

Departmental Billing and Receivables Policy

I. Purpose of the Policy

This policy provides guidance to campus departments related to the extension of University credit, and the billing and collection of accounts receivable. Some campus departments may be authorized to provide services or products to the students, faculty, staff, and/or the general public. Although cash should be collected from customers whenever possible, credit may be granted when there are no facilities for the collection of cash or when extending credit is deemed to be in the best interest of the University.

This policy describes campus-specific requirements and operational practices related to a campus department extending credit to facilitate the sale of a service or product. It combines pertinent portions of related UC policies with campus-specific provisions. Accordingly, this policy should not be used as a comprehensive reference to the related UC policy. In cases where a comprehensive reference is needed, the UC policy should be consulted. Where conflicts exist between this policy and UC policies, UC policies shall take precedence.

Please refer to Section III for the definitions of important terms used in this policy.

II. Detailed Policy Statement

A. General Provisions

The granting of credit is not a primary function of the University. As a result, credit will be extended only under the following circumstances:

1. To students as required for the administration of fines and assessment of additional fees that may be determined to be applicable after the student registers.
 - a. The campus Administrative Information System (AIS) must be used to bill student-related charges.
 - b. The Office of Student Business Services manages the collection of all past-due student-related accounts, including negotiating and administering any payment plans deemed necessary for the collection of the account.
2. To the general public, students, and employees for services or products normally provided as an adjunct to instruction or research activities by campus departments.
 - a. A campus department must meet all of the following requirements in order to extend credit for sales of its services or products to these parties:
 - i. **Adjunct Services and Products.** The department provides the services or products to these parties as an adjunct to its instruction and research activities.

- ii. ***University Benefit.*** The department can demonstrate that it is impractical or not in the best interest of the University to accept cash payment at the time of the sale of the service or product.
 - b. As required, a campus department must obtain authorization from the appropriate campus oversight body to make available a service or product for sale.
 - c. A campus department must obtain the written approval of the Student Business Services Director in order to extend the credit of the University to these parties.
 - d. A campus department must implement a billing and collections system and/or processes explicitly approved by the Student Business Services Director.
3. To governmental units, foundations, and financial sponsors during the time claims for reimbursement of expenses on sponsored awards are outstanding.
 - a. The extension of credit to these entities is automatically granted.

B. Requirements

A campus department authorized to extend the credit of the University, and to bill for services or products must comply with the following requirements:

1. Assess the creditworthiness of customers. The department is accountable for ensuring the creditworthiness of each customer to whom University credit is being extended. Credit may not be extended to a customer under the following circumstances:
 - a. The customer has an unpaid balance of more than \$50, consisting of charges that are 60 or more days old.
 - b. The customer has previously failed to comply with payment terms.
2. Manage billing and receivables. The department is accountable for ensuring the prompt and accurate billing of all customers. A department may manage its own billing and receivables or utilize the services of the central campus billing and receivables management system. In either situation, the following general billing and receivables management requirements apply:
 - a. Internal controls. The department is responsible for maintaining adequate internal controls over the billing and receivables process. This includes the following:
 - i. Maintaining relevant written billing and collection procedures
 - ii. Using sequentially numbered invoices
 - iii. Documenting and obtaining appropriate approvals for all adjustments made to customer accounts

- iv. Using qualified staff in the billing and receivables process and providing them with adequate training and support
 - v. Documenting collection efforts for each past due account.
- b. Separation of duties. Billing and receivables process functions must be assigned to the appropriate staff members in order to avoid potential conflicts in duties. To allow for adequate separation of duties, each of the following functions should be assigned to a different, qualified staff member:
- i. Approving the granting of University credit
 - ii. Reviewing and approving billing production and distribution
 - iii. Reviewing and approving customer account adjustments
 - iv. Handling and accounting of cash payments received by the billing department in error
 - v. Pursuing collection efforts on past due accounts
- c. Billing process. The department is responsible for complying with the following billing requirements:
- i. Obtaining and maintaining current customer account information necessary to facilitate billing and collection efforts
 - ii. Providing the following information with each bill:
 - 1. Description of the service or product being billed, the transaction date, and related charge
 - 2. Total amount due, including any past due balance
 - 3. Notification that payment in full is due upon receipt
 - 4. Checks are to be made payable to the “The Regents of the University of California” or “UC Regents”
 - 5. Payment is to be mailed to or paid in-person at the UCSC Cashier’s Office
 - 6. Accounts over 30 days old are past due and are subject to the assessment of late payment fees and collection action
 - iii. Promptly billing customers for the sale of goods or products no less frequently than monthly
 - iv. Recording the billing in departmental accounts receivables records

- d. Receivables Management. The department is responsible for complying with the following receivables management requirements:
- i. Reconciling the accounts receivable balance appearing in the general ledger to subsidiary billing records each month
 - ii. Maintaining information about the age of outstanding bills in order to facilitate collection efforts
 - iii. Assessing late payment fees on each customer account that remains unpaid for more than 30 days after the original billing date.
 - iv. Initiating collection efforts after a customer account remains unpaid for 30 days after the original billing date
 - v. Any account past due by more than 60 days involving a balance of more than \$25.00 is to be referred to the Office of Student Business Services (SBS) for further collection activity
 - vi. Maintaining and safeguarding customer, billing, and receivables management information
3. Reporting: The department is responsible for submitting the following information, as applicable, to the Accounting Office:
- a. A department having \$50,000 or more in unpaid billed receivables at the end of a quarter must submit billing and collections data to the Accounting Office within 30 days of the end of the quarter.
 - b. A department with unpaid billed receivables, in any amount, must submit a report of aged accounts receivable as of June 30, by the July 15th of each year, so that revenue and expense accrual entries can be made to the UCSC general ledger for financial statement reporting purposes.
4. Information Protection: The department is responsible for the following:
- a. Complying with all UC and UCSC policies applicable to maintaining and protecting the data collected or produced as a function of the billing, receivables and collections process.
 - b. Complying with all laws and regulations applicable to the protection of customer financial and personal identity information.
5. Other Requirements.
- c. Unpaid accounts referred to the Office of Student Business Services will result in the original amount billed and recorded as revenue being charged back to the departmental account that received the credit entry from the initial transaction.

C. Rescission of Authority

A campus department failing to comply with the University's or the UCSC billing and receivables policies may have its authority to extend the credit of the University rescinded by the Student Business Services Director; Campus Controller; Vice Chancellor, Business and Administrative Services; Campus Provost / Executive Chancellor; or Chancellor.

III. Definitions

Accounts receivable – Money which is owed to UCSC by a customer for products and services provided on credit.

Billing department – A UCSC department or program that is authorized to bill a customer for services or products provided.

Customer – a member of the general public or campus community (student, staff, faculty) who purchases a service or product from a campus department.

General public – an individual that is not a student or employee of the University, or an entity that is not officially affiliated with the University.

Quarter – the three-month period ending on March 31, June 30, September 30, or December 31.

IV. Getting Help

The UCSC Departmental Billing and Collections Guide provides guidance on requesting the authority to extend credit and on general campus billing and collections practices. The Office of Student Business Services assists with campus billings and receivables matters. Please consult the UCSC Financial Affairs website for more information.

V. Responsibilities and Authority

The **Department Billing Coordinator** is accountable for ensuring that the departmental billing and accounts receivable process operates effectively. For the purposes of good separation of duties, other departmental staff members are expected to be involved in each of the different billing and receivables management functions.

The **Department Head** is accountable for ensuring that the credit of the University is extended in a prudent manner to members of the general public, and for the proper application of this policy.

The **Student Business Services Director** is responsible for implementing this policy and for granting, denying, or rescinding the authority of a campus department to extend the credit of the University.

The **Vice Chancellor – Business and Administrative Services** and **Campus Controller** have primary responsibility for rescinding the authority of a campus department to extend the credit of the University should the Student Business Services Director be unavailable to perform the task.

VI. Related Policies/References for More Information

References

UC Accounting Manual

- Chapter R-212-2, *Accounts Receivable Operations*
(<http://www.ucop.edu/ucophome/policies/acctman/r-212-2.pdf>)

Other

- UC Delegation of Authority DA 2196 Delegation of Authority –To Write Off Bad Debts
(<http://www.ucop.edu/ucophome/coordrev/da/da2196.pdf>)
- UCSC Delegation of Authority SCDA-ACG0004, Authority to Write Off Bad Debts, Chancellor to Vice Chancellor Business and Administrative Services, dated May 15, 2000.
- UCSC Delegation of Authority SCDA ACG0005, Authority to Write Off Bad Debts, Vice Chancellor Business and Administrative Services to Assistant Vice Chancellor Financial Affairs, dated May 19, 2000.
- UCSC Delegation of Authority SCDA ACG0008, Authority to Write Off Bad Debts, Assistant Vice Chancellor Financial Affairs to Director Accounts Receivable, dated June 12, 2000.