

COLORADO STATE UNIVERSITY
Financial Procedure Statements
FPI 2-17

1. **Procedure Title:** Accounts Receivable
2. **Procedure Purpose and Effect:** The purpose of this procedure is to outline the credit and collection procedures of the University in connection with the authorized sales of goods and services to individuals, government and commercial organizations as well as to provide guidance for the departments handling their own billing, record keeping, aging, and collections. This FPI does not address any tuition or related fees on a student's account, but is specific to sales and services to outside parties (referred to as commercial accounts). See FPI 2.5 for payments to students' accounts.

This procedure is broken up into two sections:

1. Section 1 is for transactions that are posted centrally through the Accounts Receivable Operations (ARO) unit of Business and Financial Services (BFS) where such receivables are monitored, aged, collected, and when deemed uncollectable, written off by ARO.
 2. Section 2 is for decentralized receivables which are recorded, aged, monitored, collected and when deemed uncollectable, written off by the department.
3. **Application of Procedure:** This procedure applies to all departments that sell goods or services on credit.
 4. **Exemptions:** There are no exemptions from this procedure.
 5. **Definitions:**
 - A. **Aged Debts:** The process of determining how many days a particular debt is past due. Generally, debts are aged into categories, e.g. 0 to 30 days, 31 to 60 days, etc.
 - B. **Allowance for Doubtful Accounts:** An estimate of accounts receivables that are not expected to be collected.
 - C. **ARIES:** An Accounts Receivable sub-ledger system, also known as Banner, where student and centrally managed commercial account information is recorded and maintained by ARO.
 - D. **Bad Debt:** A receivable that has become uncollectible.
 - E. **Cash:** Any of the following forms of payment are considered cash as used in this procedure - currency, check, MasterCard, VISA, Discover, etc.
 - F. **Credit:** The University does not establish lines of credit or revolving credit accounts. The term "credit" as used in this procedure means that the University will send the purchaser a bill for the amount owed, rather than expecting payment at the time goods or services are received.

- G. External Collection Agency:** Colorado State University (CSU) forwards accounts with a past due balance to the State of Colorado Central Collection Services (CCS) as well as three other external collection agencies, to collect on accounts that CSU has attempted to work in-house but been unsuccessful at bringing the account balance to zero.
- H. Skip-tracing:** The process of locating a person's whereabouts and collecting as much information as possible about the person in order to aid in collection efforts.
- I. TWARBUS:** The batch upload interface where billing transactions are uploaded to ARIES. The "T" in the first position represents the Accounts Receivable module of ARIES. The "W" in the second position identifies this as having been created by CSU. The "A" in the third position indicates this is an application. The final four characters, "RBUS", briefly indicate the function of the application. In this case, "RBUS" represents "Receivable Batch Upload System".
- J. Uncollectable Debt:** Doubtful debts are those which the department is unlikely to be able to collect. A debt is deemed uncollectable after all collection efforts have been exhausted and the account has gone 27 months or longer without payment.

6. Procedure Statement:

The University sells numerous items, products and services to students, University employees and non-University personnel. Items and products sold include books, publications, theatre tickets, advertising space, meat, seeds, animal drugs, forestry products, etc. Services sold include veterinarian services, semen storage, artificial insemination services, computer services, soil testing, pathology testing and analysis, speech and hearing diagnostic therapy service, food and housing service, etc.

The University strongly encourages cash payment for all materials/services at the time of sale. Cash sales should be handled on a cash register, by use of a Cash Sale receipt form or by an alternate form approved in writing by the University's Banking Services department. Please see FPI 6-1: Receipt and Deposit of Cash and Checks for more information.

A. SECTION 1: Central Receivables Monitored by ARO

1. General

- a.** While campus departments have their own point-of-sale and/or invoicing systems, ARIES is the primary system used to record and process charge sales through the ARO office. Examples of non-tuition related charges that run through the ARIES system are permits and fines from Parking and Transportation Services, charges from the CSU Bookstore, library fines, and charges from the VTH. If a student incurs such charges, the amount will be posted to the existing student account in ARIES. If no student account exists, a commercial account is created in ARIES to manage the charges.
- b.** Departments can generate invoices and record receivables via TWARBUS batches which process nightly and upload to the ARIES system. Once a receivable has been loaded into ARIES, it becomes the responsibility of the ARO department to monitor and collect on the account. Commercial receivables that are not uploaded to ARIES are

invoiced, recorded, collected, and monitored entirely at the department level. Please see section 2 for more information.

- c. Payment of all University charges are to be paid in full by the due date listed on the invoice/statement to avoid late payment charges on the account. Statements mailed from ARO are generally due the 10th of each month unless the 10th falls on a weekend or holiday, in which case the due date becomes the following business day.
- d. The ARO Manager may refuse credit to any customer if there is reason to believe that the customer may not be able to pay the account on time, if the customer has a history of non-payment or late payment, or if the customer currently has a past due balance with the University.
- e. Customers that are granted credit are expected to pay accounts in full by the date listed on the invoice/statement. Any balance outstanding after the payment due date will be assessed a 1.5% late payment charge on the unpaid balance. The 1.5% late payment charge will be assessed on the principal balance each month that the balance goes unpaid, as long as the account still remains within ARO. Small dollar balances of \$66.67 and under do not incur late payment charges. Failure to pay amounts due may result in the referral of outstanding balances to an external collection agency.
- f. Accounts unpaid ninety (90) days after the first bill is sent to the customer shall be considered for referral to an external collection agency in accordance with number 6 of section 1, below. Additionally, accounts that are deemed to be uncollectible, account holders that are unable to be reached, accounts in which no contact information is given or able to be retrieved, accounts in which the invoice/statement proves to be undeliverable due to incorrect or unavailable address, accounts with no signed payment arrangement and accounts with broken payment arrangements may also result in the referral of outstanding balances to an external collection agency. The referral of such accounts to an external collection agency is at the discretion of the ARO Manager.

2. Customer Identification

Each customer is given a nine digit CSU identification number beginning with an 8. The identification number is assigned using the next available number in ARIES when the customer information is uploaded. These identification numbers are used in processing and are printed on all statements and communication that is sent to the customer.

3. Request for Credit

When a customer requests that the material or service purchased be charged, the department should:

- a. Check the TWARBUS Customer Directory, accessible through the TWACUST screen in ARIES. The account needs to be reviewed by the department, on the TWACUST screen, to determine if the account is in collection status. If the customer is listed and the Collect column is blank, reasonable credit may be granted by the department. Credit amounts should be pre-determined based on a percentage of the average ticket

sale and approved by the department's business officer. Customers listed in the Customer Directory with an account in collection status will show which collection agency the account is at, if any, in the Collect column and credit may not be granted except by approval from the ARO Manager. These accounts are noted on the Delinquent Charges Reports that are emailed monthly to each department that requests to receive them from ARO. Departments may occasionally be notified by ARO of other specific accounts in which credit shall not be extended due to a delinquent balance.

- b. If the individual/company is not in the Customer Directory, they should be asked to fill out a form to obtain information to assist with identifying and contacting the customer should collection efforts become necessary. The types of information to collect include a mailing address, email address, cell, home and business phone numbers, middle name and or initial, date of birth, emergency contact person, etc. The department can ask for additional information such as a social security number or driver's license number but must comply with University policy for sensitive data.
- c. If the customer desires credit in excess of \$1,000, regardless of whether or not they have a current account with the University, the department may require the customer to provide a deposit for a percentage of the estimated cost of goods or services before credit is extended. Each department should work through their business officers to establish specific policies to follow based on the nature of the goods or services being provided. This does not apply to contracts with federal, state or local government agencies.

4. Recording Transactions

- a. Charge Sales - All receivables managed within ARO will be recorded in ARIES. Departments are allowed to maintain their own individual point-of-sale systems, and if so should have appropriate policies in place for the recording of those transactions. Departments should refer to the TWARBUS User Guide, available on the ARO website [here](#). The User Guide explains the processes a department user should follow to upload sales transactions into ARIES via TWARBUS.
- b. Payments Received - All cash receipts, checks or credit card drafts should be processed daily as outlined in FPI 6-1: Receipt and Deposit of Cash and Checks. ARO does not accept payments over the phone.
- c. Credit to Accounts - If it is necessary to reduce a charge transaction already processed in ARIES, the department should enter the transaction via TWARBUS using the same method in which the charge was originally processed. ARO must be notified in order to remove any late payment charges associated with the transaction being reversed.
- d. Received on Account - Customers should make payments on account directly to the University Cashier's Office located in the Howes Street Business Center. Payments should be accompanied by the remittance portion of the customer's monthly statement. Payments inadvertently received by mail to the department should be promptly forwarded to the Cashier's Office. For departments specifically authorized to accept payments or where customers insist upon department acceptance of payment on

account, the department should include the remittance portion of the customer's invoice or statement when forwarding the payments to the Cashier's Office. If the customer copy of the invoice or statement is not available, a separate listing should be included to identify what accounts the payments should be applied to. **Do not deposit the payment(s) directly to a departmental account if billed through ARO.**

- e. Online Payments - If a customer would like to be set up to pay online, they must contact ARO to request access. The customer will need to provide their nine digit CSU identification number along with a valid email address. An email with instructions will then be sent to the email address provided.

5. Department Credit and Collection Actions

Departments may be more familiar with the detailed charges, financial status, responsibility, and current address of certain customers. ARO may request this and other additional information from the department's in order to assist the University in maintaining customer relations, more accurately and equitably grant credit, and to more promptly and completely collect on accounts. Departments should assist ARO as follows:

- a. Secure applicable data for credit evaluation as listed in 3b above.
- b. Departments may consult with ARO in the granting of credit.
- c. Advise ARO of any change in address and/or phone number, particularly if the individual is leaving the Fort Collins area. When requested by ARO, assist in securing a forwarding address if statements have been returned as undeliverable by the Post Office.
- d. Promptly advise ARO of any information which would change the customer's current credit status, particularly, if special circumstances are known which should be considered prior to an unpaid account being sent to an external collection agency (generally at the end of 90 days).
- e. Assist in securing collection of overdue accounts by calls, letters, etc., to special customers, to help prevent turnover of the account to an external collection agency.

6. Collection Actions by Accounts Receivable

- a. Once a transaction is fed to ARIES, ARO will begin sending monthly statements to the customer on or near the 15th of each month, with the balance due in full by the 10th of the following month unless the 10th falls on a weekend or holiday, in which case the due date would be the following business day. If a customer is set up for ebilling, they will receive email notification that their statement is available to view online.
- b. If there is any outstanding balance remaining due after the payment due date, the account will be assessed a 1.5% Late Payment Charge on the principal balance. This will continue each month that a past due balance remains on the account. Small dollar balances of \$66.67 and under do not incur late payment charges. Failure to pay small

dollar balances due may expedite the referral of outstanding balances to an external collection agency.

- c. When an account becomes past due it is assigned to the Special Assets department within ARO, which is the University's internal collections department. Special Assets will attempt to call the customer using any available phone numbers on file or through a skip-tracing database, to make the customer aware of the debt and to make arrangements to have the account paid in full. If the customer is unable to pay in full, it is at the discretion of Special Assets/ARO whether or not an agreeable payment arrangement will be provided as an option.

- d. If a payment arrangement is discussed and agreed upon between Special Assets and the customer, the arrangement should not extend the debt past 12 months. If the debt is unable to be paid in full within 12 months, the balance may be referred to an external collection agency. In order for a payment arrangement to be upheld and considered valid, a signed copy of the payment arrangement must be returned to Special Assets. If a payment arrangement has been made and a payment is missed, the arrangement is considered null and void, and the debt may be referred to an external collection agency.

- e. Accounts with statements twice returned as undeliverable by the Post Office and for which a forwarding address cannot be secured will be considered for immediate assignment to an external collection agency.

- f. Accounts determined as uncollectable will be sent a Final Notice letter, which gives the customer a due date to pay the balance in full to prevent being forwarded to an external collection agency. Once an account is forwarded to an external collection agency, CSU will cease all collection efforts and assessment of Late Payment Charges. If a payment is received by the University, ARO will notify the external collection agency of the payment in order to reduce the balance due with the external agency.

7. Control of Dollars and Documentation

- a. Dollar control and reconciliation - Departments should reconcile their TWARDUS batch amounts to their month-end KFS reports in order to verify that all transactions fed to ARIES. KFS batches feed nightly; therefore verification can be done daily. Between the TWARDUS upload and the KFS feed, this is a 2 business day process for the data to flow through both systems of record. The same person who performs the TWARDUS upload should not be the person who reconciles the monthly activity.

- b. Documentation - Accounting for and control of any sales-related invoices helps ensure that all transactions are accurately recorded on ARO records and customer statements. Individual departments on campus are responsible for maintaining backup information on all transactions. Please see the CSU Financial Rules for guidance on document retention. If there is a question as to what a charge is for, the question would be directed to the respective department. The department is responsible to verify with ARO the acceptable wording to include on their invoices or billing policies, especially when related to collections.

8. Invoices

A Service or Sales Invoice is to be given to the customer at the time of the sale and is due at that time. Customers with accounts outstanding will be notified by ARO via a system generated "Statement of Account". Any account adjustment must be submitted through TWARBUS by an authorized individual within the originating department. ARO must be notified in order to remove any late payment charges associated with the transaction being reversed.

9. Bad Debt Expense

All departments allowing credit sales will be assessed bad debt expense. The bad debt expense will be posted in KFS, to the account number provided to the A/R Systems Administrator, in the month after the transaction is processed in ARIES. Bad debt expense is a percentage of the total credit sale and is used to establish a reserve for bad debts. The bad debt rate is calculated by ARO each fiscal year. All credit sales are assessed this charge. Exceptions may only be granted in writing by the Director of Business and Financial Services by completing the Bad Debt Request Form. Exceptions are reviewed and approved annually by BFS.

10. Management Reports

ARIES generates reports to departments that can be used in their reconciling and management processes:

- a. **Delinquent Charges Report** - This report is a detail of any accounts with past due balances that a department may request to receive from ARO. It is generated the Monday after statements process each month. The report includes the account holder's CSU ID, name and contact info, current balance due, amount of balance due related to that department, date of last charge, whether the account holder is a student or employee, and notice if the account has been assigned to collections. The department should review these reports for any accounts that are still receiving services, and evaluate whose services should be discontinued, if any. It is the responsibility of each department to keep their own account reconciliations. The departments are encouraged to contact the account holder to request payment in full.
- b. **KFS Email and Transaction Report** - This is a system generated email sent to any user that posted transactions the previous day and provides a summary of transactions processed through ARIES, which will then post to the department account in KFS the following day. Transaction detail reports are available in Vista Plus, if needed. Departments should review these reports with batch sheet totals recorded in accordance with instructions in this procedure. Any discrepancies should be promptly called to the attention of ARO.

B. SECTION 2: Decentralized Receivables Monitored at the Department

1. General

- a. Some commercial receivables are not uploaded via TWARBUS; therefore they are invoiced, recorded, collected, and monitored entirely by the department. Please see section 1 for more information on accounts monitored centrally through ARO.
- b. All bills are due when received except when the invoice/bill includes a listed due date. Departments may use their discretion to determine if they will allow customers to set-up a payment plan on credit balances that are over a predetermined threshold established by the department.
- c. The Departmental/Unit Manager responsible for oversight of the sales/service activity may refuse credit to any customer if there is reason to believe that the customer may not be able to pay the account on time, if the customer has a history of non-payment or late payment, or if the customer currently has a past due balance with the University. If it is believed that the customer has a past due balance with the University, please contact ARO before extending credit to the customer.
- d. A deposit may be required before any services may be performed for the customer. This DOES NOT apply to contracts, grants, or agreements with federal, state or local governmental agencies. Whether or not to require a deposit is the department's discretion based on the nature of the product/service being provided.
- e. For departments monitoring their own invoices, a late payment charge of no more than 1.5% may be added to the principal amount due with a new invoice being generated and communicated with the customer. No late payment charges are to be assessed on any late payment charge, only on the principal balance that is outstanding. Invoices should be sent at least once per month and should include a systematic invoice numbering system for ease of tracking and monitoring by the department.
- f. Departments that extend credit must establish a mechanism to monitor the aging of their receivable balances, such as an aging report, and it should be reviewed on a monthly basis in order to determine the next steps necessary to collect the amount due.
- g. Departments that monitor their own collection efforts should make contact on any accounts that go unpaid after thirty (30) days after the first bill is sent, via phone and/or mail, at least once per month if a payment plan has not been established with the customer.

2. Customer Identification

For departments that monitor their own receivables, there should be a unique customer identification system in place that is strictly followed and documented by written departmental procedures. This identification should be printed on all statements and communication sent to the customer.

3. Request for Credit

When a customer requests that the material or service purchased be charged, the department should establish a list of requirements necessary in order to grant credit to any

customer. For example, if the customer is seen in person, a department should keep a copy of the customer's government issued photo ID with a list of two (2) references who can be contacted if the customer is unable to be located. If the customer is purchasing a service or good online, for example, this data should be required to be filled out via the website at the time of the purchase.

- a. The types of information to collect include a mailing address, email address, cell, home and business phone numbers, middle name and or initial, date of birth, emergency contact person, etc. The department can also ask for additional information such as a social security number, tax identification number, and driver's license number.
- b. If the customer desires credit in excess of \$1,000, regardless of whether or not they have a current account with the University, the department may require the customer to provide a deposit for a percentage of the estimated cost of goods or services before credit is extended. Each department should work with their business officer to establish specific policies to follow based on the nature of the goods or services being provided. This does not apply to contracts with federal, state or local government agencies.
- c. When possible, department's should obtain signed confirmation that the customer agrees to the charges as well as the actions that will be taken if the balance goes unpaid. Please see section 6.b. below.

4. Recording Transactions

- a. Charge Sales - Departments are allowed to maintain a point-of-sale system to record transactions, and should have appropriate policies in place for the recording of those transactions. Sales (revenue and cash or receivables) must also be recorded timely in KFS using the accrual method of accounting, meaning revenue is recorded when the sale occurs, not when the cash is received. For additional information on how to properly record transactions in KFS please contact your Campus Services Representative.
- b. Payments Received - All cash receipts, checks or credit card drafts should be processed daily as outlined in FPI 6-1: Receipt and Deposit of Cash and Checks.
- c. Credit to Accounts - If it is necessary to reduce a charge transaction already posted in KFS, the department should create a General Error Correction (GEC) document in KFS to reverse the transaction.
- d. Received on Account – The University uses the accrual method of accounting, as determined by the Governmental Accounting Standards Board (GASB). When a department has manually booked a receivable in KFS and payment is received, the department must reduce the receivable balance and record the payment in KFS. Revenue is booked either when ownership of the goods sold has passed to the buyer or the service has been rendered. For additional information related to accrual accounting please contact your Campus Services Representative.

5. Department Credit and Collection Actions

Departments who are going to extend credit need to develop a system for monitoring when accounts become past due, and must keep record of all collection efforts including the type of attempt made (i.e. phone call, letter, email) and the date of each attempt. For example, when a letter is mailed, document what type of letter was sent (i.e. 1st invoice, statement, final notice); the date of the letter, and the address where the letter was mailed. Each department should have written procedures indicating the types of collection attempts to be made, the number of each of those attempts, and the length of time the account will be kept with the department before turning the account over to ARO for further collection efforts. If the department does not send their uncollectable accounts to ARO, a written policy should be in place outlining extended collection procedures by the department, as well as when and how an account should be written off. This process should be developed with the department business officer and approved by the Campus Services unit of BFS.

6. Invoices

- a. A Service or Sales Invoice should be given to the customer at the time of the sale or service. The department is responsible for monitoring and contacting customers with outstanding invoices. Invoices generated and sent outside of ARO shall not include a due date more than thirty (30) days out from the invoice date. Invoices should be sent at least once per month and should include a systematic invoice numbering system for ease of tracking and monitoring by the department.
- b. All documents provided to and/or signed by the customer should contain proper collection verbiage. An example of proper verbiage is as follows: "I understand and agree that if my CSU account becomes delinquent at any time, I am responsible for paying any late payment charges, collection agency fees up to 40% of the debt, and all costs and expenses including reasonable attorney fees that CSU incurs in its collection efforts." For additional information about acceptable verbiage, please contact ARO.

7. Bad Debt Expense

Bad debt expense is a percentage of the total credit sale and is used to establish a reserve for bad debts. All departments allowing credit sales should establish an allowance for debts that go unpaid, as the debt may need to be written off once it is deemed to be uncollectable. An entry to record the bad debt expense (object code 4433) and the allowance for doubtful accounts (object code 1413) should be submitted in the month the receivable is processed in KFS. All accounts with credit sales should be assessed this expense.

8. Writing off Uncollectable Debt

Once a debt has been deemed as uncollectable it should be written off of the University's books. The Office of the State Controller has determined that the minimum required time before a debt can be written off is 27 months from the time of the last payment, or a minimum of 27 months if no payment has ever been received. In addition to the 27 month rule, all collection efforts, as stated in number 5 above, should be exhausted before a debt is written off. To write off debt as uncollectable, the allowance method should be used. The allowance method reduces the receivable and allowance balances on the University's

balance sheet. For more information on writing off bad debts, please contact your department's Business Officer and/or your Campus Services Representative.

7. **Reference and Cross-References:** None.

8. **Forms and Tools:**

- Bad Debt Request Form: <http://busfin.colostate.edu/forms.aspx>
- CSU Financial Rules: <http://busfin.colostate.edu/fpi.aspx>
- CSU ID Implementation: <http://www.acns.colostate.edu/csuid>
- CSU Policy: IT Security: <http://policylibrary.colostate.edu/policy.aspx?id=492>
- CSU Policy: Social Security Numbers: <http://policylibrary.colostate.edu/policy.aspx?id=544>
- FPI 2.5: Payments to Students: <http://busfin.colostate.edu/fpi.aspx>
- FPI 6-1: Receipt and Deposit of Cash and Checks: <http://busfin.colostate.edu/fpi.aspx>
- State Of Colorado Fiscal Procedures Manual:
<https://www.colorado.gov/pacific/osc/fiscalprocedures> (chapter 8)
- TWARBUS Guide: <http://busfin.colostate.edu/aroweb/Forms/TWARBUSUsersGuide.pdf>