The Audit Perspective

Payment upfront or at the time of sale of goods and services is encouraged. However, occasionally, customers must be billed (invoiced) and payment collected at a later date, which creates accounts receivable. Formal departmental policies and procedures should be established for the entire accounts receivable process, from the initial order or request to the invoicing and payment for goods or services. This month's newsletter will cover the tracking, invoicing, and collection process for accounts receivable.

Accounts Receivable

Tracking Accounts
Customers that have ordered goods/services, but have not yet paid should be tracked to ensure the department collects the revenue that is owed to them. Tracking may be possible through an existing computer application already used by the department, or a simple Excel spreadsheet may be easier if there are only a small amount of accounts to track.

Invoicing
Invoices should be sent on a consistent and timely basis to ensure quick payment. Invoices can be sent through the mail or electronically. Invoices should include the invoice date, itemized description of charges, amount due, and due date. Departments may decide to add past due fees for prolonged outstanding accounts. Invoices should instruct customers to make checks payable to the University of Mississippi to comply with the Cash Receipting and Reporting Policy. Checks should not be made payable to an individual, or the department.

Collection Attempts
If customers do not pay the original invoice, multiple collection attempts may be necessary. Departmental policies should be established for consistent and regular (i.e. at least monthly) collection attempts. Periodic review of outstanding accounts should identify those that require additional follow up. This can include sending past due invoices, calling, and/or emailing customers. Documentation of collection attempts should also be maintained. Notes could be added to the accounts receivable tracking system/spreadsheet to indicate how and when follow-up occurred (e.g. 2nd invoice sent on 3/1/2019 or customer was contacted via

phone on 3/1/2019). Inadequate monitoring of accounts receivable and collection attempts increases the risk for revenue loss. Accounts receivable are essentially short-term loans of state funds, and should be collected as soon as possible.

Did you know?
According to Mississippi Constitution Article 4 Section 100, forgiving a debt is an impermissible donation. Thus, if a department forgives an amount owed by a customer, this could be considered an impermissible donation. Departments should continue collection attempts, and if a customer refuses to pay, no further goods or services should be provided until the outstanding amount has been collected.

Periodic Review
A list of outstanding accounts provides a useful picture of the total amounts due, number of days an account is past due, and identifies customers with past due accounts. Outstanding accounts should be reviewed regularly (i.e. at least monthly), which allows the department to be more informed of receivable and collection trends and can take appropriate action to change the credit policy, if necessary. Documentation of this review, such as signing and dating the outstanding list of accounts and balances, should be maintained.

Separation of Duties
One person should not have complete control of the accounts receivable process, and procedures should be established to ensure duties related to receiving funds, posting payments to customer accounts, and account reconciliation, are adequately separated. This may be difficult for departments with limited administrative assistance, but another employee should be involved in the accounts receivable process because complete control of the process can lead to undetected errors. For example:

- A separate employee could update customer accounts, or

- A separate employee could review past due accounts, verify that all payments marked as received have been deposited, and collection attempts are performed.

Retention
Accounts receivable documentation must be retained for 7 fiscal years.

Remittance of Sales Tax
According to the Collection and Remittance of Sales Tax Policy each department is responsible for the collection of sales tax when a sale or purchase in the department is subject to sales tax. The Accounting Office will assist in the determination of whether sales are subject to tax.

Inventory of Goods Sold
If a department sells goods, inventory is an important control in determining the amount of revenue that should be received, determining the cost of goods sold, and safeguarding against inventory loss. An inventory of items available for sale should be maintained detailing the number of items ordered and number sold. Sufficient information should

be maintained to track discrepancies, including person or business purchasing the item. Periodic physical counts of the inventory should be performed and total expected revenues and number of items on hand should be reconciled to revenues received/deposited and actual items on hand. Any discrepancies should be investigated and corrected.

Training with Internal Audit

Lead Your Team:
A section on the Code of Ethics and Conduct is presented by Internal Audit during the Lead Your Team training sessions. Lead Your Team is a three-day program designed to develop the skills necessary to supervise professionally and effectively. This is a core course highly recommended for employees with supervisory and people management responsibilities. The next Lead Your Team sessions are offered on June 5th, 12th, and 13th. Sign up on the HR website!

Account Reconciliation:
The Office of Internal Audit offers training on account reconciliation. A session is currently scheduled for April 16th, 2019 from 11:00am- 12:00pm at Insight Park, 1st Floor Seminar Room (East End). In this class, employees will learn how to perform monthly account reconciliations for revenue and expenditures (including payroll) in order to be compliant with the Responsibilities of Signatory Officers Policy. This class is designed for signatory officers as well as other employees who have been delegated the responsibility for reconciling departmental accounts. To register for upcoming sessions, go to our website.

Lead Responsibly:
A section entitled *Doubt Means Don't: Fiscal Responsibility (Code of Ethics and Conduct)* is presented by Internal Audit during the Lead Responsibly training. Lead Responsibly is designed for new and existing department heads. The review of financial and administrative topics will empower leaders to make accurate judgements and decisions, manage resources effectively, and act with professional integrity. The next session will be held Wednesday, March 27th. Visit the HR website to register!

Updated Policies

The University of Mississippi Policy Directory is a central location for accessing University policies. Since our last newsletter, the following policies have been updated:

- Campus Weapon Policy – Violations of the policy may subject one to criminal liability, immediate removal from campus, campus events or facilities, or other disciplinary action, including termination or sanctions under the University conduct system.

- Housing Weapons Policy – Violations of the policy may subject one to disciplinary action, which may include termination sanctions under the University conduct system, immediate removal from the residence halls or student housing, and loss of all housing privileges.

In the News

Humphreys County Chancery Clerk Arrested for Embezzlement
www.osa.ms.gov – Written by Mississippi Office of the State Auditor, Shad White.
Published 1/15/2019

Self-Assessment

Self-assessment is a valuable tool to help identify internal control deficiencies and assist in departmental management and audit preparation. The self-assessment consists of a series of "yes" or "no" questions. "Yes" indicates adequate controls in an area, while "no" indicates control deficiencies. Additional control related information is provided below each question to aid in resolving control deficiencies. Links to relevant policies are also included for each section. The self-assessment can be accessed here. For questions not addressed in the self-assessment, please feel free to contact us at 662-915-7017 or auditing@olemiss.edu.