



FINANCE POLICY #700-03 ACCOUNTS RECEIVABLE & DEBT COLLECTION

Effective Date: March 12, 2010

Approved By:

I. PURPOSE: The purpose of this policy is to establish guidelines for the management and collection of accounts receivable as required by the State Comptroller.

II. POLICY STATEMENT: The Department of Professional and Occupational Regulation shall take all appropriate and cost effective actions to aggressively collect its accounts receivable in accordance with the *Code of Virginia* and State Accounts Receivable Regulations.

III. DEFINITIONS:

Accounts Receivable	Any amount owed to the Department, including monetary penalties, recovery fund payments, employee reimbursements and miscellaneous receivables arising from the sale of goods or services. Receivables do not include travel advances, which are addressed separately in Finance Policy #700-01 Travel and Business Meals.
Monetary Penalties	Penalties assessed against licensees under § 54.1-202 of the <i>Code of Virginia</i> for the violations of any statute or regulation pertaining to a regulatory board of the Department.
Other Receivables	Amounts owed for services rendered (e.g., license transcripts, FOIA requests, employee reimbursements and other miscellaneous billings).
Recovery Fund Payments	Amounts owed for Recovery Fund claims paid in accordance with § 54.1-1120, § 54.1-2114 and § 55-530.1 of the <i>Code of Virginia</i> .

IV. RELATED DOCUMENTS:

- ➔ [State Accounts Receivable Regulations](#)
- ➔ [Set-Off Information Guide](#) (published by the Department of Taxation)
- ➔ [Attorney General Debt Collection Procedures](#)
- ➔ [Certification of Final Order Form](#)
- ➔ [Director's Policy #100-05 License Suspensions](#)
- ➔ [Finance Procedure 600-601 Receivables](#)
- ➔ [Finance Procedure 600-505 Recovery Fund Receivables](#)

V. GENERAL PROVISIONS:

A. MONETARY PENALTIES

1. Creation of the Receivable

The approval of any Consent or Final Order that assesses monetary penalties or costs creates a receivable. The receivable is due from the moment the Director signs the Order. However, most Orders give the debtor a fixed amount of time to pay before the account is deemed past due.

2. License Suspension

The licensing sections are responsible for monitoring disciplinary orders until compliance is obtained. If the order assesses penalties or costs and payment is not made by the due date, the account is deemed to be past due and the

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Supersedes:	Finance Policy #700-03 Accounts Receivable & Debt Collection (Effective 08/30/2005)		Page 1 of 4

Executive Director shall suspend the debtor's license for non-payment according to the provisions of Director's Policy #100-05 License Suspensions.

3. Collection Efforts on Unpaid Accounts

Following the license suspension, but not more than 30 days after the payment due date, the board shall notify the Finance Section of the need for collection. The Finance Section shall employ the collection procedures outlined in DPOR Finance Procedure #600-601 Receivables to collect the amount owed to the Department.

B. RECOVERY FUND CLAIMS

1. Payment from the Fund

Recovery Fund claims are paid pursuant to approved Final Orders. The payment of any Recovery Fund claim creates an immediate obligation for the regulant to repay the Fund with interest. Upon payment from the Fund, the Finance Section shall employ the collection procedures outlined in Finance Procedure #600-505 Recovery Fund Receivables to collect the amount owed.

2. License Revocation

The Finance Section shall notify the regulatory board sections whenever a payment is made from the Recovery Funds. Upon receiving this notice, the board sections shall revoke the regulant's license except when prevented by bankruptcy.

3. Calculation of Interest

The Department shall assess interest on all Recovery Fund accounts as required by state law. Interest is assessed using the judgment rate in accordance with § 2.2-4805 of the *Code of Virginia*.

C. OTHER RECEIVABLES

The Public Records Section is responsible for billing and collecting all license transcripts, FOIA and other public record fees. If any billed amount remains unpaid on the last day of any quarter, the Public Records Section shall report the amount owed to the Finance Section so that it can be included in the Comptroller's Quarterly Accounts Receivable Report. In the event that Public Records is unable to obtain payment from the debtor within a reasonable time period, they shall forward the account and all supporting documentation to the Finance Section for further collection efforts.

D. PARTIAL PAYMENTS

1. The Department does not accept installment agreements and debtors must pay the full amount owed on or before the required payment due date.
2. If partial payment is made, the Department will receipt the funds and apply them to the appropriate account. The receipt does not constitute an installment agreement and will not prevent or stop outside collection efforts if full payment is not received before the required due date. In addition, the debtor's license shall remain suspended for nonpayment and/or the regulant will be ineligible to reapply for a new license until the account is paid in full.
3. Partial payments in disciplinary cases will be applied to costs first and penalties second. All collections on monetary penalties will be deposited to the State Literary Fund in accordance with § 19.2-353 of the *Code of Virginia*. Partial payments in recovery fund cases will be applied to accrued interest first and then to the principal balance.

E. DEBT SET-OFF MATCHES

1. Debt Set-Off

The Department participates in the Department of Taxation's Individual Debt Set-Off Collection Program and the state Comptroller's Vend or Debt Set-Off Collection program. These programs intercept state tax refunds, lottery winnings, and targeted vendor payments and use them to offset debts owed to state agencies.

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2. Debtor Notification

The state Department of Taxation notifies DPOR via e-mail when available funds have been matched to the agency's debt. Within ten calendar days of the match date, the Finance Section shall notify the debtor in writing that the Department of Taxation is holding available funds against the debt. The purpose of the letter is to inform debtors that they have thirty calendar days to contest the validity of the debt before the funds are seized.

3. Right to Contest

The debtor has the right to contest the validity of a claim before the set-off agency. The debtor must give written notice of his desire to contest a claim within 30 calendar days of the mailing date of the set-off agency's letter. This will suspend further set-off action.

When the Finance Section receives notice that a debtor is contesting, they shall schedule a Set-Off Hearing. The Finance Section shall select a Presiding Officer that has no prior involvement in the circumstances that culminated in the dispute. The Presiding Officer shall establish a date, time and place for the hearing and shall notify the debtor of these facts using certified mail within ten days of receiving the hearing request.

4. Hearing Procedures

- a. The Presiding Officer shall conduct the Set-Off Hearing on the appointed date. The scope of the hearing shall be limited to determining whether the amount in set-off is an obligation that remains due and owed to the Department. The underlying basis of the debt shall not be addressed in the Set-Off Hearing.
- b. A representative from the Finance Section shall attend the hearing to present the Department's evidence and may call witnesses on the Department's behalf. The debtor shall also be allowed to submit evidence relevant to the matter and to call witnesses. A tape recorder or court reporter shall provide a record of the proceedings.
- c. The Presiding Officer shall consider all the evidence presented at the hearing and shall make a determination as to whether the Department is entitled to the amount held in set-off. While usually made at the conclusion of the hearing, the Presiding Officer may elect to delay the decision if additional information is needed. In such cases, the Presiding Officer shall notify the debtor of the hearing outcome within three days of receiving the additional information. After the final determination of the validity of the debt is determined, the Finance Section shall finalize the match in the Debt Set-Off system in order to collect or release the funds being held.

5. Failure to Appear

The debtor's failure to appear at the hearing at the appointed time and place shall be deemed a forfeiture of their opportunity to contest the claim and final set-off shall be awarded by default.

6. Appeal/Grievance Procedures

The decision of the Presiding Officer shall be final. However, this does not prevent the debtor from appealing the decision in circuit court as provided in § 58.1-527 of the *Code of Virginia*. All appeals must be filed in circuit court within thirty days of the Department's decision.

F. BANKRUPTCY STAYS

Bankruptcy law requires the Department to suspend collection efforts against individuals or companies that have filed bankruptcy. To ensure compliance with this law, any DPOR employee who receives notice of a bankruptcy (including those received through the Recovery Fund process) should immediately forward a copy of the notice to the Accounting Manager. The Accounting Manager's staff will remove the account from the tax set-off program and notify the outside collection agent or Office of the Attorney General of the need to suspend collections efforts until the bankruptcy case is closed. The Accounting Manager or designee shall take appropriate action to protect the Department's interests during the bankruptcy proceedings.

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G. DELEGATION OF AUTHORITY

The Director has authorized the LRD Executive Directors and Office Managers to sign the Certification of Final Order that accompanies account referrals to the Office of the Attorney General.