**University of Washington**

**RECEIVABLES PROCEDURES**

**OVERVIEW**

This procedure supports the Invoice Receivables policy for the University of Washington. It provides procedures regarding receivables for both departments using the central services offered by Student Fiscal Services and departments billing their own receivables.

Note: Policy will be posted once approved.

**DEFINITION OF RECEIVABLES**

Receivables are defined as amounts due, which are expected to be collected from private persons, businesses, agencies, funds, or other governmental units. Receivables are to be recorded as soon as the underlying accounting event has occurred and the amount is determinable.

**REQUIRED ACCOUNTING STANDARDS FOR THE STATE OF WA**

The University’s accounting standards reflect policies established by the state’s Office of Financial Management and apply to all University departments, including those which maintain their own billing/collection systems. The required accounting standards for aging of Receivables are as follows:

* Current - Accounts not yet due. Date due is calculated from the invoice date and stated term (e.g. “net 30").
* Past Due – Accounts become past due 31 days after the invoice issue date. Past due notices are sent at this point.
* Collections – Invoices are reviewed for additional collection action, such as referral to a collection agency, once they become more than 120 days past due.
* Uncollectible - All invoices having been referred to an outside collection agency and not resolved after one year will be considered uncollectible.

**MAINTAINING AN ALLOWANCE FOR UNCOLLECTIBLES**

The allowance for uncollectables is the amount of the total receivables outstanding that is not expected to be collected in the future and includes not only a provision for actual delinquent accounts but an estimate of a reasonable percentage of other accounts. The allowance should be adjusted annually.

**CENTRAL REPORTING REQUIREMENTS**

The University must submit an annual receivables report to the state’s Office of Financial Management that shows receivables by aging category and the allowance for uncollectables. Departments that do not use Invoice Receivables must submit a copy of their June 30th Aging Invoice Receivables report and write offs to Financial Accounting (accountg@u.washington.edu, 206-221-7845, Box 351120).

**GENERAL DEPARTMENTAL BILLING/COLLECTION GUIDELINES**

Whenever possible, a department should collect payment at the time goods are delivered or services rendered. Immediate payment provides substantial savings in recording invoices and payments, reconciling accounts, and following up on collection of unpaid invoices. Generally, amounts under $10 should not be billed; payment should be collected at the time of the transaction.

**BILLING AND COLLECTING REVENUE, AND ACCOUNTING FOR DEPARTMENT RECEIVABLES**

Departments that do not collect payment at the time goods are delivered or services rendered should issue an invoice at that time. Departments maintaining their own system must use sequentially numbered invoices. Departments must maintain all documents indicating all pertinent information relating to the transactions

**INTEREST**

Interest accrual is required by state RCW 43.17.240. More information regarding interest accrual can be found at: <http://apps.leg.wa.gov/RCW/default.aspx?cite=43.17.240>

All departments are required to charge interest on their receivables.

Invoices begin accruing interest at a rate of 1% per month/12% annually at 31 days past due. All invoices must contain the following disclaimer notifying customers of the potential for interest accrual:

***IMPORTANT******NOTE***: “A finance charge may be added to past due balances at a periodic rate of 1% per month, or 12% annually.”

**DISTRIBUTE INVOICE COPIES**

1. Mail original to customer
2. Retain a file or copy for your records including any supporting documents regarding the charges

Each department has the responsibility for maintaining the appropriate supporting documentation for the invoices it has issued and adjusted, and for recording write-offs.

**Adjustments**

All departments are to have written procedures to ensure that only authorized adjustments are recorded. All adjustments are to be supported by a revised billing document, a credit memorandum, or other appropriate documentation.

**Cancellations**

All departments are to have written procedures to ensure that only authorized cancellations are recorded. All cancellations are to be supported by a revised billing document, a credit memorandum, or other appropriate documentation.

**COLLECTION, WRITE OFF AND BANKRUPTCY PROCEDURES**

Written procedures are to be developed and followed to ensure that past due receivables are followed up promptly and in a manner that is cost-effective for the overall collection program. These procedures are to provide for the full range of collection procedures to be used as appropriate, including issuance of statements and dunning letters, phone and personal interviews, filing of suits and liens, referral to private collection agencies or letter services, etc. Section 85.54 of OFM requirements.

Departments having difficulty collecting may use the services of outside collection agencies. Student Fiscal Services has oversight of the current agencies contracted to assist with University collections. Please call (206) 543-7560 for assistance/information.

**Write-Off Procedures**

Departments should document, in writing, the criteria to determine which receivables are uncollectable and write-offs should be based on these criteria.

Several criteria always justify write-offs:

* The debtor cannot be located, nor can any of the debtor's assets
* The debtor has no assets and no expectation of having any in the future
* The debt is disputed and the agency has insufficient documentation to pursue collection efforts
* The debt is discharged in bankruptcy and there is no guarantor or successor
* The debtor has died and there is no estate or guarantor

*After the account is written off, the accounting records, that are debtor's account information, should be maintained in accordance with the department's approved records retention schedule.*

Once an account has been written off, it should be promptly reviewed by management to ensure consistency with written criteria in accordance with the following guidelines (the amounts below represent the total for all accounts within a department for a single debtor):

* Amounts Up to $1,000---Reviewed and approved by the supervisor of the person in charge of that department's collections
* Amounts $1,000 to $5,000---Reviewed and approved by the department's fiscal officer, if different from the person reviewing and approving amounts up to $1,000, or by the department head
* Amounts $5,000 and Over---Reviewed and approved by the Attorney General's Division

**Bankruptcy Notices Received on Accounts**

SFS is the coordinating office for the University of Washington regarding bankruptcy cases. All legal forms, letters, or inquiries regarding bankruptcies should be forwarded to the SFS –Invoice Receivables.