

University of Nebraska Accounts Receivable Procedures

Overview

The University of Nebraska has accounts receivable from the following sources: 1) student accounts, which includes tuition and fees, and auxiliary operations such as housing, parking, and campus recreation, 2) sponsored programs, encompassing Federal, State, local, and private grants and contracts, and 3) departmental generated receivables for goods and services provided to customers.

An Allowance for doubtful accounts will be established each fiscal year for student accounts and departmental receivables. Accounts receivable should be reviewed for collectability at least annually and written off by June 30 if they are determined to be uncollectible. The schedules of student account receivables, sponsored program receivables, and departmental receivables determined to be uncollectible and recommended for write off will be submitted to the Associate or Assistant Vice Chancellor or higher for written approval of the write off. The Accounting, Finance, or Sponsored Program – Post Award office will prepare and post the journal entry to write off the account receivables.

The procedures for accounts receivable, and related allowances and write-offs, are discussed in further detail below.

Student Accounts

Student accounts and tuition receivables will be updated from student registration records supplied by the student information system for tuition due. Other amounts due from students will be updated by electronic “feeds” to the Student Accounts office by campus merchants patronized by the students. These receivable transactions prompt the posting of accounting journal entries or transactions to debit student accounts receivable and credit appropriate revenue cost centers and accounts.

An allowance for doubtful student accounts will be determined for two receivable groups, those being non-summer session receivables and current year summer session receivables. An average of the percent not collected for each group the past three years will be applied to the current year end receivable for each group to determine the combined allowance for uncollectible accounts. A journal entry will be posted to adjust the current general ledger allowance for doubtful student accounts to this amount. The entry will debit state aided bad debt expense and credit allowance for doubtful student accounts.

As a guide, student accounts should be written off if more than a year old and the student is no longer enrolled at the University. The entry will be to debit allowance for doubtful accounts and credit student accounts receivables. Alternatively, bad debt expense may be debited for the write off. A schedule of student accounts determined to be uncollectible and recommended for write off will be prepared and signed by the director of student accounts. Holds may be placed on student records to facilitate collection at a later date even though a student account has been deemed uncollectible and written off.

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Sponsored Programs

Sponsored program receivables are posted by accounting transactions debiting receivables and crediting the appropriate work breakdown structure (WBS) from invoices or billing documents submitted to the sponsoring agency. A receivable for unbilled charges is posted as a step in the year end June 30 closing process. A receivable is established for charges incurred but not invoiced to the sponsoring agency.

Caution should be exercised when establishing an allowance for a doubtful sponsored program receivable. However, an allowance can be recognized by charging a state aided cost center crediting the revenue to the sponsored program WBS. This accrual entry will be reversed July 1.

Sponsored program receivables determined to be uncollectible or billings for disallowable expenses should be written off. The entry to write off uncollectible sponsored program expenses and receivables is to debit the department's general operating budget for the expense and credit the expenses of the sponsored program project. Bad debt expense will be charged if the sponsored project was completed in good faith and documented by a contract but the sponsor was unable or refused to pay. A recommendation for the write off of a sponsored program receivable will be prepared and signed by the Director of Sponsored Programs – Post Award.

Departmental Receivables

Certain departments routinely provide goods and services to customers resulting in accounts receivables. The subsidiary receivable records are kept by the departments, invoices prepared and mailed, and receipts recorded. Receipts are recorded on a cash basis by crediting revenue and the subsidiary receivable records updated accordingly.

Accounts receivables will be established in the general ledger at year end as a step in the June 30 closing process for departmental accounts receivables. Departments will provide an aged schedule of accounts receivables to the accounting office. This schedule will be signed by the dean, department chair, or their designated business representative. A journal entry will be entered into the accounting system to debit accounts receivable and credit the appropriate cost center for the department that supplied the good or service.

An aged trial balance of accounts receivable will include debtor's name and amount due classified by how long the receivable has been due (90 days, one year, or longer.) This information should be considered when evaluating whether to establish an allowance for doubtful accounts. Accounts receivable previously written off will not be included in the general ledger, student accounts, or department subsidiary records as an amount due.

An allowance for doubtful departmental accounts receivable will be established by charging the bad debt expense account to the cost center to which corresponding revenues are received. The aged trial balance will be used to evaluate and determine a

reasonable allowance for doubtful accounts by considering the age of receivables and a three year average of uncollectible accounts. As general guide, any receivable older than one year and left on the balance sheet will have a full allowance. A campus with less than \$500,000 of departmental receivables can consider the write off history from the previous year to establish a campus allowance, or not establish an allowance if each account is deemed collectible and the receivable amounts are small. A campus wide allowance for doubtful accounts may be established rather than for each cost center. An accounting entry will be posted to bring the allowance for doubtful accounts to the appropriate level for each department's outstanding receivables.

A departmental receivable determined to be uncollectible can be written off at the time it is determined to be uncollectible or at June 30. The aged accounts receivable trial balance prepared above should be used to identify uncollectible accounts for write off. The Dean, Director, or Department Chair will prepare and sign a schedule of accounts receivable recommended for write off.