Comptroller Operating Procedure

CREDIT and COLLECTIONS OPERATING PROCEDURE

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REASON FOR THIS OPERATING PROCEDURE

This operating procedure outlines the system-wide administration of Purdue University Accounts Receivable, including the requirements for credit, billing, collection, and reporting. This operating procedure provides the basis for business processes that will encourage timely payment, minimize debt accruing to the University and ensure compliance with federal and state guidelines.

STATEMENT OF COMPTROLLER REQUIREMENTS

Purdue University sales and service areas are required to secure full payment prior to or at the time of sale or provision of service. The University recognizes that circumstances will arise when it may be appropriate and in the best interest of the University to extend credit. This operating procedure provides the requirements for credit extension, billing, collection and internal controls, and is applicable to all University Accounts Receivable.

- Units providing sales and/or services are required to establish processes to assess charges in order to collect payment in compliance with this operating procedure.
- The University Comptroller, or his or her designee, sets minimum billing amounts. Departments and units with rates, fees or charges less than the minimum are required to collect payment at the point of sale for goods or services.
- All Accounts Receivable must be recorded appropriately to the University general ledger.
- Departments and units must record and invoice all Accounts Receivables in a system that has been approved by the University Comptroller, or his or her designee(s).
- When applicable, units will execute contracts to provide initial or advance payments in full prior to services being rendered.
- All billing records including supporting documentation must be maintained from the date of final payment by the originating department according to the University Records Retention Schedule.
- Each campus is required to develop and maintain business processes in support of this operating procedure.
PROCEDURES

1.0 **Student Accounts Receivable**

Each campus is required to have a written process that explains its registration, billing, payment requirements and cancellation procedures for academic credit courses.

Each campus must utilize a student financial obligations agreement to disclose the financial terms and conditions subsequent to a student’s registration. The financial obligations agreement must record each students’ affirmation and provide for provisions as established by Student and Receivables Business Services (SRBS) with direction from the University Comptroller and the Office of Legal Counsel.

Each campus must ensure that Past Due payments are received prior to the student attending class or registering for an upcoming semester.

For purposes of this operating procedure, payment includes satisfactory enrollment in the Installment Payment Plan or one of the approved deferment plans as described below.

The University will invoice in an accurate and timely manner any additional charges and/or adjustments to Student Accounts Receivable arising from financial aid revisions, modification of enrollment, changes in registration or other circumstances. Such invoices for non-registered students are to be sent via U.S. mail; invoices for registered students may be communicated electronically or via U.S. mail.

1.1 **Deferment and Payment Plans**

The deferment and payment plans listed below are acceptable alternatives to the Credit and Collections Operating Procedure on securing payment prior to the provision of service for Student Accounts Receivable. Effective procedures and controls must be implemented to ensure prompt payment, reduction of collection effort and reduction of bad-debt expense whenever exercising these payment options. Each campus must include in their credit and collections business process the specific administrative procedures to manage Student Accounts Receivable deferment and payment plans. Deferment plans may be assigned only with approval of the appropriate Bursar or his or her designee.

1.1 a. **Installment Payment Plan**

The Installment Payment Plan may be offered to registered students to pay tuition, housing and other Contracted or Miscellaneous Non-Contracted Student Charges in monthly installments over a specified term. Students wishing to participate in the Installment Payment Plan option must affirmatively enroll according to the procedures for their campus and provide the required down payment. The Installment Payment Plan program at each campus must be established in accordance with Truth in Lending Regulations.

1.1 b. **Financial Aid Deferment**

Financial Aid Deferments may be issued to any student, regardless of credit hours, employment or resident status, who is in jeopardy of Registration Cancellation. This deferment must be supported by the student in question having actual aid in process, as documented by the Financial Aid Office, that is not yet reflected on the student’s account. Financial Aid Deferments must be
assigned with the expectation that actual aid, as estimated by Financial Aid Office staff members, will materialize within a timely basis.

1.1 c. **Personal Fee Deferment**
Personal Fee Deferments carry a higher credit risk and therefore are to be administered carefully. Personal Fee Deferments must be evidenced by a signed promissory note and include cancellation provisions in the event of non-payment. Minimum standards and criteria as well as realistic payment expectations must be outlined in each campus credit and collections business process.

1.1 d. **Class Action Deferment**
Each campus must provide in its credit and collections business process the minimum criteria for assigning Class Action Deferments.

1.1 e. **Third Party Deferred Billings**
Contracted Student Charges approved to be deferred based upon a Third Party Billing are credited to the student’s account and billed to the third-party sponsor. Third Party Billing procedures must include timely follow-up notices to the sponsor. An unpaid Third Party Billing will revert back to the student’s account. Each campus must provide in its credit and collections business process the contractual requirements for sponsors of Third Party Billings, as well as the timeline followed to bill, collect and revert Third Party Billings to students’ accounts.

1.2 **Student Loan Accounts Receivable**
Student Loan Accounts Receivable must be implemented and administered according to federal, state and University regulations. The SRBS will manage the fiscal and collection activity of Federal Perkins, Health Professions and Purdue University student loans regardless of the originating campus. Procedures to establish a student loan fund as well as the disbursement, billing, collection and fiscal responsibilities must be included in each campus’s credit and collections business process.

1.3 **Miscellaneous Non-Contracted Student Charges**
Miscellaneous Non-Contracted Student Charges that are billed through the campus student billing system to the student’s account will provide a periodic billing notice and include a payment due date no later than 30 days from the date of billing. Any charges billed to a student outside of the student billing system, except for Student Loan Accounts Receivable, will be considered Non-Student Accounts Receivable for administration purposes. Refer to Section 2.0 of this operating procedure for information on Non-Student Accounts Receivable.

1.4 **Student Financial Holds**
A Financial Hold will be placed on a student’s record if he or she incurs a Past Due payment. The University will notify the student whenever a Financial Hold is placed on his or her record. All Past Due payments must be received before a Hold is released. Under certain circumstances, a Hold may be released without payment in full. The timing and logic used to assign Financial Holds and the circumstances under which Financial Holds may be released without payment in full, as well as the staff assigned
this authority, must be outlined in the credit and collections business process as established by each campus.

2.0 Non-Student Accounts Receivable
Prior to billing any Accounts Receivable, rates, fees and charges for all goods and services by University departments and units must be approved in accordance with Executive Vice President and Treasurer Memorandum No. A-18, Approval of Fees and Charges (as amended or superseded), or as mandated by federal or state regulations. Approved rates, fees, and charges will serve to support the billing along with other appropriate departmental documentation. Departments must have supporting documentation prior to billing for any cost transfer/reimbursement of expense and other miscellaneous activities that are not covered by an approved rate or contractual agreement.

2.1 Extending Credit

2.1 a. When payment is not collected at the time of service or point of sale, credit has been extended. The extension of credit and the resulting creation of an Accounts Receivable do not guarantee payment, and are considered the last alternative as a method of payment. University departments and units that determine to offer credit must do so based upon sound business reasoning and in accordance with this operating procedure and the applicable campus credit and collections business process.

2.1 b. Prior to extending credit, customer information, including contact information, must be secured in order to establish a customer profile for effective billing and collection purposes. Each campus must include in its credit and collections business process the required data elements necessary to establish a non-student customer profile.

2.1 c. University departments and units are required to have written agreements in place whenever practical to govern credit sales transactions with outside customers. Departments and units are strongly encouraged to utilize the standard credit and collection language as approved by the Office of Legal Counsel. Contact SRBS for the standard collection verbiage to ensure that delinquent interest and other collection remedies are available to the University. All external sales agreement templates and contracts must be approved in accordance with Executive Vice President and Treasurer Memorandum No. A-19, Delegation of Authority and Responsibility for Making and Executing University Contracts and Written Agreements (Except Employment Contracts) (as amended or superseded), and related procedures.

2.1 d. University departments and units that utilize purchase orders as authorization from a customer to proceed with a sale or service must ensure the purchase order meets the terms consistent with this operating procedure. Purchase orders must meet the billing standards required by the respective campus as outlined in its credit and collections business process.
2.2 **Billing**
Accounts Receivable credit transactions, including but not limited to, Non-Student Accounts Receivable sales of goods and services, reimbursement of expenses, contractual billings and sponsored program billings, must be entered and invoiced in the appropriate University-approved Accounts Receivable system at least monthly or per the applicable contractual agreement. All originating departments will be responsible for the monitoring of outstanding Accounts Receivable to ensure that billing and collection activities are managed according to the applicable campus credit and collections business process.

3.0 **Returned Payment Items**

3.1 **Returned Payment Item Fees and Collection of Returned Payment Items**

3.1 a. A Returned Payment Item received by the University may result in the assessment of a returned payment handling fee and damages to the payer as allowed by Indiana law. Due to the nature of Returned Payment Items, collection steps are to be accelerated to recover these debts.

3.1 b. The handling of Returned Payment Items that occur on Contracted Student Charges may result in Registration Cancellation for the student or, as an alternative, may be pursued as a collection recovery, thereby maintaining the student’s registration. This is determined by individual campus procedure as outlined in its credit and collections business process.

3.1 c. Cash or certified funds will be required on future payments from individuals identified as Returned Payment Item offenders. The definition of a Returned Payment Item offender and Returned Payment Item procedures must be included by each campus in its credit and collections business process.

4.0 **Collection of Past Due Accounts Receivable**

Each campus is required to include in its credit and collections business process the overall procedure and timeline that is followed on the collection of all Accounts Receivable.

4.1 **Collection Efforts**
The following minimum collection efforts will occur for Past Due Accounts:

4.1 a. Dunning notices will be sent electronically or via U.S. mail.

4.1 b. A Financial Hold will be placed on the record of any student who has a Past Due payment and the student will be notified of such.

4.1 c. Phone calls or e-mail communications will be placed to debtors.

4.1 d. Payment plans will be offered to assist in the collection of Past Due items.

4.1 e. After the above collection efforts have been exhausted, the account will be reviewed for further action. The oldest charge will generally determine the collection action, which may include the filing of a lawsuit in small claims court, referral to an outside collection agency with notification to credit reporting agencies, litigation, or tax offset recovery through the Indiana Department of Revenue. Purdue University may assess interest charges, late fees, collection fees, court costs and/or attorney fees associated with the collection of Past Due Accounts Receivable as allowed by applicable laws and
the sales contract covering the good or service. In the event efforts to collect
Past Due Accounts Receivable are unsuccessful, bad debt Write-Off procedures
are outlined in this operating procedure.

4.2 **Interest, Late Charges and Collection Costs Recovery**
In order to enhance the collection of Accounts Receivable balances, each campus may
implement procedures to assess default interest, late charges and collection agency fees
recovery, as provided by law or as permitted by an applicable written contract. Any
department or unit desiring to implement such charges is required to first confer with
SRBS. SRBS will confer with the Office of Legal Counsel to ensure that such
assessments are in compliance with Indiana Code and other applicable law. All interest,
late charges and collection agency fees recovery assessed under this operating
procedure must be included in each campus’s credit and collections business process.

5.0 **Bankruptcy**
5.1 SRBS will manage all bankruptcy petitions, proof of claims and non-discharge
correspondence on behalf of Purdue University campuses for all Non-Student, Student
and Student Loan Accounts Receivable.

5.2 Upon initial bankruptcy notification, whether verbal or in writing, all collection activity
will cease per the automatic stay provision required by bankruptcy regulations. If the
debtor does not provide evidence of a bankruptcy filing, and if the University cannot verify
the existence of a bankruptcy filing or discharge by researching court records,
normal collection activity will resume.

5.3 With regard to Accounts Receivable for which a student is the debtor, upon initial
verification of a valid bankruptcy petition or later discharge of qualified debts, the
respective student Hold will be released.

5.4 As contained in 11 U.S.C. Sec. 523 (a) (8) of the United States Bankruptcy Code,
certain Student Accounts Receivable defined as an educational benefit overpayment or
loan made may be exempt from discharge. The following types of Accounts Receivable
will be considered as non-discharged debt.

5.4 a. Student loan obligations including Perkins, Health Professions, Institutional,
Emergency and other University student loans evidenced by a signed promissory
note.

5.4 b. Obligation created under a signed Installment Payment Plan agreement that
meets the criteria of a student loan.

5.4 c. Obligation created by the return of Title IV educational benefit over-payment.

5.5 Upon receipt of the final determination of the bankruptcy petition from the United
States Bankruptcy Court, one of the following will occur:

5.5 a. The debt will be discharged, which prohibits any collection of the debt from the
debtor, the discharged debt will be written off and any applicable Hold in the
case of a student debtor will remain off the student’s record, or

5.5 b. In the case of a dismissal or a discharge that includes non-dischargeable student
debt, the debt will be reinstated on the account and collection efforts, including
reinstatement of any applicable Hold, will resume.
6.0 **Reporting**
Each campus will provide to SRBS a monthly report of its Accounts Receivable. From these reports, SRBS will compile a University-wide monthly aging analysis of Accounts Receivable by area. SRBS will provide guidance to each campus of the information to be included in the monthly report.

7.0 **Bad Debt Expense Write-Off**

7.1 Bad debt Write-Offs will be compiled and submitted by the SRBS to the University Comptroller on an annual basis. Accounts Receivable will be considered uncollectable and removed from the general ledger after all customary efforts to collect have been exhausted or the balance does not warrant ongoing collection action. The following Write-Off criteria has been established by the University Comptroller.

- The account will have been referred to at least one collection agency and/or litigated.
- Student and Non-student Accounts Receivable determined to be uncollectible are to be written-off when they become two (2) years old as of 6/30/xx (current year), and has not recorded payment activity within twelve (12) months prior to 6/30/xx (current year).
- Student Loan Accounts determined to be uncollectible are to be written-off when they become three (3) years old as of 6/30/xx (current year), and has not recorded payment activity within twelve (12) months prior to 6/30/xx (current year).
- Sponsored Program Accounts Receivable that are two (2) years old as of 6/30/xx (current year) will be identified by the Director of Sponsored Program Services and reviewed with the Comptroller for inclusion in the annual Write-Off. This review pertains to both governmental and industrial sponsored accounts.
- Regardless of the age of the account; legal notification that an account balance has been discharged through bankruptcy or notification of death of the debtor, will result in the balance being written off immediately.
- All Accounts Receivable that are written off with the exception of bankruptcy and death, are still considered due and payable in full by the debtor.
- Student Financial Holds and court-ordered judgments, with the exception of bankruptcy and death, will remain in effect until the bad debt Write-Off balance is either cancelled or paid in full.

7.2 SRBS will report annually to the University Comptroller bad debt Write-Offs for all campuses. Consistent reporting of the annual billing assessment and bad-debt expense for all campuses is necessary to ensure the monitoring of collection effectiveness. SRBS will communicate bad debt Write-Off reporting requirements to all campuses annually.
CONTACTS

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
<th>Telephone</th>
<th>E-mail/Web Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating procedure Clarification</td>
<td>Associate Comptroller, Student and Receivables Business Services</td>
<td>765-494-5353</td>
<td><a href="mailto:srbs@purdue.edu">srbs@purdue.edu</a></td>
</tr>
<tr>
<td>Collections (all campuses)</td>
<td>Assistant Comptroller, Receivables and Collections</td>
<td>765-494-5366</td>
<td><a href="mailto:urco@purdue.edu">urco@purdue.edu</a></td>
</tr>
<tr>
<td>Campus Specific Assistance</td>
<td>Fort Wayne Student A/R: Bursar</td>
<td>260-481-6824</td>
<td><a href="http://www.bursar@ipfw.edu">www.bursar@ipfw.edu</a></td>
</tr>
<tr>
<td></td>
<td>Fort Wayne Non-student A/R: Senior Business Manager</td>
<td>260-481-6618</td>
<td><a href="mailto:acctsrec@ipfw.edu">acctsrec@ipfw.edu</a></td>
</tr>
<tr>
<td></td>
<td>Purdue Northwest: Associate Vice Chancellor for Finance and Business Services</td>
<td>219-785-5404</td>
<td><a href="http://www.pnc.edu/business-services/">www.pnc.edu/business-services/</a></td>
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<td>West Lafayette:</td>
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<tr>
<td></td>
<td>Non-Student Accounts Receivable: Assistant Comptroller, Receivables and Collections</td>
<td>765-494-5366</td>
<td><a href="mailto:urco@purdue.edu">urco@purdue.edu</a></td>
</tr>
<tr>
<td></td>
<td>Student Accounts Receivable: Assistant Comptroller and Bursar, Student Business Services</td>
<td>765-494-7570</td>
<td><a href="mailto:askbursar@purdue.edu">askbursar@purdue.edu</a></td>
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<tr>
<td></td>
<td>Sponsored Program Accounts Receivable: Cash Manager</td>
<td>765-494-9669</td>
<td><a href="http://www.purdue.edu/business/sps/">www.purdue.edu/business/sps/</a></td>
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DEFINITIONS
All defined terms are capitalized throughout the document.

Accounts Receivable
Amounts owed by an identified debtor. These include, but are not limited to, amounts due the University for course registration, the sale of goods or services, contractual obligations, fines, fees and non-sufficient checks/payments.

Bursar
The individuals who hold the titles of Assistant Comptroller-Bursar at the Fort Wayne campus, Assistant Comptroller and Bursar at the West Lafayette campus and Bursar at the Purdue Northwest campus.

Class Action Deferment
A temporary deferment of Student Accounts Receivable extended to a specific group of students that are experiencing a common issue, which they themselves did not cause to happen.

Contracted Student Charge
A charge to a student characterized by the evidence of a contract or written obligation. Examples of these charges include, but are not limited to, tuition and related fees as a result of registering for classes and University housing room and board charges as a result of signing a housing contract.

Financial Aid Deferment
A temporary deferment on a Student Accounts Receivable granted to a student who has financial aid that is expected to be credited to the student’s account within 30 days from the date of the deferment.

Financial Aid Office
The office on each of the University campuses that administers student financial aid.
Hold, Financial Hold
A restriction placed on a student record that may prevent the student from adding or dropping classes, registering for future terms and receiving a diploma or transcript. A Financial Hold is generally placed due to a Past Due Accounts Receivable for which the student is the debtor.

Installment Payment Plan
The approved campus payment plan offered by the University to pay tuition and related fees, housing room and board, and, if applicable, other Contracted or Miscellaneous Non-Contracted Student Charges.

Miscellaneous Non-Contracted Student Charges
A miscellaneous expense or charge that relates to the student’s educational activity at the University or use of University facilities and is not for the provision of a contracted charge or Student Loan. Examples of such charges include library usage, health center services, departmental charges and other activities fees and fines.

Non-Student Accounts Receivable
Accounts Receivable billed to external parties for University goods and services, including sponsored program support, and, in some cases, charges billed to students outside of the campus student billing system.

Past Due
The status of a charge, billing or other Accounts Receivable that has not been paid on time or by the close of business on the due date. The item could be characterized as being in arrears, in default, delinquent or overdue.

Personal Fee Deferment
A temporary repayment solution for a student experiencing a funding problem that cannot be addressed by the campus Installment Payment Plan or other established repayment/deferment options outlined in this operating procedure.

Registration Cancellation
A process that cancels a student’s registration in classes and the financial obligation owing for those classes.

Returned Payment Item
A check, draft or order that is not paid or honored by the bank or credit institution upon presentment in the usual course of business. This includes returned or reversed payments on debit or credit cards, wires, and ACH electronic transfers.

SRBS
The Student and Receivables Business Services department on the West Lafayette campus.

Student Accounts Receivable
Accounts Receivable billed to students and third-party sponsors for charges accrued in the campus student billing system. Examples include tuition and related fees and housing room and board.

Student Loan Accounts Receivable
Accounts Receivable created as a student loan and awarded by the Financial Aid Office used to pay education related expenses. These loans consist of Federal Perkins, Health Profession and Purdue University student loans. These loans are disbursed by each campus, but the fiscal and collection administration is managed centrally by SRBS.
Third Party Billing
A billing to a third-party sponsor who has contracted with the University on behalf of a student to be billed for the student’s educational expenses.

Truth in Lending Regulations
Federal regulations that promote the informed use of consumer credit by requiring disclosures about terms and cost. They are codified at 12 C.F.R. Part 226.

Write-Off
An accounting entry to charge an asset or account balance to expense or loss in order to reduce the value of the asset on the University’s general ledger. A Write-Off can be characterized as either a cancellation, small balance or uncollectable (bad-debt) transaction.