

**Austin Peay State
University**

Accounts Receivable Collections

Issued: October 11, 2018

POLICIES

Responsible Official: Vice President for Finance and Administration

Responsible Office: Student Account Services

Policy Statement

It is the policy of Austin Peay State University that balances due are collected in a timely and efficient manner.

Purpose

The purpose of this policy is the establishment of a University policy regarding the collection of accounts receivable.

Contents

Definitions

-Disposable earnings

Procedures

-Collection of Accounts Receivable

-General Collection Procedures

-Employee Receivables

-Rent Collections

-Federal Loans

-Collection Agencies

-Litigation

-Bankruptcy

-Write Offs

Definitions

Disposable earnings

The part of the earnings of an individual remaining after the deduction from those earnings of any amounts required by law to be withheld.

Procedures

**Collection of Accounts
Receivable**

This policy applies to the collection of all accounts and notes receivable by the University. The University shall, to the maximum extent practicable, require payment in advance for all services and goods to avoid the creation of receivables.

1. Types of Receivables. Accounts and notes receivable may be generated from programs and activities including but not limited to:
 - a. Student loan programs;
 - b. Traffic and parking fines;
 - c. Library fines;
 - d. Bad checks;
 - e. Contracts;
 - f. Property rental;
 - g. Damage, loss, or liability to the institution by others; and
 - h. Financial aid adjustments.
2. Security Deposits. The University is authorized to require any person to post a deposit or security bond, or provide appropriate insurance to offset potential obligations to the institution arising from programs or activities.
3. Statute of Limitations. Pursuant to T.C.A. § 28-1-113, there is no time limit on the University's authority to collect receivables unless otherwise expressly provided by statute.

**General Collection
Procedures**

- A. University Procedure. The University shall establish a written systematic process and procedure for collecting receivables from all persons including students and employees.
 1. The provisions included in this policy may be modified by the University based on sound and responsible management practices.
 2. Any modifications should result in more cost-effective procedures or provide better or more convenient service to debtors of the University without compromise to collection.
- B. Billing. Collection efforts should begin no later than thirty days after the obligation has been incurred or other fixed due date.
 1. The University may negotiate alternative payment arrangements with debtors when such arrangements offer the best prospect of collecting the debt.
 2. An account becomes delinquent based on payment criteria established by the University for the type of debt involved.
 3. For example, debts from students may not be classified as delinquent until a student fails to enroll in a subsequent

- fall or spring semester where the provisions of the "Record Holds" in section E below would apply.
4. On the other hand, rent for an apartment may become delinquent when rent is not paid by the tenth day after the due date.
- C. Delinquent Accounts. A minimum of two billings or letters of contact shall be sent by the University at thirty-day intervals once an account becomes delinquent.
1. For debts greater than \$100, the second letter should indicate that the account will be referred to a collection agency if payment is not made within a specified date.
 2. Sending letters by certified mail is optional.
- D. Defaulted Accounts. Accounts are classified as defaulted when the University's established collection efforts for the type of debt have failed to produce payment.
1. Receivables of \$100 or more shall be referred to a collection agency if the University's collection efforts are unsuccessful.
 2. The accounts should be submitted to the agency within a reasonable time after the final collection letter is sent if the debtor has not responded.
 3. Referral of accounts under \$100 to a collection agency is not required.
 - a. No additional collection efforts are required for receivables under \$100 except as provided for under the Record Holds (Section E) and Employee Receivables Section.
 - b. See Write Offs Section for write-off procedures.
- E. Record Holds. Pursuant to T.C.A. § 49-9-108, diplomas, transcripts, certificates of credit or grade reports will not be issued until the student involved has satisfied all debts or obligations owed to the University.
1. This statutory limitation shall not apply to debts or obligations:
 - a. Of less than one hundred dollars (\$100.00) that are more than ten (10) years old.
 - b. Evidenced by notes or other written contracts providing for future payment, such as, but not limited to, loans authorized under federal or state education or student assistance acts.
 2. An amount owed under the University's installment payment plan for enrollment fees which is not yet due shall not cause a hold to be applied. A notice stating

specific amount due should be sent to each student prior to completion of registration.

- F. Enrollment and Outstanding Debts or Obligations. A student must pay any past due debts and obligations incurred in prior academic terms before being permitted to register.
 - 1. Additionally, all known debts and obligations incurred during the current term must be paid prior to a student being allowed to pre-register for any future terms.
 - a. The University has the discretion to allow enrollment when outstanding obligation is \$200.00 or less.
 - b. The University will continue to withhold diplomas, transcripts, certificates of credit or grade reports until the student involved has satisfied all debts or obligations or meet the criteria established in T.C.A. § 49-9-108, as stated in E.1 and E.2, above.
- G. Aging. All receivables will be aged at the end of each fiscal year and more often as needed.
- H. Documentation. Accurate records of correspondence, telephone calls, and personal contacts with borrowers shall be maintained. The University shall comply with record maintenance, safekeeping, and retention regulations for federally funded loans.

Employee Receivables

- A. Procedure for Withholding. Employee receivables (including student employees) may result from, among other things, traffic and parking fines, library fines, institution services or bad checks.
 - 1. In order to recoup the amount owed from the employee's paycheck, notice of intent to withhold must be sent to the employee by registered or certified mail, email, or personally delivered.
 - a. The notice should inform the employee of the amount alleged to be owed and should specify that he may elect to pay the debt in full, authorize deductions from his paycheck or, if the employee is terminating, the check for accrued but unused annual leave, or contest the intent to withhold through a University or UAPA hearing.
 - b. Subsequent to receiving a pre-deprivation notice of the debt owing, the employee, within 15 calendar days of receipt of such notice, must:
 - 1. Pay the debt in full;

2. Authorize the University to withhold a designated amount from each subsequent paycheck or, if the employee is terminating, from the accrued but unused annual leave until the debt is paid in full;
 3. Elect to contest the intent to withhold through a University hearing; or,
 4. Elect to contest the intent to withhold through a contested case hearing held pursuant to T.C.A. § 4-5-301, et seq.
2. If the employee elects a University hearing, the employee shall appear on behalf of himself but is entitled to be advised by counsel.
- a. The Chief Business Officer or unit or his/her representative, or a representative of the department involved in the debt, shall be present to represent the University.
 - b. The case will be heard before one hearing officer designated to hear all cases on that date.
 - c. The hearing officer must be an individual who is not so closely connected with the collection of the debt that he/she cannot render an unbiased and objective decision on the validity of the debt.
 - d. Such hearing should be held within one week of the decision to elect the hearing.
 - e. The hearing officer shall render his/her decision on the validity of the debt. If the debt is ruled valid, the debt shall be deducted from the employee's payroll check beginning at the end of the next appropriate pay period in accordance with deduction schedules.
 - f. If the employee elects a UAPA hearing, the Office of Legal Affairs should be notified immediately.
 - g. If the employee refuses to pay, authorize deduction, or specify or waive a hearing process, a UAPA hearing must be initiated.
 - h. The employee's failure to appear at either a University or UAPA hearing will constitute default, or, if a prima facie case is presented that the debt is owed, it will be deemed valid; the appropriate deductions may then be made.
 - i. Additionally, if a UAPA hearing, a Default Order must be issued.
 - j. If the employee does not appeal the Default Order, funds may be deducted as specified.

- B. Limitations on Amounts to be Withheld. The deduction from any check shall not exceed the maximum deductible under state garnishment laws.
1. The maximum amount of disposable earnings of an individual for any work week which is subjected to garnishment may not exceed:
 - a. Twenty-five percent (25%) of his disposable earnings for that week; or
 - b. Thirty (30) times the federal minimum hourly wage at the time the earnings for any pay period become due and payable, whichever is less.
 2. In the case of earnings from any pay period other than a week, an equivalent amount shall be in effect.
 3. These limits are applicable to retirement funds, but are not applicable to checks for accumulated annual leave.
 4. Additionally, the above limits do not apply to employee overpayments.
- C. Retirement Funds. If a former employee is found to owe a debt to the state, retirement funds may be utilized to pay off the amount owing to the extent permitted by Tennessee law.
1. The same procedural steps outlined in section A for notice and the opportunity for a hearing must be followed.
 2. Accumulated retirement contributions of a former employee terminated for any reason and for which he has made application, or monthly benefits of a retired employee are subject to withholding to the extent permitted by Tennessee law.
 3. A copy of the final order resulting from a University or UAPA hearing, or a signed waiver of hearing and written agreement of the former employee authorizing deductions should be sent to the director of the retirement system along with a written request to withhold, specifying the reason for the claim and the total amount involved.
- D. Recovery of Overpayments to Employees. Unlike cases in which the employee owes the University money, in instances of overpayments to employees there is no obligation to provide a hearing.
1. The University is obligated, however, to attempt to recoup the funds. The University should advise the employee in writing of the overpayment and the University's proposed actions to correct the overpayment.

2. The method of repayment will depend upon the amount of the overpayment, the time which has elapsed between the overpayment and its discovery, the hardship which immediate repayment might cause the employee because of amount of current salary and personal expenses, the culpability of the employees in not reporting the overpayment, and the longevity as well as the expectation that the employee will remain in state government until the repayment is completed.
3. If a current employee receives overpayment, the refund may be made in one of the following ways:
 - a. Repayment by the employee by cash or check; or,
 - b. Adjustment of deductions to be made automatically from the employee's paycheck, either with a single deduction or a series of deductions made from each paycheck until the full amount is recovered.
 - c. The amount of partial payments recovered by the latter method should be reasonable and systematic so that full recovery will be completed within the shortest period possible.
4. If overpayment is discovered after the employee terminates employment with the state, an account receivable should be established.
 - a. The former employee should be notified of the overpayment, the circumstances of the overpayment and a request that the employee contact the appropriate campus official.
 - b. If the employee has not received his final paycheck, the appropriate deduction from that check can be made.
 - c. If the final paycheck has been received, negotiations for reimbursement should be initiated.
 - d. If repayment cannot be negotiated or collected, the account should be turned over to the collection agency.
 - e. In the event collection is not possible, proper write-off procedures should be followed.
5. In instances in which the employee has agreed to systematic deduction(s) from his paycheck(s), written authorization from the employee is encouraged.
6. The University shall draft forms to document overpayments, the steps taken to recoup same, any negotiated repayment plan, the amounts received, and any write-off of the overpayment.

Rent Collections

- A. The terms of the lease should be consulted in the event of failure by the tenant to timely pay rent.
- B. In counties with populations more than 200,000 according to the 1970 federal census, the Tennessee Residential Landlord and Tenant Act (the ACT) applies and provides, at T.C.A. § 66-28-505, that upon noncompliance with the rental agreement, the landlord shall deliver a written notice to the tenant specifying the noncompliance and stating that the rental agreement will terminate upon a date not less than thirty (30) days after receipt of the notice.
 1. If the noncompliance is not remedied in fourteen (14) days, the rental agreement shall terminate as provided in the notice.
 2. If the tenant remits the rental but subsequently again fails to pay rent within a 6 month period, the rental agreement may be terminated upon at least fourteen (14) days written notice specifying the noncompliance and the date of termination of the rental agreement.
 3. In counties where the Act applies, written notice is required when rent is unpaid unless otherwise specifically waived in a written rental agreement.
 4. In counties where the Act does not apply, it will provide guidance concerning landlord/tenant issues.
 - a. Generally, the length of the notice period equals the rental period, for example, 30 days' notice is required where rent is due monthly.
 - b. In the event the rent remains unpaid at the end of the month, the University should proceed with an action to evict the tenant.
 - c. The Office of Legal Affairs may be notified to provide any required assistance in the proceedings.
 - d. Accrued rents which are unpaid shall be treated as accounts receivable of the University; refer to General Collection Procedures Section.

Federal Loans

- A. Federal Regulations. Collection officers should be certain that they are consulting the most recent legal authorities concerning Federal loans. These authorities include interpretative materials, issues letters, manuals, Congressional Enactments and Federal Department of Education Regulations.
- B. Pre-Loan Counseling. Federal regulations require an institution to conduct entrance counseling to stress the importance of repayment, describe the consequences of

default and emphasize the terms of repayment. An individual with Federal Regulations expertise should be available during and after the session to answer questions.

- C. Exit Interview. An individual or group exit interview must be conducted to discuss the borrower's financial responsibilities and to obtain updated information. Exit interview materials may be sent by certified mail to borrowers who do not attend the exit interview.
 - 1. The borrower should be provided with a copy of the note and two copies of the repayment schedule.
 - a. These schedules can be provided either in person or by certified mail.
 - b. The borrower should promptly sign and return one of the schedules to the University.
 - c. A minimum payment of \$30 per month should be required for Perkins Loans made prior to October 1, 1992, \$40 per month for Perkins Loans made after October 1, 1992, and \$15 per month for Health Professions Student Loan (HPSL) and Nursing Student Loan (NSL) programs.

- D. Grace Period Notices. Contact with the borrower should be made during the initial and post-deferment grace periods.
 - 1. For a nine-month grace period, notices are required 90 days, 180 days and 240 days after the grace period begins.
 - 2. For a six-month grace period, notices are required at 90 days and 150 days.
 - 3. The last contact should coincide with the first billing notice.

- E. Billings. A written notice and statement of account should be sent at least 30 days before the first payment is due. If a coupon system is used, coupons should be sent instead of statements. Future statements should be sent at least 15 days before each payment is due.

- F. Late Payments or Delinquent. Three past due notices should be sent beginning when the debt is fifteen days past due. The second notice is sent 30 days from the first notice. A final demand letter should be sent within 15 days of the second past due notice. If all past-due follow-up procedures have failed to elicit a response, a telephone call is required within 30 days of the final demand letter.

- G. Cancellation or Deferments. The University may postpone loan repayments for a 12 month period if the borrower will be providing services eligible for loan cancellation or deferment.
1. Interest does not accrue and the loan is not considered delinquent when in a deferred status.
 2. The borrower must request deferment and cancellation status on an annual basis.
 3. If, at the end of the postponement period, the borrower does not qualify for cancellation or deferment, the postponed payments are due.
- H. Acceleration. The borrower must be given written notice of intent to accelerate at least 30 days in advance. This can be included in the final demand letter.
- I. Federal Loans Not Written Off. Annual collection efforts should be pursued for Federal loans that are not able to be written off or turned over to the U.S. Department of Education.
- J. Perkins Loans. The IRS/ED skip-tracing service should be used for Perkins Loans.

Collection Agencies

- A. General. The University will have collection services through one or more companies.
1. The service should provide for the referral of all types of delinquent accounts and notes from the University to the designated company only after campus collection efforts have been exhausted.
 2. The terms of the contract and RFP govern all collection actions.
 3. Unless otherwise prohibited by law or regulation, any note, contract or lease which may result in accounts receivable to the University should contain a provision pursuant to which the person will be responsible for the costs of collection and reasonable attorneys' fees in the event of default, and should further provide for the assignment of the account or note to the proper agency.
- B. Billing Services. The University may use an outside billing service to collect payments on accounts receivable. The service should be familiar with all provisions of loan programs and provide prompt, clear and accurate bills.

- C. Credit Bureaus. The University may report all loans when made to a credit bureau. The University must obtain the borrower's consent to report loans not in default by including a statement in the promissory note or some other document that is signed by the borrower at the time the loan is made.
- D. Collection Agency. Accounts that are still delinquent 30 days after the final collection letter should be turned over to a collection agency. Receivables less than \$100 are not required to be turned over to a collection agency.
- E. Reporting Requirements. The collection agency is required to report the status of delinquent loans periodically.
- F. Revised Repayment Plan. A revised repayment plan agreement should be signed by the borrower if the borrower returns to repayment status.
- G. Recalling Accounts from Collection Agency. No account should be recalled from a collection agency other than debts eligible for deferment, postponement, cancellation, bankruptcy, death, disability or some other mitigating circumstance (institutional error, etc.).
 - 1. No account should be recalled in order for a borrower to re-enroll or obtain a transcript.
 - 2. The borrower should pay the accelerated amount plus collection costs to the collection agency.

Litigation

- A. General. After all other attempts at collection have failed, the University must authorize litigation of accounts of \$2,000 or more providing litigation costs do not exceed the amount which can be recovered. Generally the collection services contract will provide for litigation when appropriate.
- B. Federal Loans. If a Federal loan cannot be litigated for any of the following reasons, it should be assigned to the U.S. Department of Education:
 - 1. Borrower has no assets;
 - 2. Address unknown;
 - 3. Debtor is incarcerated;
 - 4. Debtor is on Public Assistance;
 - 5. Unable to serve borrower with court papers;
 - 6. Litigation is in process and debtor skips;
 - 7. Expected cost of litigation exceeds amount to be recovered from borrower.

Bankruptcy

- A. General Information – The University shall designate a bankruptcy contact person to serve as a liaison between the University and the Attorney General's office.
1. Once notice of, or a petition for, bankruptcy is received, all collection efforts against the debtor must cease immediately.
 2. If the account is at a collection agency, the file must be returned to the University immediately.
 3. The University should immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form.
 4. The University should also provide a copy of this information to the General Counsel's office.
 5. The Attorney General's office will advise the University when and if collection efforts may resume, depending on the debt's dischargeability.
 - a. NOTE: Effective for actions filed on or after 5/28/91, the period during which an educational loan may not generally be discharged will increase from five (5) years to seven (7) years.
 - b. This period is calculated from the date the loan first came due to the date the bankruptcy action was filed, exclusive of periods during which repayment obligations are suspended.
 - c. Additionally, obligations to repay an "overpayment" of, or any other obligation to repay an "educational benefit" provided by a governmental unit or under a program funded by a government unit or non-profit institution will be excepted from discharge during the same seven year period under either Chapter 7 or 13 unless the borrower establishes that repayment constitutes undue hardship.
- B. Chapter 7 (Liquidation) Upon receiving any notice of the filing of a petition, all collection efforts against the debtor must be suspended immediately until the bankruptcy has been discharged.
1. Collection efforts may continue against an endorser.
 2. The University shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form.
 3. A copy of this information should also be provided to the General Counsel's office.
 4. Educational loans: If the date of bankruptcy filing is after the expiration of the exception period, the loan should be written off once the notice of discharge is received unless

there is some other basis upon which to challenge dischargeability.

- a. The Attorney General's office will contact the University to advise whether the debt is dischargeable.
 - b. However, if there is an endorser, collection efforts may proceed against him.
 - c. If the date of bankruptcy filing is before the expiration of the exception period, collection activity may be reinstated once the notice of discharge is received due to the self/executing nature of the exception unless the debtor has been able to establish dischargeability of the debt through an adversary proceeding.
 - d. If the University is served with a summons and complaint, the University shall immediately fax to the Attorney General's bankruptcy unit a copy of the Summons and Complaint, the debt payoff amount, the date the note went into repayment, and any deferment and/or forbearance history.
 - e. A copy of this information should also be provided to the General Counsel's office.
5. Other debts: The University shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form.
- a. A copy of this information should also be provided to the General Counsel's office.
 - b. When the notice states "No assets," unless the University is a secured creditor (in which case a proof of claim would have been filed), the debt must be written off once the Attorney General's office provides the University with notice of discharge.

C. Chapter 13 (Reorganization)

1. NOTE: For petitions filed on or after 11/5/90, an educational loan is non-dischargeable if the loan first became due within five years calculated from the date the loan first came due to the date the bankruptcy action was filed, exclusive of periods during which repayment obligations are suspended.
2. Effective for bankruptcies filed on or after 5/28/91, that same five (5) year period was increased to seven (7) years. See NOTE above for further details.
3. Regardless of the date of filing or the nature of the debt owing, upon receiving any notice of the filing of a

- petition, all collection efforts against the debtor and endorser must cease immediately.
- a. The University shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form.
 - b. A copy of this information should also be provided to the General Counsel's office.
 - c. The Attorney General's office will advise the University whether the debt is dischargeable and the extent to which collection activities may be reinstated.
4. If the seven (7) year exception period applies and the debtor serves the University with a summons and complaint the University shall immediately fax to the Attorney General's bankruptcy unit a copy of the Summons and Complaint, the debt payoff amount, the date the note went into repayment, and any deferment and/or forbearance history.
- a. A copy of this information should also be provided to the General Counsel's office.
5. Other debts: The University shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form.
- a. A copy of this information should also be provided to the General Counsel's office.
 - b. The Attorney General's office will advise the institution as to the dischargeability of the debt.

Write Offs

- A. Authority. The University is authorized to write off uncollectible receivables pursuant to policies outlined in Chapter 0620-1-9 of the rules of the Department of Finance and Administration.
1. This includes the write off of any account of five thousand dollars (\$5,000) or greater and/or accounts aggregating twenty-five thousand dollars (\$25,000) or more.
 2. Receivables submitted for write off must have been subjected to appropriate collection efforts in accordance with this policy.
 3. The University may continue collections subsequent to write-off. Any collections received after write-off will be credited to revenue.

- B. Reserve. A reserve for doubtful accounts should be established for activities for which accounts receivable represent a material amount to the activity income.
1. The reserve should be reported in the financial records of the University.
 2. Receivables which prove to be uncollectible after prescribed collection efforts have been exhausted should be written off by a charge to the reserve for doubtful accounts after appropriate approvals are obtained.
- C. Approval. The proposed write offs must be approved by University officials not directly involved in recording and collection of accounts receivable.
1. The president and chief business officer should certify compliance with the prescribed statute and collection guidelines.
 2. The accounts submitted for write off should be single accounts of \$5,000 or more and/or accounts aggregating \$25,000 or more. The write off request summary and certification, along with a detailed list of the accounts, should be submitted to the Vice President for Finance and Administration's office for approval.
 3. The write off request must be approved by the Board of Trustee or designee and General Counsel and forwarded by the University for approval by the Commissioner of Finance and Administration and the Comptroller of the Treasury.
 4. Requests for the write off of single accounts of less than \$5,000 and/or accounts aggregating less than \$25,000 shall be approved at the University level by the appropriate officials.
 - a. These requests do not require additional approval by the Board of Trustees or State Departments.
- D. State/APSU Employees. Any debtors identified by APSU or State as employees with debts \$50 and above will not be approved for write off.
1. Information on the employing institution or agency will be returned to the University for additional collection efforts.
 2. If the debtor is a state employee, the Chief Business Officer of the department employing the debtor should be notified.
 3. The department employing the individual will be responsible for taking the appropriate action to collect the debt.

4. If the department is unsuccessful in collecting the debt, written notification will be sent to the University.
 - a. The written notification shall be submitted with the next write off request for approval.
 5. If the debtor works for another State institution, the Chief Business Officer of the employing institution should be notified and will be responsible for collecting the debts utilizing the steps in Employee Receivables Section of this policy.
 - a. Written notification should be sent to the requesting institution if collection efforts are unsuccessful.
 - b. The written notification shall be submitted with the next write off request for approval.
 - c. The University may agree to payment through payroll deductions if the employee signs a payroll deduction authorization.
- E. Former APSU Employees. If a debt or obligation was incurred while an APSU employee, the debt constitutes an account receivable; refer to General Collection Procedures Section.
- F. Holds on Written Off Receivables. A hold on transcripts and future registration will continue until the debt is cleared for former students whose receivables were written off if the debt was one hundred (100) dollars or more.
1. The University has the discretion to allow enrollment when the outstanding obligation is \$200 or less.
 2. The University will continue to withhold certificates of credit, diplomas, grade reports, and transcripts for these accounts until they are paid in full or meet the criteria established in T.C.A. § 49-9-108.

Revision Dates

APSU Policy 4:009 – Rev.: October 11, 2018

APSU Policy 4:009 – Issued: March 8, 2017

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Student Affairs
	<input checked="" type="checkbox"/>				

Approved

President: signature on file
