

**System-wide Policy:
Procedure for FI0305 - Accounts Receivable**

Version: 1

Effective Date: 01/22/2025

Objective

This procedure provides the University's processes related to accounts receivable.

Scope

This policy applies to all University departments and employees who invoice customers for amounts that the customer owes the University.

Definitions

The following definitions apply to this procedure:

Credit Memo – Issued when overpayment is made by the customer to the University resulting in a credit on the customer account to be applied to future invoices.

Adjustment - A billing error was made, resulting in a need to adjust the invoice amount and revenue, or the University provides the customer with a discount after initial billing.

Write-Off - A type of adjustment. A billed amount is deemed uncollectible and written off of University records.

Procedure - ERP

I. Customer Creation

- A. The University System Administration Office of the Treasurer is responsible for managing all customer records.
- B. If a customer seeks to add the University to the customer's accounting system, the Treasurer's Office will handle all invitations. If a customer seeks to create a vendor account for the University, departments must ensure that all invitations are sent to AR@tennessee.edu

II. Invoices

- A. Departments must issue invoices that contain the date issued, the date that the payment is due, the acceptable methods of payments, and the invoice number. Invoices must have unique numbers.
- B. Departments must send invoices at the frequency stated in FI0305.

III. Receipts

- A. Departments must issue receipts to customers when the department receives funds from a customer.
- B. The University's online receipting system must be used when depositing University income. This system generates customer receipts which are acceptable to provide to the customer.

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IV. Depositing Funds

- A. Departments will comply with FI0310—Receiving and Depositing Money.
- B. Departments must deposit funds as soon as possible to minimize the risk of loss or theft.

V. Adjustments to Accounts Receivable Entries

- A. Adjustments to AR transactions will result in a revenue adjustment and must be approved based on the amount of the adjustment.
 - i. The Business Manager or designee will have approval authority for adjustments up to \$1,000.
 - ii. The applicable Chief Business Officer or designee will have approval authority for adjustments between \$1,000.01 and \$50,000.
 - iii. The University System Chief Financial Officer will have approval authority for amounts above \$50,000.
 - iv. After receiving applicable approval, Central AR will approve adjustments.
- B. Credit memos must be approved based on the amount of the credit memo.
 - i. The Business Manager or designee will have approval authority for credit memos up to \$5,000.
 - ii. The applicable Chief Business Office will have approval authority for credit memos between \$5,000.01 and \$50,000.
 - iii. The University System Chief Financial Officer will have approval authority for amounts above \$50,000.
 - iv. After receiving applicable approval, Central AR will approve credit memos.

VI. Dunning Letters

- A. The University System Administration Office of the Treasurer will advise departments on distribution of dunning letters in compliance with the direction provided by the applicable Chief Business Officer.
- B. The applicable Chief Business officer may recommend that an invoice be written off, or that the billing department pursue additional collection efforts, up to and including the issuance of dunning letters or referral to a collection agency.
- C. One dunning letter, at minimum, must be issued prior to the write-off of any past due invoice.
- D. The department seeking to collect the revenue will send customers who have outstanding debt older than 180 days a dunning letter. A dunning letter is part of the dunning process, which is a progressive process designed to collect amounts that the customer owes to the University.

VII. Dishonored Checks or Declined Payment Cards

- A. Departments may charge customers a fee for dishonored checks or declined credit-card/debit-card payments. Departments are not required to impose fees for dishonored checks or declined credit-card/debit-card payments.

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- B. The department may impose a fee between \$10.00 and \$30.00. State law limits the fee to no more than \$30.00 per dishonored or declined transaction.
- C. Per T.C.A. § 47-29-102, the University must not charge more than \$30.00 for a returned check.

VIII. Invoicing and Other Collection Efforts

- A. Departments must keep documentation of all efforts taken to collect amounts that customers owe the University, including invoices the department sends to customers.
- B. The University's contracts with collection agencies are located on the [UT System Administration Procurement Office website](#).

IX. Allowance for Doubtful Account

- A. Some accounts receivable may prove to be uncollectible. Each campus or institute is responsible for determining an appropriate amount as an allowance for those uncollectible accounts.
- B. This allowance must be reviewed and adjusted, at a minimum, annually at the end of each fiscal year.
- C. This allowance will be used to reduce the total amount of accounts receivable on university financial statements.
- D. The University will use two methods for estimating the amount of uncollectible accounts receivable to be recorded as an allowance for doubtful accounts. Those acceptable methods are:
 - i. Aging of Accounts Receivable: When using an aging of accounts receivable, individual customer account balances are categorized according to the length of time they have been outstanding. The department estimates the relative uncollectability for each category based on past experience. The estimated uncollectible amounts in each category are totaled to determine the total allowance.
 - ii. Percentage of Accounts Receivable. This method uses a percentage of the ending accounts receivable balance to estimate the allowance for uncollectible accounts.

X. Monthly Reporting

- A. All campuses and units must instruct all deans, directors and department heads how to report monthly accounts receivable if:
 - i. the AR does not originate in the University's accounting system; and
 - ii. If the department's cumulative amount is \$5,000 or more.
- B. Upon notification, departments must send a list of accounts receivable as of the last calendar day of each month to the campus or unit office that prepares the monthly journal entry.
 - i. An aging report of accounts receivable must accompany this list, if aging is not housed in the ERP System.
 - ii. The aged accounts must be categorized as follows:

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1. 0-30 days
2. 31-60 days
3. 61-90 days
4. 91-120 days
5. 121-150 days
6. 151-180 days
7. Over 6 months
8. Over 12 months

Penalties/Disciplinary Action for Non-Compliance

Failure to comply with this policy might result in adverse human resources actions, up to and including progressive disciplinary actions. Violations of federal law, such as the Fair Debt Collection Practices Act, could result in fines and penalties imposed on the department or employee(s) who violate the applicable laws.

Responsible Official & Additional Contacts

Subject Matter	Office Name	Telephone Number	Email/Web Address
Policy Clarification and Interpretation	Blake Reagan	865-974-3971	breagan@tennessee.edu
Policy Training	Jessica Calderera	865-974-2302	jstalans@utk.edu

Related Policies/Guidance Documents

FI0310 - Receiving and Depositing Money

FI0311 - Credit Card Processing

FI0330 - Unrelated Business Taxable Income

FI0331 - State and Local Sales and Use Tax

FI0405 - Procurement

FI0420 - Contracts

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