



2.2 Billing

Policy Statement

The University of Georgia is responsible for prompt billing for reimbursement of expenses or fees arising from services provided under various agreements by the University of Georgia.

Reason for policy

The Billing policy is needed to ensure timely billing after services are provided or goods are delivered and that all actions necessary for the preparation of the bill have been taken as required.

Procedures

Prompt billing after services are provided or goods are delivered is essential for effective management of receivables. Information must be maintained on the status of all unbilled accounts to ensure accurate and expeditious billing. This includes, but is not limited to, name, address, phone number, SSN (if possible) or Tax ID number. The invoice issued to the customer should clearly state the payment due date. The invoice should also include a unique invoice number or reference number. Until the balance is paid in full, invoices should be mailed monthly (30, 60, and 90 days) with a final notice being mailed at 120 days past due.

The potential for bad debts is high due to the fact that most debtors do not do business with the University System regularly. Therefore, receivables should be monitored and analyzed on a regular basis.

During the course of the fiscal year, when the invoice is generated, the department should record on their internal accounts receivable records, a debit to accounts receivable in the amount of the invoice and a credit to revenue. The accounting entry to be recorded on the department's internal accounts receivable records is:

Debit Accounts Receivable \$\$\$

Credit Dept Sales Revenue \$\$\$

At each fiscal year end, departments will need to record on the UGA Financial Accounting System, accounts receivable balances and the corresponding revenue per their internal accounts receivable records. Departments will prepare a journal voucher and supporting documentation as discussed in Policy 8.3 *Receivables Reporting*. The journal vouchers necessary to record accounts receivable balances for the current fiscal year must be submitted to Accounting by the June cutoff of the current year.

Granting Credit

Credit may be granted to those receiving a departmental sale or service including the general public, students (not student accounts), and staff. Although cash should be collected whenever possible, 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 department and the University. In these cases, prudence with respect to the credit risk incurred must be observed at the time of transaction.

Credit is automatically extended to governmental units and foundations during the time claims for reimbursement are outstanding. Diligence must be exercised to insure timely billing and collection efforts and to minimize uncollectible receivables.

Implicit in the granting of credit is the intention that payment will be made in full upon customer's receipt of a bill. UGA departments granting credit should take the necessary steps to evaluate the ability of the customer to pay. While formal "credit evaluation" procedures are not required, UGA departments can develop procedures to evaluate the credit worthiness of the customer and at a minimum, the department should be knowledgeable about their customer's general business practices and payment capacity. Any formal arrangements regularly authorizing credit for more than thirty (30) days must be approved by the appropriate dean, director or department head unless other institutional or BOR policies or regulations operate to the contrary.

Departmental Maintenance and Physical Security of Records

The physical paperwork providing proof of the receivable and any computerized records regarding the billing and the outstanding balance should be stored according to current Records Retention Standards published by the State of Georgia. Even though records retention standards may allow destroying of paper documents and related electronic records after a certain period time, institutions should be diligent in protecting all physical paperwork and electronic records that provide proof of the receivable if still showing due. These paper documents providing proof of receivables may be very valuable in future collections, and may be checked during audits by state and internal auditors. If electronic archiving of data systems will destroy or make inaccessible these receivable records, then the institution should print and file this information for use.

All invoices should have unique reference numbers that will appear in the computer-produced records. These reference numbers will be consecutive within each of the document series involved. The numbered documents will be filed in the departmental business office and must be available for review by auditors. Additionally, payments applied to the account balance should be recorded in a log or the department may use pre-numbered receipts.

An aged listing of individual receivable balances should be prepared by the department at least monthly and should reflect the results of billing and collection follow-up activity. The aging format required to be used is provided as the *Departmental Sales Accounts Receivable Aged Analysis*. The department should ensure that subsidiary ledger records (including those maintained outside the department's official business office) are reconciled to the control account balances at least quarterly. Management above the level responsible for supervising the billing and collection follow-up function should review outstanding balances and the aged analysis on a routine basis. It is the responsibility of the individual department to ensure that the appropriate accounts receivable balances are recorded on the University's financial accounting system at each fiscal year end. Please refer to Policy 8.3 *Receivables Reporting*.

Division of Responsibility

To the extent possible, personnel responsible for the following activities should be functionally divided. If the department is not staffed with enough personnel to perform each function individually, a system of independent review regarding the following, should be established and performed on a regular basis:

1. Establishment of credit.
2. Billing functions. Billings to individual customers should be accessible only to billing activity personnel.
3. Recording of cash and other collections (check and credit card, for example). Collection stations will record cash/check/credit card payments and the recording of the payment will be the only function related to receivables performed by such collection stations.
4. Approval of write-off requests and other types of non-cash credits, such as cancellations. Non-cash credits should be approved by management levels above the supervisors of the functional divisions involved.
5. Processing of documents. Input data should not be originated by computer facilities and operations personnel.
6. Accounting:
 - A control account should be maintained in the school/college/division/departmental official business office.

- Subsidiary accounts maintained outside the school/college/division/department official business office should be reconciled to the control account.

- A subsidiary record of balances written-off as uncollectible should be maintained by the official business office.

7. Collection follow-up. Collection activity should not be performed by personnel who prepare the billing or record payments.

Additional contacts

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Policy definitions

Accounts Receivable – monies owed to the university, for good or services or other liabilities

Bad Debt – an amount that is unable to be collected

Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration

Responsible University Administrator: Associate Vice President for Finance Division

Policy Owner: Accounts Receivable

Policy Contact: Susan Caldwell

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Record Retention

Retention: Ranges from 5 – 7 years depending on the record used for reference. Aging reports should be kept for 7 years (BOR 0472-03-002). All other Accounts Receivable reports are kept for 5 years. (BOR 0472-03-001)

Georgia Code: O.C.G.A. 11-2-725

‹ Accounts Receivable | Collection of Past Due Accounts ›

Policy Dates

Effective Date:

Date Last Approved:

Date of Last Review:

Date of Approval:

Previous Version of Policy: