Accounts Receivable, Credit and Collections Policy

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Credit and Collection Function
The primary function of the HUIT credit and collections department is to collect overdue receivable accounts from HUIT’s customers who are not on the University general ledger system and who have purchased HUIT products and services on credit. These customers include Harvard affiliates, institutes, and student organizations. The Credit and Collections department performs all associated duties necessary in accomplishing this objective in accordance with the principles, practices and procedures described below.

Collection Principles
The following principles shall be followed by all HUIT employees involved in the collection of overdue accounts and all HUIT managers who oversee businesses that provide product and services to customers on a credit basis:

- Staff shall maintain a positive and constructive attitude toward all customers.
- Customer contacts are to be kept on a professional basis.
- Every attempt should be made to find a suitable credit basis with which to deal with customers who are deemed eligible to purchase.
- All credit and collection decisions shall be independently made and shall conform to requirements of the law.

Collection Practices
The following practices have been established to assist in the collections efforts for all HUIT employees who are involved in the collection of overdue accounts and all HUIT managers who oversee businesses that provide product and services to customers on a credit basis:

- Management will be kept apprised as to the status of all credit and collection activity and notified about changes to policies and procedures.
- Collection policies and procedures have been established that:
  - minimize the level and age of receivables to achieve the lowest possible days sales outstanding and bad debt loss.
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- promote maximum internal control over cash and receivable transactions and insure the integrity of the financial data.
- maximize customer contact while providing the flexibility to accommodate for individual account variations.

Collection Procedures
The following procedures shall be followed by all HUIT employees involved in the collection of overdue accounts and all HUIT managers who oversee businesses that provide product and services to customers on a credit basis:

Contact Lists
Contact lists have been established by the Collections Department to facilitate the communications process. The contact list contains the names and numbers of the individuals at each of the approved affiliated institutions who typically transact for HUIT products and services.

Collecting on Accounts
When an account becomes past-due, service to that customer or future purchases on account may be terminated to reduce the exposure to excessive losses due to bad debt. Additional collection activities may include the following:

Direct Calling
At 90-days past due, the collections staff will contact the customers accounts payable department to inquire about the payment status. The collections staff will email or fax duplicate invoices to the customer if requested. If the customer does not dispute the invoice, a payment commitment date will be confirmed. If the commitment date is not met, the collections staff will follow-up with additional phone calls to the customer as necessary.

Collection Letters
A series of collection letters can also be used as a tool in collecting overdue amounts. Collection letters are typically sent out at the following times:
- When the account becomes 90-days past-due
- When payment has not been received at 120-days past-due

Resolving Customer Disputes
It is not uncommon for customers to dispute certain outstanding charges. Below is a list of common customer payment issues:
- Invoice does not match their original purchase order amount
- P.O. provided at the time of purchase was incorrect
- Customer disputes some or all of the costs on the invoice
- Product was not received
- Product was returned

The collections staff will work with the customer and HUIT business management to resolve all customer disputes and arrive at a satisfactory agreement on outstanding monies owed.

Writing-off Uncollectible Accounts
After a customer’s receivable invoice has remained open for 9 months, HUIT will make the determination to write the invoice off to the Allowance for Bad Debt Account (object code 5773) in the general ledger. Internal collection activities may continue, and if collections are successful, the write-off will be reversed and the payment applied to the account.
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When all internal collection efforts have been exhausted and an invoice is deemed permanently uncollectible (i.e., it is no longer worthwhile to pursue the claim when the expense to recover is greater than the amount to be recovered), internal collection efforts will cease. Invoices with material balances may be turned over to the University's outside collection agency. The outside collection agency will proceed with additional collection alternatives, including written/verbal correspondence, and legal action. If moneys are later collected on the written off account, the write-off is reversed to allow for proper payment posting to the account.

For More Information
For additional information on the department wide Accounts Receivable, Credit and Collection Policy and Practices, please contact Dave Murphy at 5-1836.