TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.06, **Accounts Receivable Maintenance for Contract Accounts Receivable/Billing System**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish policies and procedures related to maintenance of contract accounts receivable balances created within the Contract Accounts Receivable Billing system.

REVIEW: This HSC OP will be reviewed on June 1 of each even-numbered year (ENY) by the Director of Accounting Services, with recommendations for revisions forwarded to the Executive Vice President of Finance (EVPF).

POLICY/PROCEDURE:

1. **Policy.**

   The Contract Accounts Receivable (A/R)/Billing System serves as the official record of contracted amounts owed by customers and supports billing, collections, cash flow management, financial reporting, and audit requirements. All AR transactions should be recorded completely, accurately and in a timely manner. Proper documentation must be maintained to support all AR activity, including invoices, payments, adjustments, credits, write-offs, disputes, and other changes.

2. **Definitions.**

   a. **Contract AR/Billing System.** The Contract AR/Billing System is an online system designed to track departmental billing and outstanding accounts receivable balances related to contracts entered in the Contracting System. The Contract AR/Billing System is accessible on the WebRaider portal, F&A Work Tools tab, Procurement Services section, under Contracting Home. The system can also be accessed from the Contracting website .

   b. **Accounts Receivable.** The amount owed for goods or services but have not yet been paid for.

   c. **Allowance for Doubtful Accounts**. Contra asset-account that reduces total AR for AR that is deemed to be uncollectible. Allows for uncollectible AR to be tracked before it is written-off.

   d. **Write-off**. The formal removal of outstanding AR from the ledgers.

3. **Department Responsibility.** All revenue contracts must be tracked through the Contract AR/Billing System. The Contract AR/Billing System is designed to assist departments in tracking activity associated with these balances

   Departments must send statements/invoices accurately and promptly upon the delivery of goods or services, unless otherwise specified in the contract. All invoices must contain sufficient information to support the payment processing, including, but not limited to, customer details, invoice date, due date, description of goods or services, amount due, and payment terms.

   Departments that regularly have outstanding revenue contract accounts receivable balances must keep adequate documentation regarding contract account balances owed, collected and outstanding.

   Departments should also incorporate adequate internal control measures related to their revenue contracts and related accounts receivable including, but not limited to, the following:

a. Revenue contracts should be billed regularly for actual services provided pursuant to the contract terms. The billings should be entered into the Contract AR/ Billing System at the time the contract is billed.

b. As contract payments are received, the payments should be recorded through the Cash Receipts System using the "Contract" type in order to apply the payment against the respective contract AR line of the Contract AR/Billing System. The Cash Receipts System is accessible on the WebRaider portal, F&A Work Tools tab, Business Affairs section, under Student Business Services Home.

c. Individual revenue contract balances outstanding should be reconciled to amounts recorded in the Contract AR/Billing System.

d. Due diligence should be exercised in efforts to collect amounts billed. Due diligence includes ensuring that statements/invoices are sent regularly, with additional reminders sent for any amounts that are past due. Departments are encouraged to develop written collection procedures in order to outline steps necessary to achieve due diligence.

   Per HSC OP 50.03, it is the responsibility of all fund managers to maximize cash flow through timely billing, collection and depositing of revenue. Per this policy, it is determined that 180 days is a reasonable amount of time to complete the collection process for each AR entered in the Contract AR/Billing system.

4. **Correcting Contract AR**.
   a. Increasing a contract AR amount is accomplished by entering a new contract AR line for the amount of the increase. The existing contract AR line cannot be increased.

   b. Decreasing a contract AR amount can only be completed by Accounting Services. Email Accounting Services at hscacc@ttuhsc.edu with the following information:

      i. Contract ID and AR#
      ii. Amount of decrease
      iii. Reason for decrease

5. **Allowance for Doubtful Accounts**. The Contract AR/Billing System will automatically move uncollected AR older than 180 days to a contra account for Allowance for Doubtful Accounts. Seven (7) prior to the allocation, the Contract AR/Billing System will send the fund manager a notification of the pending allocation.

   If contract AR is collected after the allowance for doubtful accounts has been established, submit a cash receipt via the Cash Receipt System using the "Contract" type. The Contract AR/Billing System will automatically reverse the allowance for doubtful accounts for the amount of the cash receipt.

6. **Write-Off**. The Contract AR/Billing System will automatically write-off the revenue, AR, and allowance for doubtful accounts for AR older than 365 days. Seven (7) prior to the write-off, the Contract AR/Billing System will send the fund manager a notification of the pending write-off.

   If contract AR is collected after the write-off, submit a cash receipt via the Cash Receipt System using the "Contract" type. The Contract AR/Billing System will automatically reverse the write-off for the amount of the cash receipt.