

REGULATION MONTGOMERY COUNTY PUBLIC SCHOOLS

Related Entries: JNA-RB
Responsible Office: Chief Operating Officer

Accounts Receivable

I. PURPOSE

To publish guidelines for strong fiscal management in the administration of credit to Montgomery County Public Schools (MCPS) customers, tracking of accounts receivable, and for removal of uncollectible items when collection efforts have been exhausted or deemed not to be cost effective.

To provide guidance to offices and departments regarding offering credit to customers and to ensure the uniform management and tracking of receivables including timely collection efforts. The coordinated administration of receivables recognizes that credit is a necessary part of business operations, and that certain debts are inevitably uncollectible. To provide a consistent methodology for the management of receivables.

II. DEFINITIONS

Accounts receivable are amounts owed to MCPS by outside parties and by current or former employees. Outside parties include customers for whom MCPS has provided goods or services, or who have agreed to reimburse MCPS for incurred costs. Accounts receivable include amounts owed to MCPS by grantor organizations under restricted grant agreements.

III. PROCEDURES

A. Student Debts to Schools

1. Regulation JNA-RB, *Collection of Student Debts or Obligations*, provides schools with guidelines for the collection of student obligations. Schools are individually responsible for the management of their receivables in accordance with the *Manual of Policies and Procedures for Administering Independent Activity Funds*. Additional guidance is provided by the MCPS Financial Manual Chapter 20, Independent Activity Funds.

2. Schools must adhere to the returned check charge fee as set in Section D.

B. Extension of Credit to Customers by Administrative Offices

1. Administrative offices should establish prudent credit practices including maximum amounts for each activity that requires goods or services to be provided in advance of payment. These practices should be based on generally accepted trade practice for the particular type of activity and based on an evaluation that extension of credit will have a favorable impact on the program without financial loss. Customer information shall always include at a minimum: full legal name, full address, and taxpayer identification number. Additional information may be required based on the type of customer (individual v. organization) and the customer's affiliation with MCPS.

Guidance regarding the extension of credit is available to offices from the chief financial officer or the Division of Controller. Copies of each office or department's credit practices should be submitted to the executive staff member responsible for that office or department.

2. No extension of credit in excess of \$10,000 should be authorized without the approval of the chief financial officer unless specifically set by statute.
3. Administrative offices that have the need to invoice external customers for products or services rendered should provide the required information for the timely invoicing of external customers through the Division of Controller. Invoices must clearly specify the terms of repayment with a due date. Interest may not be charged without specific authorization from the chief financial officer.
4. Payments received by administrative offices must be submitted to the Cash Receipts Unit of the Division of Controller for deposit on the day received.
5. Adjustments to customer accounts shall be through the posting of properly authorized credit or debits. These must be authorized by individuals independent of the person responsible for the accounts receivable, preferably a supervisor or manager.

C. Collection Activities

1. The Division of Controller works with administrative offices to ensure the timely collection of receivables through invoicing and use of collection efforts including collection agencies. Offices and departments who extend credit should have adequate documentation of the incurred debt to support these collection activities. Each office or department should have defined collection procedures in order to minimize bad debt losses. Offices and departments must work with the Division of Controller to refer debts owed to MCPS to a third party firm for collection as long as a standard for referral is consistently applied.
2. Collection procedures should include notifications of late payments and suspension of further credit until accounts are made current. The ultimate responsibility for collection lies with the office or department operating the program or activity that generates the sales. These procedures should include communication protocols such as reminders at regular outstanding intervals and a business cycle for declaring accounts receivable uncollectible. The Division of Controller assists through monthly billings, delinquency notices, provision of reports, and referrals to collection agencies.
3. Only the chief financial officer has the authority to establish a late fee schedule and must be consulted before late fees are imposed.

D. Returned Checks

A standard returned check fee for both schools and offices shall be implemented by the chief financial officer. Schools and offices may not set a different amount except in consultation with the chief financial officer.

E. Amounts Owed MCPS by Active Employees

The Department of Financial Services is authorized to deduct amounts owed MCPS by active employees through payroll deduction.

F. Writing Off Uncollectible Accounts

1. Offices or departments shall annually review their outstanding receivables and recommend to the Division of Controller accounts to be written off based on the facts and circumstances of the operation and the individual account. Determination shall be based on the reasonable expectation that

an account cannot be collected. Declaring a receivable uncollectible shall not preclude the chief financial officer from seeking collection through legal action.

2. As a general practice for both administrative offices and schools, receivables should be written off when collection is not possible or the expected costs of further collection efforts exceed the expected benefits. Write off of bad debts should occur prior to the end of each fiscal year.

Regulation History: New regulation October 28, 2010.