



## Accounts Receivable

### No. 3605

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**Policy Owner:**  
Simon Allen

**Policy Author:**  
(Contact Person)  
Nancy Meacham

**Affected Parties:**  
Faculty  
Staff

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### 1.0 Purpose

This policy is designed to define how credit may be extended to students, faculty, staff, and other customers of the university and once the credit is established how the receivable is to be collected.

All accounts receivable of the university are subject to scrutiny by state authorities, auditors, and other interested parties. Persons authorizing the granting of credit or accounts receivable should assure that such transactions are necessary, reasonable, and directly related to the goals and missions of the university.

### 2.0 Policy

The university's general policy is to apply the Commonwealth of Virginia's policies, standards, and limitations to all accounts receivable transactions, regardless of the source of funds. The university's procedures are based on the [Commonwealth Accounting Policies and Procedures \(CAPP\) Manual](#), which is written and published by the Department of Accounts to provide authoritative guidance on the application of accounting policies, procedures and systems pursuant to [Section 2.1-196.1 of the Code of Virginia](#). In addition, procedures related to accounts receivable and collection activities may be based on Federal regulations and state rules outside the CAPP Manual where necessary to fulfill university administration's responsibility for prudent management of all resources. The two key concepts of the CAPP Manual requirements are as follows: 1) the university is required to take all appropriate and cost effective actions to aggressively collect accounts receivable including any related collection costs, interest, penalties or fees assessed, and 2) the university is required to withhold services to those who refuse to pay their debt. For example, this includes, but is not limited to, putting "holds" on students' accounts to prevent them from enrolling in the next semester if they have unpaid charges on their account. This could also include work stoppage on a sponsored project, especially if a nongovernmental sponsor has significant total accounts receivable balances or multiple outstanding receivables from interim billings greater than 90 days past due. The determination of whether to stop work on the sponsored project will be made jointly by the Director of the Office of Sponsored Programs and the University Controller. The CAPP manual also specifies the required collection procedures to be performed on all past due and delinquent accounts receivable. Generally, more collection effort is required the longer the receivable remains unpaid.

Whenever possible, university departments should require payment at or before the time goods or services are provided to students, faculty, staff, the general public, or other companies or organizations. In cases where this is not possible or practical, university departments may grant credit to such customers who provide sufficient demographic information to enable the establishment of an accounts receivable record and subsequent collection procedures if payment is not received by the payment due date. By extending credit, the university department is assuming the risk that the customer will not pay and the department will ultimately be liable for any uncollected revenues or bad debt expense.



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Therefore, if the department has doubts about the credit worthiness of potential customers, they should consult with the University Bursar about obtaining credit bureau reports for this customer or requiring at least partial payment(s) before extending moderate amounts of credit to such customers.

It is the policy of Virginia Tech that all receivables are to be processed through the university's central receivable system, managed by the Office of the University Bursar (OUB). Therefore, all accounts receivable, as soon as practical after granting the credit to the customers, should be recorded in the central system, unless a written exception is granted by the University Controller. Such exceptions are normally granted only to large, complex departments with specific business processes that require a stand-alone accounts receivable system. These systems must meet all the minimum requirements of the CAAP manual for management, reporting and collections of accounts receivable and have adequate control and security processes to ensure the integrity and reliability of the accounts receivable, payment, and collection data.

The University Controller has the ultimate responsibility for the management, reporting, and collection of the universities accounts receivable. The overarching goal is to minimize the number and amount of past due and delinquent accounts receivable on an ongoing basis, and the annual write-off of uncollectible receivables.

### 3.0 Procedures

See the Accounts Receivable Procedures at <https://www.bursar.vt.edu/proc/accountsreceivable> for detailed information related to minimum demographic information needed for all accounts receivable customers, specific collection and reporting requirements, etc.

### 4.0 Definitions

**Accounts receivable, or receivables**, are monies due to the University which have not yet been received. Credit which has been extended to students, faculty, staff, or to outside customers is a receivable. This can include, but is not limited to, tuition and fees, sponsored projects, student loans and notes receivable, travel loans, library fines, parking tickets and fines, pharmacy charges, petty cash loans, etc.

**Past Due receivables** are those receivables that remain unpaid from 1 to 90 days beyond the initial due date.

**Delinquent receivables** are those receivables that are past due 91 days and beyond.

**Credit worthiness** is defined as the ability of the person or company to pay for the good or service under negotiation.

**Write-off of receivables** is the transaction which removes an account that management has determined to be uncollectible from the university's accounting records. Writing off the receivable for accounting purposes does NOT discharge the debt owed to the university.

### 5.0 References

The university follows the guidelines under topic number 20505 in the CAPP Manual at [https://www.doa.virginia.gov/reference/CAPP/CAPP\\_Summary\\_Cardinal.shtml](https://www.doa.virginia.gov/reference/CAPP/CAPP_Summary_Cardinal.shtml) published by the Department of Accounts.

Section 2.1-196.1 of the Code of Virginia

<https://lis.virginia.gov/cgi-bin/legp604.exe?971+ful+HB2406+pdf>



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Bursar's Office Procedures, Accounts Receivable

<https://www.bursar.vt.edu/employees/procedures/accountsreceivable.html>

## 6.0 Approval and Revisions

Approved September 30, 2002 by Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.