



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 50.28, **Debt Collection**

PURPOSE: The purpose of this Texas Tech University Health Sciences Center at El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to outline the procedures relating to debts owed to TTUHSC El Paso.

REVIEW: This HSCEP OP will be reviewed March 1 of every even-numbered year by the Director of Accounting Services, with recommendations for revisions submitted to the Chief Financial Officer (CFO) by March 31.

POLICY/PROCEDURE:

1. **Definitions.** The following are definitions for this HSCEP OP:
 - Delinquent:** Payment is past due by law or by customary business practice, and all conditions precedent to payment have occurred or been performed.
 - Debtor:** Any person or entity liable, or potentially liable, for an obligation owed to TTUHSC El Paso or against whom a claim or demand for payment has been made.
 - Due Diligence:** The attention and care expected in carrying out a debt collection program which is characterized by timely, steady, earnest, and energetic effort.
 - Obligation:** A debt, judgment, claim, account, fee, fine, tax, penalty, interest, loan, charge, or grant.
2. **State Regulations.** The Office of the Attorney General of Texas (OAG) has established guidelines (1 TAC 59.2) relating to the process by which state agencies collect delinquent obligations. These guidelines are intended to be general in nature and modifications by departments may be appropriate. TTUHSC El Paso must comply with these guidelines.
3. **Approval for Extension of Credit.** Only those activities which have been approved, in accordance with *Regents' Rules*, Section 07.06, 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 must be practiced in the collection of debt. The OAG due diligence documentation regulations require the maintenance of the following:
 - a. Copies of all correspondence between TTUHSC El Paso 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 the debtor's address and assets; and
 - e. Copies of any document creating the obligation, such as a promissory note or an invoice.

5. **Administrative Procedures.** Each area involved in collection activities must develop and maintain procedures for collecting delinquent accounts which are consistent with the following guidelines:
- a. Demand letters must be mailed in envelopes that contain the statement "address correction requested" and shall comply with the federal requirements for address verification.
 - b. The department must send a first demand letter no later than thirty (30) days after the account is determined delinquent. If no satisfactory response is received within thirty (30) days after the date of the first letter, the department must send a second demand letter no later than sixty (60) days after the date of the first demand letter. No more than two demand letters should be transmitted to the debtor prior to referral to the OAG.
6. **Use of Outside Collection Agencies.** TTUHSC El Paso may not contract with an outside collection agency or renew or extend existing contracts with an outside collection agency without prior written approval of the OAG.

Prior to executing a contract or renewing an existing contract with an outside collection agency, the department must forward to the Contract Services department the following:

- a. Description of the obligations
- b. Any proposed fee arrangements
- c. Description of the individual accounts to include total number of delinquent accounts, dollar range, total dollar amount, summary of local collection efforts, and legal basis of the delinquent obligations
- d. Copies of any proposed contract

It will then be the responsibility of the Contracting Services department to forward this information to the OAG. Review from the Office of General Counsel and/or the CFO may be requested prior to forwarding the information to the OAG. The Contracting Services department will notify the requesting department of the OAG's decision and will begin processing the contract documents, if approved.

7. **Referrals to the OAG for Collection.** Generally, TTUHSC El Paso will not refer to the OAG matters in which the amount to be recovered would be less than the total sum of expense to TTUHSC El Paso and the OAG for travel, employee time, court costs, and other relevant expenses. Subject to approval of the CFO, each area involved in collection activities must develop a written policy to establish a minimum dollar amount for claims to be referred to the OAG for collection, but may, for good cause, determine that a matter should be referred to the OAG even if the amount to be recovered does not exceed the minimum established. This referral must be made to the CFO no later than ten (10) days after accounts have been returned to TTUHSC El Paso from collection agencies.