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Accounts Receivable Management Procedures

Purpose:

This document establishes Chico State procedures related to accounts receivable (A/R) management in accordance with University and Chancellor Office policies. The objective is to ensure funds are safeguarded to prevent loss of revenue, that proper segregation of duties is in place, that balances are converted to cash in a timely manner, that amounts due are valid and properly recorded to the general ledger, that collection efforts are pursued, and that debts are written off in a timely manner with proper approval. Each auxiliary organization has its own procedures related to A/R management.

100 PROCEDURE STATEMENT

To ensure that all monies owed to the University are accurately accounted for, all A/R due to the university must be recorded in the general ledger, follow appropriate collection efforts, and record allowance for doubtful accounts and write offs procedures in Sections 200 and 300 of this policy; as well as oversight by the CFO or designee to ensure the policy objective is met.

200 COLLECTIONS

This section applies to all types of receivables, including employee, student, related party and general receivables. Specific details are included below for employee, student, related party and general receivables.

201 General Information:

The University will utilize all reasonable collection efforts including direct contact for all balance thresholds, collection agencies for balances greater than $100, legal actions and Franchise Tax Board (FTB) refund offsets for balance greater than $10. The University will adhere to federal and state laws covering collection practices, it is noted that California allows recovery of debts by offset against tax refunds even after the State statute of limitations has expired. Collection efforts must include clear, timely and ongoing notification of due dates and account balances to the debtor. Valid communication methods include email, messaging, letters, invoices, texts and announcements in either electronic or printed formats.

202 Employee Receivables:

Employee Receivables generated within 3 years from payroll salary overpayments may be collected only when the repayment method and terms are expressly agreed upon in writing by the employee. The deduction should not reduce the employee's wage below minimum wage for any period covered within the terms of the repayment schedule. Any salary overpayment not initiated within 3 years from the date of the overpayment cannot be collected per SCO PPM section 1 015. Payroll deduction is the preferred repayment method. Agency collection is another repayment method in which the employee repayment is made at the Student Financial Services (SFIN) office.

The following parameters will be used for establishing repayment terms:

- Repayment period generally shall be no more than the number of pay periods in which overpayment occurred,
- Maximum of 12 months,
- Repayment amounts will generally not be less than $25 per pay period, and
- VPBF approval required if the repayment amount is less than $25/month for a period exceeding 3 months.

Employee receivables established over $25 (per action not per A/R) will be the threshold for collection efforts per agreement with Financial Accounting and Reporting (FAR) and Payroll offices. Those at or below $25 per action will be written off. An example of an "action" could be a late dock A/R vs. a benefits A/R, these are separate actions and would not be combined for collection efforts.

Receivable balances, once employee separates from the University, will become a general receivable to the campus upon notification from payroll. FAR will reclassify from an employee receivable to a general receivable and SFIN will continue the collection process if not already previously agreed upon by the employee.

The University will attempt direct contact with the employee and engage in agreeable repayment schedules. If the employee fails to engage, the balance will be referred from payroll to SFIN for collection efforts. If the balance is greater than $100 it will be referred to a collection agency. For balances greater than $10 it will be annually submitted to the FTB for tax offset, even if there is an active repayment plan.

203 Wireless Device Allowance Receivables:

Wireless device receivables will be established if an employee separates the University or changes positions/duties that had a wireless device allowance. Employees will be required to pay back a pro-rated share of their allowance if occurs on or before June 30th in the calendar year. No receivable will be established if an employee leaves on or after July 1st. Collection procedures will apply as described in section 202.

204 Student Receivables:

Term-specific student accounts receivable shall initiate collection activity of past due balances no later than the end of the term for which the funds were due. This will be no later than one month after the last day of finals for the term.

All students will receive notifications of the due dates and student account balance emails will be conducted during the term. Utilization of holds (except transcripts) and enrollment cancellation will be managed on current term student accounts receivable as applicable.

The campus has identified the following thresholds and collection procedures for student account receivables:

Past Due Balance	Withhold Services (Hold)	Tax Offset	Collection Agency
Less than $10	Yes	No	No
Between $10-$99	Yes	Yes	No
Greater than $99	Yes	Yes	Yes

Assembly Bill 1313, effective January 1, 2020, prohibits all universities from withholding transcripts as a debt collection tool. Campuses shall not do any of the following:

- Refuse to provide a transcript for a current or former student on the grounds that the student owes a debt;
- Condition the provision of a transcript on the payment of a debt, other than a fee charged to provide the transcript;
- Charge a higher fee for obtaining a transcript, or provide less favorable treatment of a transcript request, because a student owes a debt;
- Use transcript issuance as a tool for debt collection in any capacity.

205 Other Receivables:

All other receivables owed to the University that do not fall under the employee or student receivable category are considered general receivables. These could include monies owed from vendors, former employees or other individuals. Financial Accounting and Reporting (FAR) is responsible for most of the campus billing and collection of various other receivables not listed above, including billings between the Campus and Auxiliaries. Billing will be processed directly in the Common Financial System (CFS) based on supporting documentation (MOU, Contract, etc.).

The following areas have been approved to have a separate billing system, but will coordinate with FAR to post amounts to the GL. They will also maintain and provide detailed documentation:

- Parking Citations - Parking Management Bureau
- WellCat Health Center – Point n Click
- Library Circulation – Alma
- Career Center - Handshake

300 UNCOLLECTABLE ACCOUNTS

An allowance for uncollectible A/R will be established based on type of outstanding debt and expectations of repayment. The expectation of repayment will be determined based on age, type of debt, and historical collections. The allowance will be adjusted at fiscal year-end under the allowances for bad debt method

Debts and accounts receivable balances determined to be uncollectible will be written off by the close of the fiscal year. Balances at least two years old will be evaluated for write-off. Balances less than two years may be written off if determined to be uncollectible.

The approval of the write off of uncollectible balances will be documented and will follow the discharge authority below.

The campus Chief Financial Officer (CFO) will approve the write off of balances above $5,000 and the AVP Financial Services will approve the write off of balances $5,000 or less.

The write-off of uncollectible balances in funds held by the State Treasurer and accounted for by the State Controller must follow the process outlined in the **State Administrative Manual (SAM), section 8776.6**.

Forms, Resources and Related Links:
CSU Policy Accounts Receivable Management
Legal Manual, Accounts Receivable Chapter 28
State Admin Manual 8293
SCO Payroll Procedures Manual (PPM)

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