

Managing Department Receivables

Business & Financial Services

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Topics Covered Today

- Guidance/Resources (documents to refer to)
- What is a Receivable
- Maintaining Receivables
- Extending Credit
- Customer Information
- Invoice/Receipts
- Bookkeeping

Topics Covered Today

- Billing/Collecting/Monitoring
- Revenue Recognition
- Accounting Methods
- Example: how to record a receivable
- Deferred Revenue
- Billing through Banner

State Guidance

- State of Colorado Fiscal Procedures Manual
 - Chapter 8
 - <https://www.colorado.gov/pacific/osc/fiscalprocedures>
- CFDCPA – Colorado Fair Debt Collection Practices Act
 - <https://coag.gov/car>

CSU Guidance

- Financial Procedure Statement 2-17
 - http://busfin.colostate.edu/Forms/FRP/Expense_Revenues/FPI_2-17_Accounts_Receivable.pdf#zoom=100

What is a Receivable?

- An amount CSU has a right to collect because it has sold goods or services on credit to a student or customer
- Accounts receivable is an asset on the Statement of Net Position (SNP)/Balance Sheet

Department Receivables

- Commercial receivables that are not uploaded into ARIES/Banner
- Invoiced, recorded, collected and monitored entirely by a department
 - Departments need to invoice at least quarterly, but monthly is strongly encouraged

Maintaining Receivables

- Extending credit
- Customer information
- Invoice/Receipt (disclosure of terms)
- Bookkeeping records (Excel spreadsheet or subledger system)
- Billing/Collection Procedures
- Revenue recognition/Post general ledger receivable

Extending Credit

- Department Manager may refuse credit if
 - Reason to believe customer may not be able to pay on time
 - History of non-payment or late payment
 - Currently has past due balance with CSU (contact ARO)
 - Nondischarged debts from bankruptcy in last 7 years
- Use your discretion
- Establish a threshold (min and max)
- Require a deposit

Extending Credit

- When credit is voluntarily extended, must obtain adequate information to locate each debtor in event of default
 - Either know the person, or you need to get to know them
- Get them to sign an agreement!

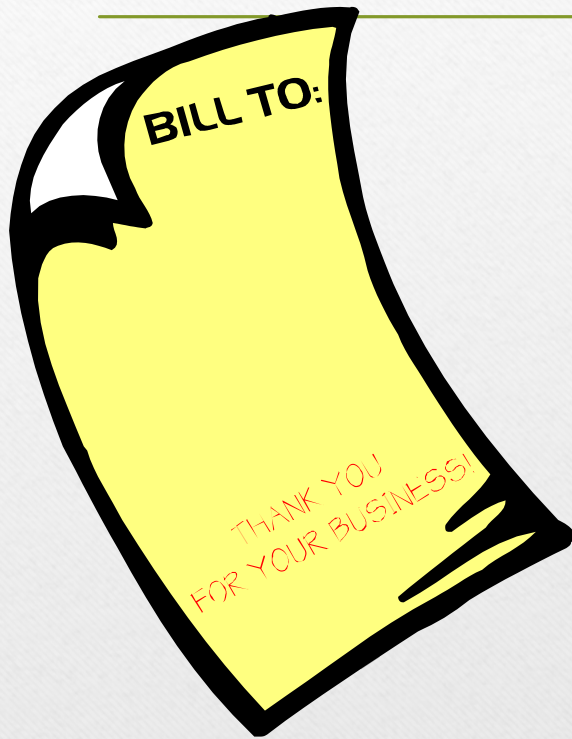
Customer Information

- Name
- Social Security Number/FEIN
 - Store in secure location & shred documents
- Address
- Phone Number
- Alternate Phone Number
- eMail Address
- Date of Birth
- Name & Address of References
- Additional information that is deemed relevant

Customer Information

- Unique customer identification system
 - Customer or account ID number
- Should be printed on all statements/communication sent to the customer

Invoice/Disclosure



Billing Invoices

- Numbered
- Dept Contact Info
- How to make payment
- Billing Terms – Due Date
- Policy Disclosure

Invoice/Disclosure

What information should be disclosed to the customer?

- Billing Terms
- Appeal Process
- Penalties for non-payment or returned checks
 - Late Payment Charges Assessed
 - External Collection Action

Receipts/Disclosure

Receipts

- Numbered
- Dept Contact Info
- Policy disclosure
- If payment by check, verify customer contact info
- Do not accept temporary checks



Bookkeeping Records

- Record receipt/invoice number and amount
- Book revenue/receivable
- Deposit cash/checks timely
- Maintain spreadsheet to view aging each month
- Record communication with customer

Record Retention

Invoices from CSU to External Customers

- Retention Period: 3 years after receivable has been paid in full
 - Q: Annual report or upload option?
- Responsible Area: Originating Dept

Billing/Collecting/Monitoring

- Have procedures in place
- Make contact
 - If unpaid after 30 days
 - Phone or mail
 - At least once/month
 - Establish a payment plan
- Aging report
 - Review monthly to determine next steps

Billing/Collecting/Monitoring

- Late payment charges
 - No more than 1.5% per month (18% annual)
 - New invoice/statement generated and provided to customer monthly after assessed
 - Assessed only on principal balance

Billing/Collecting/Monitoring

- Unable to collect?
 - Forward to State of Colorado Central Collection Services (CCS)
 - Must provide customer a final invoice that states the customer is subject to final agency determination and will be referred to collections if not paid by due date
 - Provide notification to customer of appeal or dispute rights (30 days)
 - Use proper verbiage

Proper Collection Verbiage

Initial letter sent – allow to dispute debt

- If we do not hear from you within thirty (30) days from the date of this letter, in writing, the University will assume your debt to be valid.
- This is important for “final agency determination”

Proper Collection Verbiage

Did they sign an agreement?

- Collection verbiage: “Failure to pay amounts due may result in the referral of outstanding balances to a collection agency in which you will be responsible for paying any late payment charges, collection agency fees up to 40% of the debt, and all costs and expenses including reasonable attorney fees that CSU incurs in it’s collection efforts.”

Revenue Recognition

- Revenue is earned at the time of sale or date service is performed
- Ensure revenue and receivables are recorded in KFS for external customers

Accounting Methods

- An accounting method is the way events and financial position is reported
- There are 2 main methods:
 - Cash
 - Accrual

Cash vs. Accrual Method

- Cash

- Income is recorded when payment is received
 - Personal bank account

- Accrual

- Income is recorded when the sale occurs
 - Government Agencies
 - Required to follow GASB standards & GASB 34 requires the use of the accrual accounting method

Accrual Method

- Accrual = any individual entry recording revenue in the absence of a cash exchange
- Recorded on the transaction date
 - When services are performed (diagnostic testing, veterinary services)
 - When a product is sold (books)
 - When a citation is administered (parking)
 - When equipment is rented

Example

- April 30: account 2205000 receives an order to test a soil sample
- May 31: test results completed and customer invoiced for \$200
- July 3: customer pays \$200
- Questions:
 - 1) What KFS document is used?
 - 2) When should the revenue be recognized?

Answer

- 1) What KFS document is used?
 - ✓ Adjustment/Accrual Voucher (AV) to record receivable
 - ✓ Cash Receipt (CR) when cash is received to record cash and reverse receivable
- 2) When should the revenue be recognized?
 - ✓ On May 31 when the service is rendered

AV Doc to record Receivable

Document Overview

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Document Overview

* Description:	Book revenue earned, but not received	Explanation:	Account 2205000 performed soil test on May 31st, but has yet to receive the revenue. This books the revenue that was earned.
Organization Document Number:			

Financial Document Detail

		Total Amount: 200.00
* Accounting Period: MAY 2014		

Adjustment/Accrual Voucher Details

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Adjustment/Accrual Voucher Details

* Adjustment/Accrual Voucher Type:	Adjustment (AVAD)
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Accounting Lines

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Accounting Lines ?

hide detail

	* Chart Code	* Account Number	Sub-Account Code	* Object Code	Sub-Object Code	Project Code	Organization Reference Id	Debit	Credit	Actions
1	CO Colorado State University	2205000 Soil, Water & Plant Testing Laboratory		1437 Other Receivables				200.00	0.00	
2	CO Colorado State University	2205000 Soil, Water & Plant Testing Laboratory		4380 Other Sales+Services-Auxiliary/Self-Fund				0.00	200.00	

Debit Total: 200.00 Credit Total: 200.00


General Ledger Pending Entries

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Notes and Attachments (1)

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Notes and Attachments

	Posted Timestamp	Author	* Note Text	Attached File	Notification Recipient	Actions
add:				<input type="button" value="Browse..."/> No file selected. <input type="button" value="CANCEL"/>		<input type="button" value="add"/>
1	05/05/2014 04:06 PM	Mercurio, Erin Pillsbury	Attached is invoice that was sent to customer showing work performed and what day it was performed.	 Invoice.xlsx (9 KB, application/vnd.openxmlformats-officedocument.spreadsheetml.sheet)	<input type="text"/>	<input type="button" value="send"/>

CR Doc to deposit cash & reverse receivable – enter as a negative

Accounting Lines

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Accounting Lines ?

hide detail

	* Chart	* Account Number	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
1	<u>CO</u> Colorado State University	<u>2205000</u> Soil, Water & Plant Testing Laboratory		<u>1437</u> Other Receivables				(200.00)	
	Line Description								

Total: 200.00

Additional Info - Deferred Revenue

- An amount that is received in advance of earning it
- Represents products or services that are owed to the customer

Additional Info - Deferred Revenue

- Fiscal Year is July 1 – June 30
- Examples:
 - Summer tuition paid by the student in June, but the term is Jun - Aug
 - Football season tickets sold in June, games are Aug – Nov
 - Payment received in advance for equipment that will be rented throughout semester

Bad Debt Expense

- Percentage of the total credit sales
- Used to establish a reserve for bad debts
- All dept's extending credit should establish an allowance

Dr Bad Debt Expense – object code 4433

Cr Allowance for Doubtful Accounts – object code 1413

- Record monthly

ARIES/Banner Entry

Dr Receivable (1410/1415)

Cr Revenue (4xxx)

Dr Bad Debt Expense (6632)

Cr Allowance for Doubtful Accounts (1412/1417)

Writing off Uncollectable Debt

- State Controller: minimum of 27 months of nonpayment
- All collection efforts must be exhausted
- Entry:

Dr Allowance – 1413

Cr Receivable - 1437

Should I Invoice through Banner?

- What is your volume of accounts?
- What is the average dollar amount of each transaction?
- Bad debt rate
 - Based on revenue earned
- Unsure, set up meeting with ARO and/or Campus Services

FY18 Bad Debt Rates

- Student: 0.21%
- Commercial: 0.80%
- VTH: 14.66%

- Working on a new tool to allow you to view detail

Services Available from Business & Financial Services

Batch Uploads
Monthly Statements
Cashiering Services
Revenue Recognition/Receivable Entries
Collection/Returned Check Services

Contact Info

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Questions

