



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 62.31: Debt Collection

DATE: June 17, 2010

PURPOSE: The purpose of this Operating Policy and Procedure (OP) is to outline the procedures relating to debts owed to the university

REVIEW: This OP will be reviewed in March of even-numbered years by the managing director of Purchasing and Contracting with recommended revisions forwarded to the assistant vice president for financial affairs/controller and the vice president for administration and finance and chief financial officer.

POLICY/PROCEDURES

1. Key Word Definitions

The following are the definitions of key words used in this OP:

- a. Delinquent–Payment on debt is past due
- b. Debtor–Any person or entity liable, or potentially liable, for an obligation owed to Texas Tech University
- c. Due Diligence–The attention and care expected in carrying out a debt collection program, which is characterized by timely, steady, earnest, and energetic effort
- d. Obligation–A debt, judgment, claim, account, fee, fine, interest, loan, charge, or grant

2. State Regulations

The Texas attorney general (TAG) has established guidelines relating to the process by which state agencies collect delinquent obligations and how those obligations are reported to the TAG. These guidelines are intended to be general in nature and modifications by departments may be appropriate. Texas Tech University (TTU) must comply with these guidelines.

3. Approval for Extension of Credit

Only those activities that have been approved in accordance with Section 07.06, *Regents' Rules*, "Credit extension," may sell goods and services on credit. Student loan funds, both federal and institutional, are exempt from this requirement since collection of debt is the function of this activity.

4. Due Diligence

Due diligence shall be practiced in the collection of debt. The TAG due diligence documentation

regulations require the maintenance of:

- a. Copies of all correspondence between TTU and the debtor;
- b. Documentation reflecting attempted contacts with debtor and the result of such attempts;
- c. A record of all payments made by debtor and, where practical, copies of any checks tendered as payment;
- d. Current information verifying debtor's address and assets; and
- e. Copies of any document creating the obligation, e.g., promissory note, invoice, etc.

5. **Use of Outside Collection Agencies**

Texas Tech may not contract with an outside collection agency without prior written approval of the TAG. Contracts with collection agencies should go through the proper procurement procedures administered by the Purchasing and Contracting Office. After the proper procurement procedures have been followed, the following information shall be submitted to the section manager of Purchasing and Contracting:

- a. Description of the obligations to be collected;
- b. Explicit terms of the basis of any fee or payment for the collection of the obligation;
- c. Description of the individual accounts to include total number of delinquent accounts, dollar range, total dollar amount, summary of local collection efforts previously made by the university, and legal basis of the delinquent obligations to be collected; and
- d. Copies of any proposed contract.

All contracts for collection of delinquent obligations should contain the following provisions:

- (1) Litigation of the delinquent account is prohibited unless specific written authorization is received from the university administration and the TAG.
- (2) The agency shall place any funds collected in an interest bearing account with amounts collected, plus interest, less collection costs, payable to the university on a monthly basis, or by direct deposit to the university's account on a weekly basis.
- (3) Any bankruptcy notice shall be reported to the university within three working days of receipt.
- (4) The university may recall any account without charge.
- (5) The agency may not settle or compromise the account for less than the amount owed without written authorization from the university.
- (6) The agency does not act as an agent of the university, but as an independent contractor, and the agency will indemnify the university for any loss incurred by the agency's violation of state and federal debt collection statutes or by negligence.

- (7) Any disputes arising under this contract will be submitted to a court of competent jurisdiction in Texas.

It will then be the responsibility of section manager of Purchasing and Contracting to forward this information to the TAG, with the consent of the vice chancellor/general counsel. The section manager of Purchasing and Contracting will notify the requesting department of the TAG's decision and will begin processing the contract documents, if approved.

6. **Yearly Report**

An annual report of delinquent obligations is required by the TAG. This report shall be in summary form only and is due to the TAG by December 1. The following information shall be provided to the section manager of Purchasing and Contracting for forwarding no later than November 15 of each year:

- a. Total debt—Dollar amount of delinquent obligations identified into collectible and uncollectible categories;
 - b. Total accounts—Numerical sum of all accounts maintained by the agency;
 - c. Loans—The numerical sum of all accounts that are evidenced by a promissory note; and
 - d. Accounts in bankruptcy.
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