

SUBJECT: ACCOUNTS RECEIVABLE PROCEDURE		
Reviewed by: Finance Subcommittee Revised by:	Effective: 3/19/12	
	Reviewed: 03/05/12	Revised: 3/13/12
Approved by: HITE-CT Board of Directors	Page 1 of 2	
	Related to Core Policy:	

PURPOSE:

The purpose of this policy is:

- To ensure HITE-CT's financial statements correctly reflect all amounts owed to the organization
- To minimize the cost of collecting accounts receivable; and
- To maximize cash flow.

The objective of the central accounts receivable system is threefold: first, to lessen the requirements for departmental record keeping; second, to consolidate all charges to a single billing; and finally, to promote the standardization in the reporting of accounts receivable in HITE-CT's financial records.

PROCEDURE:A. Internal controls

All aspects of revenue recordation and accounts receivable monitoring shall be subject to proper internal controls. These controls should be properly documented and followed by accounting personnel generating the receivables, receipting the payment, and performing collection activities on delinquent accounts:

1. Segregation of duties – authorization, recordation and custodian functions should be performed by different personnel or mitigating procedures should be in place.
2. Reconciliation to the general ledger and other supporting accounting ledgers shall be performed in a timely manner for receivable balances and subsidiary ledgers.
3. Automated system resources should be utilized where practical to provide better support towards processing reconciliations.
4. Upon any suspicion of fraud, the CEO should be notified. The CEO shall then notify the appropriate personnel (e.g., internal audit, law enforcement) in a timely manner for further investigation.
5. If there is any suspicion regarding non-compliance with internal control directives, the CEO will notify the Board of Directors for further review.

B. Payment Terms

HITE-CT's standard term of payment is 30 days from the invoice date. An extension of credit beyond the standard payment term may be granted under unusual circumstances. Such arrangements must be documented in full in writing on the face of the invoice and approved by the CEO. The CEO may use his/her authority to offer customers a payment term extension.

Invoices outstanding beyond the standard 30 day payment term will be charged an interest penalty (as approved by the Board of Directors) on the principal outstanding amount until the debt is paid in full.

In addition, with any invoice that is more than 30 days overdue, HITE-CT, with proper notification, reserves the right to offset the amount it is owed by the customer against any outstanding

expenses HITE-CT owes the customer (i.e. consulting fees, accounts payable invoices, travel expenses, etc.).

C. Collection

All accounts receivable should be recorded in a manner to permit an analysis of the aging of such receivables. The collection of general accounts receivable is the responsibility of the Bookkeeper. In the event a customer contests a charge, however, the CEO is responsible for its resolution.

A service charge (as approved by the Board of Directors) is levied on all accounts receivable payments returned to HITE-CT by the bank (e.g. NSF, account closed, etc.).

D. Un-collectable Accounts

In the absence of a legitimate dispute, credit privileges are withdrawn when a customer fails to respond to a collection notice to discharge outstanding debt.

Uncollected accounts receivable balances are charged back to the organization once all internal means of collection are exhausted. This action is normally initiated by the Bookkeeper after consultation with the CEO.

In addition, the CEO may choose to exercise his/her authority to involve an external collection agency for further collection and, if necessary, legal action. Any amounts recovered by the external agency are returned to the organization net of any service fees charged by the agency.

E. Depositing of Received Funds

Use of electronic deposits are preferred and to be used. Additionally, HITE-CT will use a lockbox at their bank to cut down on the volume of checks employees need to handle. However, the CEO will serve as the primary recipient of all monetary payments via cash, check or wire transfer, unless there are established guidelines for a revenue process for which the CEO does not serve as the primary recipient. The CEO must sign and date all monetary payments received.

The monetary payment is then turned over to the bookkeeper to endorse and generate a deposit slip.

The deposit slip and monetary payment are transported to the financial institution by other trusted personnel with no accounting responsibilities and the deposit is processed. The deposit receipt is then taken back to the bookkeeper for entry into the bookkeeping system.