COMMITTEE: Finance & Administration

ITEM: Approval is requested to write-off Accounts and Notes Receivable for FY2011.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:
Approval is requested to write-off Accounts and Notes Receivable totaling $5,846,960 (in 14,697 accounts) for Fiscal Year 2011 for the University of Houston, University of Houston-Clear Lake, University of Houston-Downtown, and University of Houston-Victoria. The FY 2010 write-off for all universities was $11,513,099 (in 15,876 accounts). Please see attachment for additional information on the FY 2011 write-off for the University of Houston System. State universities are required by law to extend credit to students without consideration of credit history or ability to repay.

<table>
<thead>
<tr>
<th>University</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Houston</td>
<td>5,237,745</td>
</tr>
<tr>
<td>University of Houston – System</td>
<td>0</td>
</tr>
<tr>
<td>University of Houston – Clear Lake</td>
<td>198,340</td>
</tr>
<tr>
<td>University of Houston – Downtown</td>
<td>95,669</td>
</tr>
<tr>
<td>University of Houston – Victoria</td>
<td>315,206</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,846,960</strong></td>
</tr>
</tbody>
</table>

SUPPORTING DOCUMENTATION: Schedule of Accounts and Notes Receivable Write-Offs for FY2011. Student account billing, collection, and write off timetable. Detailed schedules are on file in the UH Division of Finance Offices.

FISCAL NOTE: Requested write off total $5,846,960.

RECOMMENDATION/ACTION REQUESTED: Administration recommends approval of this item.

COMPONENT: University of Houston System

EXECUTIVE VICE CHANCELLOR

Carl Carlucci

DATE: 1/30/2012

CHANCELLOR

Renu Khator

DATE: 1/31/12

02/15/12

CONSENT DOCKET – F&A-P119
### Delinquent Accounts and Notes Receivable Written Off in 2011

<table>
<thead>
<tr>
<th>Proposed Write-Off:</th>
<th>Total Delinquent Accounts from 2009 and earlier</th>
<th>UHS</th>
<th>UH</th>
<th>UHCL</th>
<th>UHD</th>
<th>UHV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$80,195.00</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$2,539,308.00</td>
<td>80,195</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Federal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$2,853,162.42</td>
<td>2,283,414</td>
<td>86,923</td>
<td>4,885</td>
<td>164,086</td>
<td></td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$36,818.00</td>
<td>2,504,028</td>
<td>107,230</td>
<td>90,784</td>
<td>151,120</td>
<td></td>
</tr>
<tr>
<td>Sales &amp; Services</td>
<td>$337,437.00</td>
<td>32,631</td>
<td>4,187</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Court Ordered Restitution</td>
<td>$40.00</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Write Off</td>
<td>$5,846,960</td>
<td>$</td>
<td>$</td>
<td>198,340</td>
<td>95,669</td>
<td>315,206</td>
</tr>
<tr>
<td>Write Offs against Allowance for Bad Debt</td>
<td>$5,542,912</td>
<td>$2,283,414</td>
<td>$111,417</td>
<td>$90,239</td>
<td>$136,142</td>
<td></td>
</tr>
<tr>
<td>Write Offs against Fund Balance</td>
<td>$304,048</td>
<td>$32,631</td>
<td>$86,923</td>
<td>$5,430</td>
<td>$179,064</td>
<td></td>
</tr>
<tr>
<td>Largest Single Write Off</td>
<td>$22,470</td>
<td>$22,470</td>
<td>$7,508</td>
<td>$5,741</td>
<td>$5,756</td>
<td></td>
</tr>
<tr>
<td># of Student Accounts Written Off</td>
<td>14,697</td>
<td>12,193</td>
<td>441</td>
<td>1,029</td>
<td>1,034</td>
<td></td>
</tr>
</tbody>
</table>

All UHS components, accounts and notes receivables, other than federal loan programs, are written off if more than two years past due and collection efforts have been exhausted.

Federal regulations do not permit the write-off of federal loans. Each campus has established a reserve for uncollectible federal loans to report receivables at a realistic asset value.
Uncollectible Receivables

Write-off Process

FY 2011
All accounts receivable to be written off are approved by the Board of Regents (BOR) of the University of Houston System.

- General Accounting will compile a list of all such accounts receivable for submission to the BOR.
- Accounts receivable are eligible for write-off once they have been outstanding for 720 days (two years).
- To be considered for write off, the department must demonstrate that adequate steps were taken to collect the amount due.

The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from financial responsibility to the university.

- Although the uncollected account has been removed from the books and records, the university may still have a claim against the debtor and may still seek legal remedy (e.g., sue for collection in a court of law).
- Therefore, it is the responsibility of each department to maintain adequate records regarding legal financial obligations (i.e., debts) owed to the university.
Types of Funds Written Off

Tuition, Fees, and Loans
• Student charges, UHS average bad debt is about 1%

Sales and Services
• Auxiliaries, UHS bad debt varies from year to year

Grants and Contracts
• Sponsored projects, UH average bad debt is about 0.5%

Note: Federal regulations do not permit the write-off of federal loans. Each campus has established a reserve for uncollectible federal loans to report receivables at a realistic asset value.
## Two Year Write-Off Comparison

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$11,513,099</td>
<td>$5,846,960</td>
</tr>
<tr>
<td>Tuition, Fees, and Loans</td>
<td>$5,900,271</td>
<td>$5,392,510</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>$5,546</td>
<td>$36,818</td>
</tr>
<tr>
<td>Contracts and Grants</td>
<td>$5,607,282</td>
<td>$417,632</td>
</tr>
</tbody>
</table>

**Note:** FY2010 Contracts and Grants write-off included bad debts from FY1994 to FY2007.
Student Account Billing, Collection, and Write-Off Timeline

11/1/2009
Registration
-charges incurred

12/1/2009
Payment
Due

10/5/2009
Internal Collection
Process –
Approximately 6
Months

1 Day Past Due
Hold on account-
no registration,
transcript or
enrollment
verification.

2/28/2013

6/1/2010
Approx 181 Days Past Due
Account sent to outside
collection agency

1/5/2010
End of Semester
Accounts identified
for collection

8/31/2012
>730 Days Past Due
Accounts identified
for write-off

2013
Accounts
submitted
for write-off
approval

05/29/2010
180 Days Past Due
Reported to Texas
State Warrant Hold
Database
FY2011 Write-Off of Tuition, Fees and Non-Federal Loans

- UHCL - $194,153
- UHD - $95,669
- UHV - $315,206
- UH - $4,787,482
We bill sponsors for:

the DIRECT COSTS (DC) associated with doing sponsored research,

and

the INDIRECT COSTS (IDC), the overhead we receive on sponsored research awards.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Research Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$71,188,359</td>
</tr>
<tr>
<td>2008</td>
<td>$79,774,630</td>
</tr>
<tr>
<td>2009</td>
<td>$82,844,190</td>
</tr>
<tr>
<td>2010</td>
<td>$90,008,348</td>
</tr>
<tr>
<td>2011</td>
<td>$92,099,942</td>
</tr>
</tbody>
</table>
Why can’t we collect?
Reasons for Nonpayment of Research Invoices

- Expenses posted to award after final invoice or expiration of letter of credit
- Sponsor not invoiced or not invoiced correctly due to bad setup
- Sponsor invoiced but claims to not receive it
- Sponsor receives invoice after funds
- Sponsor receives invoice but fails to mistakes or misrouting
- Sponsor does not have funds to pay or ceasing operations or bankruptcy
- Sponsor rejects work or deliverables
- Sponsor funds withdrawn due to legal cuts
- Sponsor not responsive
UH Research Bad Debt by Sponsor Type

- Private-Profit: $376,406
- Foundation: $12,500
- Federal Pass Through: $5,784
- Federal: $1,646
- University: $15,655
- State Pass Through: $5,642
UH Research Bad Debt by College/Unit

- Division of Research - $268,602
- Engineering - $86,194
- Pharmacy - $12,500
- Natural Sciences & Mathematics - $7,430
- Liberal Arts & Social Sciences - $42,906