

IV:08:01 COLLECTION OF ACCOUNTS RECEIVABLE

1. GENERAL

This guideline applies to the collection of all accounts and notes receivable by Volunteer State Community College (VSCC). VSCC, to the maximum extent practical, require payment in advance for all services and goods to avoid the creation of receivables.

- a. VSCC Policy on the Payment of Fees. Policy No. 4:01:03:00 requires (with limited exceptions) that all assessed fees be paid in advance by a student before he or she is considered enrolled for any academic term.
- b. Types of Receivables. Accounts and notes receivable may be generated from programs and activities including, but not limited to: student loan programs, traffic and parking fines, library fines, bad checks, contracts, property rental, and damage, loss or liability to VSCC by others.
- c. Statute of Limitations. Pursuant to TCA Section 28-1-113, there is no time limit on VSCC's authority to collect receivables unless otherwise expressly provided by statute.

2. GENERAL COLLECTIONS PROCEDURES

- a. VSCC Procedure. VSCC shall establish a systematic process and procedure for collecting receivables from all persons, including students and employees.
- b. Billing. Collection efforts should begin no later than thirty days after the obligation has been incurred or other fixed due date.
- c. Delinquent Accounts. A minimum of three billings or letters of contact shall be sent by VSCC at thirty-day intervals once an account becomes delinquent. For debts greater than \$100.00, the third letter should indicate that the account will be referred to a collection agency if payment is not made by a specified date. Sending letters by certified mail is optional.
- d. Defaulted Accounts. Receivables of \$100.00 or more shall be referred to a collection agency if VSCC's collection efforts are unsuccessful. The accounts should be submitted to the agent within a reasonable time after the third collection letter is sent if the debtor has not responded. Referral of accounts under \$100.00 to a collection agency is not required. No additional collection efforts are required for receivables under \$100.00 except as provided for under Enrollment and Record Holds and Employee Receivables. See Section 8 for write-off procedures.
- e. Enrollment and Record Holds. A student must pay any past due debts and obligations incurred in prior academic terms before being permitted to register. Additionally, all known debts and obligations incurred during the current term must be paid prior to a student being allowed to preregister for any future terms. A notice stating the specific amount due should be sent to each such student prior

to completion of registration. In addition, pursuant to T.C.A. Section 49-9-108, no grade reports, certificates of credit, diplomas or transcripts will be issued to any student with any unpaid or delinquent debt or obligation owed to VSCC unless such debt or obligation is 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. Additionally, once a petition in bankruptcy has been filed, all holds should be lifted. See Section 9. However, VSCC has no obligation to provide student grade reports, etc., unless specifically requested to do so.

- f. Aging. All receivables should be aged at least annually.
- g. Documentation. Accurate records of correspondence, telephone calls, and personal contacts with borrowers shall be maintained. VSCC shall comply with record maintenance, safekeeping, and retention regulations for federally funded loans.

3 EMPLOYEE RECEIVABLES

- a. **Procedure for Withholding.** Employee receivables (including student employees) may result from, among other things, traffic and parking fines, library fines, VSCC services or bad checks. 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, or personally delivered. 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 VSCC or TUAPA hearing. Subsequent to receiving a predeprivation 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 VSCC 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 an institutional hearing; or,
 4. Elect to contest the intent to withhold through a contested case hearing held pursuant to the Tennessee Uniform Administrative Procedures Act (TUAPA), TCA Section 4-5-301, and et. seq.

If the employee elects an institutional hearing, the employee shall appear on behalf of himself but is entitled to be advised by counsel. The Vice President of Business and Finance or his/her representative, or a representative of the department involved in the debt, shall be present to represent VSCC. The case

will be heard before one hearing officer designated to hear all cases on that date. 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. Such hearing should be held within one week of the decision to elect the hearing. 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. If the employee elects a TUAPA hearing, the Office of General Counsel should be notified immediately. If the employee refuses to pay, authorize deduction, or specify or waive a hearing process, a TUAPA hearing must be initiated. The employee's failure to appear at either an institutional or TUAPA 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. Additionally, if a TUAPA hearing, a Default Order must be issued. 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. The maximum amount of disposable earnings of an individual for any work week which is subjected to garnishment may not exceed: (1) Twenty-five percent (25%) of his disposable earnings for that week; (2) or thirty (30) times the federal minimum hourly wage at the time the earnings for any pay period become due and payable, whichever is less. In the case of earnings from any pay period other than a week, an equivalent amount shall be in effect. ("Disposable earnings" means that part of the earnings of an individual remaining after the deduction from those earnings of any amounts required by law to be withheld.) These limits are applicable to retirement funds, but are not applicable to checks for accumulated annual leave. 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 also be utilized to pay off the amount owing. The same procedural steps outlined in 3.a. for notice and the opportunity for a hearing must be followed. 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. A copy of the final order resulting from an institutional or TUAPA 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 VSCC money, in instances of overpayments to employees, there is no

obligation to provide a hearing. VSCC is obligated, however, to attempt to recoup the funds. 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.

If the current employee receives overpayment, the refund may be in one of the following ways:

1. Repayment by the employee by cash or check or electronically; or,
2. Adjustment of deductions to be made automatically from the employee's paycheck, with either a single deduction or a series of deductions made from each paycheck until the full amount is recovered. 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.

If overpayment is discovered after the employee terminates employment with the state, an account receivable should be established. 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. If the employee has not received his final paycheck, the appropriate deduction from that check can be made. If the final paycheck has been received, negotiations for reimbursement should be initiated. If repayment cannot be negotiated or collected, the account should be turned over to the collection agency. In the event collection is not possible, proper write-off procedures should be followed.

In instances where the employee has agreed to systematic deduction(s) from his paycheck(s), written authorization from the employee is encouraged. VSCC 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.

4. **RETURNED CHECKS**

- a. **Enrollment Fees.** Pursuant to the Board Policy on the Payment of Fees and Enrollment of Students (4:01:03:00) and VSCC's policy Payment of Fees and Enrollment of Students (IV:07:08), if any student tenders payment of fees by a check that is subsequently dishonored by the bank, the student will be considered enrolled and will be assessed the applicable returned check fee, and will be denied

grade reports, transcripts and future registration privileges until such dishonored check is redeemed. VSCC may deny future check writing privileges to students that have paid registration fees with checks that are subsequently dishonored.

A student paying enrollment fees with a check that is dishonored must redeem the check within 10 calendar days from receipt of the notice. Notice should be sent by VSCC to the student no more than three (3) working days from the receipt of notice of the returned check from the bank.

- b. **Non-Student or Non-Employee.** Any person other than a student or employee who tenders a check for payment for goods or services that is subsequently dishonored shall be given notice of the dishonored check. The person shall be given the opportunity to redeem the check and pay the amount due in cash or credit/debit card.
- c. **Collection of Dishonored Checks.** A check presented for payment of any goods or services that is subsequently dishonored shall be treated as an account receivable under Section 2. Any transactions that have been processed should be reversed when possible and appropriate.
- d. **Future Check-Writing.** Receipt of one or more returned checks from any person may result in that person becoming ineligible to make payments by check thereafter, or to have any check cashed by the VSCC. A record of individuals who have written returned checks should be maintained.

5. COLLECTION AGENCIES

- a. **General.** The Tennessee Board of Regents shall provide, on a system-wide basis, collection services through one or more companies. The service should provide for the referral of all types of delinquent accounts and notes from VSCC to the designated company only after campus collection efforts have been exhausted. The terms of the contract and RFP govern all collection actions. Unless otherwise prohibited by law or regulation, any note, contract or lease which may result in accounts receivable to VSCC 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.** VSCC 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.** VSCC may report all loans when made to a credit bureau.

VSCC 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 \$100.00 are not required to be turned over to a collection agency.
- e. **Reporting Requirements.** The collection agency should be required to report the status of delinquent loans periodically to VSCC and to the Tennessee Board of Regents.
- 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.). No account should be recalled in order for a borrower to re-enroll or obtain a transcript. The borrower should pay the accelerated amount plus collection costs to the collection agency.

6. LITIGATION

- a. **General.** After all other attempts at collection have failed, VSCC must authorize litigation of accounts of \$2,000.00 or more providing litigation costs do not exceed the amount that can be recovered. Generally, the collection services contract will provide for litigation where 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.

7. BANKRUPTCY

- a. **General Information** - VSCC shall designate a bankruptcy contact person to serve as a liaison between VSCC and the Attorney General's office. Once notice of, or a petition for, bankruptcy is received, all collection efforts against the debtor must cease immediately. If the account is at a collection agency, the file must be returned to VSCC immediately. VSCC should immediately forward the

file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. VSCC should also provide a copy of this information to the TBR General Counsel's office. The Attorney General's office will advise VSCC when and if collection efforts may resume, depending on the debts discharge ability.

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. 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. Additionally, obligations 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. Collection efforts may continue against an endorser. VSCC shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office.

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 discharge ability. The Attorney General's office will contact VSCC to advise whether the debt is dischargeable. However, if there is an endorser, collection efforts may proceed against him. 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 discharge ability of the debt through an adversary proceeding. If VSCC is served with a summons and complaint, VSCC 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 copy of this information should also be provided to the TBR General Counsel's office.

Other debts: VSCC shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. When the notice states "No assets," unless VSCC 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 VSCC with notice of discharge.

c. **Chapter 13 - (Reorganization)**

NOTE: For petitions filed on or after 11-5-90, an education 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. 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.

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. VSCC shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. The Attorney General's office will advise VSCC whether the debt is dischargeable and the extent to which collection activities may be reinstated.

If the seven (7) year exception period applies and the debtor serves VSCC with a summons and complaint, VSCC 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 copy of this information should also be provided to the TBR General Counsel's office.

Other debts: VSCC shall immediately forward the file to the Attorney General's documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. The Attorney General's office will advise VSCC as to the discharge ability of the debt.

8. WRITE-OFFS

- a. **Authority.** The Tennessee Board of Regents and VSCC are 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. This includes the write-off of any account of five thousand dollars (\$5,000.00) or greater and/or accounts aggregating twenty-five thousand dollars (\$25,000.00) or more. Receivables submitted for write-off must have been subjected to appropriate collection efforts in accordance with this guideline and VSCC procedures.

- b. **Reserve.** A reserve for doubtful accounts should be established for activities where accounts receivable represent a material amount to the activity income. The reserve should be reported in the financial records of VSCC. Receivables that 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 VSCC officials not directly involved in the recording and collection of accounts receivable. VSCC's president and Vice President of Business and Finance should certify compliance with the prescribed statute and collection guidelines. The accounts submitted for write-off should be single accounts of \$5,000.00 or more and/or accounts aggregating \$25,000.00 or more. The write-off request summary and certification, along with a detailed list of the accounts, should be submitted to the Vice Chancellor for Business and Finance's office for approval.

The write-off request must be approved by the Chancellor or his designate and General Counsel and forwarded by TBR for approval by the Commissioner of Finance and Administration and the Comptroller of the Treasury. TBR will send approved write-offs to VSCC for the appropriate accounting.

Requests for the write-off of single accounts of less than \$5,000.00 and/or accounts aggregating less than \$25,000.00 shall be approved at VSCC's level by the appropriate officials. These requests do not require additional approval by the Board office or State Departments.

- d. **State/TBR Employees.** Any debtors identified by the TBR of State as employees with debts \$50 and above will not be approved for write-off. Information on VSCC will be returned to VSCC for additional collection efforts.

If the debtor is a state employee, the Chief Business Officer of the department employing the debtor should be notified. The department employing the individual will be responsible for taking the appropriate action to collect the debt. If the department is unsuccessful in collecting the debt, written notification will be sent to VSCC. The written notification shall be submitted with the next write-off request for approval.

If the debtor works for another TBR institution/technology center, the Chief Business Officer of the employing institution/technology center should be notified and will be responsible for collecting the debts utilizing the steps in Section 3, Employee Receivables, of this policy. Written notification should be sent to the requesting institution/technology center if collection efforts are unsuccessful. The written notification shall be submitted with the next write-off request for

approval. The institution/technology center may agree to payment through payroll deductions if the employee signs a payroll deduction authorization.

- e. **Former TBR Employees.** If a debt or obligation was incurred while a TBR employee, the debt constitutes an account receivable, refer to Section 2.
- 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 twenty-five (\$25.00) dollars or more with the following exception. Pursuant to T.C.A. Section 49-9-108, A hold on transcripts and future registration shall not apply to debts of less than twenty-five dollars (\$25.00) that are more than ten (10) years in age.

9. GRAMM-LEACH-BLILEY ACT CONTRACT CLAUSE

Include the standard language printed below in all future contracts with third party service providers that have access to the College's customers' non-public financial information.

“Throughout the term of this Agreement, Service Provider shall implement and maintain ‘appropriate safeguards,’ as that term is used in § 314.4(d) of the FTC Safeguard Rule, 16 C.F.R. § 314, for all ‘customer information,’ as that term is defined in § 314.2(b) of the FTC Safeguard Rule, delivered to Service Provider by Institution pursuant to this Agreement. The Service Provider shall implement an Information Security Program (‘the Program’) as required by the FTC Safeguard Rule. Service Provider shall promptly notify the Institution, in writing, of each instance of (i) unauthorized access to or use of that nonpublic financial customer information that could result in substantial harm or inconvenience to a customer of the Institution or (ii) unauthorized disclosure, misuse, alteration, destruction or other compromise of that nonpublic financial customer information.

Service Provider shall forever defend and hold Institution harmless from all claims, liabilities, damages, or judgments involving a third party, including Institution’s costs and attorney fees, which arise as a result of Service Provider’s failure to meet any of its obligations under this provision. Service Provider shall further agree to reimburse the Institution for its direct damages (e.g., costs to reconstruct lost or altered information) resulting from any security breach, loss, or alteration of nonpublic financial customer information caused by the Service Provider or its subcontractors or agents.

Service Provider grants Institution the right to conduct on-site audits, as deemed necessary by the Institution, of the Service Provider’s Program to ensure the integrity of the Service Provider’s safeguarding of the Institution’s customers’ nonpublic financial information.

Institution retains the right to unilaterally terminate the Agreement, without prior notice, if Service Provider has allowed a material breach of its Program in violation of its obligations under the GLBA, if Service Provider has lost or materially altered nonpublic financial customer information, or if the Institution reasonably determines that Service Provider's Program is inadequate.

Within thirty (30) days of the termination or expiration of this Agreement, Service Provider shall, at the election of Institution, either: (1) return to the Institution or (2) destroy (and shall cause each of its agents to destroy) all records, electronic or otherwise, in its or its agent's possession that contain such nonpublic financial customer information and shall deliver to the Institution a written certification of the destruction."

TBR Source: November 16, 1977, TBR presidents meeting. Revised July 1, 1984. Revised May 17, 1988. Revised May 12, 1992. Revised August 9, 1994, TBR presidents meeting. Revised November 9, 1994, TBR presidents meeting. Revised May 14, 1996, presidents meeting. Revised August 25, 1998, presidents meeting. Revised May 11, 1999, presidents meeting. Revised May 21, 2001 presidents meeting. Revised May 16, 2006 presidents meeting. Revised November 8, 2006 presidents meeting; Presidents Meeting August 19, 2008; Presidents Meeting November 5, 2008.

VSCC Source: March 27, 1996, March 11, 1997, October 28, 1998, July 6, 2000, January 15, 2003, President; November 7, 2008