
Accounts Receivable & Collections

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Key Process Area:	Finance
Owner:	VP FA
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POLICY STATEMENT

New Brunswick Community College (NBCC) has committed to be effective and fiscally responsible in its financial management. The efficient and effective management of accounts receivable and maximization of collections is an important part of effective and fiscally responsible financial management.

PURPOSE

To provide guidance and promote consistency with regard to NBCC's application, approach, duties, and responsibilities regarding accounts receivable and collections.

SCOPE AND LIMITATIONS

This document applies to all NBCC accounts receivable and collections.

1.0 DEFINITIONS

Accounts Receivable

- a legal obligation to NBCC by a debtor for goods or services provided. Accounts Receivable represents total obligations and are not restricted to specific transactions (e.g. "tuition" or most recent).

- **General Accounts Receivable**
A legal obligation to NBCC *by anyone other than active students* for goods or services provided, i.e. all accounts receivable for goods and services provided to third-parties including but not limited to personal development, customized training, facility and/or equipment rental, etc. A legal obligation to NBCC by third parties *on behalf of active students* are also considered General Accounts Receivable, (e.g. sponsorship, scholarship or bursaries payable directly to NBCC).
- **Student Accounts Receivable**
A legal obligation to NBCC *by active students* for goods or services provided.

Allowance for Doubtful Accounts

- accounts receivable for which collection is deemed by NBCC to be increasingly improbable are included in an Allowance for Doubtful Accounts. Such accounts receivable may be included in whole or part and are annually presented within NBCC's annual audited financial statements. In general, an Allowance for Doubtful Account occurs when one or more of the following applies:

- NBCC's collection process has been followed and the account remains unpaid;
- The debtor cannot be located, nor any of the debtor's assets;
- The debtor has no assets and there is no expectation they will have any in the future;
- The debt is disputed and the college has insufficient documentation to pursue collection efforts;
- The debt is discharged in bankruptcy;
- The debtor has died and there is no known estate or guarantor;
- It is determined that it is not cost effective to continue collection efforts.

Delinquent Receivables

- accounts Receivable aged between 91 days and two years less a day beyond the due date.

Service Indicator

- an indicator placed on the student record in NBCC's Student Information Management System (SIMS) to indicate the financial standing (whether positive or negative) of a student with regard to accounts receivable and collections.

- **Negative Service Indicator**

An indicator placed on the student record in NBCC's Student Information Management System (SIMS) to indicate a student's outstanding accounts receivable balance is Past Due or Delinquent.

- **Positive Service Indicator**

An indicator placed on the student record in NBCC's Student Information Management System (SIMS) to indicate a student's outstanding accounts receivable balance is *not* Past Due or Delinquent by virtue of payment, a payment plan, sponsorship or other approved adjustment of the account.

Past Due

- accounts receivable aged up to 90 days beyond the due date.

Write-off

- accounts receivable deemed by NBCC to be uncollectible is considered a write-off.

2.0 IMPLEMENTATION

2.1 General

2.1.1 The efficient and effective management of accounts receivable and maximization of collections are the responsibility of Finance & Administration.

2.1.2 With specific regard to Student Accounts Receivable, Finance & Administration may delegate to the Student Services Centres, Business Development and such other appropriate parties certain management elements of accounts receivable and collections including but not limited to the recording, adjustment, collection, reconciliation, reporting and or communication with students.

2.1.3 With specific regard to Student Accounts Receivable, Student Services Centres and/or Business Development, as appropriate, is delegated responsibility for collections with assistance from Finance & Administration.

2.1.4 Other delegations will be outlined in documented process and procedure as may be updated by Finance & Administration from time to time.

2.1.5 With specific regard to General Receivable, including Student Accounts Receivable that transition when students cease being 'active', Finance & Administration is delegated responsibility for collections with assistance from Student Services Centres and/or Business Development as appropriate.

2.2 Reconciling, Aging and Calculation of Allowance for Doubtful Accounts

2.2.1 Finance & Administration is responsible for the reconciliation of the accounts receivable sub-ledger (i.e. SIMS) to the general ledger (i.e. enterprise financial system), the evaluation of Bad Debt, Allowance for Doubtful Accounts and Write-Offs.

- 2.2.2** The Director of Finance is responsible for the review of reconciliations of the sub-ledger and general ledger (including documentation of significant variances) on at least a quarterly basis.
- 2.2.3** The Director of Finance is responsible for the review of adjustments to reduce Accounts Receivable of \$100 or more on at least a quarterly basis.
- 2.2.4** Finance & Administration shall maintain an aging schedule of all Accounts Receivable.
- 2.2.5** NBCC's aging schedule shall include categories of 0-30 days; 31-60 days; 61-90 days (all considered Past Due); 91-120 days; 121-180 days; 181-360 days; and 361+ days (all considered Delinquent).
- 2.2.6** Finance & Administration shall calculate Allowance for Doubtful Accounts on a quarterly basis.
- 2.2.7** Accounts receivable considered 'at-risk' shall be included in the calculation of Allowance for Doubtful Accounts on the following basis: 50% of accounts receivable aged 91 to 180 days; 80% of accounts receivable aged 181 to 360 days; and 100% of accounts receivable aged 361+ days.
- 2.2.8** Accounts receivable are not considered 'at risk' if:
- They are aged 90 days or less (i.e. not Past Due);
 - They have a balance of \$10,000 or more and, in the opinion of NBCC, have had no previous collection issues, e.g. Provincial or Federal government; and,
 - They have been paid subsequent to the date of review.
- 2.2.9** Where information comes to light which would indicate, in the opinion of NBCC, an account receivable not otherwise considered should be considered 'at-risk', it may be included.
- 2.2.10** Finance & Administration shall review this calculation annually, and update as required, based on NBCC's actual experience. Any change to this methodology shall be documented at the conclusion of the fiscal year.
- 2.2.11** In order to promote accountability in ancillary and other similar operations, any adjustment of the College's Allowance for Doubtful Accounts (or subsequent recoveries on previous allowances) which results in an increase (decrease) to Bad Debt Expense may be allocated back as a cost (recovery) to the appropriate operation.
- 2.2.12** Finance & Administration shall write-off accounts receivable aged two years or more as these are deemed by NBCC to be uncollectible. Write-offs shall be removed from the general ledger (accounting records) of the College, but are not removed from the sub-ledger (SIMS) to reflect that the College's deeming of accounts receivable to be uncollectible in no way discharges the debt owed to NBCC.

2.3 Collections Process

- 2.3.1** NBCC shall employ a standardized and documented series of progressively harsher actions directed toward Past Due Accounts Receivable so as to incent payment and/or dis-incent non-payment.

- 2.3.2** NBCC collection activity shall be documented as performed in order to demonstrate fairness, compliance with policy and procedure, transparency and consistency in our dealing with debtors.
- 2.3.3** Finance & Administration is responsible, in consultation with the Registrar and Student Services, for the development and issuance of mass-communications regarding collections. Finance & Administration will be afforded reasonable assistance by the Registrar, Student Services, Academic Development and Information Technology Services in such development and issuance.
- 2.3.4** *With regard to Student Accounts Receivable*, NBCC collection actions shall apply to active students having a Negative Service Indicator applied to their account:
- 2.3.4.1** Due date reminder communication on the first calendar day of the month prior to the first day of classes for first-year students.
- 2.3.4.2** Due reminder communication on the first Friday after the first day of classes for first-year students.
- 2.3.4.3** Past Due process to apply Late Payment Fees to Past Due Accounts Receivable pursuant to s. 2.9.1 of Policy 2331 (Tuition and Other Student Fees) on the second Monday after the first day of classes for first-year students.
- 2.3.4.4** Past Due reminder communication two days after the Past Due process is run.
- 2.3.4.5** Final Notice communication on the third Monday after the first day of classes for first year students.
- 2.3.4.6** Cancellation process to remove information technology access and begin the process of de-registration/de-enrollment on the fourth Monday after the first day of classes for first-year students. Cancellation Notice communications shall be issued on the same day.
- 2.3.4.7** Batch session withdrawal process to finalize de-registration/de-enrollment two days after the Cancellation process is run.
- 2.3.5** *With regard to General Accounts Receivable*, Past Due process shall be run *as of* the first of each calendar month but three days hence, in order to allow for post-dated payments. This process shall apply interest at a rate set by NBCC and as may be amended from time-to-time. The College's Past Due process exempts the following from the application of interest: Student Accounts Receivable which transition to General Accounts Receivable, the Province of New Brunswick and such other organizations as may be approved by the Director of Finance in consultation with the Vice-President Finance & Administration.
- 2.3.6** *With regard to Student Accounts Receivable which transition to General Accounts Receivable as students become 'inactive'*, NBCC collection action shall prevent the debtor:
- from graduating, completing or receive a credential (e.g. certificate or diploma);
 - from enrolling in programs, or registering in courses, of a future Academic Term.
- 2.3.7** *With regard to General Accounts Receivable*, NBCC collection action shall include an invoice (Due reminder communication) within 30 days of due date and monthly Past due reminders until 180 days of due date.

- 2.3.8 *With regard to both Student and General Accounts Receivable remaining outstanding after the above, reminder communications will be sent monthly until 360 days and quarterly thereafter until Write-Off occurs or payment is received.*
- 2.3.9 *With regard to both Student and General Accounts Receivable remaining outstanding after the above, NBCC may implement outside collection agent(s) including but not limited to offsets by Canada Revenue Agency and/or the Province of New Brunswick. If so authorized, Finance & Administration shall coordinate such implementation.*

2.4 Payment Plans

- 2.4.1 Payment Plans apply to Student Accounts Receivable.
- 2.4.2 Student Accounts Receivable which are subject to an approved Payment Plan will not be subject to a Negative Service Indicator while such Payment Plan is in effect.
- 2.4.3 Payment Plans must be documented in standard format set by Finance & Administration. As with other Student Accounts Receivables, Student Service Centres are delegated collection activity on these Payment Plans on behalf of NBCC.
- 2.4.4 Approved Payment Plans must include:
 - 2.4.4.1 Signatures from each of the debtor and Manager, Student Service Centre approving the terms and conditions of the Payment Plan.
 - 2.4.4.2 An early payment of at least 25% of the outstanding balance on execution of the Payment Plan.
 - 2.4.4.3 Full payment no later than November 30th of each fall Academic Term and March 31st of each winter Academic Term.
 - 2.4.4.4 Regular instalment payments rather than deferral of payment to end of Payment Plan.
- 2.4.5 Payment Plans should not be executed once Final Notice communication has been issued.
- 2.4.6 Exceptions to s.2.4.4 and s.2.4.5 may be authorized by Managers of Student Service Centres on each Campus but must be forwarded to Finance & Administration for information purposes.
- 2.4.7 Debtor non-compliance with any aspect of an approved Payment Plan will result in immediate application of a Negative Service Indicator and resumption of normal collection actions.

3.0 OTHER RELATED DOCUMENTS

Tuition and Other Student Fees (2331)
NBCC Payment Plan Agreement (2323.4810)