Summary: Financial Operations-Accounts Receivable (FO-AR) coordinates the processing of all University billing through the Oracle Accounts Receivable module. This includes the creation of accounts receivable within the system, posting of cash receipts against receivables, spreading revenue based on the earnings process, and the dunning process in conjunction with department input. FO-AR will ensure this activity is accurately tracked and recorded for the University.

Procedure:

1. University organizations must submit to Financial Operations an invoice requisition form marked to the attention of Accounts Receivable for each transaction. Complete and accurate support (e.g., signed agreements) needs to accompany each form in order for the University to maintain auditable documentation for the external audit. This form should be used for any external billings excluding gifts, and sponsored projects.

The form must be completed in its entirety with the following pertinent information:

- Preparer’s information, organization, and telephone
- Customer name, address, and contact if applicable
- Reference the project, task, and award for non-sponsored awards set up in the Grants Management System (NOT awards beginning with 1XXXXXX) if applicable
- Complete invoice distribution instructions
  Form Options: Distribute to Customer
  Dept Invoice-AR copy only*

*Note: If the department prepared and mailed the invoice to the customer, a copy of the invoice must be included with the form and marked “Dept Invoice-AR copy only.” All invoices prepared at the organizational level MUST have the Financial Services Group lockbox address in the remittance section of the departmental invoices.

Lockbox address:
Carnegie Mellon University
Financial Services Group
P.O. Box 360456
Pittsburgh, PA 15251-6456

- Invoice line descriptions and line amounts
- Invoice Amount (form will automatically sum your line items)
- Complete general ledger accounting string (object code must be included)
- Authorized signature for department

2. FO-AR will be responsible for processing of all payments related to invoicing activity.

- If payments are sent to the department for any invoiced transaction, including department invoices, payments must be forwarded to the FO-AR.

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- Payments received within the departments for non invoicing type transactions (i.e. application fees, registration fee, etc.) need to be secured (refer to Cash Management Procedure), when they arrive in areas. The department will be held accountable for the University’s assets. This type of payment should be processed by using a Financial Services Receipt Form (FSR) and forwarded to Cash Operations for processing.

3. FO-AR will review invoicing support to determine proper recognition of revenue and deferred revenue if applicable.

- Revenue-Service has been performed or product delivered (revenue is earned);
- Deferred revenue-Service will be performed or product delivered in the future

Revenue will be recognized as it is earned. Revenue recognition for transaction types are listed below: (see note * for exceptions concerning invoices overlapping fiscal years)
- Educational programs – start of course*
- External Salary Reimbursements-
  - Invoicing for reimbursements- date of invoice
  - Invoicing for payments in advance- prorated over duration of service
- External Services- date of service*
- External Support-
  - Invoicing for reimbursements- date of invoice
  - Invoicing for payments in advance- prorated over duration of service
- Corporate Membership Fees- pro-rated over duration of agreement
- Fees-Affiliate Programs- pro-rated over duration of agreement
- Fees-Corporate Conferences date of conference*
- Fees-Educational Program- start of course*
- Royalty Income-depends or royalty arrangement
- Visitors Fees – pro-rated over the duration of service
- Conference Sponsorships – date of conference*
- Other services –date of service*

*For transactions overlapping fiscal year, revenue will be appropriately deferred for that portion of service rendered after the fiscal year end.

Examples:  Consortium Membership Fee of $100,000  
Renewal Date = Oct 2005  
Invoice Date = May 2005  
Payment Received = June 2005

```
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<th>Invoice Date (May 05)</th>
<th>Debit</th>
<th>Credit</th>
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<tbody>
<tr>
<td>A/R</td>
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<tr>
<td>Deferred Revenue</td>
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</tbody>
</table>
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Receipt of Payment (June 05)
Cash $100,000
A/R $100,000

Date of Service (Oct 05)
Deferred Revenue $100,000
Revenue $100,000

Examples:
External Salary Reimbursements $6,550
Services Start Date = Nov 2004
Invoice Date = Dec 2004
Payment Received = Jan 2005

Invoice Date (Dec 04) Debit Credit
A/R $6,550 $6,550
Revenue

Receipt of Payment (Jan 05)
Cash $6,550
A/R $6,550

Examples:
Visitors Fee of $60,000
Date of Service = Academic Year 2004-2005 (9 months)
Invoice Date = August 2004
Payment Received = Sept 2004

Invoice Date (Aug 04) Debit Credit
A/R $60,000 $60,000
Deferred Revenue

Receipt of Payment (Sept 04)
Cash $60,000
A/R $60,000

Date Service Begins- Sept 04 (revenue recognition 1/9 monthly)
(Sept 04) Deferred Revenue $6,666.67
Revenue $6,666.67
(Oct 04) Deferred Revenue $6,666.67
Revenue $6,666.67
(Nov 04) Deferred Revenue $6,666.67
Revenue $6,666.67
(Dec 04) Deferred Revenue $6,666.67

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Examples: Fees Educational Programs $10,000
Course Start Date = Sept 05
Invoice Date = July 2005
Payment Received = August 2005

<table>
<thead>
<tr>
<th>(Jan 05)</th>
<th>Deferred Revenue</th>
<th>Revenue</th>
<th>$6,666.67</th>
<th>$6,666.67</th>
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<tbody>
<tr>
<td>(Feb 05)</td>
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<tr>
<td>(May 05)</td>
<td>Deferred Revenue</td>
<td>Revenue</td>
<td>$6,666.64</td>
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</tbody>
</table>

4. Accounts Receivable Director and the Academic and Department Business Managers will jointly be responsible for monitoring the organizational compliance with the University Billing procedures.

5. Academic and Department Business Managers will be responsible for reviewing receivables and cash receipt information posted to their respective organizations no less than monthly. Academic and Department Business Managers will be responsible for coordinating funding updates as required.

6. Accounts Receivable Director will provide departments with a list of customers that have past due balances of 60 days or greater on a monthly basis. Departments will need to respond within 10 business days to prevent a customer from receiving a dunning letter. If it has been determined that a customer cannot or will not pay the outstanding

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balance, FO-AR will write off the account in accordance with the University Bad Debt policy.

Compliance Auditing

- Financial Operations will review miscellaneous receipts through Cash Operations to ensure compliance with this procedure.