

# Credit and Collection Procedures



## Finance Area:

[Vice President for Finance](#)

## Responsible or Contact Office/Role:

[Financial Reporting & Operations \(Accounts Receivable\)](#), [Student Financial Services](#)

## Purpose:

These procedures apply to University departments, divisions or schools who extend credit for goods or services to students, faculty, staff and other customers, or that handle collections of accounts receivable including student receivables managed by Student Financial Services (SFS).

These procedures do not cover accounts receivable managed by the Office of Sponsored Programs (OSP) or gift pledge receivables which are managed through University Advancement.

## Definitions:

**Billing Department:** A department, division, school, or other unit that has been authorized to extend credit for the sale of goods and services, or that is responsible for the collection of accounts receivable.

**Central Accounts Receivable (Central AR):** A unit within Financial Operations & Reporting that has the primary responsibility for generating invoices and dunning notices, and managing other collection efforts for accounts receivable processed through the Integrated System Accounts Receivable module (OAR), other than sponsored programs accounts receivable managed by the Office of Sponsored Programs (OSP).

**Collection Agency:** An outside third party that acts as an agent to the University, responsible for the collection of delinquent debts for a fee or percentage of the total amount that has been referred.

**Dunning Letter:** A collection letter, or series of letters, sent to past due or delinquent debtors with the purpose of receiving immediate payment. These letters remind the debtor of other possible collection actions that may be taken if payment is not received, such as referral to a collection agency or to the Setoff Debt Collection Program.

**Past Due (Delinquent) Receivables:** Receivables for which payment has not been received by the payment due date.

**Promissory Note:** A document signed by the customer containing a written promise to pay a stated sum to the University on a periodic basis until the debt is fully repaid.

**Set-Off Debt Collection Program (SODC):** Created through the Code of Virginia, this program provides state agencies with the ability to collect unpaid debts by withholding funds from income tax refunds, payments, lottery winnings, etc. issued by other state agencies. Information on the SODC program can be found on the [Virginia Department of Taxation website](#).

**Student Information System (SIS):** The Student Information System (SIS) is the administrative information system of record for all student-related information in the areas of admission and enrollment, academics, and student finance. [SIS](#) is one of Information Technology Services' Enterprise Applications.

**Student Financial Services (SFS):** Student Financial Services (SFS) is the University department with the responsibility for billing, management, collection and reporting of student receivables. SFS is responsible for assigning delinquent accounts to collection agencies or credit reporting bureaus.

**UVA Collections:** A unit within SFS that has the primary responsibility to collect delinquent long-term student loans (federal and institutional) and delinquent accounts receivables past due (from prior students). Collecting delinquent debts involves multiple contacts with the debtors, including written, verbal, and in person communications. UVA Collections regularly reviews all state and federal guidelines to ensure compliance.

**Write-off:** A transaction that removes from the University's financial accounting records a receivable that management has determined to be uncollectible. Writing off the receivable does not relieve the debt. It remains owed to the University, but is no longer reported in the University's accounting system as a receivable.

#### **Documentation:**

Refer to the University's Policy [IRM-017: Records Management](#) for additional information related to maintaining proper documentation.

#### **Procedures:**

##### **Authorization:**

Whenever possible and practicable, billing departments should require payment at or before the time goods or services are provided to students, faculty, staff or other customers. However, University departments can be authorized to extend credit to faculty, staff, students, and other customers for the goods and services they provide. Prior to extending credit to faculty, staff, students, or other customers, University departments must obtain approval from the Assistant Vice President for Financial Operations. Requests should be sent to [UVA-AR@virginia.edu](mailto:UVA-AR@virginia.edu). By extending credit, the billing department is assuming the risk of nonpayment by the customer and will absorb the cost of any uncollected revenues or bad debt expense.

Under certain circumstances and approved arrangements, University departments may be authorized by SFS to refer charges to a student's account to be collected through SIS.

##### **Accounts Receivable Systems:**

It is the general policy of the University that all receivables are to be processed through the University's Integrated System.

Prior approval by the Assistant Vice President for Financial Operations is required to utilize another system. Approval to utilize a system other than the Integrated System is typically granted only to large, complex departments with business processes that require specialized applications or functionality not provided by the Integrated System. These systems must have adequate control and security processes in place and meet minimum requirements including but not limited to:

- Bill accounts timely;
- Maintain an accurate record of receivables transactions;
- Provide an aged trial balance of receivables. The Virginia Department of Accounts (DOA) requires that the following aging categories be used for Statewide reporting: 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days, 181 days – 1 year, and over 1 year;
- Provide information relative to specific collection efforts on each past-due account;
- Properly account for receivables that are written off;
- Recognize and report receivables in accordance with generally accepted accounting principles (GAAP), as required;
- Maintain a record of year-end receivable balances; and
- Provide for the accrual of interest and penalties as allowed or required by law.

Requests to use an accounts receivable system other than the University's Integrated System should be sent to [UVA-AR@virginia.edu](mailto:UVA-AR@virginia.edu).

**Billing Department Responsibilities:**

Billing departments are responsible for the following:

- Assuring that transactions are necessary, reasonable, and directly related to the goals and missions of the University;
- Obtaining the minimum prescribed information needed to bill and collect on accounts (see Customer Setup below);
- Notifying in writing anyone who receives goods and/or services of the intent to impose collection charges on past due balances. Interest, charges and fees may only be assessed against a debtor where the debtor has agreed in advance to pay for them (such as in a contract) or has been placed on sufficient notice before incurring the debt;
- Responding timely to billing inquiries by either customers or Central AR personnel;
- Providing account information to Central AR for transferring credit card processing fees;
- Taking all appropriate and cost effective actions to aggressively collect all accounts receivable;
- Maintaining documentation as required by the University's records retention policy; and
- Following all applicable laws and regulations and University policies related to credit and collections.

**Customer Setup:**

Billing departments should obtain the following minimum prescribed information for each customer account. The information ensures the capability to properly bill and subsequently collect amounts owed from customers.

- Customer type (organization or person);
- Full Name (first, middle and last names for individuals);
- Home or office address;
- Telephone number for home or place of business;
- Email address;
- Federal Employer Identification Number for businesses; and
- Social Security Number for individuals or sole proprietorships contracting with the University. For other individuals, Social Security Number and/or Driver's License Number may be requested but cannot be required unless specifically provided by law.

**Collections:**

Central AR is responsible for processing payments received and for collection of accounts receivable managed in the Integrated System Accounts Receivable (OAR) module except for those managed by OSP. Billing departments not utilizing the Integrated System are responsible for processing payments received and for the collection of their respective customer debts. All appropriate and cost effective actions to aggressively collect accounts receivable should be utilized including, but not limited to:

- Place a hold on grade transcripts for current and former student debtors;
- Put a block on registration for individuals with outstanding obligations who attempt to enroll as students;
- Delay or withhold services when not in conflict with Federal or State laws;
- Inform/notify credit reporting bureaus;
- Place debts with private collection agencies;
- Obtain garnishments, liens, and judgments; and
- Utilize administrative offset (Virginia Set-Off Debt Collection Program)

For receivables other than student receivables, the "Central AR Collections Timeline" below should be followed to ensure the necessary due diligence is taken for each past due account. Due diligence should be documented in a way deemed appropriate and adequate in the applicable accounts receivable system. All documentation should be readily available upon request or audit.

**Central AR Collections Timeline:**

Days Past Due	Action Taken	Debt Amount	
		\$1.00 - \$199.99	\$200.00+
15 - 29	Mail 1 <sup>st</sup> Dunning Letter - Mailed to address on file - Letter should notify customer that invoice(s) is/are past due and immediate payment is due	√	√

30 - 44	Mail 2 <sup>nd</sup> Dunning Letter <ul style="list-style-type: none"> <li>- Mailed to address on file</li> <li>- Letter should notify customer that invoice(s) is considerably past due and immediate payment is required</li> </ul>	√	√
35 - 45	Make 1 <sup>st</sup> Customer Phone Call <ul style="list-style-type: none"> <li>- Call made to phone number on file</li> <li>- Collector may offer promissory note</li> </ul>	√	√
45 -59	Mail 3 <sup>rd</sup> (and Final) Dunning Letter <ul style="list-style-type: none"> <li>- Mailed to address on file</li> <li>- Advises customer that their account will be submitted to SODC</li> <li>- Advises customer that their account may be sent to an outside Collection Agency</li> </ul>	√	√
65 – 75	Make 2 <sup>nd</sup> Customer Phone Call <ul style="list-style-type: none"> <li>- Call made to phone number on file</li> <li>- Collector may offer promissory note</li> <li>- Advise customer of their potential to be assigned to SODC or Collection Agency</li> </ul>	√	√
90 - 100	Send Account to SODC & Mail “Action Taken” Letter <ul style="list-style-type: none"> <li>- SODC allows the University to recover debt through withheld incomes taxes/state payments</li> <li>- “Action Taken” letter informs customer that account will be assigned to outside collection agency if payment is not made within 30 days</li> </ul>	√	√
120 - 130	Assign to Collection Agency <ul style="list-style-type: none"> <li>- Account sent to outside third party who collects debt for additional fee/percentage of total owed</li> <li>- Customer cannot settle debt with the University</li> <li>- Debt is settled through subsequent receipts</li> </ul>		√

Billing departments not utilizing the OAR module may request Central AR for assistance with due diligence on past due balances, submission to SODC and assignment to collection agencies. If assistance is needed, an email should be sent to [UVA-AR@virginia.edu](mailto:UVA-AR@virginia.edu) with the details of the request.

For student receivables, the “SFS Collections Timeline” below should be followed to ensure the necessary due diligence is taken for each past due account. Due diligence should be documented in a way deemed appropriate and adequate in the applicable accounts receivable system. All documentation should be readily available upon request or audit.

**SFS Collections Timeline:**

Days Past Due	Action Taken	Debt Amount	
		\$1.00 - \$199.99	\$200.00+
0 -119	Active Student Billing <ul style="list-style-type: none"> <li>- Active student billing and payment follow University billing process (<a href="http://sfs.virginia.edu/billing">http://sfs.virginia.edu/billing</a>)</li> </ul>	√	√

	<ul style="list-style-type: none"> <li>- Students are not enrolled to collections until enrollment is inactivated</li> </ul>		
120	<p>Mail Past Due Notice</p> <ul style="list-style-type: none"> <li>- Mailed to address on file</li> <li>- Letter should notify customer that invoice(s) is/are considerably past due and immediate payment is due</li> </ul>	√	√
180	<p>Mail 2<sup>nd</sup> Past Due Notice</p> <ul style="list-style-type: none"> <li>- Call made to phone number on file</li> <li>- Letter should notify customer that invoice(s) is/are considerably past due and immediate payment is required</li> </ul>	√	√
240	<p>Make 1<sup>st</sup> Customer Phone Call</p> <ul style="list-style-type: none"> <li>- Call made to phone number on file</li> <li>- Collector offers promissory note</li> <li>- Advise customer of their potential to be assigned to SODC or Collection Agency</li> </ul>	√	√
260	<p>Make 2<sup>nd</sup> Customer Phone Call</p> <ul style="list-style-type: none"> <li>- Call made to phone number on file</li> <li>- Collector offers promissory note</li> <li>- Advises customer that their account may be sent to a Collection Agency</li> </ul>	√	√
300	<p>Mail 3<sup>rd</sup> and Final Past Due Notice</p> <ul style="list-style-type: none"> <li>- Mailed to address on file</li> <li>- Advises customer that their account will be submitted to SODC</li> <li>- Advises customer that their account may be sent to a Collection Agency</li> </ul>	√	√
360	<p>Assign to Collection Agency/Write-Off</p> <ul style="list-style-type: none"> <li>- Account is sent to an outside third party who collects debt at a fee or percentage of the total amount</li> <li>- Registration and Transcript blocks are placed on accounts</li> <li>- Customer is no longer able to settle debt through a promissory note</li> <li>- Debt is settled through subsequent receipts</li> </ul>		√
December 31	<p>Send Account to SODC</p> <ul style="list-style-type: none"> <li>- SODC provides the University the ability to recover a customer debt through withheld income taxes, and other state payments</li> <li>- SFS refreshes write-off records and sends updated file of accounts written off to SODC</li> <li>- SODC is executed at least on a yearly basis effective 12/31 of each year</li> </ul>	√	√

**Write-Off of Uncollectible Accounts:**

Accounts should be written off the University's financial accounting records when all due diligence has been completed and management determines the receivable to be uncollectible. On a quarterly basis, SFS, Central AR and billing

departments not utilizing the OAR module will recommend write-off for their respective customer debts to the Write-off Committee. Reasons for writing off an account must be adequately documented and provided to the Write-off Committee. Documentation should include a summary of the amounts proposed for write-off with information on collection efforts that have been completed and actions to be taken upon approval for write-off. Additionally, supporting documentation should be available detailing out the individual accounts being proposed for write-off. Such documentation must be readily available upon request or audit. The Write-off Committee will approve or disapprove write-offs based on the facts and circumstances of each account.

Upon approval of the Write-off Committee, SFS, Central AR and billing departments not utilizing the OAR module will process the write-offs in the applicable accounts receivable system and no longer recognize those receivables as collectible for financial reporting purposes. However, the legal obligation to pay the debt by the debtor remains. As an agency of the Commonwealth of Virginia, only the Office of the Attorney General has the authority to discharge a debt owed to the University.

Once written-off, balances must be submitted to the SODC program and sent to a collection agency (if the balance is greater than \$200).

**Notice of Bankruptcy:**

When notice of a bankruptcy filing is received, no further collection actions should be taken on the account until the bankruptcy is either discharged or dismissed. If the case is dismissed or the debt is non-dischargeable, the account should be reactivated and collection activity can resume.

**Reporting:**

As an agency of the Commonwealth of Virginia, the University is required to report, on a quarterly basis, accounts receivable information to the DOA (see Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20505). Billing departments not utilizing the Integrated System, OSP and SFS are required to provide Central AR with the information for their receivables that is needed to complete the reporting to the DOA.

The following illustration presents the information required to be submitted to Central AR within seven business days after the end of each quarter.

**Outstanding Accounts Receivable**

As of \_\_\_\_\_

Department  
Prepared by  
E-mail Address  
Phone #  
Date Prepared  
GL Revenue Account

PLEASE ENTER WHOLE DOLLARS IN EACH CATEGORY

**QUARTERLY ACTIVITY**

Prior Quarter Ending Balance	
Adjustments to Prior Quarter	-
Billings for the Quarter	
Collections for the Quarter	
Gross Rec., End of Qtr.	-
Write-offs for the Quarter	
Total Gross Receivables	-
Allowance for Doubtful Accts.	
OSP Process/Timing Adjustments& Settlements	
Total Net Receivables	-

**AGING - TOTAL GROSS RECEIVABLES**

Dollar Amount

Not Past Due	
1 - 30 Days Past Due	
31 - 60 Days Past Due	
61 - 90 Days Past Due	
91 - 120 Days Past Due	
121 - 180 Days Past Due	
181 Days - 1 Year Past Due	
Over 1 Year Past Due	
Total Gross Receivables	-

**COLLECTION STATUS OF OVER 60 DAY OLD ACCOUNTS**

Dollar Amount

In-House	
Collection Agency	
Attorney General	
Total Over 60 Days	-

**ANALYSIS OF UNCOLLECTIBLE DEBTS**

Dollar Amount

Beginning Uncollectible	
Adjustments (explain below)	
(less) Recoveries	
(add) Write-offs	-
(less) Discharges	
Ending Uncollectible	-

Explanation of Adjustments:

**ACCOUNTS SENT OUT FOR COLLECTION:**

Dollar Amount

Beginning Gross Receivables Sent Out	
Adjustments	
Add: Receivables Sent Out	
Less: Collections	
Less: Accounts returned but not Discharged	
Less: Accounts Discharged	
Ending Gross Receivables Sent Out for Collection	-

Explanation of Adjustments:

**RECEIVABLES BY TYPE**

Dollar Amount

Receivables from Individuals	
Receivables from Private Businesses	
Federal Government Related Receivables	
Other Receivables:	
Total Gross Receivables	-

On an annual basis, Financial Reporting & Operations will submit a report to the University's Board of Visitors of uncollectible balances approved for write-off by the Write-off Committee.

**Resources:**

[FIN-005: Extension and Collection of Credit](#)

[Commonwealth Accounting Policies and Procedures \(CAPP\) Manual Topic 20505](#)

[Virginia Debt Collection Act](#)

[Federal Fair Debt Collection Practices Act](#)

[Fair Credit Reporting Act](#)

**Revision History:**

May 2018