PROCEDURE NUMBER: FINA 2.60 Procedure

SECTION: Administration and Finance

SUBJECT: Miscellaneous Accounts Receivable

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Procedure for: All Campuses

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Issued by: Administration and Finance – Controller's Office

Procedure

The University Administration and Finance Division, Controller's Office, will ensure compliance with University Policy FINA 2.60. This procedure is applicable to campuses, units, and departments extending credit through Miscellaneous Accounts Receivable (MAR). The purpose of this procedure is to supplement the associated policy by providing additional resources, detail, and guidance on MAR.

Note: This procedure does not encompass student or sponsored award billings and receivables. Refer to respective Bursar's Office and Grants and Funds Management policies and procedures for appropriate guidance.

Invoices are generated for goods and services provided by the University. Examples include, but are not limited to, space/equipment rentals, contractual agreements, personnel reimbursement, tangible goods, etc. The rates associated with miscellaneous billings are established at the campus/department level. Campus/department users must complete the required training with the Controller's Office before billing customers for sales of goods and services.

The PeopleSoft Finance Misc AR Module must be used for these billings. The Controller's Office completes periodic monitoring to identify miscellaneous billings that improperly used other mechanisms.

A. Customer Creation

Before extending credit, campuses/departments should obtain the following minimum customer information from prospective debtors to aid with the billing process and any subsequent collection procedures related to the customer:

- Full name and any previous names

- Home and employment address

- Billing address, if different from above

- Telephone numbers for home and office

- Place and type of employment

Once the appropriate information has been obtained, the department/campus should create a customer in the PeopleSoft Finance Misc AR Module and add the respective customer contact – see the MAR Job Aid for instructions. Ensure a customer does not already exist in the system before creating a new customer. The customer will remain inactive in the system until approved and activated by the Controller's Office. If customer contact information was entered incorrectly during entry, the department/campus should contact the Controller's Office MAR Team directly for the necessary revisions.

B. Invoicing/Billing

Accurate and timely invoices must be produced and provided for all customers. Invoices must be generated using the PeopleSoft Finance Misc AR Module – see the MAR Job Aid for instructions. By using the module, a standardized invoice will be generated to include all appropriate details, including customer name, customer ID, contact information, date, unit price, quantity, description, total amount due, the due date, terms, and payment remittance details.

Once finalized, invoices are either emailed automatically by PeopleSoft Finance or manually emailed by the campus/department to the customer. Payment deadlines and terms are reflected on the invoices and should be adhered to. If agreements are in place for delayed payment or defined payment schedules, such arrangements should be documented using the Header Notes function in the PeopleSoft Finance Misc AR Module and communicated to the Controller's Office accordingly.

The aging of invoices begins at the time the invoice is generated. Once generated, an accounting entry is completed to credit the appropriate revenue account and debit the campus/department receivable account.

Every effort should be made by the campus/department to ensure invoices are correct before they are finalized. Any needed corrections/adjustments to the billed amount must be communicated to the Controller's Office prior to finalizing the correction in the PeopleSoft Finance AR Module.

Tax Implications

If providing taxable goods and services (e.g., tangible goods, personal property [e.g., tables, chairs, AV equipment] rented in conjunction with space, etc.), the appropriate tax must be added to the invoice – see the MAR Job Aid for instructions. For additional guidance on sales/use

taxability, refer to the Use Tax Matrix or contact the Controller's Office Tax Team at tax@mailbox.sc.edu.

The revenue generated from miscellaneous campus/department billings may also be subject to unrelated business income tax (UBIT) if the underlying activity does not relate directly to the University's exempt purpose (e.g., teaching, instruction, research, public service). This tax should not be captured on individual invoices. Instead, the activity should be disclosed to the Controller's Office Tax Team on its annual UBIT questionnaire. For additional guidance on UBIT, refer to the Income Tax Presentation or contact the Controller's Office Tax Team at tax@mailbox.sc.edu.

C. Payment and Deposit

Payments made by cash or check should be deposited by the campus/department using their assigned clearing accounts – see the MAR Job Aid for instructions and FINA 4.10 for depositing and handling requirements. A specific chartstring will be provided by the Controller's Office for depositing invoice payments. Deposits for invoice payments should be made separately from other deposits. When deposits are created in PeopleSoft Finance, attachments are required (e.g., invoice and any applicable receipts, payment agreements/contracts, etc.).

Customers also have the option to pay via Automated Clearing House (ACH) payment using the MAR banking information provided at the bottom of the invoice.

When payment is recorded, it is applied to the invoice and an accounting entry is completed to record the receipt of payment and clear the receivable.

D. Collections and Due Diligence

The University has a fiduciary responsibility to ensure payments are collected for provided goods and services. Campuses/departments are responsible for taking all appropriate and cost-effective actions to collect accounts receivable. The Controller's Office provides MAR aging reports to campuses/departments and requires responses regarding overdue invoices. Days aged ranges include: 1-30, 31-60, 61-90, 91-120, 121-180, 181+. These reports should be consistently reviewed at the campus/department level to identify outstanding payments.

When past due payments are identified (outstanding 30 days and beyond), campuses/departments are expected to begin contacting customers promptly. It is best practice to use a combination of follow-up calls, emails, and letters. Suggested communication methods include, but are not limited to, the following:

- Initial Call: Verify that the customer received the invoice. The customer may not have received the invoice or may have failed to initiate payment upon receipt. It may be necessary to speak with someone other than the customer contact to ensure payment is processed (e.g., supervisor, director, Accounts Payable manager, etc.).

- Follow-Up Calls: Additional calls to the customer may be needed to determine the reason for nonpayment. Follow-up calls may require numerous, persistent attempts (e.g., leave messages, etc.).

- Letters: Send customers formal Past Due Invoice letters. Multiple letters may be necessary, with the strength of the message increased up to a Final Notice. Examples include:
    - First Past Due Invoice Letter Request: Convey a friendly reminder that an outstanding invoice exists, with a statement and copy of the invoice included.

    - Second Past Due Invoice Letter Request: Convey a stronger reminder and message, with a statement, copy of the invoice, and first past due letter included.

    - Third Past Due Invoice Letter Request: Convey a stronger reminder that communicates final notice and that continued nonpayment will result in the referral to collections, with a statement, copy of the invoice, and the first and second past due letters included.

If associated with returned checks/payments, these methods should be accelerated.

Invoices older than 120 days will be placed with an external, state-approved collection agency. Exhaustive departmental collection efforts must occur prior to the point of placing the account with a collection agency, with all communication regarding past due payments thoroughly documented. As a reminder, documents can be added to any MAR invoice after it has been generated – see the MAR Job Aid for guidance.

E. Write-Offs

Invoices that are 180+ days past due will be formally written off to ensure the University's financial records accurately reflect the true value of its receivables. After monthly aging report responses have been received, the Controller's Office will send campus contacts an email detailing which invoices will be written within the MAR module. After write-off occurs, the invoice will no longer be reflected on aging reports, the recorded receivable will be reduced, and an expense account will be debited to record the bad debt. The expense will post to **Account 54197 – Bad Debt Expense** along with the same chartfields used for the initial invoice.

Other amounts deemed uncollectible by departments after reasonable collection efforts have been exhausted may be written off to departmental accounts. When an account less than 180 days past due is deemed uncollectible, a write off of the outstanding debt requires approval from both the Dean or Department Head and the University Controller (or their designee). Documentation required for write-offs must include relevant debt information, including the customer ID, name, the dollar amount due, and the basis for determining the account to be uncollectible. Upon approval and execution, the recorded write-off will offset the previously accrued departmental revenues associated with the uncollectible invoices.

After a write-off occurs, departments are strongly encouraged to continue their collection efforts for the outstanding invoices. In the event a payment is received for a write-off, the payment should be deposited to the expense account to offset the previously recorded bad debt.