

UC Davis Policy and Procedure Manual

Chapter 330, Financial Management and Services

Section 90, Collection of Accounts Receivable

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Responsible Department: Accounting and Financial Services

Source Document: UC Accounting Manual

Exhibit A, Sample Dunning Letter to Students

Exhibit B, Sample Dunning Letters to Employees, Former Students, and General Public

I. Purpose

This section describes the policy and procedures for collection of general accounts receivable (bills owed to the University) and write-off of uncollectible accounts receivable.

Procedures developed for UCD Medical Center and School of Medicine Professional Billing Group patient care accounts receivable may vary but must be in compliance with III, below. For billing and collection of contract accounts receivable at UCDHS, see UCDHS Policy and Procedure 1802.

These collection procedures do not apply to travel advances.

II. Definitions

- A. Bad debt—account determined to be uncollectible after exhausting the available collection remedies, or at the time the account is referred to a collection agency (DaFIS users) or returned from a collection agency (Banner users).
- B. Dunning letter—letter or notice to a debtor demanding payment on a delinquent account.
- C. Uncollectible—when the effort to recover a receivable exceeds the probable recovery on that receivable, when the University's rights to collect a debt are abrogated by a court of law, or when the University cannot produce documentation to support a receivable.

III. Policy

- A. The University shall collect payment on bills as expeditiously as possible.
 - 1. Any amount of money owed the University is due and payable when services are rendered.
 - 2. An account is considered overdue if it remains unpaid 30 days after the first statement is issued.
- B. The account shall be written off as a bad debt when collection efforts have been exhausted or when the account is determined to be otherwise uncollectible.
- C. Adequate information concerning the age of outstanding bills and claims is essential for proper overall control of accounts receivable.
 - 1. Minimum standards require that reference copies of bills be maintained in a manner that provides information as to which bills are 30 days old or less, 31-60 day old, 61-90 days old, 91-120 days old, 121-180 days old, 181 days-1 year old, 1-2 years old, and over 2 years old, at the beginning of the month.
 - 2. Aging is based on the date of the billing.
 - 3. Information regarding aging accounts shall be made available to Accounting and Financial Services or official auditors as requested.

IV. Procedures

The department is responsible for the following procedures for accounts maintained in DaFIS.

Student Accounting is responsible for the following procedures for accounts maintained in Banner.

A. Bills and notices shall be sent as follows:

1. Employee, former/current student, or general public accounts
 - a. 30 days delinquent—second billing (billing statement).
 - b. 60 days delinquent—third billing (billing statement).
 - c. 90 days delinquent—fourth dunning notice (see Exhibit B).
 - d. 120 days delinquent—final dunning notice (see Exhibit B).

Student Accounting shall also place a hold on registration and release of transcripts for current students with delinquent accounts.

- e. 150 days delinquent—referral to collection agency.

Departments may initiate placement with a collection agency either through their own contracts or by contacting Student Accounting.

2. Government agency accounts

- a. 120 days—second billing (billing statement).
 - b. 180 days delinquent—fourth dunning notice (see Exhibit B).
 - c. 210 days delinquent—final dunning notice (see Exhibit B).

Special schedules may be established to fit the needs as certain circumstances as long as the number of notices sent is at least equal to those described above.

B. When appropriate, litigation may be pursued as follows:

1. Requests to litigate claims in Superior Court or to file claims against a decedent in Probate Court shall be approved by Campus Counsel.
2. Requests to litigate claims in Small Claims Court shall be approved and filed by the individual identified in Delegation of Authority DA 0782, in consultation with Campus Counsel.

C. Write-off

1. After collection efforts are completed, uncollected accounts are considered bad debts and shall be written off within 30 days.
2. For accounts up to \$3,000 or UCDHS hospital patient accounts of \$1,000 up to \$25,000, the following supporting documentation shall be submitted with the request for write-off.
 - a. Listings of the accounts by type of billing
 - b. Debtor name
 - c. Amount
 - d. Information regarding whether the account was turned over to a collection agency
 - e. The reserve, specific income account, or appropriation to be charged for the write-off
3. For accounts of more than \$3,000 or UCDHS hospital patient accounts of more than \$25,000, requests for write-off shall include information documenting collection efforts made to justify each write-off, in addition to the documentation listed in III.C.2.a-e, above.
4. Accounting records shall be adjusted as follows:

- a. For Banner accounts, the receivable shall be held open until such time as recovery is made and remitted by the collection agency or the department determines that the account is uncollectible. Entries will be made by Accounting and Financial Services.
 - 1) If recovery is made, the funds will be applied to the receivable, net of collection costs, with any remaining balance charged back to the department account that received the initial credit for the transaction.
 - 2) If the department determines that the account is uncollectible, the full receivable will be charged back to the department account that received the credit for the transaction.
- b. For DaFIS accounts, the receivable will be charged back to the account that initially received the credit when it is turned over to the collection agency. The department shall initiate this process through the DaFIS "Write off Invoices" function.

If recovery is made, the funds received from the collection agency will be credited by Accounting and Financial Services to the account that was charged, net of collection costs.
- c. When government agency accounts are deemed uncollectible, the receivable is considered a disallowed charge and is charged back to the departmental account that received the initial credit by Accounting and Financial Services. They are not referred to a collection agency.

V. Further Information

For additional information, contact Accounting and Financial Services;
<http://accounting.ucdavis.edu/ar>; (530)752-3646.

VI. References and Related Policies

- A. Standing Order of The Regents 100.4(w), Duties of the President of the University: Write-Off of Bad Debts.
- B. Office of the President:
 1. Delegation of Authority—To File Actions in Small Claims Court (DA 0782).
 2. Delegation of Authority—To Write Off Bad Debts (DA 2196).
- C. UC Accounting Manual:
 1. Chapter C-557-23, Contracts and Grants: Federal Contract and Grant Administration Funds—Allocations for Administrative and Disallowed Costs.
 2. Chapter H-214-7, Health Care Services: Professional Fees.
 3. Chapter H-576-60, Medical Centers: Patient Accounts Receivable.
 4. Chapter R-212-2, Receivables Management.
- D. UCD Policy and Procedure Manual:
 1. Section 300-13, Corporate Travel Cards and Travel Advances.
 2. Section 330-89, Billing for Accounts Receivable.