

Prepared by General Accounting & Loan Collection Office.
Replaces Administrative Procedure A8.651 dated July 1982.

A8.651

A8.600 Accounting

April 2002

P 1 of 12

A8.651 Accounts Receivable

1. Purpose

To provide procedures for recording, reporting, collecting, and write off of accounts receivable.

2. Definitions

- Accounts receivable (AR) is an asset account reflecting amounts due to the University of Hawaii for goods and services rendered. AR also arise from matters incidental to the operation of the University, such as, salary and wage overpayments, dishonored checks and credit memos.
- Subsidiary ledger refers to a current file of detailed AR transactions.
- Invoice is a billing document. See attachment A for the standard University invoice form.
- Allowance for doubtful accounts (allowance) is a valuation account used to estimate the portion of accounts receivable which is considered uncollectible ([refer to A8.671 Year End Accounting Data](#)).
- Uncollectible account is an account where (1) the debtor is no longer within the jurisdiction of the State of Hawaii, (2) the debtor cannot be located, (3) the debtor is unknown or cannot be identified, (4) the debtor has filed bankruptcy and has listed the University of Hawaii as a creditor, or (5) the account is deemed to be uneconomical or impractical to collect.

- Write-off is the process to delete an uncollectible account from the accounts receivable records and to enter it into a special record, provided the account has been delinquent for at least two (2) consecutive years and approved for write-off by the University General Counsel.
- Tax setoff is the process, through the Department of Accounting and General Services (DAGS), to set off any valid debt over \$25.00, owed to the University by the debtor against the debtor's State of Hawaii tax refund.

3. Applicability

The accounts receivable recording, follow-up, tax setoff, write-off and subsidiary ledger review procedures apply to all departments with invoice billings, dishonored check memorandums and salary overpayments. Department heads are responsible for ensuring that all AR have been recorded for the University's year end financial statements.

For purposes of this instruction, AR excludes Federal and private agency contracts and grants receivable, student loans receivable, penalties and fines. Also excluded are interdepartmental transactions which are purchases and sales within the University of Hawaii (UH). The UH is comprised of the University of Hawaii at Manoa, University of Hawaii at Hilo, University of Hawaii at West Oahu, seven community colleges (Hawaii, Honolulu, Kapiolani, Kauai, Leeward, Maui and Windward), Community College Administration and an Employment Training Center.

4. Responsibilities

- a. The fiscal officer shall ensure that he/she or authorized staff:
 - 1) Prepare and record the invoice
 - 2) Create and update customer codes needed for invoice billings on the FMIS AR system
 - 3) Complete the notice of Dishonored Check document on the FMIS AR System (ARS) when notified by the Treasury Office
 - 4) Complete the Notice of Salary Overpayment document on ARS when notified by the Payroll Office

- 5) Collect and record payments from customers
 - 6) Follow-up on unpaid accounts
 - 7) Identify and submit State tax setoff and write-off requests
 - 8) Record write-offs approved
 - 9) Review, reconcile and prepare journal entries as needed to correct the FMIS Financial Accounting System (FAS), ARS and departmental AR subsidiary ledgers and reports
 - 10) Prepare the journal entries to record all outstanding receivables not recorded on the FMIS ARS that are required for year-end UH and departmental financial statements.
- b. The General Accounting and Loan Collection (GALC) Office is responsible to:
- 1) Submit write-off requests received from the departments to the University General Counsel
 - 2) Consolidate and forward accounts submitted by departments via FMIS screen 366 to the State for Tax Setoff
 - 3) Coordinate the recording of all outstanding accounts receivable and allowance for doubtful accounts at the end of the fiscal year for the UH financial reports
 - 4) Reconcile total AR per FAS (account controls 1361, 1363 and 1365) with total AR per ARS reports
- c. The Treasury Office is responsible for initiating the "D" document on the FMIS AR system and forwarding the notice with the dishonored check to the proper fiscal officer.
- d. The Payroll Office is responsible for initiating the "SA" document on the FMIS AR system and forwarding the payroll overpayment worksheet to the proper fiscal officer.

5. Procedures

a. Overview

- 1) Types of AR billings covered
 - a) Revenue
 - b) Reimbursement of expenditures
 - c) Salary and wage overpayments
 - d) Dishonored checks
- 2) AR invoices shall be accounted for and recorded in the FMIS ARS (ARS invoice document prefix "S"), unless maintained on a departmental AR system which has been approved by the Financial Management Office (attachment B).
- 3) All salary and wage overpayment notices, ARS invoice documents prefixed with "SA", shall be generated and maintained on the FMIS ARS per A8.878.
- 4) All dishonored check notices, documents prefixed with "D", shall be generated and maintained on the FMIS ARS per A8.740. The service fee and interest charges for dishonored checks shall be recorded as accounts receivable.
- 5) Non-users or departments which maintain their own AR systems shall record both AR and allowance in summary by journal voucher at fiscal year-end. Journal vouchers shall post to AR account controls used only for year-end entries and shall be supported by details. See A8.671 Year-End Accounting Data.
- 6) ARS invoice billings for reimbursement of expenditures shall be coded with one of the revenue subcodes in the "082x" range. Upon receipt and application of the payment to AR, the department has the option to adjust expenditures. If an adjustment to expenditures is desired, prepare a journal voucher to reduce both revenue and expenditures.

b. Receivables recorded on FMIS ARS

(refer to ARS User Guide for detailed instructions on the screen cited)

1) Summary of the FMIS ARS

- a) Invoice document numbers will be assigned by the system.
- b) Invoices are printed in draft and final form at the user's site.
- c) Invoice billing and adjustment transactions are recorded and fed to FMIS FAS by the user throughout the year.
- d) Coding of invoice payments (cash receipts) will be verified against the outstanding ARS balances during input before acceptance into FMIS FAS.
- e) Allowance for doubtful accounts will be automatically recorded and/or adjusted at fiscal year-end.
- f) History of a document's financial and non-financial activities is maintained.

2) Preparation of ARS invoices

- a) All invoices require an ARS customer code.
 - i) Determine if the customer exists in ARS using the customer action line on screen 361/362 (while preparing the invoice) or screen 351 (customer name search).
 - ii) To create a new customer code, use screen 352.
- b) Complete the invoice in screen 361 or the notice of dishonored check in screen 362.
- c) Use screen 364 to print a draft of the invoice.

- d) Use screen 364 to record (finalize) the invoice and print the final copies of the invoice.
 - e) All AR documents must be finalized by June 30th or the date specified for the University's fiscal year closing.
- 3) Collection of payments
- a) Follow general procedures for the preparation of departmental deposit form FMIS-5 per A8.701. See 5.b.4) for specific coding requirements.
 - b) Payments received for dishonored checks shall be applied first to the service fee and interest charges.
- 4) Codes used on accounting entries for ARS invoices
- a) General coding requirements for FAS and ARS:
 - i) Transaction type = nn"6" except on Authorization for Payment form FMIS-2 (AFP) to refund overpayments to customers
 - ii) Ref1 = Snnnnnn, SAnnnnnn or Dnnnnnn
 - iii) ID no. must contain a valid ARS customer code Cnnnnnnnnnn.
 - b) The following transaction codes will post entries to both the Financial Accounting system and the Accounts Receivable system. Notice that the last digit is "6".
 - i) "066" Journal Entries: Used on journal vouchers when adjusting entries are needed and by the ARS when an invoice is recorded.
 - ii) "036" Cash Receipts: Used on department deposit form to record payment received on ARS invoices.

iii) "046" Cash Disbursement: Used to record a dishonored check; the system will also generate a "066" entry to record the AR.

c. Departments with their own AR system

- 1) Obtain approval to use a departmental AR system if the FMIS AR system is not used (attachment B).
- 2) Prepare the journal entries to record all outstanding receivables not recorded on FAS that are required for the year-end UH and departmental financial statements.
- 3) Code payments received on non-ARS invoices as cash sales on the FAS.
- 4) Although departmental invoices may not be on ARS, all dishonored checks and salary overpayment receivables are recorded in FAS and ARS.

d. Review of Accounts receivable ledgers

Subsidiary ledgers shall be reviewed by the departments to ensure that all paid invoices are properly deleted and that all and only valid outstanding balances are presented on the University's financial statements as accounts receivable.

e. Reporting

- 1) Monthly reports, including an aging report, indicating the outstanding accounts receivable balance shall be generated.
- 2) AR and allowance for interdepartmental transactions, although excluded for the systemwide financial statements, shall be recorded in departmental financial statements via adjusting entries.

f. Follow-up for delinquent accounts

The following are guidelines for departmental collection efforts when a receivable is outstanding for more than 30 days.

A log of all telephone conversations and correspondence shall be kept as documentation of the collection efforts. All correspondence shall have the notation "ADDRESS SERVICE REQUESTED".

- 1) Send a reminder by mail or telephone. Departments may use private companies that specialize in letter writing to assist them in this area.
- 2) After 15 days, send a firmer reminder by mail, establishing a deadline for payment within 15 days.
- 3) If no response is received within 15 days, send a final warning by mail, stating that if immediate payment is not received the account will be reported to the General Counsel and subject to a tax refund setoff, assignment to a collection agency, and/or litigation.
- 4) If no response is received, forward the account to a collection agency.
- 5) If the customer is an individual and his/her social security number is available, submit the account for tax setoff via FMIS screen 366.

g. Write-off of uncollectible accounts

- 1) A receivable is considered for write-off when an account is deemed uncollectible and the account has been outstanding for at least two (2) consecutive years per Hawaii Revised Statutes, Section 40-82. Prior to receiving the write-off approval, such an account would be included in the year-end recording of the allowance for doubtful accounts.

- 2) The Request to Write-Off Uncollectible Accounts is prepared by the originating department and submitted to the University General Counsel Office via GALC with supporting documentation of the outstanding debt, collection efforts and the reason for uncollectibility. See attachment C for the form to complete.
- 3) When the General Counsel's written approval is received:
 - a) The department shall thereupon be relieved from any further accountability for its collection unless the General Counsel finds that the facts as alleged and presented were not true or that the account has become collectible.
 - b) Departments with their own AR system shall adjust only their departmental records. All prior year AR and Allowance balances recorded by journal voucher on FAS will be automatically reversed at fiscal year-end.
 - c) Departments using the ARS shall prepare a journal voucher to reduce the AR and Allowance balances.

FMS-24
 (REV 04/1998)

**UNIVERSITY OF HAWAII
 INVOICE**

DATE:

INVOICE NUMBER

SOLD TO:	DIRECT INQUIRIES TO:
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BILL TO:	REMIT TO: #99-6000354
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LINE	DESCRIPTION	QUANTITY/UM	UNIT PRICE	AMOUNT

**PLEASE MAKE CHECKS PAYABLE IN U.S. CURRENCY TO THE UNIVERSITY OF HAWAII
 FOR PROPER CREDIT IDENTIFY INVOICE NUMBER ON PAYMENT**

LINE	DR ACCOUNT	CR ACCOUNT	AMOUNT	LINE	DR ACCOUNT	CR ACCOUNT	AMOUNT

FISCAL OFFICER COPY

**REQUEST TO MAINTAIN DETAIL ACCOUNTS RECEIVABLE
TRANSACTIONS IN A DEPARTMENTAL SYSTEM**

Detail accounts receivable transactions shall be recorded in the FMIS AR system, unless exception has been given by the Financial Management Office to record details in a departmental system which meets the following requirements. See Administrative Procedures A8.651, Accounts Receivable, for more details.

ACCOUNTING

- Accounts receivable are accurate and complete.
- Receipts are reconciled to their related billings.
- Internal controls, such as, separation of duties are in place.

REPORTING

- Accounts receivable and allowance for doubtful accounts are recorded in UH and departmental financial statements.
- Monthly summary of aged accounts receivable shall be submitted to the General Accounting and Loan Collection office by the 5th working day after month end. A detailed listing of accounts receivable will be available and submitted upon request.

COLLECTION

- Accounts receivable are aged, and collection pursued in accordance with A8.651.

CERTIFICATION/REQUEST

We certify that our departmental accounts receivable system meets the accounting, reporting and collection requirements outlined above and in A8.651, and request that AR details be maintained in our system.

Organization Name: _____

FO #	Type name of Fiscal Officer	Signature	Phone	Date
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Type name of Dean/Director	Signature	Phone	Date
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APPROVED/DISAPPROVED

(Send request to the General Accounting & Loan Collection Office)

Financial Management Office	Date
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Debtor ____ of ____

UNIVERSITY OF HAWAII
REQUEST TO WRITE-OFF UNCOLLECTIBLE ACCOUNTS

Reason(s): HRS 40-82

- Debtor is no longer within the jurisdiction of the State.
- Debtor cannot be located.
- Debtor is unknown or cannot be identified.
- Debtor has filed bankruptcy and has listed the State as a creditor.
- Account is deemed to be uneconomical or impractical to collect.

DEBTOR'S NAME

Soc Sec #

Last Address

Phone #

----- INVOICE -----
Date No. Amount

COLLECTION
DESCRIPTION

FO#:

Department:

FO Signature:

Phone#:

Date:

Prepared by:
