

## Administration Policy

Complete Policy Title: <b>Accounts Receivable and Billing (Non Student)- MacBill</b>	Policy Number (if applicable):
Approved by: AVP (Administration) and CFO	Date of Most Recent Approval:
Date of Original Approval(s): August 2019	Supersedes/Amends Policy dated:
Responsible Executive: <b>AVP (Administration) and CFO</b>	Enquiries: <a href="mailto:macpay@mcmaster.ca">macpay@mcmaster.ca</a>
<b>DISCLAIMER:</b> <i>If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails</i>	

### SCOPE

This Policy applies to billing and accounts receivable of the University (including research) except for fees and miscellaneous charges associated with students. Internal billings are not covered by this policy, as they are handled by Journal Entry and addressed in that policy. [https://financial-affairs.mcmaster.ca/app/uploads/2018/07/Accounts-Receivable-and-Billing-Non-Student\\_MacBill\\_april-2018.pdf](https://financial-affairs.mcmaster.ca/app/uploads/2018/07/Accounts-Receivable-and-Billing-Non-Student_MacBill_april-2018.pdf)

### POLICY OBJECTIVES

The objectives of this policy are:

- To document policies by which credit is extended to customers of the university;
- To manage the extension of credit within the various departments of the university
- To outline the policy for invoicing, revenue recognition, and balancing
- To outline the responsibilities for collection of accounts receivable
- To document the responsibilities for uncollectible accounts

### EXTENDING CREDIT

The decision for extending credit to customers of the University lies with the Faculty and/or support unit. It is important that billing areas be aware that there is a cost related to this decision as well as risks and ways of minimizing each.

### University policies when extending credit are as follows:

- Grant credit only to customers who have established their credit worthiness (as outlined below)

- Obtain a signed agreement, i.e. work/purchase order, from the customer prior to providing goods or services. Through this practice, misunderstandings about the nature and cost of the service can be avoided. Such misunderstandings are frequently the cause of collection problems;
- Issue invoices promptly upon delivery of service;
- Issue instalment invoices over the year, preferably with an advance at the beginning of the period. This is most appropriate in the case of expense recoveries, e.g. recoveries of a portion of salaries;
- Actively pursue collection of accounts receivable if the account is not paid within the terms of payment specified on the invoice.

### **Evaluating credit worthiness**

- Credit worthy customers have one or more of the following characteristics:
  - high profile entities with well established business reputations;
  - entities with whom the department has had successful previous dealings; and
  - government agencies.
- An investigation of the credit status should be undertaken if there is any doubt about a potential customer's credit worthiness. Normally this includes obtaining two business references, assessing such factors as the current state of the economy and, perhaps, contacting the prospective customer's bank.

The Manager, Student Accounts and Cashiers (SAC) is available to assist in this matter.

### **SETTING UP BILLING UNITS AND ISSUING INVOICES**

Faculties and/or support units must use MacBill (the University's Peoplesoft (Mosaic) billing and accounts receivable system).<sup>1</sup> Each faculty and/or support unit will be assigned to an individual AR Business Unit in the Mosaic system . once the request has been approved SAC will set up the new AR Billing Unit.

Each user in the Billing Unit must

- (i) Apply for access using the Peoplesoft Financial Access Request Form and receive approval from their supervisor,
- (ii) Complete training module(s) ,and
- (iii) Follow the guidelines included in this policy and the directions for issuing invoices in the manuals and procedures in Mosaic

If faculties and/or support units issue less than 50 invoices per year, the unit will be referred to as a 'Billing Affiliate'. Billing Affiliates will use the fillable invoice request forms on Mosaic and the SAC office or the Faculty of Health Sciences Finance Office will manage the billing and follow up on the unit's behalf.

### **REVENUE RECOGNITION, MONTHLY REPORTS AND BALANCING**

- i. Faculties and /or support units' chartfields will be credited with the revenue when the invoice is issued through the Billing and AR Mosaic system,
- ii. Research projects will be credited with the revenue when the invoice is issued, and any year end

- deferrals of revenue (for GAAP purposes) will be made by Financial Services as part of the year end processes
- iii. Each unit must run the AR Aging report for its AR Business Unit on a monthly basis, balance it to the associated General Ledger chartfields, and review it for accuracy and follow up with SAC if there are any errors or delinquent accounts
  - iv. Monthly balancing of the total AR sub ledger for all Business Units to the General ledger is the responsibility of the SAC department.

## **COLLECTION OF ACCOUNTS RECEIVABLE**

Payments can be made by EFT, on line banking, cheque, wire, or credit card. Credit cards are only accepted at the discretion of the billing unit through the MacBill payment processing webpage. Invoices will direct customers to forward cheques directly to one of the appropriate payment processing units. The University's three payment processing units are as follows:

- the Student Accounts and Cashiers' Office,
- Health Science Finance Office,
- FHS Research Finance Office.

Collection of accounts receivable is the ultimate responsibility of the faculty and/or support billing unit or research project providing the goods or services, with support from the Student Accounts and Cashiers' Office. Each Billing Unit will be responsible for issuing Late Notices when the account becomes overdue. Interest will be charged at 1.5% per month in accordance with the university's 'Guidelines for Charging Interest on Non Student Accounts' (will add link). If a customer contests a charge, the appropriate Director, PI or Chair will be responsible for resolving the contested item.

## **UNCOLLECTABLE ACCOUNTS**

In the absence of legitimate disputes, credit privileges will be withdrawn where customers have not responded to the collection notices to discharge outstanding debts.

Uncollected accounts receivable balances will be charged back to the initiating faculty and/or support unit after all internal means of collection have been exhausted. This action will be initiated by the Manager, Student Accounts and Cashiers, after consultation with the department involved. Chargebacks will occur annually typically in March.

Generally, uncollectible accounts will be forwarded through the Manager, SAC, to the university's external collection agency for further collection, including legal action, if necessary. Consultation with the Office of Legal Services may be undertaken. Any amounts collected will be returned to the department, net of service fees charged by the collection agency.

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<sup>i</sup>In certain situations, where the university's billing and accounts receivable system is not suited to the nature of the Faculty or support units' business, a request for an exception can be made to the university's Enterprise Administrative Technology Committee. Request for exceptions must include documentation that explains how the alternative system/process will ensure consistency with the objectives outlined at the top of this policy, and why the university's MacBill system is not suitable. (eg. Billing function is integrated with building rental system or nuclear reactor sales system.) Chair of Committee will provide written rationale for committee's decision if requested.