

**ACCOUNTS RECEIVABLE**

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## ACCOUNTS RECEIVABLE

### I. PURPOSE OF CHAPTER 12

The purpose of this chapter of *The Guide* is to establish guidelines for departments to follow in the administration of accounts receivable.

The information included in this chapter is geared towards departments that work with non-student receivables and student receivables.

### II. OVERVIEW

Managing accounts receivable is a business function that is critical to the financial success of an organization. It is the preferred practice at Adams State College to receive payment prior to or at the time of providing a good or service.

Although it is quite easy to create an accounts receivable, it can be very difficult to collect the cash that is due the college. Managers of departments that regularly engage in accounts receivable activities must follow strict credit granting and collection guidelines so as to ensure that state of Colorado and college assets are being utilized wisely. Even those departments having only occasional accounts receivable activities must collect sufficient information from each customer so as to be able to collect on the debt.

### III. PERTINENT POLICIES AND REGULATIONS

- State of Colorado, Department of Personnel, Office of the Executive Director, *Accounts Receivable Collections Administrative Rule*, Effective January 1, 1997 [http://www.colorado.gov/dpa/dfp/sco/acct\\_rec/ar\\_rule.pdf](http://www.colorado.gov/dpa/dfp/sco/acct_rec/ar_rule.pdf).
- **Colorado Revised Statutes:**
  - Sec. 24-30-102(2)(f)(9)
  - Sec. 24-30-201
  - Sec. 24-30-202.4
  - Sec. 39-21-108
  - Sec. 5-12-102
- **State of Colorado Fiscal Rules**
  - Rule 6-7
  - Rule 8-4
  - <http://www.colorado.gov/dpa/dfp/sco/rules/rules.htm>

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- *Fiscal Procedures Manual*, State Controller's Office, Division of Finance and Procurement, Chapter 8, March 2002.
  - <http://www.colorado.gov/dpa/dfp/sco/fiscalmanual/manual.htm>.
- State Controller Approved Higher Education Accounts Receivable Matrix

### IV. TERMS AND DEFINITIONS

**Accounts Receivable** are amounts owed to a state agency by an identified debtor. In many circumstances, the accounts receivable refers to the amount due from a customer for the sale of goods or services, when the goods or services have been delivered to the customer, and payment is not received by the seller prior to or at the time the goods were received by the customer. In other situations, the accounts receivable results from charging fines, assessing late fees, accepting a non-sufficient funds check, etc. Each individual transaction associated with any of the above-noted items is an account receivable.

**Aged Accounts Receivable** is a schedule that categorizes each account receivable by the number of days it is past due.

**Allowance** is an estimate of the amount of accounts receivable that is unlikely to be collected.

**Bad Debt Expense** refers to the administrative costs for the collection of past due accounts receivable and the writing-off of uncollectible accounts receivable.

**Central Collection Services - (CCS)** is an office within the state of Colorado's Division of Finance and Procurement. The main function of CCS is collection of state debt. The college is required by state law to use CCS and to follow their procedures in the collection of past due accounts receivable, other receivables, and debt. Additional information about CCS is available on the Web at <http://www.colorado.gov/dpa/dfp/CCS/index.htm>.

**Debt** is any dollar amount due and owing that has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for that sum.

**Debtor** is any individual, corporation, or business owing money to - or having a delinquent account with - any department whose obligation has not been adjudicated, satisfied by court order, set aside by court order, or discharged in bankruptcy.

**Departmental Accounts Receivable System** is a record-keeping system developed by the department to record the accounts receivable transactions for

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each customer. This system includes the date and amount of each sale, payment, adjustments, and outstanding balance for each customer. The departmental system is used to generate aging reports and support the summary data recorded in The Finance System.

**Due Date** is the date the debt is due and payable to the department.

**Forgiveness of Debt** may occur when the college, in consultation with CCS, enters into negotiations with debtors to settle an account for less than the full amount due. Before any settlement agreement is signed, it must be routed through CCS for submission to the State Controller. The State Controller and State Treasurer must approve the settlement.

**Other Receivables** refer to any other amounts owed to the college such as amounts due from retirees, from employees for payroll overpayments, credit memos due from suppliers, fines owed to the library, citation fees owed to parking services, late-payment fees, etc.

**Past Due** means any debt not paid by the close of business on the due date.

**Write-off**, when used as a noun, refers to an account receivable that has been removed from the accounting records. The debt has not been forgiven, and CCS will continue to pursue collection through tax-offset and other means.

**Write off**, when used as a **verb**, is the act of removing an account receivable from the accounting records. This involves a journal entry to remove the accounts receivable from the financial system and an adjustment to the departmental accounts receivable system.

## V. POLICY

It is the policy of Adams State College to establish strict accounts receivable and collection procedures. These procedures must be designed to effectively collect all moneys due to the college in a timely manner, and to make sure accounts receivable are recorded appropriately in the Finance System, so that the assets of the college and the state of Colorado are utilized wisely. Furthermore, pursuant to state law, Adams State College is required to refer most debts which are 30 days past due to CCS for collection.

## VI. INTERNAL CONTROL

Since cash is a sensitive asset, accounts receivable management must include strong internal controls. Therefore, it is of paramount importance that the

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individual in the department who receives cash from customers, or is involved in the billing process, not be able to access accounts receivable records. This separation of duties is necessary so that the departmental accounts receivable system records and the Finance System cannot be altered in order to intercept cash without detection.

### VII. ESTABLISHING AND ADMINISTERING ACCOUNTS RECEIVABLE

Each department that is regularly involved in accounts receivable activities must

1. **Develop a written procedure** for administering accounts receivable, and
2. **Train its staff** to consistently use and apply this procedure.

For those departments who are only occasionally forced into a credit-granting situation, (e.g., upon accepting a non-sufficient funds check), the development of a comprehensive, written accounts receivable procedure is not required. For additional information pertaining to non-sufficient funds checks, refer to the **Note:** in Section VIII, *Working With Credit*, Letter A, *Credit Authorization Procedures*, and also to Section XIV, *Non-Sufficient Funds Checks* in this chapter of *The Guide*.

As noted in Section VI, *Internal Controls*, of this chapter in *The Guide*, it is imperative that departmental accounts receivable procedures incorporate strong internal controls. Internal controls relevant to an accounts receivable procedure include items such as stating due dates, articulating billing cycles, having structured collections processes, and segregating the duties of cash handling and accounts receivable record keeping. Thus, when developing departmental accounts receivable procedures, it is important to incorporate the following items:

1. Credit Authorization  
Develop a formal process for granting credit to customers. Secure enough information about the prospective customer in order to make an informed decision about whether or not to grant credit and to also effectively collect the debt should it become necessary. Refer to Section VIII, *Working with Credit*; Letter A, *Credit Authorization Procedures*, of this chapter in *The Guide* for additional information.

DO NOT continue to extend credit to customers with outstanding delinquent balances or balances that were written off.

2. Credit Terms  
Credit terms establish the payment due date, and determine what charges will be assessed on past due accounts. Refer to Section VIII, *Working*

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with *Credit*, Letter B, *Credit Terms*, of this chapter in *The Guide* for additional information.

3. Due Date

According to Chapter 8 of the *Fiscal Procedures Manual*, it is the policy of the State of Colorado that state agencies establish a due date that provides reasonable assurance of prompt payment by the recipient of a good or service when it is not feasible to collect payment at the time the good or service is provided. Thus, each department must develop a due date policy for departmental sales. The due date determines the date payment is due for each credit sale.

4. Billing and Collection

Bill the customer as quickly as possible upon providing the good(s) or service(s). At a minimum, billing should be done on a monthly basis, prior to month-end. Send a second notice on the due date. In addition, make telephone or e-mail contact with each customer whose payment is not received by the due date. Record the results of each contact in the departmental accounts receivable system. (See item #5, which follows.)

5. Departmental Accounts Receivable System

Set up a departmental accounts receivable system to track all accounts receivable transactions according to customer. This system, at a minimum, should provide the following:

- Customer identification
- Date, description, and amount of each sale
- Date and amount of each payment
- Date, reason, and amount of each adjustment
- Date and amount of each approved write-off
- Ability to record billing and collection activity
- Ability to age the accounts receivable
- Ability to classify the accounts receivable type, as a means of facilitating reporting required by the State Controller.

A departmental accounts receivable system will also assist with referring past due accounts to CCS, and with identifying accounts that are uncollectible.

6. Monthly Review of Customer Accounts

On a monthly basis, do the following:

- Reconcile the customer balances in the departmental accounts receivable system to the accounts receivable balance in the appropriate accounting string. Make corrections to the

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departmental accounts receivable system and/or the Financial System as needed.

- Prepare an Aged Trial Balance for accounts receivable. Analyze this schedule to determine the status of the outstanding receivables. Look for trends or indications of poor collections. Identify accounts that are likely not to be collected.
- Based upon the information generated by the Aged Trial Balance, prepare a journal entry to adjust the Allowance for Doubtful Accounts for each account combination.
- Review accounts with credit balances and develop procedures for correction.
- Follow up on all past due accounts. Document what steps have been taken to collect the account, who performed the follow-up, the date of the follow-up, and the status of the account.
- Review the past due accounts to determine which accounts must be sent to CCS.
- Reconcile internal departmental accounts receivable records to reports issued by CCS.

### 7. Referring Accounts to CCS

According to Chapter 8 of the *Fiscal Procedures Manual*, all debts that are 30 days past due, unless a pre-approved alternative time frame has been established, must be referred to CCS for collection. Refer to Section X, *Collections*, Letter B, *Referral of Past Due Accounts Receivable to CCS*, in this chapter of *The Guide* for additional information about this topic.

### 8. Writing Off Accounts Receivable

Consistent with the criteria set forth by the state of Colorado, develop procedures for writing-off accounts in a timely and systematic fashion. According to Chapter 8 of the *Fiscal Procedures Manual*, prior to the end of each fiscal year state agencies must review their accounts receivable and request to write off accounts deemed uncollectible. At Adams State College, **all** write-off requests must be reviewed and approved by the campus controller. The deadline for departments to forward their write-off requests to the controller is March 31<sup>st</sup> of each fiscal year. This allows for both state-level review and approval processes, as well as campus level accounting transactions to be completed prior to year-end closing deadlines. Refer to Section XII, *Writing Off Accounts Receivable*, in this chapter of *The Guide* for additional information about this topic.

### 9. Document Retention

Retain supporting documentation for all accounts receivable.

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## VIII. WORKING WITH CREDIT

### A. Credit Authorization Procedures

The most important tasks in granting credit are securing enough information about the prospective customer in order to make an informed decision about financing the purchase, and securing adequate information to locate each customer in the event of default. Departmental records for each customer to whom credit has been extended should include the following information:

- Customer name
- Social Security # and/or Federal Employer Identification Number
- Current home address and telephone number
- Current work address and telephone number
- Permanent address
- Name and address of nearest relative or guardian not living with the debtor
- Date of birth
- Other credit references such as banks, credit cards, and retail stores
- Name of a parent or guardian

Use the **Credit Authorization Information** form to record this information.

**Note:** Occasionally, checks accepted for payment by a department will be returned by Adams State College's bank due to insufficient funds. This forces a credit-granting situation on the department without the benefit of a completed **Credit Authorization Information** form to assist the department in obtaining needed credit information from the customer. Therefore, sufficient information should be obtained for each check accepted to facilitate the collection process should that become necessary. At a minimum this information would include:

- Name
- Address
- Phone number
- Social security number
- Other identifying information such as Colorado driver's license number.

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**Exhibit 1**

**Adams State College  
CREDIT AUTHORIZATION INFORMATION**

For an Individual	For a Business/Organization
<b>CUSTOMER INFORMATION</b>	
Customer Name _____	Customer Name _____
Social Security Number ____ - ____ - _____	Federal Employee ID # ____ - _____
Current Home Address _____ _____	Dept. Contact Person _____
Phone (____) ____ - _____	Address _____ _____ _____
Customer Permanent Address _____ _____	Phone (____) ____ - _____
Date of Birth ____ / ____ / ____	Other Credit References - Banks, Attorneys, Businesses, Dun & Bradstreet Listings, Etc. _____ _____ _____ _____
Driver's License State ____ # ____	Prepared By _____
Name of Nearest Relative or Guardian Not Living with Debtor _____	Extension _____
Address of Same _____ _____	Campus Box _____
Other Credit References (Banks, Retail Stores) _____ _____	Date _____
<b>EMPLOYER INFORMATION</b>	
Current Employer and Address _____ _____ _____	<b>Credit Approved By</b> _____
Phone (____) ____ - _____ ext. ____	

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### **B. Credit Terms**

The choice of credit terms - determining the due date and deciding what charges to assess on past due accounts - is a management decision. In setting these terms, it is important to consider that the greater the period of time given to a customer to pay, the smaller the chance that payment will be made, and the longer the period of time departmental funds will be tied up. Although market pressure may play a role in dictating terms, it is important to keep the term as short as possible.

#### **1. Due Date**

The due date is critical in that it determines:

- The amount of time the customer has to pay the bill
- When the departmental collection procedures are initiated
- When an account receivable must be submitted to the CCS for collection
- The date to begin calculating interest on past due accounts.

#### **2. Charges Assessed on Past Due Accounts**

State law (*CRS 5-12-102*) provides for charging interest, setting the interest rate on past due accounts, and for recovering all expenses incurred in the recovery of debt on past due accounts receivable. According to *CRS 5-12-102*, the standard interest rate is eight per cent. All credit customers must be informed of what constitutes a past due account, and of the credit terms - including both interest and collection costs - charged on past due accounts. Language regarding collection costs may be stated as follows.

The State of Colorado, its agencies, officers, and assigns, shall be entitled to collect all expenses incurred in the recovery of any debt created by the contract, or in pursuing any other remedy provided by law, including but not limited to reasonable attorney fees and/or collection costs.

Departments may wish to post a sign stating the credit terms.

## **IX. BILLING**

If a customer, other than a campus department, bought a product or service and did not pay for it at the time of the purchase, an invoice or notice must be created and sent to the customer. The initial billing must be done as quickly as possible following the sale, and at least prior to month-end. At a minimum, it is necessary to include the information below on the invoice:

- Billing agency (Adams State College)
- Billing department
- Contact person
- Mailing address

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- Telephone number
- Date of sale
- Items sold
- Unit price
- Total amount due
- Due date and credit terms
- Where to send the payment.

If a department is involved in an accounts receivable situation due to the assessment of fines and fees, or because it accepted a non-sufficient fund check, notice must be sent to the customer as quickly as possible, and at least prior to month-end. Include information such as:

- Contact person
- Mailing address
- Telephone number
- Date fee, fine, etc. was assessed
- Total amount due
- Due date
- Where to send the payment.

For those accounts not paid by the due date, issue a second notice on the due date. If this is not possible, be sure to issue the notice no later than at the end of the month during which the sale took place, the fee/fine occurred, or the non-sufficient fund check was accepted.

### **X. TUITION BILLS, TUITION DISPUTES, FINAL AGENCY DETERMINATION**

Students are notified of their dispute rights on the face of their tuition bills.

If the first level appeal is denied, a letter is sent informing the student of her/his right to appeal. The second tier appeal is decided by the Director of Student Business Operations.

The Director of Student Business Operations is the delegated authority for completing the Validation of Debt form and making the Final Agency Determination for tax offset purposes with respect to the disputed amount.

### **XI. COLLECTIONS AND REFERRALS TO CCS**

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### **A. Collection By The Department**

When the payment is not received by close of business on the due date, the account receivable is considered to be past due, and the department is required to take active measures to collect the payment. The following must be done before the account is 30 days past due:

- Second notice at the due date
- Customer follow-up contact by telephone or via e-mail.

It is important to keep a written record in the departmental accounts receivable system of all contacts, as well as all *attempted* contacts made by the department in an effort to collect the debt. The record must provide a clear indication of the actions taken.

At a minimum, the contact record should include the following information:

- Action taken
- Person performing the action
- Date of the action
- Result of the action.

### **B. Referral Of Past Due Accounts Receivable To CCS**

At 30 days past due, the debt must be referred to the state of Colorado's Central Collection Services (CCS). Additional information about CCS is available on the Web at <http://www.colorado.gov/dpa/dfp/CCS/index.htm>.

The referral by the department to CCS is made using the **New Account Worksheet**. The **New Account Worksheet** can be accessed on the CCS Web site at <http://www.colorado.gov/dpa/dfp/ccs/formsandreports.htm>.

Exhibit 2, which follows, shows a **CCS New Account Worksheet**. It is necessary for the department to complete a **CCS New Account Worksheet** for each account receivable it sends to CCS. The numbered instructions refer to the numbers on the sample form in Exhibit 2. All fields are mandatory unless designated otherwise.

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**Exhibit 2**

**Central Collection Services  
 NEW ACCOUNT WORKSHEET**



**1**

Client Number

**2**  **2**  **2**  **3**  **3**  **3**  **17**

Debtor 1 Last Name First Name MI Debtor 2 Last Name First Name MI Principal

**4**

Debtor 1 Address

**5**

Debtor 2 Address

**17**

Assign Interest

**4**  **4**  **4**

City State Zip

Comm Fee

**6** (\_\_\_\_) \_\_\_\_ - \_\_\_\_ - \_\_\_\_ **7**

Phone Number DOB

**8**

Original Client Reference #

NSF Fee

**9**  **10**

Interest Rate Last Pay Date

**11**

Social Security Number

AMISC2

**12**

Driver's License Number

AMISC3

**13**

Employer

AMISC4

**13**

Employer Address

AMISC5

**13**  **13**  **13**  **16**

Employer City State Zip Alt Payer (Reference or Parent)

AMISC6

**13** (\_\_\_\_) \_\_\_\_ - \_\_\_\_ - \_\_\_\_

Employer's Phone Number

**14**

Memo

**16**

Alternate Payer Address

**15**

Type

**16**  **16**  **16**

Alternate Payer City State Zip

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1. Client Number.  
Enter the department's CCS client number. If this is the first time you have referred an account receivable to CCS, call CCS (303-866-6560) and request a client number. Adams State College client numbers begin with GFB##.
2. Debtor 1 Name  
Enter the customer's name.
3. Debtor 2 Name  
Enter the name of an additional responsible party for the debtor if this exists. Examples would be the parents of a student or a spouse.
4. Debtor 1 Address  
Enter the full address of the debtor listed in Item 2.
5. Debtor 2 Address  
Enter an address for the debtor 2. No provision has been made for the city, state and zip code of this alternative address.
6. Phone  
Enter the telephone number for debtor 1.
7. DOB  
Enter the date of birth for debtor 1. Leave this field blank for businesses.
8. Original Client Reference #  
Enter your reference number (customer number) for debtor 1 if you have one. Otherwise, leave blank.
9. Interest Rate  
Enter the interest rate charged to this client on past due amounts. State law (CRS 5-12-102) provides for charging interest on past due accounts receivable. The standard interest rate is eight per cent.
10. Last Pay Date  
Enter the last date on which any payment was received towards this receivable. Enter 'None' if no payment has been received.
11. Social Security Number.  
Enter the social security number for debtor 1. For business customers, enter the federal employer's identification number (FEIN).

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12. Drivers License Number.  
Enter the debtor's driver's license number for debtor 1. Leave blank for businesses.
13. Employer, Employer's Address, Employer's Phone  
Enter the name, address and phone number of the employer of debtor 1. Leave blank for business customers.
14. Memo  
Enter any information you feel would be helpful to the collection process.
15. Type  
Enter `COMM'. This identifies the debtor as a commercial account for CCS purposes.
16. Alternate payer, Alternate Payer's Address  
Enter the name and address of an alternate payer if one exists, such as a parent. This could be the address of debtor name 2 (Item 3 above).
17. Assigned Principal Amount and Assigned Interest Amount  
Enter the principal amount and any assigned interest accrued which is being assigned to CCS for collection. Leave all other dollar fields blank.

Upon completion, send the **New Account Worksheet** form to:

Central Collection Services  
Division of Finance and Procurement  
225 East 16th Avenue, Suite 555  
Denver, CO 80203

Be sure to retain a copy for departmental records.

Once the department refers a debt to CCS for collection, CCS has a period, not to exceed 90 days after receiving the debt, to use all state collection capabilities available to collect the debt. These include contacting the debtor via letter, by telephone, and/or through a personal visit. CCS also evaluates the collection potential by considering the financial circumstances of the debtor. This may involve verification with third parties such as employers, relatives, personal references, or other agencies and creditors. Within its 90-day window, CCS makes every effort to work out a reasonable payment arrangement with the debtor.

### 1. Referral Exceptions

Per an October 4, 2004 memo from the State Controller, exceptions to the 30 days past due referral requirement are as follows:

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1. Federal, State, and Local Government Customers

Any governmentally sponsored grant, contract, gift, or project - including federal, state, local, or other government entity - has a total blanket exemption from referral to CCS. Any institution, however, can refer these types of debts - at their discretion - to CCS at any time.

State of Colorado agencies are permanently exempt from referral to CCS, but amounts in question must be referred to the State Controller's Office.

2. Non-Government Sponsored Grants, Contracts, Restricted Gifts, Sponsored Projects

These accounts are exempt for referral to CCS for one year. Any institution, however, can refer these types of debts - at their discretion - to CCS at any time.

3. Student Loan Receivables and Accounts Receivable

This type of debt, which is administered through the Student Debt Management Department of the Adams State College Student Business Operations Director's Office, has different criteria for referral. Read the Student Business Operations Director's procedures for information about these particular receivables. The Web address for the Student Business Operations Director's Office is <http://www-Student Business Operations Director.colorado.edu/>.

**Note:** Student accounts receivable which are not administered through the Student Business Operations Director's Office are subject to the 30 day past due rule.

### ***C. Referral Of Debts To Private Collection Agencies By CCS***

As stated previously in this chapter, CCS performs its collection activities for 90 days. During this period, if the debt is not collected, or payment agreements have not been reached, then CCS turns the debt over to a private collection agency. The private collection agencies utilized to collect debts due to the state are selected through a competitive process pursuant to the provisions of the Procurement Code, Articles 101 to 112 of Title 23, *CRS*.

When the debt is assigned to a private collection agency, the agency may contact the department to verify the debt. The department is required to provide, upon request from the contracted private collection agency, a letter explaining the goods and/or services provided to the customer.

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**Note:** Departments and individuals at Adams State College are not permitted to contract with private collection agencies unless prior approval has been explicitly given by the State Controller's Office.

### ***D. CCS Account Updates***

#### **1. Cancellation of an Accounts Receivable Submitted to CCS**

Under certain circumstances, the college may determine that an account was inappropriately submitted to CCS, and needs to recall the account from CCS. In this situation, the college submits a cancellation request to CCS. A cancellation stops all collection efforts and removes the account from the CCS database. Use the **Cancellations and Adjustment** form to request all account cancellations. This form is available on the CCS Web site at <http://www.colorado.gov/dpa/dfp/CCS/index.htm>.

A cancellation request could occur under the following conditions:

- It is determined that because of a posting error, correcting charges, etc., that the debt should never have been submitted to CCS.
- The college receives payment to bring the account into current status within five working days of placing the account with CCS. In this situation, the receivable remains in the Adams State College accounting records.
- An order of bankruptcy discharge identifies the college's debt as being discharged. In this situation, the receivable is removed from the accounting records of Adams State College.
- The debtor dies and leaves no estate.

A cancellation request should not be used to recall an account from CCS because of direct payment to the college (after five working days).

#### **2. Administrative Adjustment of Balances for Accounts Submitted to CCS**

In a limited number of situations, the college may need to change the principal or interest amount of a past due debt reported to CCS. Such an adjustment might be necessary because of an error in the amount when the debt was originally recorded, or due to an actual change in principal amount since the original amount was placed for collection. For all accounts that are administratively adjusted, CCS will continue collection efforts on the remaining outstanding balance.

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The **Cancellations and Adjustment** form should be used to request all adjustments from CCS. This form is available on the CCS Web site at <http://www.colorado.gov/dpa/dfp/ccs/formsandreports.htm>

Upon occasion, the college may need to adjust its accounts receivable records because of minor differences (generally less than \$10.00) between the amounts recorded in the college's finance system, and the amounts reported by CCS. These miscellaneous adjustments may be done without the approval of the State Controller and without submitting an adjustment request to CCS.

### 3. Direct-Pay from the Debtor

Sometimes, after having referred the debt to CCS, the college may receive a payment directly from the debtor. In this instance, the college must notify CCS of the payment by using the **Pay Direct** form. This is available on the CCS Web site at <http://www.colorado.gov/dpa/dfp/ccs/formsandreports.htm>

### ***E. Interest And Collection Costs***

Interest and collection costs, including attorney fees, will be charged by CCS to the debtor on all referred accounts. These charges will be added to all debts due to Adams State College as required or permitted by law. If there is no agreement or provision of law for a different rate, the interest charged on past due accounts receivable shall be at the rate of eight per cent as stated in *CRS 5-12-102*.

### ***F. Collection Fees***

In its recent audit, the State Auditor found that there may be insufficient legal basis for some of the delinquency and collection fees being added to accounts by agencies and institutions when they forward these accounts to the Department of Personnel & Administration for collection. The audit recommends that all state agencies provide documentation establishing their authority to add collection or delinquency fees to these accounts. Information about what is allowed by State Statute in terms of delinquency fees can be found in *CRS 24-79.5-102*. The text of this Statute follows:

(1) Notwithstanding any other provision to the contrary, the state shall not impose a delinquency charge except as provided in this section.

(2) No delinquency charge may be collected by the state on any amount due that is paid in full within five days after the scheduled due date.

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(3) No delinquency charge shall exceed fifteen dollars or up to five percent per month, or fraction thereof, not to exceed a total of twenty-five percent of the amount due, whichever is greater.

(4) No more than the amount set forth in subsection (3) of this section shall be collected by the state on any amount due regardless of the period of time during which the amount due remains in default.

(5) In the event that an amount due is one of a series of payments to be made toward the satisfaction of a single fee, fine, penalty, or other charge assessed by the state, no more than the amount set forth in subsection (3) of this section shall be collected by the state on any one of such payments regardless of the period of time during which the payment remains in default.

(6) No interest shall be assessed on a delinquency charge.

(7) Nothing in this section shall be construed to prohibit the state from charging interest on an amount due. In no event shall such interest be charged upon a delinquency charge or any amount other than the amount due. In no event shall any such interest charge exceed an annual percentage rate of eighteen percent or the equivalent for a longer or shorter period of time.

(8) Nothing in this section shall be construed to prohibit the state from recovering the costs of collection, including but not limited to disconnection or reconnection fees or penalties assessed where fraud is involved.

## XII. DISTRIBUTION OF RECOVERIES

All amounts collected by CCS will be disbursed to Adams State College, net of the CCS collection fee. If collection is made by Adams State College after the debt has been turned over to CCS, the department is still required to pay the collection fee to CCS. In such a situation, the department should notify CCS that the account has been collected. CCS will then withhold the amount of the fee from its next disbursement for collections on other accounts. If there are no subsequent collections from which CCS can withhold the fee, the department must request a bill from CCS, and process a payment voucher. Use account 553412, Admin/Collections Costs-State, on the payment voucher.

**Note:** If Adams State College cancels an account with CCS within the first five days after submitting the debt to CCS, then CCS will not assess a collection fee.

## XIII. WRITING OFF ACCOUNTS RECEIVABLE

## ACCOUNTS RECEIVABLE

It is the policy of the state of Colorado, as described in Chapter 8 of the *Fiscal Procedures Manual*, that state agencies should, on an annual basis, review their accounts receivable prior to fiscal year end, and request to write off those that appear to be uncollectible. When deciding whether or not an account is uncollectible, the following factors should be considered:

- Age of the receivable
- Payment activity on the account
- Results of legal actions taken
- Financial condition or other relevant information about the debtor
- Results of the tax offset process used by CCS.

In general, departments should request to write off accounts in circumstances for which there has been no payment activity for at least 27 months, the CCS tax offset process has produced no result, or when CCS recommends that the account be written off. As a rule, CCS must exhaust all collection efforts available to them before they will approve the write off of an account receivable. However, it is possible to request early approval to write off an account if certain information pertaining to the account, such as a death or bankruptcy notice, indicates that the account is not collectible. Use the procedures that follow to write off accounts receivable.

Departments must submit all write-off requests to the Adams State College controller by March 31<sup>st</sup> of each fiscal year.

### **A. Accounts Less Than \$50.00**

Debts of less than \$50.00 may be written off once Adams State College has completed its thirty-day collection effort and after CCS has finished its tax offset procedure without results. These accounts may be written off without explicit approval from the CCS or consent of the State Controller and the State Treasurer when the accounts have been returned to the department and/or Adams State College by CCS.

1. Submit to the Adams State College controller a written request to write-off the accounts receivable. Include the following information:
  - Total number of accounts to be written off
  - Total dollar value of the accounts to be written off
  - A statement verifying that each account is less than \$50.00
  - A list, for each account, including the name of the debtor, the amount of the account, an explanation of the efforts to collect on the debt and
  - A statement by the department head indicating why the department believes the account is uncollectible.
2. A sample **Write Off Request** form is available on the CCS Web site at <http://www.colorado.gov/dpa/dfp/ccs/formsandreports.htm>

## ACCOUNTS RECEIVABLE

3. After reviewing the write-off requests submitted by each department, the campus controller notifies CCS, in writing, of the number of accounts and the total amount of the accounts to be written off.
4. Once CCS has completed its tax offset procedure without results, CCS will contact the department and identify the specific accounts that can be written off.
5. Keep all correspondence from CCS, in particular the CCS document indicating that the collection efforts are complete and the tax offset process produced no results.
6. Maintain a detailed listing of each account and the respective dollar amount that is being written off. Such a listing will be useful in the event subsequent payment is received on an accounts receivable that has been written-off.
7. Prepare a journal entry to do the actual write-off. The transaction lines on the journal entry will vary depending upon which write-off method is used: the allowance for doubtful accounts write-off method, or the specific account write-off method. A sample of this journal entry can be found in Section XIII, *Accounting Transactions for Accounts Receivable*, Letter H, *Writing Off Accounts Receivable*, in this chapter of *The Guide*. In the description of the journal entry, be sure to note the date CCS provided notification that its collection efforts were done and the tax offset process produced no results.
8. Adjust the customer's account in the departmental accounts receivable system.

### **B. Accounts Of \$50.00 Or Greater**

Requests to write off amounts of \$50.00 or more require approval from the State Controller.

1. Submit to the Adams State College controller a written request to write-off the accounts receivable. Include the following information:
  - Total number of accounts to be written off
  - Total dollar value of the accounts to be written off
  - A list, for each account, including the name of the debtor, the amount of the account, an explanation of the efforts to collect on the debt and
  - A statement by the department head indicating why the department believes the account is uncollectible.
2. A sample **Write Off Request** form is available on the CCS Web site at <http://www.colorado.gov/dpa/dfp/ccs/formsandreports.htm> .

## ACCOUNTS RECEIVABLE

3. After reviewing the write-off requests submitted by each department, the campus controller notifies CCS, in writing, of the number of accounts and the total amount of the accounts to be written off.
4. Once the CCS and the State Controller have performed their respective review and approval of the write off request, they will contact the department and identify those accounts that may be written off.
5. Keep the approval document from the state.
6. Maintain a detailed listing of each account and the respective dollar amount that is being written off. Such a listing will be useful in the event subsequent payment is received on an accounts receivable that has been written-off.
7. Prepare a journal entry to do the actual write-off. The transaction lines on the journal entry will vary depending upon which write-off method is used: the allowance for doubtful accounts write-off method, or the specific account write-off method. A sample of this journal entry can be found in Section XIII, *Accounting Transactions for Accounts Receivable*, Letter H, *Writing Off Accounts Receivable*, in this chapter of *The Guide*. In the description of the journal entry, be sure to note the date approval was received from either CCS and/or the state to do the write off.
8. Adjust the customer's account in the departmental accounts receivable system.

**Note:** Writing-off an accounts receivable is an accounting action. A written-off account is still active, and the debtor still owes money to the college. The college is **NEVER** permitted to forgive, settle, or compromise the amount of a debt owed to the college and, consequently, the state unless the process described below is strictly followed.

### **C. The Forgiveness Process**

Although a rare occurrence, in certain situations the college, in consultation with CCS, may enter into negotiations with a debtor to settle an account for less than the full amount due. All settlement agreements must go through CCS for submission to the State Controller. Before the settlement agreement is signed, the State Controller and State Treasurer must approve the settlement.

ACCOUNTS RECEIVABLE

## XIV. ACCOUNTING TRANSACTIONS FOR ACCOUNTS RECEIVABLE

### A. *Recording Accounts Receivable*

Whenever a department provides goods or services to a customer, and does not receive payment prior to or at the time the goods are delivered or the services are provided, the department must record an accounts receivable in the Finance System *and* in the customer's account in the department's accounts receivable system.

A journal entry in The Finance System is used to record the accounts receivable and revenue transaction in respective account code. The entry is:

- Debit an accounts receivable account
  - Use an account that most accurately reflects the type of receivable
- Credit a revenue account
  - Select the account that most accurately reflects the nature of the revenue
  - Auxiliary Enterprise Org Units should use an auxiliary enterprise revenue accounts
  - Most other departments will use an account within the of Sales and Services of Educational Activities, or within the range for Miscellaneous Income

Some departments have a high volume of accounts receivable transactions. For these departments, recording each transaction individually in the financial system would be administratively burdensome. Thus, these departments may elect to do a summary accounts receivable entry to The Finance System once a month. When using this summary approach, the department will complete an on-line journal entry that records the accounts receivable and revenue for the entire month. This journal entry must be posted in The Finance System prior to the financial system's month-end cutoff date.

**Note:** It is imperative that all accounts receivable transactions be recorded in The Finance System by the stated month-end journal entry deadline, so that the financial system accurately reflects the month end accounts receivable balance. Keep in mind that, even when a department chooses to record accounts receivable and revenue in summary form on a monthly basis in the Finance System, it is still necessary to post each credit sale individually, as soon as practical, to the customer's respective account within the departmental accounts receivable system.

### B. *Recording Bad Debt Expense And Allowance For Doubtful Accounts*

At the end of each fiscal year, departments must review and re-calculate their allowance for doubtful accounts, and prepare a journal entry to record adjustments in

## ACCOUNTS RECEIVABLE

bad debt expense and allowance for doubtful accounts. The selection of the allowance account should be done in accordance with the accounts receivable account used when the receivable was originally recorded.

If the amount of the allowance is **increasing**, the entry is as follows:

- Debit       Bad Debt Expense
- Credit       Allowance for Doubtful Accts

If the amount of the allowance is **decreasing**, the entry is as follows:

- Debit       Allowance for Doubtful Accts
- Credit       Bad Debt Expense

### **C. Recording Interest Revenue**

Interest amounts chargeable to the customer must be accounted for as an account receivable. Process a journal entry recording the account receivable and the interest revenue. The entry is:

- Debit an accounts receivable account
- Credit a revenue account
  - Auxiliary Enterprise Org Units should use an auxiliary enterprise revenue account
  - All other Org Units should use a account code for Miscellaneous Income

### **D. Recording Collection Costs**

Collection costs chargeable to the customer must be accounted for as an account receivable. Process a journal entry recording the account receivable and the revenue associated with collection from the customer. The entry is:

- Debit an accounts receivable account
- Credit a revenue account
  - Auxiliary Enterprise Org Units should use an auxiliary enterprise revenue account
  - All other Org Units should use a account code for Miscellaneous Income

**Note:** The State Auditor found that there may be insufficient legal basis for some of the delinquency and collection fees being added to accounts by agencies and institutions when they are forwarded to the Department of Personnel and Administration for collection. The audit recommends that all state agencies and institutions provide documentation establishing their authority to add collection or delinquency fees to these accounts. Information about what is allowed by State Statute in terms of delinquency fees can be found in CRS 24-79.5-102. The text of this Statute Follows:

## ACCOUNTS RECEIVABLE

- (1) Notwithstanding any other provision to the contrary, the state shall not impose a delinquency charge except as provided in this section.
- (2) No delinquency charge may be collected by the state on any amount due that is paid in full within five days after the scheduled due date.
- (3) No delinquency charge shall exceed fifteen dollars or up to five percent per month, or fraction thereof, not to exceed a total of twenty-five percent of the amount due, whichever is greater.
- (4) No more than the amount set forth in subsection (3) of this section shall be collected by the state on any amount due regardless of the period of time during which the amount due remains in default.
- (5) In the event that an amount due is one of a series of payments to be made toward the satisfaction of a single fee, fine, penalty, or other charge assessed by the state, no more than the amount set forth in subsection (3) of this section shall be collected by the state on any one of such payments regardless of the period of time during which the payment remains in default.
- (6) No interest shall be assessed on a delinquency charge.
- (7) Nothing in this section shall be construed to prohibit the state from charging interest on an amount due. In no event shall such interest be charged upon a delinquency charge or any amount other than the amount due. In no event shall any such interest charge exceed an annual percentage rate of eighteen percent or the equivalent for a longer or shorter period of time.
- (8) Nothing in this section shall be construed to prohibit the state from recovering the costs of collection, including but not limited to disconnection or reconnection fees or penalties assessed where fraud is involved.

### ***E. Recording Payments From Customers***

A cash receipt is used to record and deposit a payment received from a customer. Code the cash receipt to match the account combination that was used on the debit side of the journal entry when the accounts receivable was initially created.

**Note:** Make sure to deposit the payment to an appropriate *accounts receivable* account in order to clear the receivable in the financial system. **DO NOT** make the deposit to a revenue account.

Also, be sure to enter the payment into the customer's account in the department's accounts receivable detail system.

### ***F. Recording Payments From CCS***

Payments from customers for accounts receivable turned over to CCS require different accounting procedures. The accounts receivable must be relieved for the entire amount, even though the amount received from CCS is net of the collection fee. The accounts receivable - net of the CCS collection fee - can be recorded by the

## ACCOUNTS RECEIVABLE

department in two ways: using a cash receipt by itself, or using a cash receipt in combination with a journal entry.

### 1. Cash Receipt

Upon receipt of the payment for the debt from CCS, deposit the full payment with the Adams State College Cashier office using a cash receipt form. The deposit must be coded with the same ORG UNIT-Account combination that was used on the debit side of the journal entry when the accounts receivable was initially set up. In addition, include a line on the cash receipt form to record the collection fee withheld by CCS. The collection fee must be coded as a debit entry, Admin/Collections Costs-State. The **Cash Receipt** form is available from the Adams State College Cashier .

## ***G. Calculating And Recording An Allowance For Uncollectible Accounts Receivable***

For each Org Unit that has an accounts receivable, it is necessary for the department to establish and maintain an allowance. The allowance reflects an estimate of the amount of accounts receivable that will not be collected. The goal in recording this allowance is to show, as accurately as possible, the net realizable value of accounts receivable on financial reports. The allowance for uncollectible accounts must be updated in The Finance System at fiscal year end.

The task of calculating and recording the allowance is the responsibility of each department, and can be calculated in one of two ways:

1. Based upon a history of uncollectible accounts as a percentage of total accounts receivable, or
2. Through specific identification of accounts considered uncollectible.

The department should select the option that is most appropriate for its operations. Contact your area accountant with questions or for additional information.

### 1. History of Uncollectible Accounts as a Percentage of Total Accounts

This is the preferred method for most departments at Adams State College. It may not be appropriate, however, for small units or those units with few accounts receivable.

In this method, the department uses the actual history of uncollected accounts to estimate the amount of current outstanding accounts receivable that may not be collected. A new percentage is calculated annually for fiscal year-end reporting.

## ACCOUNTS RECEIVABLE

The steps listed below describe how to calculate the percentage:

1. Determine the actual total of accounts written off over a period of time. A suggested time period is three to five years, and each department should select the period of time that seems most appropriate for its business pattern.
2. Determine the total accounts receivable charges for that same time period.
3. Calculate the percentage of total accounts receivable that have resulted in bad debt write-offs by dividing  
$$\frac{\text{the total actual accounts written off (Step 1)}}{\text{the total accounts receivable charges (Step 2)}}$$
 by
4. Apply the percentage calculated in Step 3 to the current accounts receivable balance. The resulting amount will be the estimate of current accounts receivable the department can expect **not to collect** based upon historical experience.
5. Prepare a journal entry to adjust the allowance for uncollectible accounts receivable to equal the amount calculated in Step 4. Based upon the results of the calculation, the allowance may be either increased or decreased.

### **Increasing the Allowance**

The journal entry transaction to increase the allowance is:

- Debit Bad Debt Expense
- Credit Allowance for Doubtful Accts

### **Decreasing the Allowance**

The journal entry transaction to decrease the allowance is:

- Debit Allow for Doubtful Accts
- Credit Bad Debt Expense

## **2. Specific Identification of Accounts Considered to be Uncollectible**

Small departments or those departments that have a limited number of accounts receivable typically use this method.

The specific identification method requires an account-by-account analysis to determine which past due accounts will not be collected. Use the steps below to evaluate whether or not an account is collectible:

## ACCOUNTS RECEIVABLE

1. Refer to the **Aged Accounts Receivable Trial Balance**. For each account over 30 days past due, evaluate, on an account-by-account basis, whether future collection efforts will be effective by examining the history of collection attempts and the debtor's responses.
2. Prepare a list of those accounts that will not be collected. At a minimum, include the following information for each account:
  - Name of the debtor
  - Transaction date
  - Amount of the transaction
  - ORG UNIT-Account combination in which the account receivable is recorded
3. Establish the Allowance for Doubtful Accounts by preparing a journal entry for each accounting code combination and the respective uncollectible amounts listed in Step 2. The transaction for the journal entry is:
  - Debit Bad Debt Expense
  - Credit Allowance for Doubtful Accounts
4. Once the allowance for doubtful accounts has initially been set up according to steps 1-3 above, maintain the allowance for doubtful accounts by doing the following tasks on a monthly basis:
  - Examine the **Aged Trial Balance and Certification** report to determine if any additional accounts, not included on the previously created list of uncollectibles, should be added to the list. If it is determined that it is necessary to add another account to the list, prepare a journal entry as described in Step 3 for the particular account.
  - Reconcile the amount in the allowance for doubtful accounts for each account combination to the list of uncollectible accounts prepared in Step 2.
  - Adjust the allowance for doubtful accounts to reflect collection or write-offs of accounts receivable.

### ***H. Writing Off Accounts Receivable***

In no circumstances may the accounting transactions to write off accounts receivable be done until the department receives confirmation from CCS that it is permissible to do the write-off. The actual transactions used on the journal entry to do the write-off depend upon whether or not an allowance for doubtful accounts was set up.

## ACCOUNTS RECEIVABLE

### 1. Accounts Receivable for which an Allowance for Doubtful Accounts has been Established

- Debit Allowance for Doubtful Accts
- Credit Accounts Receivable

Be certain to note the date approval was received from CCS to do the write off in the description of the journal entry.

### 2. Direct Write-Off of Specific Accounts

- Debit Bad Debt Expense
- Credit Accounts Receivable

Be certain to note the date approval was received from CCS to do the write off in the description of the journal entry.

#### *I. Accounts Receivable Adjustments*

Upon occasion, the accounts receivable records need to be adjusted for activity not related to a charge, payment, or approved write-off. This usually occurs due to:

- Correcting posting errors
- Reflecting a return of goods
- Reflecting an adjustment in charges.

Although the adjusting entries listed above can be made by the department without prior approval from the Adams State College controller or CCS, all such adjustments must be documented and fully explained in the departmental accounts receivable system.

**ACCOUNTS RECEIVABLE**

## **XV. NON-SUFFICIENT FUNDS CHECKS**

Occasionally a check accepted in payment will be returned by Adams State College's bank due to insufficient funds (NSF) in the check writer's account. Checks returned due to NSF represent an account receivable. Since the college has already provided the goods and/or services for which the check payment was made, what remains to be accomplished is to collect the payment.

The Student Business Operations Director will re-deposit the check in an attempt to collect the funds due. If this effort does not succeed, the check will be charged to the departmental account code indicated on the check endorsement. The Student Business Operations Director will then send the department both the original check and a copy of the journal entry charging the departmental ORG UNIT for the amount of the check. The department now has an account receivable it must collect. NSF accounts receivable are treated in the same manner as all other accounts receivable, including submission to the CCS for collection.

**Note:** An Auxiliary ORG UNIT should always be used for the check endorsement. When a check is returned due to non-sufficient funds, the accounts receivable is recorded using a balance sheet account, and the transaction is reflected on the monthly Balance Sheet/Statement of Net Assets statement. Since the Balance Sheet/Statement of Net Assets statement is run for all ORG UNITS in the Auxiliary Fund, a review of the transaction detail on the Balance Sheet/Statement of Net Assets will indicate to a department whether or not any NSF accounts receivable have been recorded.

Departments should establish a process for keeping a list of people who have written NSF checks. This list should be provided to cashiers who, in turn, should be instructed to not accept checks from these individuals. Departments may also assess a reasonable penalty charge on returned checks, provided that the amount of this charge is posted clearly and visibly at every location checks are accepted.

### **A. *Collection Procedures***

Upon receiving the original check from the Student Business Operations Director, the department shall immediately attempt to contact the check writer.

**Note:** It is critical that department not delay in contacting the check writer, since the longer the delay, the more difficult it can be to collect the funds due the college.

1. Contact the check writer via e-mail or by telephone.
  - Inform them that they must make payment in cash, and provide them a due date and location for making this payment.

## ACCOUNTS RECEIVABLE

- Notify the check writer of the NSF penalty charge. According to Rule 6-7 of the *State of Colorado Fiscal Rules*,  
A State Agency that receives a check that is returned for Insufficient Funds shall assess a reasonable fee against the person who issued the check. The fee assessed shall be at least equal to the additional bank charges incurred by the State Agency, and may include up to an additional 25% of the additional bank charges to cover the State Agency's administrative costs.
  - Tell the check writer that the check will be turned over to CCS if payment is not made.
  - Make follow-up contacts.
2. Keep a written record of all efforts made to contact the check writer. Include notes on attempted contacts, actual contacts made, and the instructions provided to the check writer by departmental staff.
  3. The original check may be returned to the check writer upon receiving payment.
  4. If the check writer cannot be contacted within two weeks from the date on which the original check was returned to the department, the NSF check should be submitted to CCS for formal collection efforts. These procedures are described earlier in this chapter in Section X, *Collections*, Letter B, *Referral of Past Due Accounts Receivable to CCS*.

**Note:** If the department, itself, does not have the resources to follow up on NSF checks, then these checks can be referred immediately to CCS. The sooner the submission of the NSF checks to CCS is done, the better the chance of recovery. Keep in mind, however, that CCS will retain a portion of the recovery proceeds in exchange for the work it does in collecting the NSF check.

### **B. Depositing Payments For Non-Sufficient Funds Checks**

Cash payment for the check and the NSF penalty charge must be deposited with the regular business receipts on the day the payment is received. The funds for the check should be deposited to the ORG UNIT-Account combination used by the Student Business Operations Director for charging the check back to the department. The funds for the NSF penalty charge should be deposited into the same ORG UNIT. For Auxiliary Enterprise ORG UNIT, an account in the 28xxxx range should be used. All other ORG UNIT should use an appropriate Sales and Services of Educational Activities account.

## ACCOUNTS RECEIVABLE

### XVI. CREDIT CARD CHARGEBACKS

Upon occasion, a department that does business with credit cards will have to handle a credit card chargeback. Credit card chargebacks must be processed within 12 *calendar* days. If a department fails to provide the requested documentation to the credit card company within this time limit, the department is thereafter forever precluded from attempting to collect the payment. Thus, all credit card chargebacks that go past 12 days must be recorded as a reduction of revenues. These should NOT be sent to CCS for collection as a past due accounts receivable. A journal entry to record the reduction of revenues must be completed. The transaction is:

- Debit Revenue
- Credit Accounts Receivable

### XVII. ACCOUNTS RECEIVABLE REPORTING

#### ***A. Monthly Aged Trial Balance And Certification***

To comply with the *Accounts Receivable Administration Rule* (1997), it is necessary to prepare a monthly **Aged Trial Balance and Certification** report for accounts receivable.

The reconciliation of the **Aged Trial Balance and Certification** to the dollar amount recorded in the Finance System must be completed every month. The dollar amount of the accounts receivable listed on the **Aged Trial Balance and Certification** must equal the dollar amount recorded in the accounts receivable account of the respective ORG UNIT. It is imperative that the aging schedule contains a certification statement attesting to its accuracy and its compliance with regulations. In addition, the detail included on the aged trial balance must identify those accounts receivable requiring follow-up.

## ACCOUNTS RECEIVABLE

### ***B. Monthly Reports From Central Collection Services (CCS)***

Although CCS acts on behalf of the college to collect accounts receivable, it is the responsibility of each department to monitor the progress being made by CCS on its respective accounts. To assist with this task, CCS issues a variety of monthly reports advising departments about the collection status of their accounts receivable. These reports include:

- **Judgment**, which gives detail about judgment accounts
- **Recommendation for Write-Off**, which lists CCS' recommendations for accounts that should be written off
- **Open Accounts**, which provides a detail of open account activities
- **Closed Accounts**, which provides detail about closed account activities
- **Summary Statistics**, which gives a summary of account activity by status code.

When questions arise, or when departments feel that satisfactory progress on collecting their accounts receivable is not being made, they can contact CCS directly, at (303) 866-6560, or refer to the CCS Web site at <http://www.colorado.gov/dpa/dfp/CCS/>. Departments may also consult with their area accountant if assistance is needed in working with CCS.

### ***C. Annual Reporting To The Auditors***

Each year the external auditors require Adams State College to submit its **annual accounts receivable workpaper**. This report provides information about each accounts receivable account as of June 30th, and includes a listing for each accounts receivable ORG UNIT and each allowance ORG UNIT. Since departments play an important role in the preparation of this report, GENERAL ACCOUNTING gathers the necessary information by distributing a worksheet for departments to fill out.

Departments are asked to do the following, and return the completed worksheet to GENERAL ACCOUNTING:

- Provide details of customer names, transaction dates, and dollar amounts to support the accounts receivable balance for each ORG UNIT in which an accounts receivable is recorded
- Explain the methodology used to calculate the allowance amount for each ORG UNIT in which an allowance is recorded
- Reconcile the detail amounts to the Finance System's accounts receivable account balance or allowance account balance.

As an additional means of supporting the information contained in the **annual accounts receivable workpaper** provided to the auditors by GENERAL ACCOUNTING, departments are also asked to complete the **Annual Accounts Receivable Report**. This form is distributed electronically as an Excel spreadsheet to departments in August of each year, and is completed using June 30<sup>th</sup> information