Collection of Accounts Receivable

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Section 7.4.1 - General

KCTCS has a fiduciary responsibility to properly and timely invoice and collect payment for services rendered. Payments from students and customers are expected in a timely fashion. To ensure timely billing for services rendered, KCTCS issues an electronic invoice upon a student’s registration for credit courses. For subsequent billing (electronic or hardcopy) units are to develop and maintain a defined billing plan and schedule. Note: To reduce potential issue with student invoicing (student claiming they never received an invoice) it is recommended that the student be given a printed invoice at the time of their completed registration. This hardcopy invoice would be in addition to the electronic invoice the student receives.

Invoices are to include the type of service, unit price, date of service, and list of attendees (if applicable) to enable the student or customer to complete payment without request for additional information. Invoices are to clearly list payment due date with appropriate language to encourage timely remittance. Example: “Payment due upon invoice receipt. Failure to pay within a timely manner (unit should insert a number of days the payment is due, i.e., within 10 days) may result in the account being referred for collection that will result in collection fees in addition to the amount currently owed.”
**Note:** Accounts receivable are considered current if subject to a payment plan and the student or customer is adhering to the payment plan’s terms, including, but not limited to, the college’s payment plan as administered through a KCTCS approved third party (e.g., FACTS Tuition Management a division of NelNet Business Solutions), a college promissory note or developed payment plan, etc.

Per KRS 45.239(4) and KRS 45.241 et. seq., the Finance Cabinet – Department of Revenue is authorized to collect debt owed the Commonwealth of Kentucky. KCTCS being a subunit of the Commonwealth of Kentucky has agreed to refer to the Department of Revenue the collection of its overdue accounts receivables. Prior to placing any account receivable with the Department of Revenue, a unit(s) must follow the processes described in this procedure.

**Section 7.4.2 – Billing and Invoicing**

Billing and collection of accounts receivable are the responsibility of the college’s business office. This function may be delegated as deemed appropriate to the specific unit providing the service, i.e., college’s business and industry / community and economic development office. Regardless of delegation, the college business office must ensure generally accepted accounting practices (GAAP) are followed by periodic monitoring and review of aged accounts and unit billing practices. All student receivables resulting from assessment of tuition and fees for which the student receives academic credit must be invoiced through the PeopleSoft Student Financials Module, including third party billings. Please see Section 7.3 of KCTCS’ Business Procedures for information related to third party billing. Billing for “non-credit” offerings not applicable to the PeopleSoft Student Financials Module must be billed using the Accounts Receivable/Billing Module of PeopleSoft Financials.

Proper invoicing includes the following:

A. Timely billing of services rendered with appropriate documentation as to the date the invoice is forwarded, e.g., prior to the last day to add/drop the class for a student receivable and 10 working days for all other receivables. **Note:** To reduce potential issue with student invoicing (student claiming they never received an invoice) it is recommended that the student be given a printed invoice at the time of their completed registration. This hardcopy invoice would be in addition to the electronic invoice the student receives.

B. The initial invoice is to include all necessary explanation of services as to not require customer follow-up should there be questions. A complete invoice would include the following: explanation of services rendered, due date, college contact person, complete college return address, telephone number,
Section 7.4.3 – Aged Accounts

Accounts are considered past due if payment is not received by the college’s published due date or a third party payment agreement is not in effect transferring (or deferring) payment to another party. Continuing review of outstanding account receivables must be performed in a timely manner by the college business office. This includes re-review of outstanding accounts for clerical errors and payments received, but not posted.

To avoid possible issue with invoicing, it is recommended that the student be given a printed invoice at the time of their registration and that an organization be mailed (e-mail will suffice if the organization has a contact listing with an e-mail address) an invoice upon receipt of services.

When accounts are past due, the following steps are to be followed in pursuit of collection.

A. Accounts thirty (30) days or older – a “Second Notice” is to be sent for all accounts outstanding thirty (30) days or older. The notice must include a statement that payment is expected in a timely manner (upon receipt of invoice) and that it is KCTCS business process refer delinquent accounts to the Commonwealth of Kentucky, Finance Cabinet – Department of Revenue per KRS 45.239(4) and KRS 45.241 et. seq. which authorizes collection of fees in addition to the amount currently owed. Reference to the first notice being sent via e-mail is encouraged as a reminder of KCTCS’ electronic invoicing.

B. Accounts sixty (60) days or older – a “Final Notice” is to be sent for all accounts outstanding sixty (60) days or greater. Included in the notice must include a statement that the account is in the process of being referred to the Commonwealth of Kentucky, Finance Cabinet – Department of Revenue per
KRS 45.239(4) and KRS 45.241 et. seq. for collection unless payment or arrangement of payment is made within 10 days of the letter. Further, that once the account is referred it will be subject to collection fees in addition to the amount currently owed. Please see Section 7.4.10 of this procedure for sample letter to the student or customer alerting them of potential referral for collection.

*Note:* Colleges must follow the above billing procedures and timelines for all past due notices. Failure to adhere to these procedures may subject the college to legal action. Specifically, all student or customer accounts referred to the Commonwealth of Kentucky, Finance Cabinet – Department of Revenue per KRS 45.239(4) and KRS 45.241 et. seq. must have given appropriate notification to the student or customer and have included a statement of the student’s or customer’s liability for payment of accompanying collection fees. Inclusion of the potential collection actions such as possible tax refund offsets, liens, or seizure of property is highly recommended for “Final Notice” letters.

For externally contracted tuition and fee payment plans where accounts have been remitted to the college in past due status, the college should follow normal collection procedures based on the age of the past due account. For example, the college receives a listing of accounts that are past due. For whatever reason, payments have not been made as per the tuition and fee payment agreement. The past due account would be included in the college’s “Aged Accounts Schedule” based on the initial date of the unsuccessful attempt to draft payment.

*Note:* Consideration should be given where a student’s account is delinquent after the last planned payment is due to cancel the payment plan and notify the student that the payment plan has been cancelled and that remaining payment(s) should be directly remitted to the college. Collection efforts for payment plan accounts that are delinquent should be coordinated with the external tuition payment plan vendor so as to not duplicate effort and avoid confusion for all – student, vendor and college.

Please see Section 7.4.10, Delinquent Letter Notification – Samples (Payment Plan Letter) for suggested college delinquent notice.

**Section 7.4.4 – Financial Bankruptcy**

Students/customers approved for bankruptcy by the U.S. Bankruptcy Court have legal rights that KCTCS must follow. Bankruptcy filings for students fall into two categories: Chapter 7 and Chapter 13 of Title 11. Chapter 7 is complete forgiveness of any debt. In Chapter 13 the court approves reorganization of debt. Under Chapter 7 KCTCS cannot collect any amount, nor can KCTCS impair (adverse action) the student’s/customer’s ability to enroll or obtain services from a KCTCS
college. Where the college has received notice of Chapter 7 approval by the U.S. Bankruptcy Court for a student, the delivering college should Quick Post (in Student Financials) the Chapter 7 Item Type –61 (college’s 5 digit business unit) 10050 and clear the student’s account of all outstanding balances. The home campus receiving the notice will need to notify the other colleges affected and remove any indicators as appropriate.

Like Chapter 7 bankruptcy, a student or customer approved for Chapter 13 bankruptcy by the U.S. Bankruptcy Court is protected against adverse action and KCTCS cannot be prohibited from enrolling or receiving services. Such parties are still responsible for the debt, but the court establishes the payment schedule. When a college receives notification of Chapter 13 protection, the college can file a petition with the court for consideration of debt payment. The court determines payment order for all creditors. Or, the college can choose to simply write off the debt. Depending on the amount of the debt, it may be administratively cost effective to write off the debt versus the time and effort of filing a petition with the court.

If a petition were filed with the court for consideration of payment of the debt, the college would work with the court appointed trustee to set up a payment plan. Once a payment plan is established by the court appointed trustee, the college can place a payment plan (PYP) indicator within PeopleSoft Student Financials to denote “payments are being received from bankruptcy court with an approved Chapter 13.” The PYP indicator helps keep the student from being referred for collections and also keeps the financial hold restriction turned off, but enables the balance due to show as payments are posted.

If a payment plan is not established by the court, but the college has received notification of Chapter 13 approval, the delivering college should Quick Post (in Student Financials) the Chapter 13 Item Type –61 (college’s 5 digit business unit) 10055 and clear the student’s account of all outstanding balances in order to prohibit any accidental adverse action from happening. The home campus receiving the notice will need to notify the other colleges affected and remove any indicators as appropriate. This procedure is applicable only to the student’s ability to enroll or to receive services when only financial bankruptcy is involved. This does not relieve or eliminate any other restrictions on enrollment for academic or any other reason established by the college. **Note:** Students may file for bankruptcy however this alone does not relieve the student from the incurred obligation. Rather, just filing for bankruptcy is not reason to release the debt to the college. A notice of discharge of the debt from the court is required. Hence, the college may choose to place a financial hold on the student’s account as a means to not refer the student to collections, but wait until it has the bankruptcy notification in hand before placing the Quick Post for bankruptcy in Student Financials.
Bankruptcy for corporations with which KCTCS has rendered services (i.e., training) is to be addressed on an individual basis. Please contact the KCTCS Office of Business Services for counsel at extension 63263 or (859) 256-3263.

**Section 7.4.5 – Use of the Department of Revenue for Collection**

Per KRS 45.239(4) and KRS 45.241 et. seq., the Finance Cabinet – Department of Revenue is authorized to collect debt owed the Commonwealth of Kentucky, KCTCS being a subunit of the Commonwealth of Kentucky has entered into agreement with the Commonwealth of Kentucky, Finance Cabinet – Department of Revenue to collect overdue accounts receivable. All preliminary steps noted in Section 7.4.3 Aged Accounts are to be followed prior to a student or customer being referred to a collection agency. *Note:* once an account is referred to the Department of Revenue, a college shall not directly negotiate with the student the amount of payment for the outstanding balance. In limited instances the length of term for payment – not to exceed two years – may be negotiated and is to be coordinated through communication with the Department of Revenue.

It is further recommended that the college place an “NSS” (no self-service) or “DOR” (Department of Revenue) student financials indicator on any accounts that are posted as ‘ready for collections”. While the process is established to upload referrals to the Department of Revenue for collection, there can be timing delays and placing the indicator on the students’ account will help avoid any discrepancy due to timing.

**Section 7.4.6 – Allowing Previous Bad Credit Additional Credit**

No extension of credit for services is to be given to any student or customer that the college has referred for collection - period. All referred accounts must be satisfied or in process of payment in full prior to the student or customer being allowed to receive additional services. No student or customer is permitted to participate in a payment plan if an account has been referred for collection. Additionally, where a student or a corporation is seeking re-enrollment or other services and the student or corporation had an unpaid balance that resulted in the college having to expense or write off the debt, the college has the discretion to request a “cash” payment from the student and/or corporation prior to re-enrollment or any service being rendered. Cash is defined for this purpose as US currency, check or credit card. If payment is made by check, the college has the discretion to see that the check has cleared the bank before providing requested services.

**Section 7.4.7 – Re-Admittance and/or Release of Credentials**

Any student or customer, who is delinquent in their financial obligations to a KCTCS
college, or any division or organization of a college, shall not be allowed to register for future terms, receive transcripts, transfer credits to another institution, graduate, or receive college services. The college which holds the receivable is responsible for placing a hold on the student’s record(s) within the PeopleSoft student administration module. Note: please also see Section 7.4.6 – Allowing Previous Bad Debt Additional Credit.

The decision to have a Title IV student financial aid hold placed on a students’ account is the responsibility of the college’s student financial aid office with all other financial holds the responsibility of the college’s business office. Operating procedures for forwarding information to the college business office for delinquencies such as a library fine, parking violation, etc. are a local college decision. Given the varying conditions, length of time, and amounts for delinquencies, colleges may, at their discretion, choose to waive any or all of the student’s delinquency and subsequently release any holds on the student’s record. In such instances, written documentation should be retained for audit purposes and a waiver is to be applied. Administrative withdrawals or the altering of student records are not approved methods for addressing delinquent accounts. In such an instance when an administrative withdrawal is used, extreme caution should be exercised as the posting of the administrative withdrawal has the effect of changing history within PeopleSoft. It is recommended the college dean of students in conjunction with the dean of business approve the administrative withdrawal retaining documentation of the posting for future reference and audit purposes. If an account has been referred for collection and the college chooses to waive the delinquency, the college must notify the collector (Department of Revenue) prior to waiving the delinquent charges so as to avoid possible coordination/collection issues. The college assumes the responsibility for collection fees and service charges assessed by the collector for the delinquency, with the exception of an account submitted in error. This includes payment for any fees or charges due the collector that were not collected because the college accepted payment for an amount less than the total sum required to make both the college and the Department of Revenue whole.

Section 7.4.8 – Complaints, Disputes and the Resolution Process Prior to Referral to a Collection Agency

Prior to referral for collection each college shall designate a contact and process for complaints and/or disputes. The complaint process should include college contact, address to forward written complaints, and telephone number of the contact. Complaints and/or disputes are to be handled in a timely manner. Response time is not to exceed 14 days. Written notification to the resolution to the complaint and/or dispute should follow as necessary. Example: Complaint resolution is a negotiated length of term for payment. (Note: The amount of the outstanding delinquency
cannot be reduced.) The terms of the verbal agreement of any meeting should be sent in writing to the complaining party with file copy retained.

Section 7.4.9 – Minimum Amounts Referred to a Collection Agency

The minimum amount that shall be referred to the Department of Revenue is $100.00.

Section 7.4.10 – Deposit of Collected Delinquent Accounts

Funds received for delinquent accounts shall be deposited to the appropriate chartfield depending on stage of delinquency. Referred accounts shall be paid directly to the Department of Revenue with the Department of Revenue making payment to KCTCS/college. To avoid issue with collection charges, it is strongly recommended that the college not directly accept payment from the student or customer once the account has been referred.

Where a student or customer presents a payment directly to the college, extreme caution should be exercised. In this instance, cash payments for referred accounts made directly to the college are to be deposited into the clearing account 21010 and not directly posted to the student’s or customer’s account. The complete chartstring is as follows: College Business Unit, Account 21010, Fund 01, Dept/Org 700030, Program 01000, and Class 00. The college must notify the Department of Revenue of the payment (phone call with follow-up e-mail or other auditable documentation of notification will suffice). The college must issue a “manual receipt” reflecting the payment being applied to the account as placed with the Department of Revenue. The college must complete a check request to the Department of Revenue for the full amount of the student’s or customer’s payment within 14 days of receiving the payment. It is the responsibility of the Department of Revenue to remit to the college the student’s or customer’s payment and to notify the college that the account, including collection fees, is satisfied.

When a student or customer presents a check payment to the college, all checks for referred accounts are to be made payable to the Commonwealth of Kentucky - Department of Revenue (and not the college). The preferred method is for the college not to accept the payment, but rather to have the student remit the payment directly to the Department of Revenue. If the college accepts a check (again, not recommended) from the student or customer, the check should be forwarded directly to the Department of Revenue (not deposited into a college account). The Department of Revenue’s address is listed below. In this instance, an acknowledgement receipt is to be issued to the student or customer and retained for audit purposes. Under no circumstances is the college to issue any statement as to whether the account is satisfied with the issuance of the acknowledgement receipt.
The acknowledgement receipt is a receipt that the college accepted a payment from the student or customer for a prescribed dollar figure; in no way should the receipt acknowledge the delinquent account is satisfied.  *Note*: Credit card payments are not to be accepted by the college for referred accounts.

Kentucky Department of Revenue’s mailing address:

Kentucky Department of Revenue  
Finance and Administration Cabinet  
200 Fair Oaks Lane  
Frankfort, KY 40602

Kentucky Department of Revenue’s phone number for referred accounts is: 502-564-4921, extension 5368.

Deposits for delinquent accounts fall into two categories: Student Receivables and Non Student Receivables:

A. Accounts *less than* one year old.  
   Student receivable payments are to be posted to the student’s account as the normal practice. Customer (non credit) accounts are to be posted to the Accounts Receivable/Billing Module of PeopleSoft as per the normal procedure. Adjustments will be made during the write off process to reverse the expense entries made to bad debt expense.

B. Accounts *greater than* one year old.  
   These payments require two entries to ensure correct posting. The first entry requires debiting the applicable receivable account and crediting the appropriate allowance account. The second entry requires a debit to “cash” and a credit to the appropriate receivable account. These postings performed by the KCTCS System Office.

Please see the Student Accounts Receivable Write-Off Process. Full documentation for the Student Financials Write-Off Process is located on Docushare: PeopleSoft Training and Help, Student Financials, SF 14 Write-Off Process. Questions regarding student accounts receivable should be referred to the KCTCS Student Administration Help Desk by sending e-mail or telephoning 859-256-3293 or 859-256-3340.

Questions concerning non-student customer accounts receivables should be directed to the local college business office. Full documentation for the Accounts Receivable process using the AR/Billing Module is located on Docushare: PeopleSoft Training and Help, under Financials, Accounts Receivable. Questions
concerning non-student customer accounts receivables in Events Pro should be directed to KCTCS Accounting at 859-256-3359 or 859-256-3317.

Section 7.4.11 - Processing of Payments Received for Department of Revenue

In order to have the Kentucky Department of Revenue (DOR) act as the college’s collection agent a number of security related forms for DOR’s enterprise collections must be completed by college personnel. Copies of the security forms may be obtained by contacting the KCTCS Office of Student Financials at extension – 63239.

Each employee who will need access to DOR’s enterprise collections system must complete all the security forms separately except the Security Form for Entering Debt and KY-OSCAR Access Form. For these two forms personnel need only to complete one form per college listing all names of the college employees requesting access. Each security form has specific procedures. The security forms are intended to give KCTCS employees located at the separate campuses access to enter debt, if necessary, via the web, and to have access to the collection system for inquiry purposes. The collections system is designed in such a way that each college has to have at least one person registered to enter delinquent accounts (debt) in order to participate in DOR’s enterprise collections program.

In addition to these forms for the Kentucky Department of Revenue, each individual will need to complete an updated SA1 PeopleSoft Users Request form. On this form please request the security role of Collections and return these forms to KCTCS Student Administration Administrator. Once you have been given access in PeopleSoft your welcome to start entering students for collections, there is no need to wait for your security access from the Kentucky Department of Revenue. Upon completion, please remit the forms as a total package, not piecemeal, to the KCTCS Office of Student Financials.

Instructions for entering debt into PeopleSoft Financials are located on Docushare, Chapter 11 Write-offs and Collections from the Student Financials Training Manual. The path once in Docushare is as follows:

- PeopleSoft Help and Support Resources
  - PeopleSoft Documentation and Resources
    - Campus Solutions Modules Version 8.9
      - Student Financials
        - SF_11_Write_Offs_And_Collections.doc

Questions or clarification regarding the DOR collections should be directed to the KCTCS Treasury -- Office of Student Financials at Ext. 63239.
Section 7.4. – Delinquent Letter Notice – Examples

COLLEGE LETTERHEAD

Date

«Capital_First_Name» «Capital_Last_Name»
«Capital_Address»
«Capital_City», «St» «Home_Postal»

Dear «Prefix», «Primary_Last_Name»:

Our records indicate your account is more than 30 days past due. The balance of $«Text_bal» is from «Notes» term and is due immediately. For your convenience you may pay by American Express, VISA, MasterCard, or Discover on line at www.college’s name.kctcs.edu or in person at the Cashier’s Office on any KCTCS college campus. If you prefer, you may mail your full payment in the form of a personal check or money order to:

XXXX Community and Technical College
Attn: Business Office
101 Payment Way
Easystreet, KY 40399

To help expedite the posting of your payment it is imperative you include your Student ID on your check or money order, your ID is «Emplid».

Under Kentucky law, you have the right to dispute this bill. If you wish to request a dispute conference with a KCTCS Hearing Officer, within fourteen (14) days of this notice you must send a written explanation to the college address listed on this statement.

Your written explanation should include the following:
1. The reason why you dispute this bill:
2. A copy of any relevant documents which support your explanation. Please keep a copy of any documents sent for your own records;
3. Your account number and current contact information (home address, telephone number and email address);
4. Whether you wish to appear at the hearing in person or telephonically;

If you have not paid your bill in full, or disputed this bill within 14 days of the date of this notice, your account will be subject to referral to the Commonwealth of Kentucky, Department of Revenue for collections pursuant Kentucky Revised Statutes (KRS) 45.237, 45.238, and 45.241, which will result in collection fees in addition to the amount you currently owe. This may result in wage garnishments, bank levies, tax refund seizures or other collections actions.

Thank you for your prompt attention to this matter.

Sincerely,

College Contact Person, and Title
**COLLEGE LETTERHEAD**

**Date**

Final Notice

«Capital_First_Name» «Capital_Last_Name»
«Capital_Address»
«Capital_City», «St» «Home_Postal»

Dear «Prefix» «Primary_Last_Name»:

Our records indicate that «Primary_First_Name» «Primary_Last_Name» «Emplid» has an account balance that is ninety (90) days past due in the amount of $«Text_Bal» for the «Term_Owes» term.

Kentucky Revised Statue (KRS) 45.241 authorizes the Kentucky Department of Revenue (DOR) to collect delinquent debt owed the Kentucky Community and Technical College System (KCTCS) and its colleges. Our procedure is to refer accounts greater than ninety (90) days past due to DOR for collections. To avoid this action, payment arrangements must be made within ten (10) days of this billing statement.

The collection actions available to the DOR, Division of Collections include:

- Any tax refund or other monies that may be due from the Commonwealth may be offset to your outstanding debt.
- Seizure may be made on all property, both real and personal. This includes, but is not limited to, the attachment of any funds held by a bank on behalf, any wages paid to you by your employer, and the seizure and sale of any real estate you may own.
- A Notice of State Lien may be filed with your County Clerk. This lien will encumber all real and personal property. It should be understood that the filing of a lien may be reflected in credit records maintained by various credit bureaus.
- 25% cost of collection fee will be added to the total debt amount.

Once an account has been referred for collections it is our practice not to intervene with collection proceedings. **To avoid these collection actions, please pay the “past due” balance by «New_Due_Date».** Cash payments must be made in person. Checks and/or money orders should be made payable to the College (please include your student EMPID #) and mailed to the following address:

XXXX Community and Technical College
Attn: Business Office
101 Payment Way
Easystreet, KY 40399

Thank you for your prompt attention to this matter. If you have questions please call (XXX) XXX-XXXX.

Sincerely,
College Contact Person, and Title

END OF PROCEDURE