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**Topic**
Financial Administration  

**Policy Number**
300-11

**Reviewed Date**
August 10, 2016

**Responsible Office**
- Office of the Senior Vice Chancellor, Finance and Administration

**Purpose**
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 policy covers managing accounts receivable including granting of credit, invoicing, recording and reconciling the transaction in the financial records, collection efforts, and write-offs of delinquent accounts.

Departments wishing to maintain their own accounts receivable must demonstrate the ability to comply with this policy.

This policy does not pertain to hospital and sponsored research related receivables.

**Definitions**

**Accounts Receivable**

Amounts due to the University from an external customer representing a legally enforceable claim for payment for goods supplied and/or services rendered, but the payment has not been received.

**Invoice**

A billing to the customer that is an official demand for payment.

**Policy**

**A. Granting of Credit**

It is preferred to collect 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 a payment:

1. Credit may be granted when there are no facilities for the collection of cash or when non-collection of cash is deemed to be in the best interest of the University. In these cases,
prudence with respect to the credit risk incurred must be observed at the time of transaction.

2. Credit is extended automatically to governmental units, foundations, and medical financial sponsors during the time claims for reimbursement are outstanding. Diligence must be exercised to ensure timely billing and collection efforts to minimize the receivables arising from these claims.

B. Invoicing the Customer and Recording the Transaction in the Financial Records

The receivable and associated revenue must be reflected accurately and timely on the University's financial records. Invoices must be recorded on an accrual basis to accounts receivable and revenue at the time of billing. Invoices should indicate the following:

1. Description and price of the good or service purchased
2. Address to which payment is to be sent
3. The amount is due upon receipt

C. Collection Efforts

If an invoice is not paid within 30 days, it is considered delinquent. Accounts may be assessed a late fee on delinquent balances. On a monthly basis, the accounts receivable aging should be reviewed and analyzed. Any unusual items should be researched and aged items should be followed-up as described below. Collection costs should not outweigh the charges. The following schedule should be followed for aged accounts:

1. 30-60 days delinquent: contact the customer by telephone and/or dunning letter requesting prompt payment.
2. 90 days delinquent: dunning letter
3. 120 days delinquent: strong dunning letter
4. 180 days delinquent (accounts may be referred for collection sooner at the discretion of the department):
   - General public: refer to collection agency
   - Faculty and staff: initiate payroll deduction procedures, but only with consent of employee
   - Student employee: initiate payroll deduction procedures, but only with the consent of the employee; additionally, notify the Registrar's Office and may refuse to provide transcripts

D. Write-offs of Uncollectable Accounts

1. Sundry debtor invoices processed by the Controller's Office that remain uncollected within six month of invoice date will be written-off and charged to the respective department.
2. Authority to approve write-off of uncollectible accounts has been delegated to the respective departments. Supporting documentation must be provided to justify write-off of each item and the source of funds for financing the write-off must be indicated. All necessary references to local financing action accompany the request.

Exceptions:

Residence hall receivables are managed according to the contract terms between the student and the University. Amounts due from students no longer living in a residence hall should be
pursued in accordance with the procedures described above for the general public. In analyzing these receivables, the accounting office or designated department must separately identify amounts representing deferred income and treat these as amounts not yet due.

Travel advances are to be cleared within 60 days after completion of a trip, and the amount of the advance in excess of reimbursable expenditures is to be refunded by the traveler. After 60 days have elapsed from the date the accounting was due for a given trip, the Controller's Office (or campus official designated by the Chancellor) shall, in the absence of extenuating circumstances, initiate action to recover any outstanding advances and/or proceeds from discount, rebate, or premium coupons on transportation tickets. Recovery action shall normally be taken through the use of a collection agency or, when agreed to by the employee in writing, by deduction from wages or other amounts due the traveler. Any advance that cannot be recovered from the traveler shall be charged to the account indicated on the Travel Advance Request Form. If a student fails to substantiate expenses (by completing an expense report) and return any unused cash advance amounts within 120 days of the end of a trip, UCSF will be required (per IRS regulations) to record and report these amounts as taxable income to the traveler.

After 120 days, the recording and reporting of any outstanding travel advances as taxable income cannot be reversed and no refund of taxes or any adjustment to gross income will be allowed even if the employee decides to return the travel advance amount to the University.

Student tuition is managed by the registrar's Office and any related student loans are managed by the Controller's Office. Billing, collection and write-offs are at the discretion of these respective departments.

Responsibilities

A. Departmental responsibilities

1. Accept payment at the time of purchase whenever possible
2. Maintain and follow departmental written procedures for establishing credit, recording, adjusting and reconciling receivable transactions.
3. Ensure invoices are accurately prepared and delivered timely. If using sundry debtor, provide Controller's office with information needed to generate invoice.
4. Retain copies of receivable support documents in accordance with University retention policies.
5. Review reports of aging departmental receivables on a regular basis and maintain collection efforts for delinquent customers.
6. Ensure the control and security for cash collections.
7. Ensure employees who are assigned accounts receivable duties are trustworthy and adequately trained.
8. Ensure accurate and timely reconciliations of charges and payments on accounts receivable to the general ledger.
9. Routinely reassess credit worthiness of their customers and suspend credit arrangements with customers who fail to honor their debts to the University.

B. Controller's Office responsibilities

1. Generate invoices for sundry debtor based on information provided and maintained by the department.
2. Upon generation of the sundry debtor invoice, record the receivable and associated revenue timely on the University's financial records.
3. Provide departments aging reports in order to facilitate collection efforts by department.
4. Write-off delinquent sundry debtor invoices over 180 days against department revenue.

For additional information or questions, contact General Accounting within the Controller's Office.

Related Policies

- 300-14 - Cashiering [3]
- 300-37 - General University Travel [4]

References

- University of California Policy: Travel Regulations [5]
- UCSF Controller's Office Website [6]