Chapter 1. Collection Policy and Procedure

§101. Introduction

A. Overview

1. The following policies and procedures are presented in a broad format to be used by state agencies/departments within the Executive branch of government, including colleges and universities, to create their own detailed, agency-specific procedures, subject to approval by the Cash Management Review Board.

2. Implementation of these policies and procedures are mandated by Act 904 of Regular Session 2001 which enacts Subpart E of Part II of Chapter I of Title 39 of the Louisiana Revised Statutes, to be comprised of R.S. 39:88.1 through 39:88.4, and cited as the "Louisiana Collection and Procedure Act." Its purpose is to provide a comprehensive collection policy and procedure for collection of obligations due to the state be established for use by all state agencies.

3. Act 904 of Regular Session 2001 states: "The Commissioner of Administration shall prescribe and cause to be implemented a comprehensive collection policy and procedure to be used in all state agencies. ... The policy and procedures manual shall include rules and regulations to assist state agencies in the identification and collection of delinquent accounts. ... Each state agency shall comply with the provisions of collection policy and procedure manual and is authorized to establish and maintain internal controls not inconsistent with the provisions included in the manual. The Cash Management Review Board shall oversee the development of and implementation of the collection policies and procedures manual in each state agency and is authorized to adopt rules and regulations in furtherance of this responsibility."

B. Purpose

1. To establish guidelines for accounts that are considered to be uncollectible.

2. To establish authoritative approval process for uncollectible accounts to be written off for financial reporting purposes only.

3. To establish guidelines for agencies/departments to use for implementation of internal control policy and procedure of accounts receivable.


HISTORICAL NOTE: Promulgated by the Office of Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, LR 28:2346 (November 2002).

§103. Accounts Receivable Process Overview and Objectives

A. Billing Process Overview and Objectives

1. To provide accurate and timely billing for amounts owed to the state.

2. To provide a means of tracking accounts receivable.

3. To provide billing capabilities for various types of receivables.

4. To provide the capabilities of monitoring the aging of accounts receivable, creating customer billings and statements based on the age of the receivable.

5. To provide internal control procedures and accountability.

6. Detailed policies and procedures are stated in the Control Agencies Policies and Procedures Manual under Chapter 13.4 and 13.5, Accounts Receivable Recognition Overview and Recording Revenue Recognition Overview.

B. Billing Event Overview and Objective

1. Recording of the billing event will be performed by the agency/department. Agency/department will initiate the data entry, obtain approvals and process the billing.

2. Invoices and statements are printed at the agency/department location and sent to the customer on a timely basis. Agency/department shall provide statements at least monthly.

3. Once a receivable has been incurred, an invoice should be prepared and sent to debtor on a timely basis.

4. Agency/department are responsible to track their own receivables. Keep records of and all correspondences pertaining to the account.

5. The agency/department will obtain complete and accurate information on each debtor in the event of default.

6. Each month a report is prepared to review the accounts for further action. The agency/department shall provide a report relating to accounts that are over 30 days, 60 days, 90 days, and older.

7. Agency/department shall inform and notify the debtor of additional fees, charges, and cost that may be incurred for failure to pay a debt:

   a. fee that will be charged for NSF checks;

   b. interest on unpaid balance per month;

   c. attorney or collection agency fees;

   d. late penalty fees.
8. Agency/department whose collections are based on taxpayers' records, and therefore do not issue invoices, are not subject to Paragraphs 1, 2, and 3 above.

C. Billing Receipts Overview and Objective

1. Agency/department receives the money. Credit the appropriate customer's account.

2. Compliance with R.S. 39:372 and the Louisiana Constitution Article VII, Section 9 (A) requires "all monies received by the state or by any state board, agency, or commission shall be deposited immediately upon receipt in the State Treasury, except for certain listed therein." ("Immediately" is defined as within 24 hours of receipt. The State Treasury cash management practices require state-depositing entities to deposit receipts in the state's central depository account or designated regional depository accounts. The depositing agency is responsible for revenue classification in the accounting system.)

3. Detailed policies and procedures are stated in the Control Agencies Policies and Procedures Manual under Chapter 6, Cash Receipts.

D. Accounting Procedures Overview and Objective

1. Agency/department should maintain a proper segregation of duties such as opening the mail, recording the receipt, and maintaining the accounts receivable records. If not feasible, implement supervisory review and controls.

2. A monthly aged trial balance of all accounts should be checked and verified that the amount equals the balance in the general ledger, if applicable.

3. Obtain all necessary information on the debtor in the event of default such as:
   a. current home and work address and phone number;
   b. Social Security and/or federal employer identification number;
   c. name of address of nearest relative or guardian;
   d. date of birth;
   e. credit references;
   f. any other relevant information.

HISTORICAL NOTE: Promulgated by the Office of Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, LR 28:2346 (November 2002).

§105. Collection Process Overview, Objective, and Policy Guidelines

A. The following procedures are very general and broad for the purposes of identifying area of concerns and general concentration.

1. Collection Process Objectives
   a. To establish and implement a collection policy and procedure that the Cash Management Review Board has approved.
   b. To identify delinquent accounts.
   c. To pursue delinquent accounts by creating collection letters that are tailored to the agency/department's need.
   d. To apply late charges and interest to delinquent accounts.
   e. To interface with other software to enhance the intercepting of payments.
   f. To provide an updated customer account balance for any collection activity:
      i. payments or NSF checks.
   g. To provide the ability to write off uncollectible accounts with proper authority and documentation, debt is still owed to the state.
   h. To establish and maintain internal controls.

2. Collection Process
   a. Begins when the debt is recognized or the service is completed. The agency/department shall provide an invoice or statement in a timely manner to the debtor.
   b. Different messages would appear on the statement according to the status of the account to remind the customer of the amount owed to the state, any payments and/or adjustments made since the last printed statement.
   c. Apply interest and/or late charges as statutorily prescribed.
   d. With the proper documentation and approval, write off from the financial statements any account that is deemed uncollectible after following the procedures outlined in §107.B. The debt is still owed to the state.

3. Collection Follow-Up Procedures
   a. Policies and procedures are established and implemented at the agency/department that were approved by the Cash Management Review Board.
   b. Send a minimum of one follow-up billing statement to debtor. The scheduled billing cycle shall be designated by agency/department.
   c. Send second billing statement to debtor with a warning (dunning) message explaining the action that will be taken within a scheduled billing cycle from the first statement.
   d. Third billing statement notifies the debtor that the account has been forwarded to a collection agency or attorney general's office within a scheduled billing cycle from the second statement.
   e. Course of Action after the Third Billing Statement
      i. Discontinue service and notify debtor by letter that service has been discontinued, if applicable to the agency/department.
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ii. The agency/department will continue to collect amounts by all available means—private collection agency, debt offset, etc.

f. Further Action (discretion of agency/department policies and procedures approved by Cash Management Review Board).

i. Agency/department's secretary or undersecretary may approve the account to be written off or continue to collect (agency's discretion).

ii. Agency/department may continue its collection process or assign the account to a collection agency.

iii. Follow-up with the attorney general's office or collection agency on the status of the account.

iv. If appropriate, contact past due customers by telephone at any time during the collection process to ensure collection.

4. Allowance for Doubtful Accounts

a. Each agency/department should establish an allowance for doubtful accounts to ensure that the agency/department's receivables are not overstated for financial reporting purposes.

b. The allowance method used shall be established by the agency/department with the Cash Management Review Board approval. However, the amount should be based upon historical data or other pertinent information relative to the receivable. Sound accounting theory must be used at all times.


HISTORICAL NOTE: Promulgated by the Office of Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, LR 28:2347 (November 2002).

§107. Write-Off of Uncollectible Accounts Process Overview, Objective, and Policy Guidelines

A. Write-Off Objectives

1. To establish and implement a collection policy and procedure that the Cash Management Review Board has approved.

2. An authorization to write-off an account does not constitute a forgiveness of indebtedness.

3. Debtor remains obligated to the state.

4. Write-off authorizes a state agency to:
   a. transfer an account to a dormant file;
   b. discontinue incurring the expense involved in collecting the account;
   c. discontinue reporting the amount as a receivable on the general ledger.

5. To encourage proper write-offs on a fiscal year end basis.

6. The agencies/departments will have the ability to write-off an account from their financial statements when it is evident that it is uncollectible.

7. To establish and authorize the board and/or committee within each state agency/department to recommend any write offs when the accounts are deemed uncollectible:

   a. the board and/or committee shall be managerial level personnel within the appropriate department.


B. Write-Off Process

1. Agency/department must request an account to be written off through their respective board/committee.

2. Amounts over a specific designation require additional approval from the agency/department's secretary or undersecretary as recommended by the committee.

3. The request to write off a receivable by the agency/department must include the following information:
   a. the name and address of the debtor;
   b. the age of the account;
   c. the nature of the amounts owed;
   d. the collection efforts that have been made;
   e. any other pertinent information to give a full understanding of the request such as debtor's employment status, debtor financial status, debtor's accessibility, etc.

4. Approved write-off must be reported on the quarterly accounts receivable report and retained in a dormant file and removed from current records.

5. For payments received on an account written-off, record the amount received as revenue, do not re-establish the receivable.

C. Write-Off Criteria

1. The amount is deemed uncollectible—age of the account.

2. The write-off will not prejudice the position of the state.

3. All reasonable collection efforts have been exhausted—private collection agency, attorney general's office and/or state's debt offset process.

4. The debtor cannot be located or a discharge of bankruptcy has occurred.

5. The applicable statute of limitations for collection of debt has expired.

6. The debtor is deceased and there is no estate.


HISTORICAL NOTE: Promulgated by the Office of Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, LR 28:2348 (November 2002).
§109. Debt Intercept or Offset Process Overview, Objective, and Policy Guidelines

A. Warrant Intercept

1. Vendor/debtor is receiving a payment from the state, a request is made by a state agency to intercept the payment for a past due amount, the system automatically applies the payment to the past due amount, and the difference is sent to the vendor.

2. State legislation will be required to enforce this type of intercept.

B. Revenue Recapture

1. Past due amounts can be recaptured through tax refund.

2. Other means of recapture are lottery or gaming winnings.

3. Both recapture programs are administered through the Department of Revenue.

C. Offsets

1. Current offset allowed by R.S. 47:299.2 against income tax refunds are specifically used by:
   a. Department of Justice Collections Section;
   b. Louisiana Student Financial Assistance Commission's Student Loan Collection Section;
   c. Division of Support Enforcement of the Office of Family Support in the Department of Social Services and any other office or facility of DSS;
   d. Department of Health and Hospitals;
   e. Department of Public Safety and Corrections;
   f. Department of Labor.

2. Offset program could be greatly expanded to include other state agencies/departments and all tax refunds, not just income taxes, unemployment benefits, or any other payments made by the state.

3. Additional legislation will be required to expand the offset program.

D. Garnishments, liens, and judgments:

1. when such measures are deemed cost effective;

2. used by most state agencies/departments through private collection firms or attorney general's office.


HISTORICAL NOTE: Promulgated by the Office of Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy, LR 28:2348 (November 2002).

§111. Quarterly Reporting of Accounts Receivable Overview and Policy Guidelines

A. Objectives

1. To establish a report that shows each state agency/department's accounts receivable balances and activities during the quarter as mandated by R.S 39:79.

2. To establish guidelines and procedures for the quarterly reporting as stated by Memorandum SA 96-45.

3. To ensure the quarterly reports are consistent and as accurate as possible.

4. To have uniformity of reporting for all state agencies/departments.

5. To ensure the timely reporting of the quarterly report as stated by Memorandum SA 96-45.

B. Procedures for Quarterly Reporting

1. Quarterly Activity (Form AR-1):
   a. gross receivables and debt at end of quarter;
   b. estimated uncollectible for the quarter;
   c. net receivable for the quarter;
   d. write-offs for the quarter.

2. Aging of Receivables (Form AR-12):
   a. current receivables—do not include those past due;
   b. past due receivables: 1-30 days;
   c. past due receivables: 31-90 days;
   d. past due receivables: 181 days-1 year;
   e. past due receivables: over one year;
   f. total receivables past due;
   g. total gross receivable;
   h. total gross receivables must equal gross receivables and debt at end of quarter reported on Form AR-1.

3. Collections Activity for Receivables over 180 days (Form AR-3):
   a. amount over 180 days past due;
   b. collections within the agency;
   c. collections with attorney general's office;
   d. collections with private collection firm;
   e. collections—other (specify the type);
   f. collections—under protest;
   g. amount over 180 days past due must equal 181 days-one year and over one year total amount reported on Form AR-2.

4. Write-Off Disclosure (Form AR-4):
   a. number of accounts, if applicable;
   b. amount of the write-offs;
   c. reason for the write-off;
   d. the total write-off must equal write-off disclosure reported on Form AR-1.

5. Annual Comparison of Receivables (Form AR-5)
   a. Major revenue source;
   b. amount past due—prior year ending balance;