

Debt Management Policy

Section 1 - Background and Purpose

- (1) To ensure that the collection process for monies due to the University is managed effectively, efficiently and in a timely manner.
- (2) Debt management status and key risks are to be communicated to management on a regular basis.

Section 2 - Scope

- (3) Applies to:
 - a. All campuses
 - b. All staff

Section 3 - Policy Statement

- (4) Money due to be collected by the University must be
 - a. collected in a timely manner; and
 - b. reported regularly.

Section 4 - Procedures

- (5) Payment from debtors is received promptly to maximise the university's cash flow.

Part A - Outstanding Debt Follow Up

- (6) An initial follow-up email/letter including a copy of the invoice will be sent to the debtor if payment is not received by the end of the month following the invoice date i.e. 30 days.
- (7) An email/letter of demand will be issued if payment is not received 60 days after end of month following the invoice date.
- (8) If payment is not received within fourteen days of receipt of the letter of demand a telephone call is made to the customer. Subject to the outcome, the following occurs;
 - a. Accounts Receivable notifies the originator of the invoice request outlining the issues, and/or
 - b. The customer is notified that unless payment is immediately received the debt will be referred to the University's debt collection agency.
- (9) Semi-autonomous bodies of the University as defined in Statutory Requirements for Committees Policy are to

follow the above procedures and if payment is not received or satisfactory arrangements agreed to, within fourteen days of receipt of letter of demand, the debt is referred to the Finance Manager, AP/AR, Finance Division, for referral to the University's debt collection agency. Also refer to Part I.

(10) If the above standard procedures are not followed, semi-autonomous areas or Accounts Receivable, Finance Division, must maintain adequate file notes detailing the reasons for non-compliance.

(11) Established debts of \$50 or more, still unpaid after the Accounts Receivable Advisor quite extensive regular follow up is exhausted, are referred to the University's collection agency, Dunn & Bradstreet (Australia) Pty. Ltd., for collection action. The agency reports regularly to the Finance Manager, AP/AR on the progress of collection action.

(12) The Finance Manager, AP/AR decides on the basis of these reports whether to request further legal action or to discontinue the action and submit the debt for write-off. The decision is made according to the amount of money spent to date on locating the debtor and persuading him or her to pay the amount of the debt and the present and future financial situation of the debtor.

- a. A Bad debt up to \$10,000 – requires the approval of the Director Budgets, Reporting and Business Support.
- b. A Bad debt in excess of \$10,000 and up to \$30,000 – requires the approval of the Chief Financial Officer.
- c. A Bad debt in excess of \$30,000 and up to \$50,000 – requires the approval of the Vice-Chancellor.
- d. A Bad Debt in excess of \$50,000 – requires approval by the University's Finance and Resources Committee (FRC).

(13) All debts written off under these authorities are to be reported to Finance and Resources Committee on an annual basis for ratification with the following details:

- a. Date of write off approval, area concerned, and
- b. Total \$ value of debts.

(14) The Finance Manager, AP/AR will immediately arrange for the write-off entries to be processed. The written-off amounts are recorded as sanctions in SISOne, thereby enabling recovery should the student debtor approach the University in the future.

(15) A general debtor customer with unpaid written off debts is blocked on SAP system and can't be transacted against.

- a. Please note only the Finance Manager, AP/AR has access to master data. The customer on block will only be unblocked once the written off debt is paid in full.

(16) It is highly recommended that LTU do not deal with customers who have a history of a written off debt.

(17) The debt written off is borne by the area concerned. Also costs associated with debt collection, whether successful or not, are borne by the area concerned.

Part B - Semi-Autonomous University Departments

(18) As stated in Part A. Semi-autonomous areas of the University perform the initial debt recovery process for their own unit e.g. student fees, residential accommodation fees, library fees and student loans.

(19) Once they have exhausted all avenues they forward the debt to the Finance Manager, AP/AR, Finance Division. Upon receiving the details of these debts, the Finance Manager, AP/AR will forward the debts to the University's debt collection agency.

Part C - Deductions from Pay for Private Debts of Staff Members

(20) Goods or services provided by the University to staff members for their private use, e.g. private photocopying, telephone calls, damages, Children's Centre fees etc., are only available on condition that payment be made at the time or by immediate deduction from the staff member's salary.

Part D - Terms of Payment for International Onshore Student Debt and Domestic Student Debt

(21) Details of student fee accounts are held on the Student Information System (SISOne) that is administered by Student Administration. Most fees are assessed by reference to pre-set tables of fees and courses. Individual student data is entered with their course load to calculate the invoiced fee to students and revenue to the University.

(22) Student Debtor and Fee Revenue totals per assessment run are posted via an automated journal to the SAP General Ledger and held in control accounts. Fee statements and terms issued by SISOne are listed in the Table 1 below.

(23) Note that sponsors can either be agents or institutions acting as an intermediary in receiving fees from students and remitting them to the University for a fee or commission. Sponsors may also pay the fees on behalf of the student which may be similar to a scholarship arrangement

Table 1 - International Onshore and Domestic Student Fees and Terms of Payment

Fee Type	Terms of Payment
Upfront Commonwealth Supported Places CSP Fees (previously HECS).	Fees are due on or before the census date of the subject.
FEE-HELP and (HECS-HELP) are loan schemes that assist in the payment of all or part of a domestic student's tuition fee course.	Loan scheme related fees have a final due date of the census date; any partial or fully up-front payments for loan scheme related fees must be received by the census date.
On-shore International Fees - Non-Sponsored	First year terms: Students required to pay 1st semester /term fees upon offer and acceptance. Subsequent years terms: All fees must be received by the census date of the subjects.
On-shore International Fees- Sponsored	Terms are 28 days from the issue date on the Tax Invoice.
Domestic Postgraduate Fees	Upfront fees. Fees are due on or before the census date of the subject.
Miscellaneous Course Fees(single units, bridging units)	Fees are due on or before the census date of the subject.
Late Enrolment penalties	Fees are due immediately the penalty is applied.

Part E - Terms of Payment for Off-Shore Student Debt

(24) All international off-shore students deal through a sponsor, institution or agent and the arrangement is always covered by a formal contract and generally an individual off-shore student will not be penalised for late or non-payment by their sponsor. As far as practicable, all off-shore Agent/Student Fee contracts should be written in Australian dollars (\$A). Details of student fee accounts are held on the Student Information System (SISOne) that is administered by Student Administration. In most instances the sponsor is sent a SISOne Statement of Account. Complex revenue formulas in some contracts may require invoicing through SAP. Off-shore Fee statements and terms are listed in Table 2 below.

(25) To access the Register of Offshore International Agreements see:

<https://isisprd.latrobe.edu.au/ISIS/Admin/Login.aspx> This link requires user name and password. Information is also available in TRIM.

Table 2 - International Off-shore Fees and Terms of Payment

Fee Type	Terms of Payment
Off-Shore Fees via SIS	Terms are 28 days from the issue date on the Tax Invoice.
Off-Shore Fees via SAP	Terms are 12 days from due date on Statement of Account (unless otherwise stated in contract)

Part F - Student Debt Reporting and Collection Responsibility

(26) Responsibility for invoicing, debtor report generation and distribution and debt management at a daily and secondary level is set out in Tables 3 and 4 below.

(27) Those units responsible for debtor report generation must provide sufficient information to enable debt management. From this data Finance Division prepares a management report on overdue fees which will be sent to the Schools that have students in debt. By the last working day of the month individual areas as follows are to provide comments to Finance Division on the remedial action taken to date:

- a. Off-shore student debt comments are provided by School;
- b. Domestic students' comments are provided by Student Administration (Fees and HECS Officer);
- c. International on-shore student comments are provided by Recruitment & International Operations.

(28) For overdue invoices, AR will liaise with the relevant School Resource Officer for collection of overdue monies.

(29) Accounts Receivable (Finance Division) is responsible for the follow up and administration of potential doubtful debts. All doubtful debts must be referred to Finance in writing:

- a. Where a domestic student challenges a referred debt it must be in writing. Finance Manager, AP/AR will pass the query to Student Administration who are to respond in writing to the Finance Manager, AP/AR.
- b. Where an international on-shore student challenges a referred debt it must be in writing. The Finance Manager, AP/AR will pass the query to Student Administration who are to respond in writing to the Finance Manager, AP/AR.
- c. Where the sponsor of an international off-shore student challenges a referred debt it must be in writing. The Finance Manager, AP/AR will pass the query to the School concerned that are to respond in writing to the Finance Manager, AP/AR.
- d. Where the sponsor informs the University (via the School/Finance Division/ Student Administration) of a late or non-paying student and instructs that their enrolment be cancelled, AR should request the School to raise a request for a credit memo on the adjusted amount. The student enrolment in SISOnce will be adjusted by Student Administration.

Table 3 - Off-Shore International Debts: Reporting and Collection

					Debt Management	
Internat'l Off-Shore Debts	SIS	SAP	Invoicing Responsibility	Debtor Report Generator	Daily	Debt Referral
Sponsor	n/a	FIN	CAC	FIN copy to Finance Management each month	FIN	FIN
Sponsor	SS		CAC	AS copy to FIN each month	CAC	FIN

Table 4 - On-shore International and Domestic Student Debts: Reporting and Collection

DEBT TYPE	SISOne	Debtor Report Generator	Debt Management		
	Invoicing Res'bility		Daily	Secondary	Debt Referral
No Debt Students are terminated at census date and debt removed.	n/a	n/a	n/a	n/a	n/a
International On-shore debts	LTI / AS (sponsor)	Copy to FIN quarterly	SS	FIN / CAC	FIN
Late Enrolment Fees	SS	SS copy to FIN each month	SS	FIN / CAC	FIN

LTI (Recruitment & International Operations), SS (Student Administration), CAC (Primary School), FIN (Finance Division)

Part G - Impairment Provision (Doubtful Debts)

(30) Impaired (Doubtful) Debts are determined in 3 ways:

- a. Debtors referred to Dun and Bradstreet for Collection;
- b. A review of outstanding debts; and
- c. On advice of semi-autonomous departments who perform initial debt recovery procedures (refer point 1 above).

(31) It should be noted that Australian Accounting Standards require impaired debts to be calculated on the basis of specific debts which are considered unlikely to be collected. A general allowance based on a percentage of total debts is not allowed under the accounting standards.

Dun and Bradstreet

(32) Once a debtor has been referred to Dun and Bradstreet (refer Part I below) it is automatically deemed an impaired debt due to the need to engage a debt collector.

(33) Once the Dun and Bradstreet process is engaged for a debtor, Finance Manager, AP/AR will create a journal transferring the debt to the provision for impaired debts

Review

(34) A periodic review of all >120 days will be carried out as at 30 June and 31 December.

(35) If it is considered likely that the debt will not be collected (refer guidelines below) then it will be transferred to impaired debts.

Semi-Autonomous Departments

(36) Departments which perform initial debt recovery procedures are required to periodically review all debts for collectability. A minimum of 2 reviews should be done per year as at 30 June and 31 December.

(37) If it is considered likely that a debt will not be collected (refer guidelines below) then the department will advise the Finance Manager, AP/AR to raise a journal to transfer the debt to impaired debts.

Guidelines for Recognition of Impaired Debts

(38) Debts are considered impaired (doubtful) when they are likely to be uncollected, they are potential bad debts. Examples include:

- a. Debtor is unable to be contacted;
- b. Debtor is uncooperative and not making any payments;
- c. Debtor is making minor payments but the debt will not be completely paid within a year;
- d. The personal circumstances of the debtor are such that the debt is unlikely to be paid e.g. unemployment, long term illness;
- e. Debtor is known to be facing financial problems;
- f. Debtor is in dispute with the University.

Part H - Bad Debts

(39) Debts that are considered completely irrecoverable are written off to bad debts expense or the impaired debt is extinguished if the debt had been transferred to doubtful debts.

(40) As per Part A if a debt has not been able to be collected after being referred to Dun and Bradstreet then it is considered a bad debt.

(41) Debts may also be considered bad after the reviews referred to in Part G instead of just impaired. Examples of where a debt would be considered bad instead of impaired are:

- a. The debtor has passed away; and
- b. The debtor has been declared bankrupt.

Part I - Government Debts

(42) Uncollected Government debts where La Trobe University have an ongoing relationship with the government customer and where La Trobe University have made attempts to obtain payment are not sent to the debt collection agency.

(43) La Trobe University staff will make all attempts to negotiate the payment of the debt however if the debt cannot be collected and due to the necessity of maintaining the ongoing relationship La Trobe University would in these instances write off the debt without going to Dun & Bradstreet.

Part J - Recovery of Bad Debts

(44) Dun & Bradstreet Process:

- a. The debtor with relevant details is individually loaded on D&B website;
- b. Finance Manager, AP/AR follows status of debt via the web site;
- c. D&B have free of charge several step processes in order to make contact with and subsequently demand payment from our debtor. i.e. telephone, email, messages to mobile;
- d. Failing response from our debtor D&B will make contact with the Finance Manager, AP/AR requesting to close file or move to elevated chargeable steps e.g. solicitor's letter, field calls which can lead to Court Judgements;

- i. It is to be noted that D&B have “time of call” guidelines for when field calls and Court Judgements can be made/served. e.g. not early mornings/late nights;
 - ii. D&B agent can only speak to the debtor if they identify themselves;
 - iii. Due to huge costs elevated steps post the field calls will only be taken if LTU are prepared to go to court level;
- e. D&B notify BTR of monies recovered and from whom;
 - f. D&B’s invoices for commission and other charges are sent to Finance Division and when paid, costs are charged to relevant cost centres.

(45) Accounting treatment for recovery if doubtful debt;

- a. Monies recovered are paid into La Trobe University Miscellaneous Revenue account;
- b. Payment is manually identified on the bank statement by Accounts Receivables Officer who notifies the cashiers;
- c. Cashiers allocate the money to debtor number, student number or cost centre;

(46) If entry has been raised for doubtful debts then the doubtful debt entry needs to be reversed.

(47) Process to report recovered amounts:

- a. the Finance Manager, AP/AR will quarterly report to the Director Budgets, Reporting and Business Support.

Part K - Reconciliation

(48) Customer (Debtor) accounts are reconciled only when customers require clarification on balances. AR liaises with the customer directly to resolve the discrepancy in a timely manner. The time frame to resolve any issues is depending on whether the customer is international or domestic.

- a. Responsibility for reconciliation completion of an account sits with AR, however in the event of difficulty a qualified accountant in central Finance will reconcile the account.
- b. the Finance Manager, AP/AR will review the account reconciliation and in the event where there may be dollar discrepancies/dispute between the customer and La Trobe University the relevant cost centre departments are notified and are then required to:
 - i. Check contracts, invoice requests and all charges made to the customer’s account.

(49) Resolution of the dispute may lead to the cost centre departments issuing credits for errors or writing the debt off without involving debt collectors in order to keep ongoing good relationships with the customer.

- a. Write off is borne by the relevant cost centres.

(50) Once the customer and LTU agree on the dispute and payment is received from the customer or credit/write off is processed by LTU, the account is cleared by Accounts Receivable.

(51) As per the Accounting (Financial) Policy, in accordance with statutory reporting requirements these accounts are required to be reconciled to subsidiary ledgers and any reconciling items are required to be resolved promptly.

Part L - Credit Worthiness

(52) A School/division can request that a credit check is undertaken on an existing or potential debtor. It is highly recommended by Finance that you do not transact with any high risk organisation, and if this is necessary that a credit

check is undertaken before transacting with them (based on the points below). Consideration of the below factors should be undertaken to determine the potential impact a credit check may have:

- a. privacy laws are required to gain permission from the individual/organisation prior to commencing the check
- b. A credit worthiness check will need to be undertaken prior to formal interaction with the potential customer and would require to be undertaken by an external organisation – e.g. Dunn and Bradstreet.
- c. Adequate time would need to be provided to Finance to arrange for the assessment prior to any formal agreement with the client.

Dun & Bradstreet Cost Proposals

(53) Dun & Bradstreet offer numerous proposals for credit checks/credit worthiness.

Section 5 - Definitions

(54) For the purpose of this Policy and Procedure:

- a. Debt: Any money owed to La Trobe University by an individual, company, or other organization.

Status and Details

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Effective Date	28th November 2016
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