

## **DEPARTMENTAL COLLECTION PROCEDURES**

### **Initial Activity**

The probability of collecting a past due receivable is equivalent to the quality of information obtained at the time the debt is incurred. When a debt to the University is incurred, the department should obtain as much information from the debtor as possible.

If the potential debtor is an individual, the following information should be obtained:

- Full name;
- Social security number (see following paragraph);
- Telephone number; and
- Current and permanent address.

The debtor's social security number cannot be required as a condition of doing business, unless the disclosure or furnishing of such number is specifically required by federal or state law. HOWEVER, the department can ask the debtor to voluntarily provide their social security number.

If the potential debtor is a company or organization, the department should obtain:

- Company/organization's full legal name;
- Name and telephone number of the CEO/President;
- Name and telephone number of the CFO/Treasurer;
- Address of the company/organization's local and main office(s); and
- Company/organization's Federal Employer Identification Number (EIN).

### **Contracts/Promissory Notes**

If practical, a contract or promissory note should be signed prior to services being provided. The Office of General Counsel has developed a standard promissory note. (Contact the Manager of the Collection Unit at 828-0737 for the promissory note.) This note should be used whenever practical. In the event that the type of debt precludes the use of either a contract or promissory note, a signed agreement must be obtained. All new or revised contracts and promissory notes must be approved by the Office of General Counsel. If your department currently utilizes contracts and promissory notes, terminology for the following must be included:

- Sets specific repayment schedules;
- Establishes penalties for late payment;
- Allows for the acceleration (call the entire balance due) if defaulted; and
- Allows for the charging of costs incurred during the collection of past due amounts.

### **Initial Collection Activity (Due Diligence)**

The more rapidly a debtor is notified that their account is past due, the less likely they are to default. Therefore, it is recommended that a REMINDER LETTER (Exhibit 1) be sent to the debtor within 7 days of a missed payment. The reminder letter advises the debtor of the past due payment and allots them 30 days to bring their account current.

If the reminder letter does not result in payment (the account is now 60 days past due), a more strongly worded WARNING LETTER (Exhibit 2) should be sent immediately following the date listed in the reminder letter. This letter advises the debtor that they have 15 days to bring their account current or their account will be referred to a collection agency. In order to reinforce this message, it is recommended that the warning letter be signed by the supervisor of the originator of the reminder letter. The *Code of Virginia* language referenced in Exhibit 2 must be utilized in the warning letter.

### **Referral to the Debt Set-Off Program**

In 1983, the General Assembly enacted legislation authorizing State Agencies to set-off the Virginia income tax refunds due individual taxpayers with past due accounts. In addition, Virginia lottery winnings in excess of \$600 are also subject to set-off. Legislation in 1990 amended the *Code* to include a vendor set-off program. Individuals conducting business with other state agencies can have their compensation set-off by other agency debts. A single submission to the Debt Set-Off Program will automatically be included on both the tax and the vendor programs.

This program is administered by the VCU Treasury Reporting. Further information can be obtained from the Debt Set-Off Coordinator at 828-4364 or from the Treasury Services web page <http://www.vcu.edu/treasury/CUDebtSetOff.htm>.

### **Referral to a Collection Agency**

If after 30 days from the warning letter and the debtor has failed to submit payment (the account is now 90 days past due), the account should be immediately referred to the collection agency on state contract. Information on how to utilize the state contract for collection services is available at [www.vcu.edu/treasury/collunit](http://www.vcu.edu/treasury/collunit).