



EAST TENNESSEE STATE
UNIVERSITY

Collection of Accounts Receivable

Policy Name: Collection of Accounts Receivable

Policy Purpose

This policy specifies the process for collection of all accounts and notes receivable by East Tennessee State University (ETSU or University) and complies with new federal regulations prohibiting the withholding of student transcripts pending satisfaction of student debts or obligations.

Applicability

This policy applies to all University employees and students.

Responsible Official, Office, and Interpretation

The Associate Vice President for Tax and Revenue Services is responsible for the review and revision of this policy. For questions about this policy, please contact The Office of Tax and Revenue Services. The Chief Financial Officer (CFO), in consultation with the Office of University Counsel, has the final authority to interpret this policy.

Defined Terms

A defined term has a specific meaning within the context of this policy.

None.

Policy

1. Each department shall, to the maximum extent possible, require payment in advance for all services and goods provided to avoid the creation of accounts receivable.
2. The University policy on Payment of Student Fees and Enrollment requires (with limited exceptions) that all assessed fees be paid in advance by students before they are considered enrolled for any academic term.

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Procedures Initial Effective Date: 06/13/2022 • **Procedures Revised Effective Date:** 09/09/2024

Policy Name: Collection of Accounts Receivable

3. It is recognized that accounts and notes receivable may be generated from certain programs and activities, including but not limited to student payment plans, student loan programs, family practice or other medical programs, traffic and parking fines, library fines, bad checks, contracts, the rental of property, and any damage, loss or liability to the university by others. Each department, subject to the approval of the Associate Vice President for Tax and Revenue, is authorized to require any person to pay a deposit, post a security bond, or provide appropriate insurance to ensure full payment of any potential obligation to the university arising from any program or activity.
4. Pursuant to T.C.A. § 28-1-113 there is no time limit on the University's authority to initiate an action to collect receivables unless otherwise expressly provided by statute.

Procedures

1. General Collection Procedure.
 - 1.1. Each department shall establish a systematic process and procedures for the collection of accounts receivable from all persons, including students and employees of the University. Accounts receivable should be aged periodically as part of this process.
 - 1.2. The collection procedures and forms of each department are subject to the approval of the Associate Vice President for Tax and Revenue or his or her designee.
 - 1.3. The Associate Vice President for Tax and Revenue will, upon request, assume responsibility of the collection of certain departmental accounts receivable subject to the receipt of appropriate documentation of such obligations.
 - 1.4. An account becomes delinquent based on the payment criteria established by the University for the type of debt involved
 - 1.5. When the university's established collection efforts for the type of debt have failed to produce payment, these accounts are classified as defaulted.
 - 1.6. Reasonableness should be used in determining the effort expended in attempting to collect an amount less than five -hundred dollars (\$500).

Policy Name: Collection of Accounts Receivable

- 1.7. Departments must ensure that due diligence in collection efforts of defaulted debt has been exercised per departmental procedure. Due diligence is satisfied when at least one of the following is met:
 - 1.7.1. Statements, invoice, or other reminders are generated to the folder.
 - 1.7.2. Services are discontinued.
 - 1.7.3. Holds are placed on the account that stop the official release of grades or future registration.
 - 1.7.4. Departmental balances for debts greater than \$500.00 should be evaluated for collection agency placement by the department. Debts above \$500.00 submitted for write-off must include justification if a collection agency is not used at the time of annual submission

2. Approval for Write-offs

- 2.1. For write-offs of accounts of five thousand dollars (\$5,000) or greater, or accounts aggregating to twenty-five thousand dollars (\$25,000) or greater, the agency, department or institution shall obtain written approval of the Commissioner of Finance and Administration and the Comptroller of the Treasury.
 - 2.1.1. The approval request must describe the efforts used to collect the debt and must demonstrate that established collection policies were utilized.
 - 2.1.2. Approval requests shall be submitted by the agency, department or institution to the Division of Accounts, Department of Finance and Administration.
- 2.2. In some exceptional cases it may be in the best interest of the state and/or more cost-effective to write off a receivable without pursuing collection efforts. The write-off of an account without collection efforts of up to five hundred dollars (\$500) or accounts aggregating up to two thousand dollars (\$2,000) may be authorized by the head of the agency, department or institution. Documentation should be prepared of the circumstances warranting the write-off.

Policy Name: Collection of Accounts Receivable

3. Student Accounts Receivable

- 3.1. Students are billed at the end of the term, then monthly if necessary.
- 3.2. For debts greater than five hundred dollars (\$500), the final notice should indicate that the account will be referred to a collection agency if payment is not received within a specified period of time.
 - 3.2.1. Any defaulted receivable of five hundred dollars (\$500) or more shall be referred to a collection agency within a reasonable time after the final collection letter is sent if the debtor does not respond.
 - 3.2.2. Referral of accounts under \$500 are not required. Except as provided for under Section IV employee receivables and Section C student receivables, no additional collection efforts are required for accounts under \$500. See procedures for write-off of accounts receivable.
- 3.3. Students must pay any past due debts and obligations incurred in prior terms and all known debts and obligations incurred during the current term before being permitted to pre-register for any future terms.
 - 3.3.1. An amount owed under the university installment (deferred) payment plan for enrollment fees which is not yet considered due shall not cause a hold to be placed on the student's records.
 - 3.3.2. Pursuant to T.C.A. § 49-7-166, no grade reports, certificates of credit, or diplomas will be issued to any student with any unpaid or delinquent debt or obligation owed to the university unless such debt is secured by notes or other written contracts providing for future payment under federal or state education or student assistance acts.
 - 3.3.3. The University has the discretion to allow enrollment when the outstanding obligation is \$600.00 or less.
 - 3.3.4. Once notice of, or a petition for, bankruptcy is received, all collection efforts against the debtor must cease. The university has no obligation to provide student grade reports, etc., unless specifically requested to do so.
 - 3.3.5. The university must comply with record maintenance, safekeeping, and retention regulations for federally-funded loans.

Policy Name: Collection of Accounts Receivable

4. XI. Employee Accounts Receivable (including student employees).

- 4.1. Employee receivables may result from, among other things, traffic and parking fines, library fines, university services or bad checks. If the general collection procedures have been met and the debt is still delinquent, the debt can be recouped from the employee's paycheck.
- 4.2. Procedure for withholding.
 - 4.2.1. 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, email, or personally delivered.
 - 4.2.2. The notice should inform the employee of the amount alleged to be owed and should specify how that employee may elect to pay the debt in full, authorize deductions from their paycheck, or, if the employee is terminating, the check for accrued but unused annual leave, or contest the intent to withhold through a University hearing or a hearing under the Tennessee Uniform Administrative Procedures Act (TUAPA).
 - 4.2.3. Subsequent to receiving a pre-deprivation notice of the debt owing, the employee, within 15 calendar days of receipt of such notice, must:
 - 4.2.3.1. Pay the debt in full;
 - 4.2.3.2. Authorize the university 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;
 - 4.2.3.3. Elect to contest the intent to withhold through an institutional hearing; or,
 - 4.2.3.4. Elect to contest the intent to withhold through a TUAPA contested case hearing under T.C.A. § 4-5-301, et seq.
 - 4.2.4. If the employee elects an institutional hearing, the employee shall appear on their own behalf but is entitled to be advised by counsel.
 - 4.2.4.1. The Chief Financial Officer or appointed representative, or a representative of the department involved in the debt, shall be present to represent the university.

Policy Name: Collection of Accounts Receivable

- 4.2.4.2. The case will be heard before one hearing officer designated to hear all cases on that date.
 - 4.2.4.3. The hearing officer must be an individual who is not so closely connected with the collection of the debt that an unbiased and objective decision cannot be rendered on the validity of the debt.
 - 4.2.4.4. Such hearing should be held within one week of the decision to elect the hearing.
 - 4.2.4.5. The hearing officer shall render the 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.
 - 4.2.4.6. If the employee elects a TUAPA hearing, the Office of University Counsel should be notified.
 - 4.2.4.7. If the employee refuses to pay, authorize deduction, or specify or waive a hearing process, a TUAPA hearing must be initiated.
 - 4.2.4.8. 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.
 - 4.2.4.9. Additionally, if the employee does not appear at the TUAPA hearing, a default order must be issued.
 - 4.2.4.10. If the employee does not appeal the default order, funds may be deducted as specified.
- 4.3. Limitations on amounts to be withheld. The deduction from any check shall not exceed the maximum deductible under state garnishment laws.
- 4.3.1. The maximum amount of disposable earnings of an individual for any work week which is subjected to garnishment may not exceed:
 - 4.3.1.1. Twenty-five percent (25%) of employee's disposable earnings for that week; or

Policy Name: Collection of Accounts Receivable

- 4.3.1.2. Thirty (30) times the federal minimum hourly wage at the time the earnings for any pay period become due and payable, whichever is less.
 - 4.3.2. In the case of earnings from any pay period other than a week, an equivalent amount shall be in effect.
 - 4.3.3. These limits are applicable to retirement funds, but are not applicable to checks for accumulated annual leave.
 - 4.3.4. Additionally, the above limits do not apply to employee overpayments.
- 4.4. Retirement Funds. If a former employee is found to owe a debt to the state, retirement funds may be utilized to pay off the amount owed to the extent permitted by Tennessee law.
 - 4.4.1. For debts greater than one-hundred dollars \$100, the same procedural steps outlined above for notice and the opportunity for a hearing must be followed.
 - 4.4.2. Accumulated retirement contributions of a former employee terminated for any reason and for which employee has made application, or monthly benefits of a retired employee are subject to withholding to the extent permitted by Tennessee law.
 - 4.4.3. 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.
- 4.5. Recovery of Overpayments to Employees. Unlike cases in which the employee owes the university money, in instances of overpayments to employees there is no obligation to provide a hearing.
 - 4.5.1. The university is obligated, however, to attempt to recoup the funds. The university should advise the employee in writing of the overpayment and the university's proposed actions to correct the overpayment.

Policy Name: Collection of Accounts Receivable

- 4.5.2. The method of repayment will depend upon the amount of the overpayment, the time that has elapsed between the overpayment and its discovery, the hardship that immediate repayment might cause the employee because of the amount of current salary and personal expenses, the culpability of the employee 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.
- 4.5.3. If a current employee receives overpayment, the refund may be made in one of the following ways:
 - 4.5.3.1. Repayment by the employee by cash or check; or,
 - 4.5.3.2. Adjustment of deductions to be made automatically from the employee's paycheck, either with a single deduction or a series of deductions made from each paycheck until the full amount is recovered.
 - 4.5.3.3. 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.
- 4.5.4. If overpayment is discovered after the employee terminates employment with the state, an account receivable should be established.
 - 4.5.4.1. 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.
 - 4.5.4.2. If the employee has not received their final paycheck, the appropriate deduction from that check can be made.
 - 4.5.4.3. If the final paycheck has been received, negotiations for reimbursement should be initiated.
 - 4.5.4.4. If repayment cannot be negotiated or collected, the account should be turned over to the collection agency.
 - 4.5.4.5. In the event collection is not possible, proper write/off procedures should be followed.

Policy Name: Collection of Accounts Receivable

- 4.5.5. When an employee has agreed to systematic deduction(s) from their paycheck(s), written authorization from the employee is encouraged.

5. Federal Student Loan Program Collections

- 5.1. Collection officers should consult the most recent legal authorities concerning federal loans.
- 5.2. These authorities include interpretative materials, issues letters, manuals, Congressional Acts, and the Federal Department of Education Regulations.
- 5.3. The collection procedures for notes receivable are explained in detail by these authorities and includes but is not limited to the following areas of responsibility:
 - 5.3.1. Pre-loan counseling
 - 5.3.2. Exit interviews
 - 5.3.3. Grace period notices
 - 5.3.4. Skip tracing
 - 5.3.5. Due diligence billings for on-time borrowers
 - 5.3.6. Deferments and cancellations
 - 5.3.7. Delinquent loan billings
 - 5.3.8. Default and acceleration
 - 5.3.9. Write off and assignment procedures
 - 5.3.10. Billing loans not written off

6. Returned Check Collections

- 6.1. For any student who tenders payment of fees by a check that is subsequently dishonored by the bank, and the check is not redeemed within the specified time period, the university has the option to not consider this student enrolled at the university. At the discretion of the university, the student may be considered enrolled and will be assessed the applicable returned check fee, the late

Policy Name: Collection of Accounts Receivable

registration fee, and will be denied grade reports and future registration privileges until such dishonored check is redeemed.

- 6.2. Any person other than a student or employee who tenders a check for payment for goods or services which is subsequently dishonored shall be given the opportunity to redeem the check and pay the amount due in cash or money order within 10 days.
- 6.3. A final notice for any unpaid check will be sent before the account is eligible to be referred to an outside collection agency.
- 6.4. A check presented for payment of any goods or services which is subsequently dishonored shall be treated as an accounts receivable. Any transactions that have been processed should be charged back to the departmental account when possible and appropriate.
- 6.5. Receipt of one or more bad 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 university.

7. Rent Collections

- 7.1. The terms of the lease should be consulted in the event of failure by the tenant to timely pay rent. In counties with populations more than 200,000 according to the 1970 federal census, the Tennessee Residential Landlord and Tenant Act (the ACT) applies and provides, at T.C.A. § 66- 28-505, that upon noncompliance with the rental agreement, the landlord shall deliver a written notice to the tenant specifying the noncompliance and stating that the rental agreement will terminate upon a date not less than thirty (30) days after receipt of the notice. If the noncompliance is not remedied in fourteen (14) days, the rental agreement shall terminate as provided in the notice.
- 7.2. If the tenant remits the rental but subsequently again fails to pay rent within a 6-month period, the rental agreement may be terminated upon at least fourteen (14) days written notice specifying the noncompliance and the date of termination of the rental agreement.

Policy Name: Collection of Accounts Receivable

- 7.3. In counties where the ACT applies, written notice is required when rent is unpaid unless otherwise specifically waived in a written rental agreement. In counties where the ACT does not apply, it will provide guidance concerning landlord/tenant issues.
- 7.4. Generally, the length of the notice period equals the rental period, for example, thirty (30) days' notice is required where rent is due monthly.
- 7.5. In the event the rent remains unpaid at the end of the month, the university should proceed with an action to evict the tenant.
- 7.6. Accrued rents which are unpaid shall be treated as accounts receivable of the university and collection procedures of that department should be followed.

8. Collection Agencies

- 8.1. The university may contract for collection services through one or more companies.
 - 8.1.1. The service should provide for the referral of all types of delinquent accounts and notes from the university to the designated company only after university collection efforts have been exhausted.
 - 8.1.2. The terms of the contract and RFP govern all collection actions.
 - 8.1.3. Unless otherwise prohibited by law or regulation, any note, contract, or lease that may result in accounts receivable to the university 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.
- 8.2. Billing Services. The university 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.
- 8.3. Credit Bureaus. The university may report all loans when made to a credit bureau. The university must obtain the borrower's consent to report loans not in

Policy Name: Collection of Accounts Receivable

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.

- 8.4. Collection Agency. Accounts that are still delinquent thirty (30) days after the final collection letter should be turned over to a collection agency in a reasonable time period. Receivables less than five hundred dollars (\$500) are not required to be turned over to a collection agency.
 - 8.5. Any student who has signed a Financial Responsibility Statement (FRS) and whose account has been submitted to collections will be assessed the collection fee cost.
 - 8.6. Reporting Requirements. The collection agency should be required to report the status of delinquent loans periodically to the university.
 - 8.7. Revised Repayment Plan. A revised repayment plan agreement should be signed by the borrower if the borrower returns to repayment status.
 - 8.8. 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 (university error, etc.).
 - 8.9. No account should be recalled in order for a borrower to re-enroll.
 - 8.10. The borrower should pay the accelerated amount plus collection costs to the collection agency
9. Bankruptcy

The Bursars Office of East Tennessee State University will designate a university contact for all bankruptcy claims regarding accounts and notes receivables. All bankruptcy claims and debt documentation should be sent to the Bursars Office to be forwarded to the Tennessee State Attorney General's Office. No further action against the debtor should be taken until notice of final discharge is received from the Tennessee State Attorney General's Office.

Policy Name: Collection of Accounts Receivable

10. Litigation

- 10.1. After all other attempts at collection have failed with general accounts receivables, the university may authorize litigation of any account of \$500 or more providing that the litigation costs do not exceed the amount which can be recovered. Generally, the collection services contract will provide for litigation where appropriate.
- 10.2. If a federal loan cannot be litigated for any of the following reasons, it should be assigned to the U.S. Department of Education.
 - 10.2.1. Borrower has no assets
 - 10.2.2. Address unknown (SKIP)
 - 10.2.3. Debtor is incarcerated
 - 10.2.4. Debtor is on public assistance,
 - 10.2.5. Unable to serve borrower with court papers,
 - 10.2.6. Litigation is in process and debtor skips,
 - 10.2.7. Expected cost of litigation exceeds amount to be recovered from borrower.

Applicable Forms and Websites

Payment of Student Fees and Enrollment

Authority and Revisions

Authority: T.C.A. § 4-5- 301, et seq; T.C.A. § 28-1-113; T.C.A. § 49-8-203, et seq;

34 CFR 668.14

Previous Policy: Collection of Accounts Receivable

The ETSU Board of Trustees is charged with policy making pursuant to TCA § 49-8-203, et seq. On March 24, 2017, the Board delegated its authority to ETSU's President to establish certain policies and procedures for educational program and other operations

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Policy Name: Collection of Accounts Receivable

of the University, including this policy. The delegation of authority and required process for revision to this policy can be found on the [Policy Development and Rule Making Policy webpage](#).

To suggest a revision to this policy, please contact the responsible official indicated in this policy. Before a substantive change to the policy section may take effect, the requested changes must be: (1) approved by the responsible office; (2) reviewed by the Office of University Counsel for legal sufficiency; (3) posted for public comment; (4) approved by either Academic Council or University Council; and (5) approved by ETSU's President.