

Accounts Receivable

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Background and Purpose

A major activity of the Associated Students, Incorporated is the generation of revenue through the sale of goods and services which enhance, promote or support its educational, recreational, and public service functions. Revenues generated from these sales are credited to various departments to support their ongoing operations. The ASI Accounts Receivable Policy has been developed to prescribe the proper methods by which such revenue will be collected and recognized.

Policy Statement

Revenue generated by the ASI or any of its affiliated departments will be collected and recognized in one of two ways: cash basis or accrual basis. The cash basis will be used whenever payment for goods and services is to be received in advance of their provision. If payment is due anytime during or after the provision of goods or services, the accrual basis will be employed. Variations of this general policy may be made when in the opinion of the A.S. Board of Control the type of sales activity undertaken warrants an exception to this rule.

Who Should Know This Policy

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Budget Area Administrators | <input type="checkbox"/> Elected/Appointed Officers | <input type="checkbox"/> Grant Recipients |
| <input type="checkbox"/> Management Personnel | <input type="checkbox"/> Program Advisors | <input type="checkbox"/> Staff |
| <input checked="" type="checkbox"/> Supervisors | <input type="checkbox"/> Volunteers | |

Definitions

For purposes of this policy, the terms used are defined as follows:

Term	Definition
Accounts receivable	A current asset representing money due for services performed or merchandise sold on credit
Accrual basis	The basis of accounting wherein revenue and expenses are recorded in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.
Bad debt	An open account balance or loan receivable that has proven to be uncollectible and is written off
Billing	The request for payment of a debt
Business Partner	An individual, group or corporation that shares or takes part with ASI in a business venture with shared benefits and shared risks
Cash basis	The accounting basis in which revenue and expenses are recorded in the period they are actually received or expended in cash.
Invoice	A detailed list of goods shipped or services rendered, with an account of all costs; an itemized bill
Sales Activity	Any activity in which ASI provides goods, materials, or services for which compensation is required.

Standards and Procedures

1.0 Revenue Recognition

Under the cash basis, revenues are recognized only when cash is received and deposited into a department's revenue account(s) through the A.S. Business Office. Cash-based systems do not interface with ASI's automated accounts receivable system.

Under the accrual method, revenues are recognized and credited to a department's revenue account(s) when invoices are processed through the automated accounts receivable system.

To ensure that charges for services rendered are accurately recorded on a timely basis, invoices will be prepared by the A/R - A/P Coordinator no later than the end of the month in which the sales activity occurs.

2.0 Billing

2.1 Sales Reporting

Each manager of a department conducting sales activity will prepare a sales report supported by documentation in the form of written sales orders, contracts, leases, agreements, etc. All sales reports will be submitted with supporting documentation to Accounts Receivable on no less than a monthly basis. At a minimum, sales records must provide the name and complete address of each customer, the goods or services provided to each, and the amount(s) owed by each.

Originating departments are responsible for the accuracy of all sales records upon which invoices are prepared. Accordingly, departments will be held responsible for initiating Invoice Adjustment forms when necessary to correct inaccurate invoices.

Each sale reported on a sales report will be supported by a sales order, contract or other agreement signed and dated by the customer and retained by the originating department for a period of no less than four fiscal years.

Occasional, non-recurring sales for which a written sales report is not generated must be documented using the Invoice Request Form and submitted to Accounts Receivable before the end of the month in which the sales activity occurred. Such sales do not require a signed sales order or contract, but should still be supported by written documentation confirming the customer's name, the goods or services provided, and the amount owed.

2.2 Invoice Preparation

Once a sale has been reported, the A/R - A/P Coordinator will prepare an invoice. Invoices will be entered into the Accounts Receivable Subsidiary Ledger, printed, and reviewed for accuracy and completeness. Invoices will then be mailed to the customer. Copies of invoices and supporting documents will be filed in an assigned billing file, maintained and secured by the A/R - A/P Coordinator.

ASI will use sequentially numbered invoices and account for any missing numbers. A Sales Journal will be generated after update has been completed. Periodically, the Sales Journal will be reviewed for the numerical sequence of invoices. On a daily basis, the Sales Journal will be posted to the General Ledger control account.

To ensure that billings are adequately supported and reflect the required terms and conditions, the Accounting Manager will periodically trace a sampling of invoices to the underlying source documents.

2.3 General Ledger Control Account

To ensure the accuracy, completeness, and timeliness of customers' accounts receivable balances, ASI will employ a General Ledger control account. The A/R - A/P Coordinator will post only to the General Ledger control account. The responsibility for posting sales invoices will be kept separate from those with responsibilities for cash functions.

When mailing monthly invoices, the A/R - A/P Coordinator will make a notation of balances forward and attempt to resolve them. Payments, allowances, credits, and other adjustments will be authorized for posting to the Accounts Receivable subsidiary ledger by someone other than the A/R - A/P Coordinator.

The Accounts Receivable Subsidiary Ledger will be reconciled monthly to the General Ledger control account by the Accounting Manager.

3.0 Customer Accounts

3.1 Customer Information

To facilitate ASI's ability to collect on customer accounts receivable, the following information will be required of all customers recorded to the customer database:

- Full legal name
- Street Address
- City, State and Zip Code
- Taxpayer Identification Number or Social Security Number

These are the **minimum** information requirements for ALL customer types. Additional information may be required based upon the type of customer (individual v. organizational), the products/services purchased, and the customer's affiliation with the campus (on-campus v. off-campus).

All customer information whether stored in paper or electronic form will be regarded as confidential information and will be subject to the provisions of ASI's Policy on Information Privacy and Security.

3.2 Customer Account Adjustments

Adjustments to customer account balances will only be achieved through the posting of properly authorized credit or debit memos. Credit and debit memos will only be authorized by individuals independent of the A/R - A/P Coordinator. The A/R - A/P Coordinator will review credit/debit memos for accuracy, completeness, and proper authorization. The Accounting Manager and Division Director will approve all credit/debit memos.

Credit/debit memos will be matched to invoices and posted to the Accounts Receivable Subsidiary Ledger. A complete record of each authorized credit or debit will be maintained in the customer's file by the A/R - A/P Coordinator.

3.3 Credit Balances

Accounts Receivable credit balances will be analyzed on a quarterly basis to determine the underlying cause. The A/R - A/P Coordinator will review this analysis with the Accounting Manager and attempt to clear the credit balances accordingly, either through customer refunds or offsetting debit memos where warranted (i.e. errors in billing).

4.0 Credit

ASI will extend credit only to those customers who are determined to be credit-worthy. ASI may require the completion of a Customer Credit Application for any customer who is not a business partner of ASI or does not have an affiliation with the campus.

Accounts receivable balances will be aged regularly to identify overdue accounts and guide credit adjustment decisions. Based upon the delinquency of amounts due, the Director, ASI Administrative Services will suspend credit to customers with extended overdue balances. Services must be terminated for customers with extended overdue balances.

5.0 Payment

Payment for a service rendered on a cash basis will be required before the provision or release of goods or services. Invoices produced through the automated accounts receivable system will carry payment terms as indicated in the following section.

Receipt of payments for goods or services rendered must be secured through use of a cash register, locked drop box, or locked cash bag. Revenues thus collected must be deposited to the Business Office within one business day. Payments on invoices must be mailed directly to the A.S. Business Office. Additionally, customers may pay invoices in person at the Service Counter during Business Office operating hours or drop-off payments in the secured drop box.

6.0 Collections

The A/R - A/P Coordinator will carry out collection procedures according to the following schedule:

6.1 Child Development Center

10 days past invoice date	Reminder Letter/Second Notice
15 days past invoice date	Suspension of services
30 days past invoice date	Termination of services
90 days past invoice date	Account submitted to collection agency

6.2 Campus Departments/Organizations

60 days past invoice date	Reminder Letter/Second Notice
90 days past invoice date	Final Notice pending suspension of services
120 days past invoice date	Suspension of services

6.3 Off Campus Organizations

Normally, credit will not be extended to off-campus organizations. Payment in full is typically required before services are rendered. Off campus organizations may be evaluated for credit worthiness through the submission of a credit application by officers of the organization.

The following collection procedures will apply to amounts due from off-campus organizations to which credit has been extended by the Director, ASI Administrative Services.

30 days past invoice date	Reminder Letter/Second Notice
60 days past invoice date	Final Notice pending legal action
90 days past invoice date	Notice of intent to seek legal remedy
120 days past invoice date	Account submitted to collection agency and/or case filed in Small Claims court

6.5 Exceptions to Collection Procedures

Exceptions to the above collection schedules may be made whenever it is determined that an extension of the payment deadline is warranted. Possible justifications for an exception include untimely invoice delivery, lost or misplaced invoices, incorrect customer information, or efforts to promote customer satisfaction, particularly with long-term customers and campus colleagues. Exceptions may only be granted with the written approval of the Executive Director or designee and will be documented in the customer's file.

6.4 Alternative Payment Arrangements

Departments may continue to provide goods and services to delinquent customers ONLY if an alternative payment plan has been submitted to and approved by the Director, ASI Administrative Services. Only the Director, ASI Administrative Services is authorized to offer alternative payment arrangements for those customers experiencing economic hardships. Approved payment plans will meet the following criteria:

- 1)** The customer remains current on all subsequent amounts due, while
- 2)** Making reasonable progress toward the elimination of the past due debt, where
- 3)** "Reasonable progress" is defined as sufficient progress to eliminate the past due debt within six months from the date the debt was originally incurred.

Failure to meet any of these criteria will result in the termination of an alternative payment arrangement and consequently the termination of all provisions of goods and services. The amount remaining unpaid will then be treated according to the above collection procedures.

6.5 Returned Checks

Accounts paid with checks that are later returned for insufficient funds will be considered unpaid and will be subject to collection procedures. In addition, the offending customer will be assessed a fee to offset bank charges.

Customers with more than one returned check in a fiscal year will lose their check-writing privileges with the ASI. All subsequent amounts owed to the ASI by the customer will have to be remitted by cash or cashier's check.

Amounts remaining unpaid as a result of returned checks might also result in criminal prosecution of the responsible party under California Penal Code Section 476a.b.

7.0 Bad Debt Allowance

All accrued receivables remaining unpaid after 120 days will be subject to a 50% bad debt allowance. The department's revenue account will be debited with a corresponding credit to the "A/R Allowance for Bad Debt" account.

7.1 Bad Debt Write-Offs

It is ASI practice to aggressively pursue the collection of all amounts owed for the provision of goods or services rendered pursuant to these policies. Collection efforts will continue until the debt is paid or it is considered uncollectible.

Debts owed to the ASI will be considered uncollectible and therefore written off, when either:

- The collection agency to which ASI refers an account determines the debt is uncollectible, or
- The ASI receives an unfavorable or unenforceable judgment rendered in a Small Claims court case, or
- When the Business Office determines that the department originating the charges has documentation insufficient for pursuing legal remedies.

In cases of insufficient documentation, the Business Office will be authorized to charge the originating department an amount sufficient to reimburse it for expenses incurred as a result of its collection efforts up to the point when the debt is deemed uncollectible.

ASI will consider any customer whose unpaid balance results in a write-off an unacceptable credit risk. Thereafter, such customers will only be provided with goods or services on a prepayment basis for a period not to exceed two years, after which they may request to reestablish a credit relationship with ASI.

8.0 Waivers of Fees and Charges

It is the policy of the ASI to charge all customers for goods and services rendered according to a fair and equitable pricing structure developed pursuant to the ASI's Policy on Sales of Goods and Services. Nonetheless some occasions may warrant that certain fees and charges be waived, either as a result of inadequate service, defective goods, or in an effort to promote or restore customer satisfaction.

Fees and charges accrued through the accounts receivable system will only be waived through issuance of a credit memo. In each case, the department originating the charges must prepare an Invoice Adjustment Form, providing justification for the waiver. This form must be authorized by the Executive Director or appropriate Division Director.

9.0 Barter Arrangements

No department of the Associated Students, Incorporated will enter into a barter (or trade off) arrangement for the payment of goods or services rendered or received without the prior approval of the Director, ASI Administrative Services. In such cases, the value of the goods or services

received in exchange for those provided by the unit will be reflected on the unit's financial statements through appropriate journal entries.

10.0 Sales Commissions

Employees of the ASI who derive any part of their compensation from commissions based on sales will only be paid commissions once the goods or services sold have been paid for in full. All payroll vouchers requesting payment for commissioned salespersons must be accompanied by the original receipts evidencing that payment has been received. Photocopies or other facsimiles of receipts will not be accepted.

Administration

The Accounting Manager and the Director of ASI Administrative Services are responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed no less than every five years and revised as needed, unless earlier revisions are necessitated by changes in Generally Accepted Accounting Principles (GAAP), the provisions of the Government Accounting Standards Board (GASB), or regulations of CSULB or the California State University Office of the Chancellor.

Forms

The following forms and procedures are to be used in the execution of this policy and are appended to this document.

Form Name	Purpose	Responsible Office	Approved By	Timeline for Submission
Credit Application	To establish a line of credit for individuals or organizations so they may be billed for services rather than pay up front	A.S. Business Office	Director, ASI Administrative Services	Allow a minimum of 7 business days for credit approval
Invoice Adjustment Form	To request an increase or decrease to an invoice previously issued through the automated Accounts Receivable system	A.S. Business Office	Division Director and Accounting Manager	Minimum four business days before the desired date of issuance
Invoice Request Form	To request the issuance of an invoice for the billing of goods or services provided by ASI to an outside party whenever the sale is not otherwise recorded on a contract or sales report	A.S. Business Office	Division Director	Minimum four business days before the desired date of issuance