



CALIFORNIA STATE UNIVERSITY, STANISLAUS

FINANCIAL SERVICES

June 30, 2011

Approved by: Russell Giambelluca

A handwritten signature in black ink, reading "Russell Giambelluca".

Vice President of Business and Finance

Subject: Policy for allowance for doubtful and write off of uncollectible receivables

Policy Statement: California State University (CSU), Stanislaus shall endeavor to insure that all receivables are recorded and collected and that allowances for uncollectible accounts receivable are adequate and in accordance with Generally Accepted Accounting Principles (GAAP) and the Revenue Management Program Policy (RMP). The University will follow State and CSU policy on the collection of monies owed the University, and will follow auxiliary organization policy for monies owed each specific organization. The University and each of its auxiliaries will maintain a reserve to write off uncollectible debt. Write off of debt requires the approval of the named organization officers. The procedures for collection and write-off of uncollectible debt follow.

I. Collection Procedures

Collection procedures shall be the responsibility of the Director of Student Financial Services and will vary depending on whether the account is a student receivable or non-student/non-employee receivable, employee receivable or auxiliary receivable.

A. STUDENT RECEIVABLE (Peoplesoft Student)

1. Student receivables are derived from registration fees and tuition, housing & dining meal plans, financial aid over-awards, health center charges, library, parking, extension (extended education) fees, and all other miscellaneous charges. Past due time frames are based on the end of each semester. As soon as it is determined that an account is past due, all further University services are withheld until the account is paid. This is accomplished by placing a service indicator "hold" on the computerized student record system referred to as "Peoplesoft Student", the campus may withhold service as a collection tool. Service holds may continue despite a discharge of accountability or write-off as this action does not change the debtor's obligation to the CSU. Even if the state statute of limitations on filing a suit or referring debt to a collection agency has expired, the underlying debt can still be recovered by offset against tax refunds. (Section 42381, Title 5, California Code of Regulations).

Policy for allowance for doubtful and write off of uncollectible receivables

- a. Collection efforts shall include a minimum of three collection letters at 30 day intervals. (Electronic bills may be generated for amounts under \$25, RMP #17.) Each follow-up letter will include references to the prior letter(s) and will be stated in a stronger tone. The third letter will state what further actions may be taken in the collection process (State Administrative Manual (SAM) 8776.6). When the address of a debtor is unknown, attempt will be made to obtain a current address, skip-tracing procedures may include the request of the debtor's address using a Government Agency Request for Driver License/Identification Record Information form INF 254 from the Department of Motor Vehicles, Accounts Processing Unit. In order to use this alternative, the date of birth or driver's license/identification number of the debtor is required. (SAM 8776.6)
- b. Appropriate documentation shall be retained to substantiate due diligence of collection efforts.
- c. In the Fall of each year, accounts from prior academic years (Summer, Fall, Winter, Spring terms) in excess of \$10.00 shall be submitted for tax-offset with the California Franchise Tax Board.
- d. Quarterly in September, December, March, and June accounts 1 year old are submitted to an outside collection agency.

B. NON-STUDENT/NON-EMPLOYEE RECEIVABLE

1. Miscellaneous fees, etc. assessed off-campus groups & organizations, auxiliaries, and non-students/non employee.
 - a. Collection efforts shall include a minimum of three collection letters at 30 day intervals. Each follow-up letter will include references to the prior letter(s) and will be stated in a stronger tone. The third letter will state what further actions may be taken in the collection process (SAM 8776.6). When the address of a debtor is unknown, attempt will be made to obtain a current address, skip-tracing procedures may include the request of the debtor's address using a Government Agency Request for Driver License/Identification Record Information form INF 254 from the Department of Motor Vehicles, Accounts Processing Unit. In order to use this alternative, the date of birth or driver's license/identification number of the debtor is required. (SAM 8776.6)
 - b. Appropriate documentation shall be retained to substantiate due diligence of collection efforts.
 - c. In the fall of each year, accounts from prior academic years in excess of \$10.00 shall be submitted for tax-offset with the California Franchise Tax Board.
 - d. Quarterly in September, December, March and June accounts 1 year old are submitted to an outside collection agency.

Policy for allowance for doubtful and write off of uncollectible receivables

C. EMPLOYEE ACCOUNTS RECEIVABLE (SAM 8776.7, Revised 06/05)

Government Code Section 19838 requires reimbursement to the state of overpayments made to employees. Employee overpayments can arise from Office Revolving Fund (ORF) salary and travel advances and payroll warrants issued by the State Controller's Office, or misuse of campus procurement card or campus issued credit card. Refer to SAM Section 8116.3 for additional collection procedures regarding travel advances. For the purposes of this section, an amount owed to the state by an employee (an account receivable) is the equivalent of an overpayment. Accordingly, the collection procedures described below should, to the extent applicable, be employed to collect accounts receivable due from state employees. The following procedures and policies will be followed when collecting employee overpayments:

1. Payroll / General Accounting will notify employees (in writing) of overpayments and provide them an opportunity to respond. The overpayment notification should include at least the following items:
 - a. Amount due;
 - b. Pay period affected if overpayment relates to salary;
 - c. Reason for overpayment;
 - d. Response time afforded to employee prior to collection action;
 - e. Optional: proposed repayment plan and method of collection.
The employee will be given 15 calendar days to respond, either orally or in writing. If the employee is on vacation, sick leave, out-of-town assignment, etc., and cannot be reached, the time afforded the employee to respond should be adjusted accordingly. All responses will be documented and maintained in department files.
2. The employee will be given the opportunity to satisfy the amount due by payment in cash, check, or payroll deduction. Payroll / General Accounting will attempt to negotiate a repayment plan acceptable to both parties.
3. Repayment may also be made by installment through payroll deduction to cover at least the same number of pay periods in which the overpayment occurred. When overpayments have continued for more than one year, the University may require full payment in one year.
4. Once a repayment plan has been agreed upon, it will be put in writing and signed by the employee. The signature block will include a statement similar to the following: "I agree to the repayment schedule described above and acknowledge the gross amount set forth as a legitimate debt owed by me to the State."
5. If the employee does not agree to repay an overpayment or does not respond to the written overpayment notification by the afforded time, the University will collect overpayments in the manner set forth in #3 above.
6. For separating employees, it may not be possible to provide written notification regarding overpayments. Regardless, Government Code Section 19838 authorizes the state to withhold amounts owed for outstanding travel and salary advances from an employee's final separation pay. See SAM Section 8580.4.
7. Payroll deduction to repay overpayments will not exceed 25% of the employee's net (gross minus mandatory deductions) monthly or semi-monthly salary, except from separating employees, as provided in #6 above. Mandatory deductions include taxes and garnishment/levy. For a complete listing of mandatory deductions, see the State Controller's Office Payroll Procedures Manual.

Policy for allowance for doubtful and write off of uncollectible receivables

8. These employee overpayment collection procedures do not affect procedures for the collection of ORF salary advances in lieu of a State Controller's warrant when the pay period for the advance and warrant are the same. An ORF advance in lieu of State Controller's warrant is the check given to the employee as a substitute for the warrant when the warrant is incorrect or not available. If the amount of an employee's State Controller's pay warrant is greater than the actual amount of pay owed the employee in the corresponding pay period, the University may withhold the employee's pay warrant and issue an ORF check for the difference. For example: if an employee is due less pay due to dock, etc., in the current pay period, and a full month State Controller's warrant was issued (although not yet distributed to the employee), the University can intercept the pay warrant and issue an ORF check for the difference between the pay warrant and the amount owed. The employee should be notified of this offset, but a formal overpayment notification letter is not necessary. However, if an ORF advance is from a different pay period than the State Controller's warrant, the department must follow the procedures outlined above.
9. These collection procedures do not apply to separated employees (see SAM Section 8776.6) or collection procedures for Industrial Disability Leave overpayments.
10. Recoupment action must be initiated (written notification of overpayment to the employee) within three years from the date of overpayment in order to collect without the employee's consent, as provided in these procedures.
11. Refer to SAM Section 8116.3 for additional overpayment collection procedures to recover temporary travel advances.

Collective Bargaining Unit contracts (Memorandums of Understanding) for represented employees may contain overpayment collection provisions. The provisions of these contracts supersede any other collection procedures. Therefore, contracts should be reviewed carefully to identify overpayment collection provisions.

D. AUXILIARY ORGANIZATION RECEIVABLES

Collections on receivables between the campus and an auxiliary organization should follow the schedule shown in Table 1 of RMP #17 (see below). If an outstanding receivable with an auxiliary organization cannot be resolved at the 150 day mark, a listing of those items showing the collection efforts to date and any reasons for dispute should be prepared by the Accounts Receivable Team for review by the campus Associate Vice President for Financial Services or equivalent. The Associate Vice President for Financial Services or equivalent will determine the next steps the campus will take in following up or writing off the outstanding receivable.

Policy for allowance for doubtful and write off of uncollectible receivables

The following tables provide standards for collection efforts on employee, the general public and student accounts receivable:

Table 1 – Employees and the General Public

Recommended Actions Required to be Taken					
Activity	2 nd Billing (Copy of Original)	3 rd Billing	Dunning Letter	Stronger Dunning Letter	Administrative Action (i.e. Refer to Collection Agency)
Days Since 1 st Billed	30 Days	60 Days	90 Days	120 Days	150 Days
Amount of Bill					
Up to \$25	X	X			
\$26-50	X	X	X		
\$51-90	X	X	X	X	
Over \$90	X	X	X	X	X

Table 2 – Student Bills

Recommended Actions Required to be Taken				
Activity	2 nd Billing	3 rd Billing	Dunning Letter	Administrative Action (i.e. Refer to Collection Agency)
Days Since 1 st Billed	30 Days	60 Days	90 Days	120 Days
Amount of Bill				
Up to \$25	X			
Over \$25	X	X	X	X

Paper bills should not be sent out to students for amounts under \$25; however, e-bills may be generated for amounts under \$25.

Governmental Agency receivables may involve large sums of money. Special schedules of collection follow-up actions may be established to best fit these circumstances.

Policy for allowance for doubtful and write off of uncollectible receivables

II. Discharge from Accountability (SAM 8776.6)

If all reasonable collection procedures do not result in payment, the University may request discharge from accountability of uncollectable amounts due from private entities. Departments will review their accounts receivable no less than quarterly to identify receivables for discharge. If the Accounts Receivable Team has identified receivables for discharge, the University will file an Application For Discharge From Accountability form, STD. 27, with the SCO, Division of Accounting and Reporting, no less than quarterly. Applications for Discharge from Accountability of uncollectable amounts of more than \$7,500 will be filed separately from applications for amounts of \$7,500 or less. The \$7,500 amount applies to the total of all amounts owed by the debtor, not to each invoice. The application for discharge shall include:

1. Statement of the nature of the amount due
2. Name(s) of the person(s) liable
3. Estimated cost of collection
4. Any other fact(s) supporting the request, including offset attempts (See SAM Sections 8790.1–8790.8.)
5. If the discharge from accountability is due to bankruptcy, the supporting documentation must include a copy of the court's final discharge of the debtor and evidence that the specific dept is included in the petition for bankruptcy.
6. Signature, phone number, printed name, and title of person completing the STD. 27
7. Signature, printed name, and title of manager authorizing the STD. 27

The individual authorizing the Application for Discharge from Accountability for amounts of \$5,000 or more will be the Chief Financial Officer. Amounts less than \$5,000 may be authorized by the CFO designee, the Associate Vice-President for Financial Services.

GC Section 13943.2 (amended 2009 SB16) provides that upon written authorization by the California Victim Compensation and Government Claims Board (CVCGCB), State departments may refrain from collecting amounts of \$500 or less. The \$500 limitation applies to the total of all amounts owed by the debtor, not to each invoice. Questions regarding this authorization should be directed to the CVCGCB, Government Claims Program, at (916) 491-3700 or toll free (800) 955-0045.

If the University does not obtain approval from the CVCGCB, it shall apply for discharge from accountability with the SCO, as indicated above.

Policy for allowance for doubtful and write off of uncollectible receivables

The California State Universities must refer to Education Code Section 89750.5 for application limitations.

CALIFORNIA CODES

EDUCATION CODE

89750.5. (a) Notwithstanding Sections 948 and 965.2 of the Government **Code** or any other provision of law, the trustees may settle, adjust, or compromise any pending action or final judgment, without the need for a recommendation, certification, or approval from any other state officer or entity. The Controller shall draw a warrant for the payment of any settlement, adjustment, or compromise, or final judgment against the trustees if the trustees certify that a sufficient appropriation for the payment of the settlement, adjustment, compromise, or final judgment exists.

(b) Notwithstanding subdivision (c) of Section 905.2 of the Government **Code** or any other provision of law, the trustees may pay any claim for money or damages on express contract or for an injury for which the trustees or their officers or employees are liable, without approval of the California Victim Compensation and Government Claims Board if the trustees determine that payment of the claim is in the best interests of the California State University and that funds are available to pay the claim. The authority of the trustees conferred by this subdivision does not alter any other requirements governing claims in the Tort Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government **Code**), except to grant the trustees authority to pay these claims.

(c) Notwithstanding Chapter 3 (commencing with Section 13940) of Part 4 of Division 3 of Title 2 of the Government **Code**, the trustees may discharge from accountability the sum of one thousand dollars (\$1,000) or less, owing to the California State University if the trustees determine that the money is uncollectible or the amount does not justify the cost of collection. A discharge of accountability by the trustees does not release any person from the payment of any moneys due the California State University.

CSU STANISLAUS Specific Policy and Procedure:

Quarterly in September, December, March and June the Director of Student Financial Services shall perform a review of accounts receivable and those accounts deemed uncollectible shall be requested for write-off. In addition, an allowance for uncollectible accounts receivable shall be determined and recorded in accordance with generally accepted governmental accounting standards.

A. Allowance for Uncollectible Accounts Receivable – Student Fees

1. The allowance will be calculated based on prior academic year student accounts receivable balances factored by historically uncollectible student fee trends. The allowance shall consist of any receivable that is twelve months or more past due. Amounts that are less than twelve months past due shall be reserved if there is reasonable doubt that the amount is collectible.

B. Allowance for Uncollectible Accounts Receivable – Other fees

1. The allowance is calculated based on prior academic year student accounts receivable balances from the student accounts receivable schedule and shall consist of any

Policy for allowance for doubtful and write off of uncollectible receivables

receivable that is twelve months or more past due. Amounts that are less than twelve months past due shall be reserved if there is reasonable doubt that the amount is collectible. This is in accordance with policies established by the CSU Chancellor's Office and reiterated each year in the Year-end Financial Report Instructions (AD 98-07).

C. Allowance for Uncollectible Perkins Notes Receivable

1. Quarterly in September, December, March and June an analysis shall be performed by the Director of Student Financial Services and shall be based on historical data, aging schedules, and economical trends. Based on this analysis, an allowance shall be recorded.

D. Accounts Receivable Write-offs

1. If all reasonable collection procedures do not result in payment, the University may request discharge from accountability of uncollectible amounts due from private entities.
2. Quarterly write-offs for accounts in arrears for amounts less than \$1000 shall be reviewed by the appropriate supervisor and approved by the Controller or equivalent. Accounts over \$1,000 shall be written-off if they have been outstanding for a minimum of one year, are deemed uncollectible and the cost of further collection efforts are in excess of the amount recoverable.
3. Quarterly in September, December, March and June, a review of the various account receivables shall be performed by the Director of Student Financial Services. A listing of accounts recommended to be written-off shall be prepared at least at each fiscal year end.
 - a. For accounts with balances owing less than \$1,000 the Student Financial Services Department will maintain written documentation of collection efforts. The Director of Student Financial Services will submit a list and memo of write-offs to the Controller or equivalent for approval.
 - b. For accounts with balances owing in excess of \$1,000 the Student Financial Services Department will maintain and provide photocopies of all collection effort documentation. The Director of Student Financial Services will submit to the Associate Vice President for Financial Services for approval, a list of accounts in excess of \$1,000 but less than \$5,000 (RMP #17) to be written-off if they have been outstanding for a minimum of one year, are deemed uncollectible and the cost of further collection efforts is in excess of the amount recoverable. Amounts in excess of \$5,000 will be submitted to the campus Chief Financial Officer (Vice President for Business and Finance) for write-off approval (CSU CO Memo FS 09-02).
 - c. In the case of death or disability of a debtor, the Student Financial Services Department will obtain official documentation with respect to the death or disability. Upon receipt of the deceased will/document(s), the Director of Student Financial Services will request write-off of the debt in the form of a memo. This is an exception allowed at campus discretion by CSU CO Coded Memo AA-2002-13 dated February 13, 2002. The Controller will review the write off request memo and submit to Vice President of Finance for approval (AA-2002-13 Attachment A (e) (2)).
 - d. For any funds held by the State Treasurer and accounted for by the State Controller, write-off of uncollectible balances must follow the process outlined in the State Administrative Manual (FS 09-02).

Policy for allowance for doubtful and write off of uncollectible receivables

References:

Revenue Management Program Training Materials

o Executive Order 1000

http://www.calstate.edu/BF/rmp/rmp_oct07_train.shtml

Executive Order 731

Education Code 89750.5

Title 5 California Code of Regulations, Section 42381

State Administrative Manual Section 8776

Integrated CSU Administrative Manual, CSU Policy 3132.01

<http://www.calstate.edu/icsuam/sections/3000/3132.01.shtml>

CSU Office of the Chancellor Memo Code RMP #17

CSU Office of the Chancellor Memo Code FS 09-02

CSU CO Coded Memo AA-2002-13