

The UNIVERSITY of WESTERN ONTARIO
POLICIES and PROCEDURES

2.3 ACCOUNTS RECEIVABLE

Classification: Financial

Effective Date: 23MAR95

Supersedes: (NEW)

POLICY

1.00 The purpose of this policy is:

- . To establish guidelines by which credit is extended to customers of the University;
- . To manage the extension of credit within the various departments of the University;
- . To keep the cost of collecting accounts receivable to a minimum;
- . To maximize cash flow.

2.00 This policy will apply to all accounts receivable of the University except for fees and miscellaneous charges associated with student registration. Certain activities such as Research contracts and grants or Continuing Education Programs may require special arrangements.

3.00 EXTENDING CREDIT PRIVILEGES TO CUSTOMERS

3.01 The responsibility for extending credit to customers of the University and others has been delegated by the Vice-President (Resources & Operations) to the department involved, with appropriate support services provided by the Accounts Receivable Office.

3.02 Departmental Chairs or Directors should, in conjunction with the Accounts Receivable Supervisor in the Financial Services Division, establish the most efficient method of charging customers for goods and/or services while limiting the risk of exposure to uncollectible accounts.

3.03 To improve the University's legal position for revenue collection, it is recommended, where possible, that a formal contract or written agreement be signed whenever goods or services in excess of \$10,000 are provided and credit is granted.¹ Prior approval of the Accounts Receivable Supervisor is required where credit exceeding \$10,000 is being granted and there is no written agreement as described above. In certain circumstances a deposit on account may be required.

3.04 Extension of credit beyond the regular thirty (30) day payment terms from the invoice date may only be granted when justified by unusual circumstances. Any arrangement to extend special credit terms must be in writing, with the specific credit terms shown on the face of the invoice. All departments must receive prior approval from the Accounts Receivable Supervisor before extended credit terms are offered to customers.

3.05 Invoices outstanding beyond the regular thirty (30) day payment term will be charged an interest penalty of 18% per annum (1.5 percent per month) on the principal amount outstanding until the debt is paid in full.

4.00 CRITERIA FOR GRANTING CREDIT PRIVILEGES

4.01 The decision to grant credit to a customer will involve the following considerations:

¹ The Board of Governors has designated signing authority for Accounts Receivable contracts under \$100,000 to the Comptroller; amounts exceeding \$100,000 will be referred to the Board.

- . capacity for payment,
- . credit worthiness,
- . past payment records,
- . dollar value of transaction, terms
- . customer's character

- 4.02 Charges for transactions of \$50.00 or less should be on a cash, cheque or credit card payment basis. Charges for transactions over \$50.00 may be invoiced to the customer using processes established by the Accounts Receivable Office. See section 8.00.

5.00 **COLLECTION OF ACCOUNTS RECEIVABLE**

- 5.01 Collection of general accounts receivable is the ultimate responsibility of the department or unit providing the goods or services, with active support from the Accounts Receivable Office using normal collection procedures. If a customer contests a charge, the appropriate Department Chair or Director will be responsible for resolving the contested item.

- 5.02 A service Charge (as approved by the Board of Governors) will be levied on all accounts receivable payments returned to the University by the Bank (i.e. NSF, account closed, etc.)

6.0 **UNCOLLECTIBLE ACCOUNTS**

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

- 6.02 Uncollected accounts receivable balances will be charged back to the initiating department after all internal means of collection have been exhausted. This action will normally be initiated by the Accounts Receivable Supervisor after consultation with the Department involved.

- 6.03 Generally, uncollectible accounts will be forwarded through the Accounts Receivable Office to an external collection agency for further collection, including legal action if necessary. Any amounts that may eventually be collected will be returned to the issuing Department, net of service fees charged by the collection agency.

7.00 **CONFLICT OF INTEREST IN ISSUING CREDIT**

- 7.01 Departments or units granting credit are required to notify the Accounts Receivable Office, by disclosure on the invoice, in the following instances:

Where an employee has or could be seen to have the opportunity to use the authority, knowledge, or influence derived from his or her position to benefit improperly the employee or another person. This includes having personal financial dealings with an individual or company whose business with the University involves the employee's sphere of responsibilities.

- 7.02 If an employee is faced with a situation involving an existing or potential conflict of interest, or is in any doubt about the possible existence of a conflict of interest in issuing credit or special payment terms, he or she must report the circumstances to the Dean or budget unit head of the department providing the service. For transactions greater than \$500, the department or unit granting the credit must obtain written authorization from the Dean, budget unit head or designate. A copy of this authorization is to be forwarded to the Accounts Receivable section of the Financial Services Division.

- 7.03 Where an invoice is issued, either the employee or the employee's company is required to ensure that payment is received by the Accounts Receivable Office within

the standard thirty (30) days of the invoice date. When invoices are outstanding beyond the standard thirty (30) day period, the University reserves the right to contra those outstanding amounts against payment that are otherwise owing by the University to the employee, which have arisen from commercial transactions such as consulting fees, accounts payable invoices, travel claims, etc.

7.04 Employees are responsible for familiarizing themselves with other sections of the U.W.O. Manual of Administrative Policies and Procedures in particular.

- . Personal Use of University Resources Policy 2.21
- . Conflict of Interest Policy 3.4

8.00 **DETAILED PROCEDURES**

Departments and budget units involved in the extension of credit should contact the Accounts Receivable office to obtain a copy of the detailed procedures in respect of invoicing, collection, accounting, assessment of tax and maintenance of records.