PURPOSE

To provide procedures and guidance for accounts receivable management in accordance with ICSUAM Policy 3130.01.

SCOPE

These procedures apply to both the University and all related auxiliary organizations.

DEFINITIONS

Allowance for uncollectible accounts
An account for which the University estimates the amount of accounts receivable it does not expect to collect. The uncollectible account is generated by setting up a contra asset account and reducing revenue.

Write off of uncollectible accounts
To remove the associated accounts receivable balance from the accounting records after efforts have been exhausted to collect on it. The write off of the account receivable is generated by eliminating the contra asset account and the associated accounts receivable balance.

RESPONSIBILITIES

Cashier/Accounts Receivable Administrator
The Cashier/Accounts Receivable Administrator responsibilities are to:

- Review initial invoicing processed by the accounts receivable accountant or accounting technician
- Review/approve departmental requests for accounts receivable cancellations and credits
- Review the accounts receivable aging report on a monthly basis
- Review and approve amounts set-up as allowance for uncollectible accounts
- Review all recommended accounts to be written off and submit to authorized individual for approval
- Ensure that monies owed to the University are accurately accounted for and all accounts receivables due to the University are recorded in the general ledger

Accounts Receivable Accountant or Accounting Technician
The Accounts Receivable Accountant or Accounting Technician’s responsibilities are to:

- Receive(review billing request and process initial accounts receivable invoicing
- Process cancellation or credit requests received by the initiating department
- Produce monthly accounts receivable aging reports and analyze for unpaid balances
- Send billing statements and follow-up on unpaid accounts
- Analyze receivables to determine allowance for uncollectible accounts and write-offs
Departments
To streamline the generating of invoices and entering of data into the A/R subsystem and general ledger the following departments process accounts receivable billings as follows:

- Sponsored Programs Administration (SPA) and the Anthropological Studies Center (ASC) enter data into the PeopleSoft/Oracle Finance A/R subsystem and then notify Accounts Receivable. Accounts Receivable verifies data, generates and prints invoices and sends copies to SPA and ASC who then mail out invoices. Accounts Receivable posts transactions into the A/R subsystem. Copies of invoices and backup are retained by SPA, ASC, and Accounts Receivable.
- Northwest Information Center (NWIC) enters data into the PeopleSoft Finance A/R subsystem, then notify Accounts Receivable to generate/print and mail invoices. Accounts Receivable then posts transactions into the A/R subsystem. Accounts Receivable mails invoice to customer and emails copy of invoice to NWIC.
- All other departments submit the Billing Request Form to be processed by the Accounts Receivable department.

PROCEDURES
1. Initial Invoicing
All valid charges due to the University must be processed centrally through the University Accounts Receivable Department. Departments initiate invoicing by submitting a billing request to the University Accounts Receivable Department. Within 30 days of receiving billing requests, invoices are prepared using sequential reference numbering in PeopleSoft/Oracle Finance AR subsystem. Two copies of each invoice are produced, one copy is filed by the accounts receivable department and the other copy is mailed out to the student/customer being billed.

2. Cancellations and Credits
The appropriate department with the appropriate managerial approval will notify the University Accounts Receivable Department indicating the reason for the reduction or cancellation of the invoice previously billed. The appropriate reduction or cancellation justification and supporting request is submitted to the Accounts Receivable Administrator for review and approval. After approval, the accounts receivable accountant or accounting technician processes the cancellation or credit.
3. Collection Efforts and Methods

A. Trade Receivables
   1. At mid-month an automated account balance statement is produced by the Accounts Receivable Accountant or Accounting Technician and sent to any vendors who have an outstanding balance.
   2. On a monthly basis, the Accounts Receivable Accountant or Accounting Technician runs an accounts receivable aging report and identifies parties who have an account balance that are 30 days or more past due.
   3. Using the aging report, parties that are 30, 60, or 90 days past due are sent written notices by the Accounts Receivable Accountant or Accounting Technician.
   4. After an account is 120 days past due, the Accounts Receivable Accountant or Accounting Technician may submit the delinquent accounts to the collection agency for the University.

B. Student Receivables
   1. On a monthly basis, an automated e-bill is generated by the system and sent to any students who have an outstanding balance.
   2. On a monthly basis, the Accounts Receivable Accountant or Accounting Technician runs an accounts receivable aging report and identifies parties who have an account balance that are 30 days or more past due.
   3. Student accounts which have an outstanding balance after the due date for the given term (the last day to add/drop for the semester) are past due and will receive a 30 day past due written notice.
   4. Student accounts which have an outstanding balance 60 days past due will receive a second past due notice.
   5. Student accounts which have an outstanding balance 90 days past due will receive a third past due notice informing them that the collection efforts will be handed over to a collection agency if the outstanding balance is not received approximately 30 days after the letter.
   6. The Accounts Receivable Accountant or Accounting Technician will submit the delinquent accounts to the collection agency based on the following criteria:
      a. The account is 120 days or more past due, and
      b. The student does not appear to be returning to the University.

If it is likely the student will be returning to the University to take classes, the Accounts Receivable Accountant or Accounting Technician will wait until after the registration period to see if the student will pay the outstanding balance so the student can register for classes. If payment has not been received upon the closing of registration, the Accounts Receivable Accountant or Accounting Technician will submit the account to the collection agency.
7. Students with past due balances when registration times are assigned for the following semester will have a hold placed on their student account which prevents the student from receiving any University services and the ability to register for classes.

8. In November of each year, the Accounts Receivable Accountant will submit a list of all past due accounts from the spring semester or older. For all accounts greater than $10, the Accounts Receivable Accountant will submit those individuals to the Franchise Tax Board (FTB) for potential recovery from tax offsets.

C. Employee Receivables

1. Payroll Overpayments

   Employee receivables generated from payroll overpayments may be collected using payroll deduction only when the repayment method and terms are expressly agreed upon in writing by the employee and the deduction would not reduce the employee’s wage below minimum wage for any period covered within the terms of the repayment schedule.


      i. Based on Assembly Bill 1283, Chapter 524, the state is required to recoup salary over-payments made to represented and non-represented employees.

      ii. The University is responsible for adherence to AB 1283 collection provisions.

      iii. Use form 674 AR to set up collection.

         (i) Fill Out Section 6 (A) using pay history exactly as it is coded.

         (ii) Fill Out section 6 (B) indicating the proper pay

         (iii) In the Remarks section, be sure to certify the time.

         (iv) Designate payment method (agency or payroll deduction (only if expressly agreed

              upon in writing by the employee)).

         (v) Obtain authorized signature.

   b. Notifying Employees

      i. The University is responsible for notifying employees of existing salary overpayments or impending accounts receivable balances. The University must provide employees an opportunity to respond prior to initiation of collection procedures. The employee should be given 15 calendar days to respond either verbally or in writing.

      ii. Using one of two sample notifications provided by the Chancellor’s Office, the Payroll department will notify the employee in writing of an accounts receivable balance. The following items are included in the Accounts Receivable letter:

         (i) Gross Amount due

         (ii) Net Amount due

         (iii) Pay period affected

         (iv) Reason for overpayment
(v) Response time (15 calendar days) afforded to employee prior to collection action.

(vi) Option Selection for the employee to complete

1. Option 1 – Payroll Deduction
   a. Obtain authorized signature on letter

2. Option 2 – Personal Payment
   a. Maintain AR in your pending book, until the AR has been cleared.

iii. The following items are included in the New Employee Health Premium Collection Memo:

   (i) Notification of the Health Premium Amount due by copy of the Health Plan Rate sheet

   (ii) Notification that a future Pay period will be affected

   (iii) Reason for overpayment

   (iv) Option Selection for the employee to complete

      1. Option 1 – Payroll Deduction
         a. Obtain authorized signature on letter

      2. Option 2 – Personal Payment
         a. Maintain AR in your pending book, until the AR has been cleared.

Notification that if form is not turned in that the Accounts Receivable Letter will be sent.

iv. All responses by the employee will be documented.

c. Collection Methods

i. Two methods will be used to recoup salary overpayments, based on mutual agreement between the campus and the employee:

   (i) Cash payment via establishment of an agency collection accounts receivable.

   (ii) Installments via establishment of a payroll deduction accounts receivable. If an employee has multiple overpayments, the accounts receivable amounts will be totaled and divided by the number of pay periods requested (12 pay period maximum).

ii. The recoupment amount must not exceed 25% of the employee’s monthly net (gross minus mandatory deductions) salary. An exception is if the employee requests or agrees to a recoupment amount of over 25%. The recoupment amount via payroll deduction must not reduce the employee’s wage below minimum wage for any period covered within the terms of the repayment schedule even if agreed upon.

(i) If accounts receivable collection, attach the check to the proper SSU accounting clearing form.

(ii) Indicate the AR number

(iii) Indicate if the employee is due a balance, or if there is still an outstanding balance.
(iv) Send check along with form to the Cashiers Office.

d. No Mutual Agreement or Employee Response
   i. After the initial notification to the employee, student, or separated employee, two additional letters will be sent in 30 day intervals.
   ii. The accounts receivable list will be reviewed and updated each month in conjunction with Financial Services. Any accounts receivable that remains uncollected due to non-communication from the employee will be sent to collection after 90 days.

e. University Authority
   i. The University has the authority to withhold an employee’s pay warrant and issue a revolving fund check for the differences between the employee’s pay and the amount owed if the overpayment was made in the same pay period.
   ii. The University does not have the authority to withhold an employee’s pay warrant and issue revolving fund check for the difference between the employee’s pay and the amount owed if the overpayment was made in a different period.
   iii. An employee will be notified via an accounts receivable notification letter and be given 15 days to respond.

f. Separating Employees
   i. Payroll deduction may not be used to collect payroll overpayment receivables from an employee’s final paycheck. After the initial notification to the separated employee, two additional letters will be sent in 30 day intervals.
   ii. The accounts receivable list will be reviewed and updated each month in conjunction with Financial Services. Any accounts receivable that remains uncollected due to non-communication from the employee will be sent to collection after 90 days.

g. Statute of Limitations
   i. The University cannot take action to recoup an overpayment, unless the action is initiated within three years from the date of overpayment.

h. Collection Efforts
   i. After the initial notification to the employee, student or separated employee, two additional letters will be sent in 30 day intervals.
   ii. The accounts receivable list will be reviewed and updated each month in conjunction with Financial Services. Any accounts receivable that remains uncollected due to non-communication from the employee will be sent to collection after 90 days.

i. FTB
   i. After exhausting the administrative procedures for recovering accounts receivable from separated employees, the University may request an offset from Franchise Tax Board (FTB).
2. Travel Advances
   a. Seawolf Services will send a travel advance reminder letter 30 days after the last day of travel for any uncleared travel claims.
   b. If the employee has not submitted an approved travel expense claim to Seawolf Services within 30 days following the first reminder letter, Seawolf Services will send the travel advance to Accounts Receivable for further collection efforts.
   c. Accounts Receivable will send a letter notifying the employee the account may be sent to collections if amount is not paid within 30 days.
   d. If amount remains unpaid, the account may be sent to a collections agency.
   e. Advances that cannot be recovered from the traveler within 120 days of the end of the trip will be reported as wages income to the employee no later than the first payroll period following the end of the 120-day period. The uncleared travel advance will also be charged to the department’s account as indicated on the Travel Authorization/Advance form.
   f. Employees who fail to clear their travel advances in accordance with campus and CSU policy may result in their travel advance privileges being suspended or revoked.

3. Employee Business Expense Reimbursements
   a. Follow same procedures identified in the Trade Receivables section 1.A.

4. Collections Efforts - Materiality Threshold for Employee Receivables
   a. In certain circumstances, the University’s collection efforts may cost more than the amount that is expected to be recovered. For those reasons, the University may choose not to pursue collection efforts if the employee receivable balance is less than $10.

D. Related Party Receivables
   1. On a monthly basis, the Accounts Receivable Accountant shall review the accounts receivable aging report for any outstanding related party receivables. The Accounts Receivable Accountant follows up on all outstanding receivable balances greater than 30 days with verbal or written communication to the applicable department or entity until the issue is resolved.

4. Establishing Uncollectible Accounts
   A. Trade Receivables
      1. At the end of each fiscal year, the Accounts Receivable Accountant shall perform an analysis of write offs made over the past 3 years to determine if an allowance for uncollectible accounts should be established.
      2. The analysis to determine the allowance for uncollectible accounts should be approved by the Cashier/Accounts Receivable Administrator.
      3. The allowance is setup by debiting revenue account 5XXXXX and by crediting contra asset account 104XXX.
B. Student Accounts
   4. At the end of each fiscal year, the Accounts Receivable Accountant shall perform an
      analysis of write offs made over the past 3 years to determine if an allowance for
      uncollectible accounts should be established
   5. The allowance is setup by debiting revenue account 501400 “Allowance for Higher Ed
      Fees” or revenue account 504400 “Allowance for Sales and Services for Auxiliary
      Enterprises” and by crediting contra asset account 104XXX.

C. Employee Accounts
   1. No allowance for uncollectible accounts is setup for employee overpayments because
      overpayments are uncommon and the amounts uncollected are immaterial.

D. Loan Accounts
   1. Allowances for uncollectible loan accounts are analyzed and booked for financial statement
      purposes in the SOGAP business unit. At the end of each fiscal year, the Assistant Controller
      performs a five year historical trend analysis which provides the average percentage rate for
      all loans that were written off. This rate is obtained by taking the total loan write-offs as a
      percentage of the total outstanding loans over the five year period. This percentage is used to
      calculate the annual allowance for uncollectible loan accounts.

E. Parking Fines
   1. Allowances for uncollectible parking citations are determined by taking a five year historical
      average of collection rates for each of the four aging category groups noted below:
      a. 30 days – 6 months
      b. 6 months – 2 years
      c. 2 years – 3 years
      d. 3 years – 5 years
   2. At the end of each fiscal year, the Cashier/Accounts Receivable Administrator obtains a
      payment report of all citation payments received during the fiscal year. The current fiscal
      year’s payment report is used to analyze the collection rate as a percentage of prior year’s
      outstanding receivables for each aging category group above. The collection rate for each
      aging category group is averaged with the previous four years to determine the five year
      average uncollectible rate per aging category group. The percentage of uncollectible
      accounts per aging category group is multiplied by the current fiscal year end’s accounts
      receivable for each category group to determine the total allowance for uncollectible
      accounts.

5. Write-off of Uncollectible Accounts
   A. Accounts receivable balances determined to be uncollectible by the close of the fiscal year must
      be written off. A combination of the following criteria should be used when determining which
      accounts receivable balances to write off:
1. Letters have been sent to the vendor or student requesting payment for past due amounts
2. The collection agency is unable to collect on the vendor or student
3. No tax offsets being collected (obtaining state tax refunds) by the FTB
B. At the end of the fiscal year, the Accounts Receivable Accountant shall review and analyze all outstanding accounts. Once an uncollectible account has been reviewed and determined to meet the appropriate criteria for write-off, the Accounts Receivable Accountant shall prepare a listing of the accounts to be written off and submit this along with the appropriate accounting entries for review to the Cashier/Accounts Receivable Administrator.
C. All accounts receivable write-offs must be approved by the Chief Financial Officer or designee.
D. The write-off of uncollectible accounts in funds held by the State Treasurer and accounted for by the State Controller must follow the process outlined in the State Administrative Manual (SAM).

6. POLICY/PROCEDURE CONTACT INFORMATION

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<th>Contact Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Account Receivable</td>
<td>Nicholas Saschin</td>
<td>Cashier/Account Receivable Administrator</td>
<td>x42338</td>
<td><a href="mailto:Nicholas.saschin@sonoma.edu">Nicholas.saschin@sonoma.edu</a></td>
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APPROVAL AND REVISION HISTORY

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<tr>
<th>Policy Owner Approval</th>
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<th>Effective Date</th>
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<tr>
<td>Letitia Coate</td>
<td>AVP A&amp;F</td>
<td>10/22/2013</td>
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<td>David Crozier</td>
<td>Sr. Director, University Financial Services</td>
<td>3/3/2016</td>
<td>3/3/2016</td>
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<td>1. Added sections 1 and 2 to procedures in accordance with ICSUAM 3130.01</td>
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<td>2. Updated ICSUAM references from 3131.01 and 3130.01 to new consolidated 3130.01</td>
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</table>
Monthly account balance statements sent

Payment is past due

Past due letters are sent

Account is 120 days past due

Trade Account

Student Account

Account may be sent to a collections agency

Wait until following semester registration opens to see if student pays

Yes

Does the student appear to be returning to the Univ the following semester?

Hold is placed on student account preventing further Univ svcs and registering

Registration times are assigned for the following semester by Registrar

No

Account may be sent to a collections agency

November of each year a list of all past due accounts sent to FTB for tax offsets

Are payments being collected by collection agency or FTB?

Yes

Have all reasonable collection efforts been exhausted?

At fiscal year end, A/R Acct. prepares journal entry for write-off

Write-off reviewed by Cashier/AR Administrator

Approved by the CFO or designee

Write-off A/R

No

Continue collection efforts

Yes

Are payments being collected by collection agency or FTB?

No