

## Department Maintained Account Receivable Procedures

Texas A&M AgriLife Fiscal Office has prepared a guide to assist departments in the development of extension of credit, invoicing and collection procedures to ensure proper internal controls and segregation of duties. Departments are responsible for complying with extension of credit policies and procedures outlined, and also for developing detailed written departmental procedures. Texas A&M AgriLife Fiscal Office will review the procedure documents and make any appropriate recommendations at the request of the department. Please review system policy 21.01.04 Extension of Credit

Internal controls are necessary to prevent mishandling of funds to safeguard against loss. Segregation of duties is essential to prevent one individual from having responsibility for more than one component. Components of extending credit are creating invoices, collecting payments and clearing invoices, depositing and reconciling.

Procedures should be detailed steps of departmental processes. These detailed steps should map out the course of action so that persons not familiar with the process can follow them to perform the duties when necessary.

Below is an outline of suggested information to include in procedures.

- I. Approval to Extend Credit
  - a. Departments must have approval to extend credit
  - b. Approved AG-222 Extension of Credit Request
- II. Establishing/Updating Customer Accounts
  - a. Procedures in place regarding process and steps to create accounts for customers
    - i. It is recommended that customer complete the AG-257 Customer Information form.
- III. Account Receivable Procedures
  - a. A department maintaining their own receivables should have written procedures in place that list the department's responsibilities which include the following:
    - i. Billing cycle (daily, monthly, etc)
    - ii. Checking payment history on established customers
    - iii. Departments policy on late payments or returned checks
    - iv. Policy on placing customers on state hold, and/or no longer extending credit
    - v. Policy for collecting sales tax exemption certificates if you sell taxable goods/services
    - vi. Records retention rules
    - vii. Payment Policy



- viii. Should include expected time of payment (30 days from receipt of invoice in most cases)
  - ix. Should include reference to departmental procedures on clearing invoices and making deposits
  - x. Should include payment methods your department will accept
- xi. Should include policy on duplicate payments, short payments, and overpayments

## b. Collection Efforts

- i. Should include your collection schedule and your response at each stage (30,60,90,120, 120+ days past due)
- ii. Should include your policy on contacting your customer and by which means (mail, email, phone) and should reference links to templates for letters, emails, and/or phone dialogues.
- iii. Should include how to document collection efforts (call logs, copies of collection letters, etc)
- iv. Should include your policy on disputed invoices

## c. Required Reports

- Must submit a report of aged receivables to Agrilife Fiscal Accounts Receivable annually for review
  - 1. Must include a minimum of customer, amount due, and aging (30, 60, 90, 120, and 120+ days past due)

## d. Write-off Procedure

i. For units that maintain their receivables within the unit invoice write-offs should be requested at fiscal year-end after one year of collection efforts or the receipt of a bankruptcy notice. See Account Receivables – Write Off Procedures located at <a href="http://agrilifeas.tamu.edu/documents/write-off-procedures.pdf">http://agrilifeas.tamu.edu/documents/write-off-procedures.pdf</a> for full procedures and requirements.