UNIVERSITY OPERATING PROCEDURE

Title: Accounts Receivable and Billing - Non-Student, Non-Sponsored External Customers

Overview

Accounts Receivable (AR) are any amount owed to the University by an individual, organization, or agency whose funds are not controlled by the University. These amounts are generated from such activities as sales, reimbursement of expense, or payment for services rendered, including rental income. Matching the recognition, recording, and reporting of such transactions to when they are incurred is required under U.S. Generally Accepted Accounting Principles set forth for public colleges and universities by the Governmental Accounting Standards Board.

University departments are required to record AR activity in the University's accounting system in accordance with this University Operating Procedure (UOP). The word "department" refers generally to the unit processing the AR activity and encompasses department, college, school, center, or other administrative unit.

This UOP does not apply to:

- Point-of-sale transactions paid in cash at the time of service or delivery of goods.
- Federal Financial Aid (including Direct Lending, Pell, SEOG, or Federal Work Study) as these amounts are requested and received from the Federal government within one business day. At the end of the fiscal year, however, these amounts are booked as amounts due within the correct timeframe.
- Tuition, fees, etc., that fall under the responsibility of Student Financial Services.
- Sponsored Projects administered and billed by Sponsored Project Administration.
- Internal charges or interdepartmental billing.

Applicability of the Procedure

This Operating Procedure applies to all members of the University community, including, without limitation, individuals who are faculty, staff, students, contractors, consultants, temporary employees, and affiliates of the University.

Definitions

Accounts Payable (AP): A liability representing an amount owed by the University to a creditor or vendor/supplier.

Accounts Receivable (AR): An asset representing any amount owed to the University by an individual, organization, or agency whose funds are not controlled by the University. These

amounts are generated from such activities as sales, reimbursement of expense, or payment for services rendered.

Aging: The process of analyzing a customer's accounts receivable balance(s) into length of time an invoice or credit has been outstanding.

Customer: A person or business that receives goods or services from the University.

Delinquent: Accounts more than 90 days past due with any balance over 120 days reversed and charged back against departmental income.

Past Due: Accounts with a balance due 1 to 90 days past the due date.

Vendor/Supplier: A person or business that supplies goods or services to the University.

Vendor/Supplier Credit: A financial transaction that reduces the amount of money owed to a vendor for a future claim.

Write-off: The reversal of an AR balance to a departmental revenue or expense chartstring, which will offset previous departmental entries associated with the uncollectible invoice. For example, if revenue was recorded with the original invoice, a debit to the department's original revenue account and a credit to the department's account receivable account will be posted.

Procedures

Any University department that has an arrangement with an external customer which results in the generation of income from providing services or sales, or is for a reimbursement of costs incurred, must record amounts due as AR in the General Ledger. There are two acceptable ways to record AR:

1. Preparing invoices through the PeopleSoft Billing module and monitoring customer activity through the Accounts Receivable module; or

2. Preparing journals in the accounting system directly for activity not required to go through the Billing and Accounts Receivable modules.

Recording these transactions timely is important as AR will result in a department's budget being credited immediately.

To help determine which method is most appropriate, refer to the Billing and Accounts Receivable for Non-Student, Non-Sponsored, External Customers User Guide (PDF).

Regardless of the method, AR must:

1. Be booked when services are rendered, sales are made, or costs are incurred;

2. Be specific to an individual customer;

3. Be supported by back-up documentation including an invoice or agreement showing amounts due, payment terms, customer, etc.; and

4. Be aged and promptly collected upon.

Collections

It is incumbent upon the initiating department to perform collections of their customers' open balances, regardless if AR is recorded in the Billing system or directly in the General Ledger. If a receivable has aged to 120 days, it may be considered uncollectable and written off as bad debt to the originating department by University Financial Services.

Should your department establish a payment plan with a customer on their outstanding amount, it may be allowed to remain as an open receivable in the accounting system if the following criteria are met:

1. The payment plan is in writing and signed by an official with the customer's organization (i.e., a Controller or Chief Financial Officer);

2. There are regular, substantial payments over time and the dates and anticipated amounts for each payment are detailed;

3. There is a defined date the final payment will be received, closing the entire balance;

4. If a department decides to charge interest, the rate is clearly stated in the payment plan, and may be set at up to 1.5% per month, but no higher and must not exceed the maximum amount allowed by applicable law;

5. Ideally, the balance will be resolved by the end of the University's fiscal year in which the receivable was booked.

Accounts Receivable with Vendors/Suppliers

Often, the University will have multiple relationships with the same external parties. This may include billing an external customer that is also paid as a vendor/supplier through the Accounts Payable processes.

In those cases where a customer is also a vendor/supplier, payments from Accounts Payable may be delayed if said customer/vendor/supplier has not paid their Accounts Receivable balance within the established payment terms.

Conversely, in the event vendors/suppliers have accumulated credits through Accounts Payable activity (i.e., overpayments, returns, etc.), these balances may be subject to being billed to the vendor/supplier as an Accounts Receivable transaction based on amount, age, and volume of such transactions.

Responsibilities

Departmental Responsibilities

- Receive training on the PeopleSoft Billing, Accounts Receivable, and General Ledger modules

- Consult with Financial & Cost Accounting Services (FCAS) on billing activities

- Provide valid, current customer-related information to FCAS

- Enter bills or general ledger journals to process accounting entries for billing activity

- Resolve any identified errors associated with the customer invoice or chartstring

- Review and act upon aging items not yet paid that were not billed through the Billing and Accounts Receivable system

- Follow up and collect on past due and delinquent invoices, in accordance with applicable laws and University guidelines

- Provide payment plans, upon request, to University Financial Services

- Deposit check or electronic payments in conformance with the University's Cash Receipts Operating Procedure (Note: an entry crediting the billing department's accounts receivable balance will be posted when the payment is received)

- Maintain all related back-up documentation associated with each invoice for internal control and audit purposes for seven years, including those associated with any adjustments to the invoice or customer account

- Coordinate with FCAS on customer account maintenance and analysis, including issuing customer statements, requesting customer refunds, offsetting customer debit and credit transactions, providing customer payment plans, and balance write-offs greater than 120 days.

Financial & Cost Accounting Services Responsibilities

- Offer training for processing transactions in Billing, Accounts Receivable and General Ledger

- Consult with departments on the appropriate financial handling of their billing and AR activities

- Set up and maintain billing units, bill types, customer codes, and revenue distribution and charge codes, upon request

- Run the Billing and Accounts Receivable posting processes in PeopleSoft

- Print and mail bills created in the Billing module of PeopleSoft on a regular basis

- Ensure application of payments received in the Accounts Receivable module

- Send statements to all customers who have an outstanding balance due in the Accounts Receivable module on a regular basis

- Reconcile the Accounts Receivable accounts in the General Ledger to the Billing and Accounts Receivable modules

- Approve journal entries

- Prepare aging report for items billed through the Billing and Accounts Receivable system but are not yet paid

- Write off balances older than 120 days by reversing revenue

- Maintain written billing and collection procedures

Contacts

Questions concerning the daily operational interpretation of this UOP should be directed to the following:	
Title(s)/Department(s):	**Contact Information:**
General Accounting Manager, Financial & Cost Accounting Services	genacct@uvm.edu (802) 656-9865

Forms/Flowcharts/Diagrams

- [AR Maintenance Worksheet Request (Excel)](#)
- [Charge Code Request Form (Excel)](#)
- [Customer Cash Deposit Transmittal Form (Excel)](#)
- [Distribution Code Request Form (Excel)](#)
- [Multiple Customer ID and Contacts Request (Excel)](#)
- [New Business Unit and/or Bill Type Request (Excel)](#)
- [New Customer ID # or Customer Information Update (Excel)](#)

Related Documents/Policies

- [Cash Receipts, Securing and Depositing of University Operating Procedure (PDF)](#)
- [Billing and AR for Non-student, Non-sponsored External Customers User Guide (PDF)](#)

Training/Education

Training will be provided on an as-needed basis as determined by the Approval Authority or the Responsible Official.

About This Procedure

Responsible Official:	Vice President for Finance and Administration	Approval Authority:	Vice President for Finance and Administration
Affiliated Policy Number(s):	None	Effective Date:	October 10, 2017
Revision History:	Reaffirmed July 20, 2023		

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