



POLICY & PROCEDURE DOCUMENT

NUMBER: 3.2030

DIVISION: Finance and Administration

TITLE: Invoicing, Accounts Receivable and Write-off Policy

DATE: February 1, 2018

Authorized by: Sr. VP for Finance and Administration

I. Purpose and Scope

The extension of credit to individual customers and non-university organizations can be costly to the university. Significant time can be consumed in collection efforts and maintaining good customer relations. The purpose of this policy is to establish consistent guidelines for centralized billing and invoicing procedures for goods and services provided to individuals and non-university organizations.

These policies and procedures will:

- Establish guidelines by which sales and services are extended to individuals and non-university organizations on a credit basis.
- Manage the extension of credit (joint effort between the accounts receivable staff and the department providing the goods or services)
- Minimize bad debt expense and cost of collections
- Maximize cash flow

These policies and procedures apply only to individuals and non-university organizations. Student tuition and fees receivable and grants and contracts receivable, each of which are monitored separately, are excluded from this policy.

II. Policy

1. Invoicing and Records

A. Records

Accurate records are to be maintained on all accounts receivable. These records shall include details related to the goods or services provided and the amount to be billed to the customer. Additionally, these records must contain accurate

contact information for the customer (name, address, phone number, email). These detailed customer records will be maintained with the department requesting the invoice.

University records retention policy should be followed regarding the time period these records are maintained. However, such records should be maintained indefinitely for accounts that have not been collected. That policy can be found at <https://kdla.ky.gov/records/retentionschedules/Documents/State%20Records%20Schedules/KYUniversityModel.PDF> by using the reference for Series U0239, General Financial Records.

B. Invoicing

University departments providing a good or service will complete an Invoice Request Form and submit it to the office of Accounting & Financial Reporting. This form is available on the Division of Finance and Administration website at <https://www.wku.edu/finadmin/forms/index.php>. Directions for completion are listed on the form. This form shall include details or a description of the goods or services provided and substantiation for the amount billed.

Once the invoice request form is submitted to Accounts Receivable personnel in the office of Accounting & Financial Reporting, the information is entered and an official invoice is created. The invoice will be mailed to the address provided on the invoice request form.

The original Invoice Request Form and a copy of the invoice will be maintained in the office of Accounting & Financial Reporting. This will be used for matching the payments when received.

C. Mailing/Sending Invoices

The Information Technology Division prints invoices daily based on information entered by accounts receivable staff during the previous day.

To ensure that proper controls are maintained during the creation and issuance of invoices, all invoices should be mailed by Information Technology staff after printing. The exception to this practice is those invoices for which invoicing departments have requested inclusion of attachments. In such cases, those invoices will be presorted during the print process and forwarded to accounting personnel to enclose the appropriate attachments before mailing.

No additional invoices should be mailed after WKU receives a notice of bankruptcy filing for a customer with an outstanding balance. Upon receipt of such notice, accounts receivable staff will place a "BK" code in the invoicing module which will cease printing and mailing of invoices to the customer who has filed for bankruptcy protection.

2. Return of Undeliverable Invoices

Upon receipt of invoices marked “returned as undeliverable,” accounting office staff will complete the following until an accurate and current address is obtained:

- Verify address on the invoice agrees to the address on the Invoice Request Form.
- Contact the department requesting the invoice and ask for verification of address information
- Contact through phone or email with customer information provided by department to obtain a current mailing address
- Maintain a file for all undeliverable invoices and document on each, the current steps that have been taken to obtain a current address

Upon exhaustion of all attempts to obtain a current mailing address, Accounts Receivable staff will bring the undeliverable invoice and supporting documentation to the Director of Accounting and Financial Reporting to evaluate for write-off or reversal. This process will be discussed in a separate section.

3. Collection Efforts

Collection of accounts receivable balances should be a joint effort between accounts receivable staff, the Director of Accounting & Financial Reporting, and the department that requested the invoice.

Normal collections are expected to occur within 30 days of the invoice issue date. When payments are not received within 30 days of the invoice issue date, a “late” notice invoice is automatically generated and mailed to the customer. This process will automatically recur every 30 days until the invoice balance is paid in full.

Once an invoice is 60 days old, it is deemed delinquent and additional collection efforts will commence. Those are as follows:

Phase 1 Collection Efforts

- Each month, accounts receivable staff will review the Aged Invoice Report and will identify invoices that are 60 days old and have an outstanding balance of \$5,000 or greater.
- For invoices meeting this scope, the invoice request form and supporting documentation will be reviewed by accounts receivable staff.
- Accounts receivable staff will work with departments that issued such invoices to see if payment has been received and deposited directly by the department. When it is determined that payment has been received by the department and the deposit of funds has been verified by accounts receivable staff, the original invoice may be voided, following approval by the Director of Accounting & Financial Reporting, to prevent overstatement of revenues and to accurately reflect the receivable balance from the customer.
- If it is determined that the receivable is valid and accurate, accounts receivable staff will work with the department to directly contact the customer and attempt to collect.

Phase 2 Collection Efforts

- During monthly review of the Aged Invoice Report, accounts receivable staff will also identify invoices that are 90 days old or more and have an outstanding balance of any amount with no payment activity in the past 30 days.
- The collection process for accounts meeting this scope will follow the same pattern/procedures as described in Phase 1 above.

Phase 3 Collection Efforts

- During monthly review of the Aged Invoice Report, any accounts that are more than 120 days old and have no activity within the previous 30 days will be identified and given to the Director of Accounting and Financial Reporting for further analysis.

All receivables that are at least 120 days outstanding will have already gone through the process outlined above to verify the accuracy and validity of the receivable and also to verify the balance has not been collected by the department.

The Director of Accounting & Financial Reporting will make an additional effort to contact the customer for payment. Thirty days after this final contact is made, if no payment is received (full or partial) and no agreement to pay is received by the customer, such balances will be considered for further action to include external collection efforts and possibly write-off, which will be discussed in the next section of this policy.

4. Write-Offs

Once collection efforts have been exhausted as described in the section above, the Director of Accounting & Financial Reporting will evaluate individual accounts receivable balances for allowance and write-off.

Allowance for estimated uncollectible balances and write-off of uncollectible balances are necessary to ensure assets and revenues are not overstated on the University's annual financial statements. When an account is deemed uncollectible and is written off, such bad debt expense will be charged to the department that issued the invoice being written off.

The Director of Accounting & Financial Reporting will list the invoices proposed for write-off, including the customer name, invoice number, issue date, balance and collection efforts made. This list will be shared with the Chief Financial Officer for final approval before any accounts are written off. Once the Chief Financial Officer approves the proposed write-off, the list is given to Accounts Receivable staff for processing. Each year, a list of accounts written off will be sent to the Senior Vice President for Finance & Administration as an information item.

5. Voids

On occasion, the department that requested an invoice will ask for the invoice to be voided. When this occurs, the department will make an official request and include the following information:

- Invoice number
- Customer name
- Amount to be voided
- Specific reason for void

This request for a void must be approved by the department head, with full knowledge that the void will either reduce departmental revenue or generate bad debt expense charged to the departmental index.

The process to void an invoice will be determined by the date the invoice was created. If a void is requested and approved in the same fiscal year the invoice was created, the invoice may be voided and the revenue originally posted to the departmental index will automatically be reversed. However, if the request to void an invoice crosses fiscal years, the invoice must be written off. This will result in bad debt expense being charged to the departmental index.

The void request will be maintained with copies of the original invoice request form. The request will be maintained by fiscal year the void was requested, and retained in accordance with the University record retention policies.

6. Customer Disputes

Should our collection efforts (monthly past due invoices, customer contact, etc.) result in a customer dispute of an invoice for goods or services or in the outstanding balance due, the following procedure will attempt to resolve the dispute:

- Verify the accuracy and validity of the invoice with the help of the department responsible for requesting the invoice.
- Determine if payment has been received. This may involve obtaining proof of payment from the customer.

Resolving customer disputes will require access to original documents. Therefore, as mentioned in Section 1, above, it is imperative for the department to maintain accurate and complete records detailing the goods or services provided to the customer as well as any communication from the customer.

If it is determined that an invoice in question has been paid or is invalid, the invoice will be either voided or written-off based on the same timing criteria described in Sections 4 and 5, above.

Should our efforts determine that the invoice is valid and accurate, collection efforts will commence as with all other uncollected invoices/receivables.

7. Annual Review/Calculation of Allowance for Doubtful Accounts

Annually, the Director of Accounting & Financial Reporting will perform an analysis on the aged accounts receivable to determine the appropriate balance of the Allowance for Doubtful Accounts.

The analysis will compare historical collections as a percentage across multiple fiscal years as well as historical average number of days to collect outstanding balances. This annual analysis will be used to support the allowance calculation and adjustment at the end of each fiscal year.

8. Termination of Services

On occasion, it may be necessary to pause or terminate services provided to an individual or a non-university organization due to delinquent payment or nonpayment of accounts. Each month, as part of the review of the aged invoice report, accounts receivable staff will document accounts that are more than 60 days delinquent. Departments providing goods or services to these individuals or non-university organizations will be notified of this delinquency. Departments who receive this notification should suspend or terminate services to the delinquent customer until the delinquency is resolved. The delinquency may be resolved by one of the following:

- Receipt of payment in full from the customer
- Payment arrangements made by the customer and approved by the responsible department head and the Director of Accounting. Should the payment arrangement return to default status, services to that customer should be immediately terminated.

For additional information or to request assistance completing the invoice request form, please call (270) 745-6913 or extension 5-6913 if on campus.