

Financial Policy & Procedure Instructions Manual
FPI G-4 Accounts Receivable
Pending conversion from FPI 24

FPI 24 - Accounts Receivable - Commercial Accounts

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I. PURPOSE

To outline the credit and collection policies and procedures of the University in connection with the authorized sales of goods and services to individuals, government and commercial organizations.

II. GENERAL

The University sells numerous items, products and services to students, University employees and non-University personnel. Items and products sold include books, publications, theatre tickets, advertising space, meat, seeds, animal drugs, forestry products, etc. Services sold include veterinarian services, semen storage, artificial insemination services, computer services, soil testing, pathology testing and analysis, speech and hearing diagnostic therapy service, food and housing service, etc.

The Service-Sales Invoice, as outlined in this instruction, is the primary document used to record and process charge sales.

The Service-Sales Invoice is also used to process library fines, fines from the Office of Parking Management and other special transactions of non- students to the commercial accounts receivable system.

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The Veterinary Hospital has been authorized to use special service-sales invoice forms and procedures designed to meet their special operating conditions and equipment. Separate instructions have been provided those departments to supplement these instructions. Cash sales should be handled on a cash register, by use of the Cash Sale receipt form or by an alternate form approved in writing by the University Treasurer.

III. POLICY

- A. The University strongly encourages cash payment (currency, check, MasterCard, VISA, etc.) for all materials and services sold by the University.
- B. Normally, purchases below \$25.00 should be paid for in cash at the time the material is accepted or the service completed. If unusual circumstances exist which might justify a credit purchase for under \$25, approval of the Manager of Accounts Receivable must be obtained before the Sales-Service Invoice is processed.
- C. THE UNIVERSITY DOES NOT ESTABLISH LINES OF CREDIT OR REVOLVING CREDIT ACCOUNTS. THE TERM "CREDIT" AS USED IN THIS POLICY SIMPLY MEANS THAT THE UNIVERSITY WILL SEND THE PURCHASER A BILL FOR THE AMOUNT OWED, RATHER THAN EXPECTING PAYMENT AT THE TIME GOODS OR SERVICES ARE RECEIVED. ALL BILLS ARE DUE WHEN RECEIVED.
- D. The Manager of Accounts Receivable may refuse credit to any client if there is reason to believe that the client may not be able to pay the account on time, if the client has a history of non-payment or late payment or if the client currently has a past due balance with the University.
- E. The Manager of Accounts Receivable may also refuse credit to any client when the University's working capital situation is such that extending credit to a client would tie up large quantities of the University's working capital.
- F. Any time a client's purchases are expected to exceed \$10,000, written approval MUST BE obtained from the Manager of Accounts Receivable prior to extending credit. A deposit may be required before any services may be performed for the client. This DOES NOT apply to contracts with federal, state or local governmental agencies which are handled through Contracts and Grants Accounting.
- G. Clients who are granted credit are expected to pay accounts in full upon receipt of invoice. Any balance outstanding thirty (30) days after a bill is sent to the client will be assessed 1.5% on the unpaid balance for each month after the initial thirty (30) days as a late payment charge.
- H. Accounts unpaid thirty (30) days after the first bill is sent to the client and account statements undeliverable due to an incorrect or unavailable address will be subject to appropriate collection actions. Accounts unpaid ninety (90) days after the first bill is sent to the client shall be considered for referral to a collection agency in accordance with Section X.D of this policy.

IV. CLIENT IDENTIFICATION AND ACCOUNT STATUS

Each client is given a client identification number which is the Social Security Number for University employees, students and other individuals, and a 999-XX-XXXX number assigned by Accounts Receivable for all other clients. These codes are used in processing and are shown on the Customer Directory (Attachment #1). Accounts Receivable also assigns each client an account status code of 3 digits as follows:

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- A. **Status Code - Alpha Portion**
 - A - Active Client Account
 - B - Animal Reproduction Lab
 - C - Conference Services
 - D - Diagnostic Lab
 - E - Employee
 - F - Intensive English
 - G - Telecommunications Extended Studies
 - H - Housing
 - I - Study Abroad
 - M - Bookstore Returned Checks
 - P - Parking Management
 - R - Radiation Biology
 - S - Student Health
 - T - Cooperative Extension
 - V - Vet Teaching Hospital
 - X - Engineering Research Center
- B. **Status Code - Numeric Portion**
 - 01 - Current, charges 0-30 days
 - 02 - Over 30 days old, made payment last month
 - 03 - 31-60 days old
 - 04 - 61-90 days old
 - 05 - Past due, 91-120 days old
 - 06 - Past due, over 120 days
 - 10 - Credit balance
 - 11 - +/- \$1.00 balance
 - 12 - Returned mail
 - 13 - Bankrupt
 - 14 - Returned Check
 - 15 - Salary overpayment
 - 17 - U.S. Government account
 - 19 - Making payments
 - 20 - Monitored account
 - 21 - Foreign government
 - 69 - Collection Agency - PFC
 - 70 - Collection Agency - CCS
 - 90 - Inactive, over 120 days, under \$25
 - 91 - Inactive, credit balance unclaimed
 - 99 - Written off, uncollectable

V. **REQUEST FOR CREDIT**

When a client requests that the material or service purchased be charged, the department should:

- A. Check the Customer Directory (Attachment #1). If the client is listed, credit may be granted as indicated in paragraph VII.A.1. or A.3. below.
- B. If the individual is not on the Customer Directory but has previously purchased from the University call Commercial Accounts Receivable for the individual's credit status.

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- C. If the client desires credit in excess of \$1,000, regardless of whether or not the client has a current account with the University, a deposit of 25% of the estimated cost of goods or services must be obtained before credit is extended. This does not apply to contracts with federal, state or local government agencies handled through Contracts and Grants Accounting.
- D. If a department does not adhere to these policies and procedures, the department may not receive credit for any revenue generated by credit sales until the client has paid the University.

VI. PROCESSING CREDIT REQUEST

The Supervisor of Accounts Receivable will:

- A. Review all applications for credit for propriety and completeness.
- B. Determine whether the individual has a current or past account with the University and, if so, determine the status of the account.
- C. Determine whether the individual has previously submitted an application for credit.
- D. Check credit references and other applicable sources of information.
- E. As applicable, coordinate with prospective selling department.
- F. Advise applicable departments of the individual's credit status.

VII. GRANTING CREDIT

- A. **By a department**
 - 1. A department may grant reasonable credit to a client shown on the Customer Directory with an active account code of -01,-02,-03,-17 or-20.
 - 2. A new client who desires immediate credit of more than \$100 may be granted interim credit at department discretion or upon telephone coordination with Accounts Receivable.
 - 3. Clients listed on the Customer Directory with an account status other than those listed in Number 1 above may not be granted credit except by special approval from the Manager of Accounts Receivable.
 - 4. If a University department extends credit to a client after being notified by the Manager of Accounts Receivable that the client is not eligible to receive credit, the University department will be charged a bad debt expense amount equal to 100% of the amount of the sales or services billed to the client.
- B. **By Accounts Receivable**
 - 1. Credit limit requested should be approved or disapproved after evaluation of all available data. The department should be promptly advised of any application disapproved.

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2. Clients with an account status code of 04,05,06,12,13,14,15,18,19,69,70,90,91,99 may be granted credit only when special circumstances warrant.

VIII. RECORDING TRANSACTIONS

A. Charge sales

1. The Service-Sales Invoice form (Attachment #2) should be completed promptly for all charge transactions at the time the materials are released or the service is performed. Procedures are as follows:

Account Number - Insert the six digit account number which is to be credited and the four digit subcode which describes the type of revenue.

Quantity, description, unit price, amount - Insert the information as completely as possible.

Tax - compute state and city taxes as applicable according to FPI 11.00.

Total - total all of the items, services and applicable taxes.

Date transaction - use double digit (prefix with zero when month or day is a single digit) i.e. 07- 10-91 for July 10, 1991.

Department name - insert the department name and preparer's name and the phone number of the selling/servicing department.

Customer name and address, customer type, customer number, alpha code and customer signature - insert all this information. For customer number use social security number. If a social security number cannot be obtained for commercial account customers (not employees or students) a 999-XX-XXX number may be assigned by Accounts Receivable. For alpha code use the first three letters of the customer's last name.

If a Service-Sales Invoice form is used and the customer decides to pay cash, the Service-Sales Invoice should be voided and a Cash Sales form prepared. The voided form should be processed as outlined in paragraph 2 below.

Verification - Any question about the proper recording of customer name and address which cannot be resolved by reference to the computer generated customer name and number list should be resolved by called the Accounts Receivable Office for verification.

Supplemental Invoices - Certain departments such as the Computer Center are authorized to use their specialized or detailed charge or invoice documents. In such cases a duplicate of the Service-Sales Invoice need not be included. A copy of any supplemental documents

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used should be attached to the white (accounting copy) and goldenrod (customer copy) of the Service-Sales Invoice.

2. Copy distribution White copy - This copy is forwarded to the Accounts Receivable Office daily with any credit corrections to previous charge transactions. The day's invoices should be arranged in serial number sequence. Any missing numbers should be immediately investigated. Any "voided" forms should be included. A memo should be attached listing serial numbers and reasons for any document(s) destroyed or otherwise not available. The day's transactions should then be totaled on an adding machine tape and the tape stapled to the batch of invoices and forwarded to the Accounts Receivable Office, 100 Johnson Hall.

Goldenrod copy - this copy should be given to the customer and the customer should be told that when making payment, the bottom part of the form should be included and payment should be mailed to the University Cashier's Office, 108 Johnson Hall.

Pink copy - this copy should be retained in the department in serial number order for control, reference and audit purposes.

Voided forms - all forms must be controlled and accounted for. Any form voided should have "VOID" written in large letters on the form. The department copy (pink) should be filed in the department. The customer copy (goldenrod) should be attached to the Accounts Receivable copy (white) and included in the daily batch sent to Accounting Services.

B.
C. **Cash, MasterCard or VISA sales**

All cash receipts, checks or credit card drafts should be processed daily as outlined in FPI 23.00.

D. **Credits to accounts**

1. If it is necessary to reduce a charge transaction already processed to Accounts Receivable the department should complete a "Cancellation/Reduction of Customer Account" (Attachment #3) form and send it to Accounts Receivable explaining the reason for the credit and including an authorized signature. In either case all customer data should be included such as name, address, customer number and the original invoice number to which the credit applies and the amount of the credit.
2. The documents should be processed in the same manner as Service-Sales Invoices as outlined in this instruction.
3. Copies should also be distributed in the same manner as for other Service-Sales Invoices as previously outlined in this instruction.

E. **Received on account**

1. Customers should make payments on account directly to the University Cashier's Office. Payments should be accompanied by the bottom part of the customer's copy of the Service-Sales Invoice. Payments inadvertently received by mail by the department should be promptly

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- forwarded to the University Cashier's Office. For departments specifically authorized to accept payments or where customers insist upon department acceptance of payment on account the customer's copy of the Service-Sales Invoice should be marked "PAID". The amount should be filled in and the top portion returned to the customer. The bottom portion should be batched and sent to the University Cashier's Office.
2. If the customer copy of the original Service-Sales Invoice is not available, a receipt form should be used.
 3. Money received on account should be processed separately from cash sales. The documents should be batched, totaled on an adding machine tape and the tape stapled to the batch. A "Deposit Receipt" form should be completed using the Accounts Receivable account 24XXXX- XXXX as the credit. The batch should then be forwarded to the University Cashier's Office.

IX. DEPARTMENT CREDIT AND COLLECTION ACTIONS

Departments may be more familiar with the financial status, responsibility and current address of certain clients and by furnishing special information and assistance to Accounts Receivable may permit the University to maintain better client relations, more accurately and equitably grant credit and more promptly and completely collect accounts. Departments should assist Accounts Receivable as follows:

- A. Secure applicable data for credit evaluation.
- B. Consult with Accounts Receivable in the granting of credit.
- C. Advise of any change in address, particularly if the individual is leaving the Fort Collins area. When requested by Accounts Receivable, assist in securing a forwarding address if statements have been returned as undeliverable by the Post Office.
- D. Promptly advise of any information which would change the client's current credit status. Particularly, advise Accounts Receivable if special circumstances are known which should be considered prior to an unpaid account being sent to the collection agency (generally at the end of 90 days).
- E. Assist in securing collection of overdue accounts by calls, letters, etc., to special clients to prevent turnover of the account to a collection agency.

X. COLLECTION ACTIONS BY ACCOUNTS RECEIVABLE

- A. A special message is printed on each account which has an unpaid balance of over \$1.00 and which is overdue by at least thirty (30) days. Either of the following messages may be used:

THANK YOU FOR YOUR RECENT PAYMENT-YOUR ACCOUNT IS STILL
PAST DUE. TO AVOID FURTHER LATER CHARGES, SEND YOUR PAYMENT
IMMEDIATELY USING A SEPARATE SHEET OF PAPER, PLEASE DIRECT
QUESTIONS TO 100 JOHNSON HALL OR INCLUDE WITH YOUR PAYMENT

or

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A REMINDER THAT YOUR ACCOUNT IS PAST DUE -
-- PLEASE MAIL YOUR PAYMENT TODAY --
USING A SEPARATE SHEET OF PAPER, PLEASE DIRECT QUESTIONS TO
100 JOHNSON HALL OR INCLUDE WITH YOUR PAYMENT.

When an account becomes more than 90 days old, the next statement is worded
as follows:

YOUR ACCOUNT IS PAST DUE. IF PAYMENT IN FULL IS NOT MADE WITHIN
14 DAYS, YOUR ACCOUNT WILL BE ASSIGNED TO THE COLORADO STATE
UNIVERSITY SPECIAL ASSETS OFFICE FOR COLLECTION.

USING A SEPARATE SHEET OF PAPER, PLEASE DIRECT QUESTIONS TO
100 JOHNSON HALL OR INCLUDE WITH YOUR PAYMENT

- B. Accounts with statements twice returned as undeliverable by the Post Office and for which a forwarding address cannot be secured will be considered for collection agency action.
- C. Accounts determined as uncollectable after actions above will be considered for collection action and if approved by the Manager of Accounts Receivable, will be processed according to internal accounting instructions. Such statements will carry the following message:

SPECIAL ASSETS COLLECTION ACCOUNT

XI.
XII.

CONTROL OF DOLLARS AND FORMS

A. Dollar control and reconciliation.

When documents are batched and taped in accordance with instructions in this procedure, the batch number, starting and ending invoice numbers and the batch amount should be entered on a log control sheet (Attachment #4). At the end of each month a heavy line should be drawn across the log and the amounts totaled. This amount should agree with the amount credited to the department as reflected on the monthly accounting report. Any discrepancy should be promptly called to the attention of the Accounts Receivable Office.

B. Forms control

- 1. Control of Service-Sales Invoices
 - a. Purpose of control. Since charge sales are required to be recorded on Service-Sales Invoices, accounting for and control of these forms helps ensure that all transactions are recorded on Accounts Receivable records and customer statements.
 - b. Issuance of invoice forms. Custody of initial inventory of Service-Sales Invoices is maintained by the Accounts Receivable Office and distributed to departments.

A transmittal memorandum (Attachment #5) is sent with issuance of Service-Sales Invoices, specifying the beginning

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invoice number, ending invoice number and inclusive quantity of invoices issued.

The duplicate of the memorandum should be signed to acknowledge receipt and returned to the Accounts Receivable Office.

- c. Departmental control of invoice forms. Departments receiving supplies of Service-Sales Invoices are responsible for calling to the attention of the Accounts Receivable Office any discrepancies between the transmittal memorandum information and the actual serial numbers and quantities of invoices received.

Service-Sales Invoices in departmental inventory should be maintained under reasonable security, used only by departmentally authorized persons and used in sequential order.

- d. Filing of forms. Upon completion of the day's business and preparation of the batch to Accounts Receivable the departmental copies (pink) should be filed in serial number order in a Service-Sales Invoice transaction file. Any missing form should be immediately investigated and corrective action taken.

XIII. BILLING

A. Service-Sales Invoice

A Service-Sales Invoice should be given to the customer at the time of the sale and is due at that time. Customers with accounts outstanding at month end will be notified by the Accounts Receivable Office by a computer prepared "Statement of Account". Any account adjustment must be authorized by written memorandum from an authorized individual within the originating department to the Accounts Receivable Office.

B. Bad Debt Expense

All departments making credit sales will be assessed bad debt expense at the time the Service-Sales Invoice is processed. Bad debt expense is a percentage of the total credit sale and is used to establish a reserve for bad debts. All credit sales are assessed this charge. Exceptions may only be granted in writing by the Director of Business and Financial Services. Exceptions must be reviewed and approvals renewed annually.

XIV. MANAGEMENT REPORTS

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The accounting system will furnish two management reports to applicable selling/servicing departments:

A. Customer number list.

Periodically departments which are primary users of the Service-Sales Invoice will be furnished an active customer name and number list. Such a list should be used to ensure correct and consistent use of names, initials, etc. and to provide the customer number. This is the Social Security Number of students and University employees and other individuals and a 999-XX-XXXX number assigned by the Accounts Receivable Office for all other customers. (Attachment #1)

B. FRS AMO 91.

This report will provide each selling/servicing department with a detailed listing of all transactions processed through the Accounts Receivable Office and credited to the respective department and account. This report should be reconciled with batch sheet totals recorded in accordance with instructions in this procedure. If errors or omissions are noted the details necessary for corrections may be secured by reference to the department (pink) copy of the Service-Sales Invoice. Any discrepancies should be promptly called to the attention of the Accounts Receivable Office.