

Policy Analysis: Accounts Receivable #5.14 – 8/2009

Policy Objective:

To define the policy and procedures for the extension of credit and the collection of accounts receivable and returned checks.

Applies To:

All university personnel and departments that sell goods or services on credit.

Explicit Policy Requirements: (Items for which non-compliance will result in a policy Exception):

The following items are explicitly defined in the policy and should be considered as policy requirements; items which if not followed, will result in policy “exceptions.”

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">It is preferred that university departments accept payment before or upon delivery of a good or service. However, under certain circumstances, it may be necessary to provide a good or service prior to payment. This creates an accounts receivable credit transaction.	1	I.A.
2	<ul style="list-style-type: none">The inability to pay by any other method does not necessitate the extension of credit, as refusal of service or merchandise is a feasible alternative.	1	I.C.
3	<ul style="list-style-type: none">Extension of credit is the last alternative as a method of payment.	1	I.D.
4	<ul style="list-style-type: none">All account receivables must be billed at regular intervals, with a frequency of no less than monthly.	1	II.A.
5	<ul style="list-style-type: none">Billing invoices will clearly indicate the following:<ol style="list-style-type: none">1) Description and price of the item or service purchased2) Address to which payment is to be sent3) The amount is due upon receipt4) A statement indication that a hold will be placed on all university records if a student account is not paid by the due date	1	II.B.
6	<ul style="list-style-type: none">All sales income is credited to an earnings account.	1	II.C.
7	<ul style="list-style-type: none">The total on the invoice must be entered in the departmental general ledger accounts receivable account (01xxxx).	1	II.D.
8	<ul style="list-style-type: none">An aging schedule should be generated by the AR application monthly by all departments having accounts receivable. An aging schedule is an analysis of accounts receivable, distinguishing between amounts and the number of accounts that are current and those that are past-due.The aging schedule should be reviewed by an individual without access to the payments.	2, 5	II.E.
9	<ul style="list-style-type: none">An accounts receivable aging schedule must accompany account certification statement submitted to the Office of the Controller,	2	II.F.

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	Division of Accounting on March 31 of each year and possibly other times throughout the year as required.		
10	<ul style="list-style-type: none"> If a receivable account remains unpaid 30 days after the original payment due date, department personnel will contact the customer by telephone and/or letter requesting payment. 	2	III. A
11	<ul style="list-style-type: none"> Past-due accounts in arrears 90 days must be referred to the Office of the University Bursar (Accounts Receivable Collections) for collection. 	2	III.B.
12	<ul style="list-style-type: none"> The Office of the University Bursar (Accounts Receivable Collections) will assess the department a collection charge calculated as a percentage of the amount successfully collected on past-due uncollectible accounts. 	2	III.D.
13	<ul style="list-style-type: none"> Only the Office of the University Bursar (Accounts Receivable Collections) is authorized to approve write-offs on accounts. 	2	III.F.
14	<ul style="list-style-type: none"> All earnings operations of the University must establish and use a method of bad debt recognition including an allowance for uncollectible accounts. 	2	III. G
15	<ul style="list-style-type: none"> Returned checks will be sent to and processed by the Office of the University Bursar (Accounts Receivable Collections). 	2	IV.A.
16	<ul style="list-style-type: none"> Earnings operations must estimate yearly losses due to bad debts and enter this into the Allowance for Uncollectible Accounts on the GL by the end of the fiscal year. This estimate is adjusted by the department to the calculated uncollectible balance at year end. 	3	I.A & C
17	<ul style="list-style-type: none"> Departments cannot write off their own debts. 	3	II.A.
18	<ul style="list-style-type: none"> The Office of the University Bursar (Accounts Receivable Collections) will identify uncollectible debts and notify the department. 	3	II.B.
19	<ul style="list-style-type: none"> If a debt is paid after it has been written off, the write-off recovery is processed through Accounts Receivable. 	4	III.A.
20	<ul style="list-style-type: none"> Payment received by the department is immediately forwarded to the Office of the University Bursar (Accounts Receivable Collections). 	4	III.B.
21	<ul style="list-style-type: none"> The services of an attorney for collections on debts or returned checks shall be initiated only at the discretion of the Office of the University Bursar (Accounts Receivable Collections) with the concurrence of the referring department. 	4	IV.A.
22	<ul style="list-style-type: none"> Legal fees are a percentage of any amounts recovered through legal action, and are charged to the departments expense accounts. 	4	IV.B.
23	<ul style="list-style-type: none"> Segregation of Duties – Within the AR process, proper segregation of duties has been established. Individuals reconciling the AR system to the GL should not have access to handle cash/payments 	5	
24	<ul style="list-style-type: none"> Timely Recognition – Accounts receivables are established when goods or services are provided. 	5	
25	<ul style="list-style-type: none"> Reconciliations – AR reconciliations are completed and signed off upon completion on a monthly basis. 	5	

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Summary of Potential Policy Exceptions:

- The department did not submit an account certification statement and a current aging schedule to the Office of the Controller by March 31.
- The department wrote-off outstanding accounts without approval by the University Bursar's Office.
- The earnings operation did not estimate yearly losses due to bad debts and/or did not enter this into the Allowance for Uncollectible Accounts on the GL by the end of the fiscal year.
- The earnings operation did not adjust their estimate by the calculated uncollectible balance at year end.
- The department processed a payment for an account after it had already been written off instead of forwarding the payment to the University Bursar's Office for processing.
- The department does not have an adequate segregation of duties within the AR process.
- Account receivable reconciliations are not completed monthly and/or not signed off upon by a delegated approver.
- Items >90 days in arrears are not referred to Bursars Office.
- Sales income is credited to a non-earnings g/l account.
- No monthly aging schedules are produced and/or reviewed by an individual without access to payments.
- Accounts receivables are not billed at regular intervals.
- Incorrect dollar amounts.
- The department does not contact the customer by telephone and/or letter requesting payment for unpaid accounts outstanding 30 days after the original payment due date.
- Invoices do not contain all pertinent information.
- Billed invoice totals entered into something other than the departmental general ledger accounts receivable account (01xxxx).
- The department has not established a method of bad debt recognition including an allowance for uncollectible accounts.
- The department does not forward payments received to the University Bursar's Office in a timely manner.
- Accounts receivable are not established when the goods or services are provided.

Policy Areas of Potential Student Life Interpretations and/or Follow-up with Business & Finance:

The following items are potential areas of policy interpretation, left to the discretion of Student Life:

Ref #	Description	Page	Para
1	<ul style="list-style-type: none">• How do we determine if adequate segregation of duties exist in the units that record A/R? Are processes and roles clearly documented and defined?		

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2	<ul style="list-style-type: none">• How do the units establish a method of bad debt recognition including an allowance for uncollectible accounts?		

Areas of Consideration for Defining as “Reasonable” in the ICS:

- Acceptable estimation methods for uncollectible amounts

Potential Training Topics:

- Institutional Data Policy
- Business Responsibilities
- Cash handling
- Identity Theft Red Flags
- Understanding and Preventing Fraud
- How to create a complete Billing invoice
- How to create and interpret an aging schedule report
- Write off and recovery procedures
- Return check procedures