ICCCFO SPRING CONFERENCE
MANAGING STUDENT ACCOUNTS RECEIVABLE

Presented by:
Raymond E. Krouse, Jr., CPA
Partner, Not-for-Profit Services
Sikich LLP
1415 W. Diehl Road, Suite 400
Naperville, IL 60563
(630) 566-8515
rkrouse@sikich.com

©2012 Sikich LLP. All Rights Reserved.
STUDENT ACCOUNTS RECEIVABLE

- Student accounts receivable can be a significant asset of a community college and more importantly can require a substantial amount of the college’s resources to bill and collect tuition and fees from its students.

- By properly managing student accounts receivables institutions can focus on their core mission instead of spending time collecting past due balances.
EFFECTS OF NOT PROPERLY MANAGING STUDENT ACCOUNTS RECEIVABLE

• Revenue loss due to billing omission
• Slower cash flow for the institution
• Improper write-offs of bad debt
• Opportunity cost of not pursuing outstanding balances
• Students registering for future terms without satisfying prior debt
BENCHMARKING STUDENT ACCOUNTS RECEIVABLE

• Develop benchmarks to compare to the prior year
  – Total annual tuition
  – Total annual amount billed other than tuition
  – Average receivable balance per student
  – Percentage of students with receivable balance
BENCHMARKING STUDENT ACCOUNTS RECEIVABLE

• Develop benchmarks to compare to the prior year
  – Percentage of accounts receivable outstanding as a percentage of total dollars invoiced
  – Late fees charged and collected
  – Collection effectiveness (1 – total tuition and fees billed / tuition and fees outstanding)
BENCHMARKING STUDENT ACCOUNTS RECEIVABLE

• Develop benchmarks to compare to the prior year
  – Total annual write-offs
  – Student receivables written off as a percentage of total student receivables at year-end
  – Percentage of students placed in collection during the fiscal year
  – Receivables collected by third party
INSTITUTIONAL BENCHMARKS

• Institutions must decide if they have enough resources dedicated to the billing/collection function

• The following benchmarks can be used to judge student financial staff
  – FTE student / FTE student financial staff
  – Billings instances / FTE student financial staff
STREAMLINE PAYMENT CHANNELS AND METHODS

• What channels is the institution receiving funds from?
  – Manual
  – Lockbox
  – Internet
  – Bank Wire

• Manual receipt of funds consumes resources and delays cash
STREAMLINE PAYMENT CHANNELS AND METHODS

- According to the 2011 NACUBO Student Financial Services Survey payments received by check decreased from 51.9% in 2008 to 43.2% in 2010
- At the same time e-checks almost doubled going from 9% in 2008 to 17.6% in 2010
- Ease of internet but must ensure security of information
BENEFITS FOR ELECTRONIC BILLING / REFUNDING

• Students are made aware of receivable balances in a more timely manner
• Payments are received in a more timely manner
• Electronic refunds are beneficial to students
• Institution saves cost of printing, paper, and postage PLUS labor involved in manual billing and sorting payments received
STREAMLINE PAYMENT CHANNELS AND METHODS

• What methods is the institution receiving funds from?
  – Check
  – Web Check
  – Credit Card (in person)
  – Credit Card (web-based)

• Today’s student wants convenience when paying for tuition and fees

• Students receive bills electronically and can satisfy balances electronically
MANAGING THE COLLECTION OF STUDENT RECEIVABLES

• Keys to improving the collection of student receivables
  – Timely billing of tuition and fees
  – Multi-payment plans should include a signed promissory note
  – Shorten the term of the multi-payment plans
  – Setting a maximum receivable balance that can be carried forward that prevents students from registering for a future term
MANAGING THE COLLECTION OF STUDENT RECEIVABLES

• Keys to improving the collection of student receivables
  – Impose or increase late fees or interest charges for non-paying students
  – Place holds on student records or transcripts
MANAGING THE COLLECTION OF STUDENT RECEIVABLES

• Keys to improving the collection of student receivables
  – Hire more than one collection agency to compare performance
  – Block university services such as library privileges or graduation ceremonies
  – Report delinquent students to credit reporting agencies

• Federal law does obligate educational institutions to regularly update credit status
MANAGING THE COLLECTION OF STUDENT RECEIVABLES

– Report delinquent students to credit reporting agencies

• Credit scores are very important to students entering the work force so the threat to report delinquent student accounts should carry some weight
RESOURCES

• NACUBO – Student Financial Services Benchmark Initiative
• NACUBO – “No Debt About It” Business Officer Magazine, August 2007
• NACUBO – “Many Happy Returns” Business Officer Magazine, December 2011
QUESTIONS?

Presented by:
Raymond E. Krouse, Jr., CPA
Partner, Not-for-Profit Services
Sikich LLP
1415 Diehl Road
Naperville, IL 60563
(630) 566-8515
rkrouse@sikich.com