

## Services Provided by Shared Services Center-Accounts Receivable

<https://ssc.umich.edu/billing-collections/>

### Overview of SSC-Accounts Receivable

Shared Services Center (SSC) - Accounts Receivable (AR) provides external customer invoice processing, collection, payment application, accounting, and reporting services for sponsored projects and general accounts receivable, excluding Letter of Credit draws. SSC-AR is divided into two teams (AR Sponsored and AR Services) supporting three primary processes: Billing, Payment Processing and Collection.

#### **I. General Accounts Receivable Overview**

General receivables are invoiced by SSC-AR per unit request. Revenue is recorded along with accounts receivable at the time of invoicing. An invoice is created with a unique identification number and payments are applied to the matching invoice. Payments for outstanding invoices should be submitted according to the invoice instructions, either to the AR lockbox or via EFT to the appropriate bank account. For invoices not paid by their due date (generally net 30), a dunning letter is sent to the customer and the SSC initiates collection efforts.

All general accounts receivable invoicing and collection should be managed by the SSC. Some units may have a unique set of operational circumstances that warrant an exception to this requirement. Exception requests require approval from a senior unit official (e.g. Department Chair, Department Manager or higher). All approved exceptions expire annually on September 30, and can be renewed for an additional twelve months. Instructions on how to request an exception may be found on the [Accounts Receivable Exception Request and Checklist](#).

#### **II. General Accounts Receivable Unit Responsibilities**

- Obtain approval for external rates as appropriate - charges for goods or services (excluding medical, dental, and other health care) provided to an entity outside the university must have a rate approved by the Enterprise Financial Planning & Analysis office.  
<http://www.finance.umich.edu/analysis/recharge-rates/procedure>
- Submit invoices timely and maintain underlying records
  - Either upload invoice files to SSC-Accounts Receivable to issue the invoices (the required method without an approved exception) or the unit issues the invoices.
  - Units must retain the underlying supporting records for all invoices. Refer to SPG 604.01, Departmental Record Retention for Business and Financial Records  
<https://spg.umich.edu/policy/604.01>.
- Record revenues and receivables in the university's general ledger (MPathways)
  - If invoices are issued by SSC-AR, SSC records the related revenue and receivable in the general ledger.
  - If invoices are issued by the unit, the unit is responsible for recording the revenue in the general ledger at the appropriate account codes. Annually as part of the university fiscal year-end close process, SSC-Accounting Customer Service (ACS) contacts units to ask if there are any receivables to record related to unit issued invoices, and processes the corresponding entry at the fund level and reverses it in July.

- Collect funds and monitor outstanding receivables
  - If invoices are issued by SSC-AR, the SSC performs all payment processing and collection activities, including follow-up on outstanding balances.
  - If payment is not received in 120 days, the SSC collector will recommend the debt is sent to a collection agency. The unit has 30 days to respond to the email either with the approval to transfer the debt to an external collection agency or to provide chartfields to write-off.
  - If invoices are issued by the unit, the unit is responsible for payment processing and collection activities. Units may also collaborate with SSC-AR to identify resources who can assist with collecting the outstanding balance.
  - SSC ACS records a university level reserve for uncollectible receivables based on open invoices in the AR system.
  - Units will absorb any outstanding receivable bad debt when all collection efforts have been exhausted.
  
- Assess whether there is any deferred (unearned) revenue to record
  - For cash received in advance of goods provided or services rendered, units should record their deferred (i.e., unearned) revenue at fiscal year end (June 30) at a minimum.
  - Annually as part of the university’s fiscal year-end close process, SSC-ACS will identify departmental revenue recorded outside of the AR system and will contact them to ensure the unit has properly recorded their June 30<sup>th</sup> receivable and deferred revenue activity. If revenue hasn’t been fully reported as of the end of the fiscal year, ACS will offer to record their revenue activity and then reverse the entry in July business.

### III. General Accounts Receivable Other Resources

Following are links to the university’s standard practice guide, which includes information about the criteria for entering into agreements of selling goods and services to non-university entities, as well as the related Michigan sales and use tax considerations and cash management policies.

- Sales of Good and Services to Non-University Entities and Federal Unrelated Business Income (UBI) <https://spg.umich.edu/policy/502.04>
- Michigan Sales and Use Tax <https://spg.umich.edu/policy/502.03>
- Cash Management Policies <https://spg.umich.edu/policy/519.03>

### IV. Sponsored Project Receivables

Sponsored projects are billed according to the terms of the award. Revenue is recorded along with accounts receivable at the time of invoicing. An invoice is created with a unique identification number and payments are applied to the matching invoice or project grant number. Payments for outstanding invoices should be submitted according to the invoice instructions, either to the AR lockbox or via EFT to the appropriate bank account.

Sponsored debts are not referred to external collection agencies as in most cases the University wants to preserve the long term relationship with the sponsor. Other means are used to collect on these debts. The Sponsored Programs Office, along with the Office of Research and Sponsored Projects (ORSP) and the unit, reserve the right to temporarily hold off on agreeing to new awards with sponsors if the sponsor is having difficulty paying existing awards.

- Dunning Letters are sent out monthly once the customer has an amount past due. Dunning Letters are printed and issued weekly according to the statement group.
- Sponsored Collectors begin making phone calls and/or emails when the invoice is up to 45 days past due.
- The Sponsored Collector is expected to begin collections on items 46 days past due giving higher priority to items over \$20K and sponsors with more than one invoice outstanding.
- Sponsor Collectors will enter a conversation into the system after every customer contact for documentation purposes.
- Sponsored Collectors review open and aged items on their collection list with the AR Sponsored Supervisors minimally twice per month.
- Unpaid sponsored invoices, with a focus on invoices in excess of \$20k and 150 days, are reviewed and discussed with Sponsored Programs management for escalation.
- If a determination is made that an open sponsored invoice is no longer deemed collectible, SSC-AR will seek approval from the Sponsored Programs Customer Service team to prepare a write off journal entry. The unit that received the original source of revenue will be expected to provide a discretionary chartfield to offset the direct cost portion of the reported revenue.