

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 6 – G

DATE: October 7-8, 2015

SUBJECT: BOR Policy 5:21 - System Collection Policy

HB1228 created an Obligation Recovery Center (ORC) to be a central repository for identification, registration, oversight, and collection of debts owed to any state agency or department. The Bureau of Administration has budgeting and oversight of the center. The law has permissive language that the Board of Regents may use the center to collect any final debt owed within the system. The Bureau of Administration is expecting the Board of Regents to utilize this center for student collections. Bureau of Finance Management (BFM) has indicated that no debt will be written off until it has been referred to the center.

The universities have been looking at the minimum level of debt turned over to collection agencies and have been discussing changes to the BOR collection policy prior to the ORC. Currently, the institutions have the ability to collect outstanding balances utilizing in-house collection procedures and then may turn accounts over to collection agencies that are less than \$100.00. Accounts over \$100.00 are supposed to be turned over to a collection agency after in-house collection efforts are exhausted. The universities have been discussing raising the \$100.00 for some time. Considering those discussions and the likelihood of us turning debt over the ORC, some changes are being recommended to the BOR collection policy. The changes will allow accounts that are less than \$500.00 to be referred to contracted collection agencies or the ORC. The decision to refer is permissive. For all accounts over \$500.00, the account will be referred to the ORC after in-house collection efforts are exhausted.

It should be noted that some of the universities have special contracts for the collection of federal student loans. Whether or not we would want to refer these to ORC would depend on the ability and sophistication of the ORC and their contracted collection agencies. The federal debt may require us to utilize vendors who specialize in student loan collection and can meet all the federal consolidation and reporting requirements.

The ORC will have the ability to deny/revoke driver's licenses and other state permits and licenses for people who owe the state debt. The universities are more comfortable with that type of action for accounts of \$500 or more.

RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

I move to approve the first reading of the changes to BOR policy 5:21 – System Collection Policy.

SOUTH DAKOTA BOARD OF REGENTS

Policy Manual

SUBJECT: System Collection Policy

NUMBER: 5:21

1. System Collection Procedure

The following system collection procedure shall be used for student, employee, and customer receivables including, but not limited to, tuition and fees, institutional student loans, traffic fines, library fines, daycare, housing fines, student health and other student charges of whatever kind or character; except that student obligations arising from participation in federal student financial aid programs shall be collected in the manner specified under federal regulation.

- A. A commercial or vendor account shall become delinquent 45 days after the established due date. A student account shall become delinquent when a balance remains after the established deadlines. The debtor shall be informed that if the account is not satisfied in full or appropriate arrangements made by the due date, the account shall be handled as follows:
- 1) All student accounts with an accounts receivable (AR) balance of \$50 or more shall have a HOLD placed on them as soon as they become delinquent. The hold will stop a student from registering, adding or dropping classes, or obtaining an official transcript from the institution. The HOLD shall not be removed until the account is satisfied in full. The institution recognizing the receivable may exercise discretion and override the hold upon consultation with the other institution.
 - 2) For all commercial or vendor accounts that become delinquent, the university shall discontinue their services until accounts are paid in full.
- B. Collection of student, commercial or vendor accounts shall proceed according to the following schedule:
- 1) Accounts less than ~~\$100.00~~ \$500.00:
 - a. Accounts that are less than ~~\$100.00~~ \$500.00 shall be handled using in-house collection procedures, which shall consist of a minimum of three contacts to the debtor, with at least two of them being in writing. Debtors shall be responsible for all collection fees incurred where permitted under law.

- b. When in-house collection efforts are exhausted, the account may be referred to a collection agency under contract with the institution or to the State of South Dakota's Obligation Recovery Center.
 - c. When collection efforts are exhausted and the account is at least two years delinquent, the account will be submitted to the Board of Finance to be written off in accordance with procedures established by the Board of Finance.
 - d. The HOLD may remain on a debtor's record even after the account is approved for write-off, which will stop the debtor from receiving services from the institution in the future.
- 2) Accounts that are ~~\$100.00-\$500.00~~ or more:
- a. Accounts that are ~~\$100.00-\$500.00~~ or more shall be handled using in-house collection procedures, which shall consist of a minimum of three contacts to the debtor, with at least two of them being in writing, one by registered mail. The collection process on accounts ~~\$100.00-\$500.00~~ or more shall be completed within 120 days from the date the account became delinquent. Debtors shall be responsible for all collection fees incurred where permitted under law.
 - b. When in-house collection efforts are exhausted, the account shall be referred to ~~a collection agency~~ the State of South Dakota's Obligation Recovery Center for collection efforts.
 - c. When collection efforts are exhausted and the account is at least two years delinquent, the account will be submitted to the Board of Finance for write-off in accordance with procedures established by the Board of Finance.
 - d. The HOLD shall remain on a debtor's record even after the account is - written-off, which shall stop the debtor from receiving services from the institution until the debt is satisfied.
- C. Employee debts to their institutions may be satisfied through voluntary or involuntary deductions from salary, or they may be referred to a collection agency.
- 1) Employees shall be billed for debts to their employers in the same manner as others who owe monies to the employing institution.
 - 2) Where employees fail to respond to demands for payment, an institution may refer the matter to a collection agency, or it may:

- a. Notify the debtor-employee that his or her monthly salary shall be reduced to cover the amount owing plus interest beginning with the salary earned during the month following that in which the notice is sent.
 - b. The notice sent to debtor-employees shall fix a time for an informal meeting between the institution's chief financial officer or that person's designee and the employee to discuss the debt and its resolution.
 - i. The meeting shall be scheduled no later than ten working days prior to the date of the first deduction.
 - c. If the debtor-employee contacts the institution in response to such notice, the institution may work out mutually acceptable terms for the use of salary deductions to repay all sums owing.
 - d. If the debtor-employee fails to respond to the notice, or if no mutually acceptable agreement is reached, the institution may recoup its claim from the debtor-employee's salary beginning with the installment payable for services provided during the month following that in which the notice was sent.
 - e. Deduction from salary may be in such amounts needed to satisfy the debtor-employee's obligations to the institution; provided
 - i. That the deductions from salary shall comply with the priorities and limitations on deductions from wages established by SDCL chapter 21-18.
- 3) Debtor-employees may challenge such deductions under grievance procedures established in Board policy or, where pertinent, collective bargaining agreements.
- a. If an employee succeeds in showing the deduction to have been improper, the institution shall make a lump sum payment of the amount deducted, plus interest from the time of the deduction.
- D. Institutions may assess interest on delinquent accounts at the category F specified in SDCL 54-3-16.

SOURCE: BOR, December 1995; May 1996; June 2001; May 2003; March 2006; December 2010; May 2012.