of standardized credit applications and legal authority required for approval of the requested credit;
- a procedure to analyze whether credit should be extended to students who are in default on other obligations or for whom previous obligations have been written off as uncollectible. If a student account is past due, a transcript and registration hold will be placed on the account;
- procedures for managing and monitoring the billing and collection activities on student accounts;
- procedures for recording and monitoring credit extended and subsequent payments received on student accounts; and
- procedures to ensure that amounts reported as receivables on the financial statement are recorded in accordance with generally accepted accounting principles.

CRITERIA FOR RECOGNIZING AN ACCOUNT RECEIVABLE

A student account receivable will be recognized (recorded in the university's financial records) when:

- a student has enrolled for classes at the university or has been registered for classes by the university;
- a student has incurred charges for costs associated with attendance (tuition, fees, housing and meal charges, post office charges, book purchases, parking permits and fines, etc.) from which a benefit to the student is derived;
- payment is due to the university from the student or a third party;

- payment has not been received (collected) by the university from the student or third party;
- the accounts receivable does not represent an extension of credit that is prohibited by law; and,
- the recording is deemed to be appropriate by the university's fiscal officers.

RECORDING AN ACCOUNT RECEIVABLE IN THE FINANCIAL RECORDS

An account receivable is recorded in the financial records automatically by the registration and billing process. These entries credit the appropriate revenue accounts and debit the appropriate account receivable accounts in the university's accounting system.

In the event that a student withdraws during the semester, the accounts receivable outstanding balance is reduced by the appropriate percentage refund rate relevant at the time of withdrawal.

RECONCILING ACCOUNTS RECEIVABLE

The controller's office maintains adequate records of student accounts receivable and prepares a reconciliation of the student receivable records and the financial accounting records on a timely basis.

AGING ACCOUNTS RECEIVABLE

The controller's office also maintains an aging schedule for all student accounts receivable with the total of the aging schedule balanced to the total recorded accounts receivable. The following aging brackets are used:

- Greater than 30 days old
- Greater than 90 days old
- Greater than 1 year old

At year end, other ranges may be analyzed to aid in the process of the calculation of the allowance for doubtful accounts.

COLLECTING ACCOUNTS RECEIVABLE

The size of the account receivable may influence the collection efforts. The expenditure of time, effort, and money to collect large accounts receivable is appropriate; however, the same efforts expended on very small accounts receivable may not be economical. Guidelines as to the level of attention and the efforts expended on accounts receivable will be set by the university based on recommendations from collection agencies and management.

The following steps are conducted in collecting accounts receivable which are in default.

An account will be considered in default if the following apply:

- the account balance is at least 30 days old;
- the debtor has not exhibited concern regarding the delinquent account (i.e., requested a repayment agreement); and,
- the debtor is not an active student.

An account will be considered delinquent if it is past due.

Billing and Collection Activity on Delinquent Accounts or Accounts in Default

Active Students:

Active students will be billed throughout the term with due dates set by the business office. Students may be assessed penalties for late payments, but will not be turned over for collection in the term if they are actively enrolled.

Inactive Students:

Delinquent accounts will be analyzed and processed on a regular basis. Any general deposits will be applied to inactive students' outstanding balances to defray the amounts due to the university. After this analysis, delinquent accounts on inactive students will be subject to collection activity. Attempts will be made to contact students before delinquent accounts are turned over to collections. Students will not be assessed any collection agency fees or collection costs if they make a payment or request to set up a repayment fee during the communication and contact period(s). After communication and contract periods expire, accounts will be placed with a collection agency or an attorney. The collection agency may give the student an additional period prior to assessing fees. Collection fees will be calculated and added to the student's account either immediately when turned over for collection or after the last warning period has expired. The fees assessed to the student will be negotiated in advance with the collection agencies and are subject to approval from the Texas Attorney General's office. Additionally, accounts may also be reported to the Texas Comptroller of Public Accounts as authorized by Texas Government Code § 403.055 to ensure that no treasury warrants are issued or payments are paid to the debtor until the debt is paid.

If a debtor with a delinquent account establishes a repayment agreement and makes scheduled payments towards the balance within one of the warning periods, the debtor will be treated as an "active" student and will not be turned over to a collection agency unless monthly payments cease before the account balance is paid in full. If the account is turned over for collection, collection costs, collection agency fees and/or attorney fees will apply. There will

be transcript and registration holds placed on the student's account until the balance has been paid in full.

If a debtor has received a warning letter and begins making regular payments but then stops making regular payments before the account is paid in full, the debtor may be sent to an outside collection agency or attorney without further notice to the debtor.

All demand letters should be mailed in compliance with applicable collection laws. If an address correction is provided by the United States Postal Service, the demand letter should be mailed to the corrected address prior to the referral procedures described above. Demand should be made upon every debtor prior to referral of the account to an outside collection agency and the attorney general.

WRITE-OFF OF AN UNCOLLECTIBLE ACCOUNT

The university will establish procedures to determine when the write-off of an uncollectible account will occur. These write-off procedures will take into account both the age of the account and the amount due from the student.

A list of all accounts written off will be filed in the controller's office and all student accounts that have been written off will be flagged in the student system. Additionally, a transcript and registration hold will be placed on these student accounts to prevent these persons from receiving future university services until their balances have been paid in full. Warrant holds placed on the student's account will not be removed until the balance is paid in full.

FORGIVENESS OF DEBT VERSUS WRITE-OFF OF UNCOLLECTED ACCOUNTS

The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from his financial responsibility to the university. Although the uncollected account has been removed from the financial books and records (i.e., written-off as uncollectible), the university may still have a claim against the debtor and may still seek legal remedy (i.e., file suit for collection in a court of law). Therefore, it is the responsibility of the controller's office to maintain adequate records regarding legal financial obligations (i.e., debts) owed to the university.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The university records an allowance for doubtful accounts on past due accounts for all accounts that have not been written off or forgiven. Prior to closing each fiscal year's books, the controller's office will analyze and adjust the allowance for doubtful accounts, with offsets to the appropriate revenue accounts or bad debt expense, in accordance with accounting guidelines. An allowance for doubtful accounts will be set up as a contra-receivable in each

appropriate general ledger.

Cross Reference: Texas Comptroller of Public Accounts Fiscal Policies & Procedures, Accounting for Uncollectible Accounts (APS 027); Tex. Gov't Code § 403.055; Ch. 2107

Responsible for Implementation: Vice President for Finance and Administration

Contact for Revision: Controller

Forms: None

Board Committee Assignment: Finance and Audit