

Approval Date: May 21, 2003

Most Recent Editorial Date: March 14, 2016

Parent Policy: [Financial Management and Practices Policy](#)

External Billing Procedure

Office of Administrative Responsibility:	Financial Services
Approver:	Director, Investments and Treasury
Scope:	Compliance with this university policy/procedure extends to all Academic Staff and Colleagues and Support Staff as outlined and defined in Recruitment Policy (Appendix A and Appendix B).

Contact for questions about this procedure:	revenue.procedure@ualberta.ca
--	--

Overview

External billing (billing) is the generation of a University of Alberta invoice through the PeopleSoft Billing module, or through an approved interface from an external billing system to request payment for sales of products or services (i.e. revenue processed to accounts 402xxx and 4031xx) by an external customer, or for the recovery of expenses from an external party, in accordance with a purchase order, agreement or contract.

Billing must be used to process sales and cost recoveries whenever possible, to ensure that the university's financial statements and internal reports are accurate by recording revenue when earned, and to maximize efficiency for all stakeholders by reducing handling of cash in units and enabling Financial Services – Accounts Receivable to manage customer payments and accounts.

Financial Services and the Research Services Office process grant revenue. The Office of Advancement processes all donation revenue. Billing units are required to comply with this procedure and must familiarize themselves with and follow *Guide to Financial Management, Chapter 7: Revenue*, specifically the areas referred to in this procedure. Learning resources related to processing in the billing module are available through the PeopleSoft User Training Program [RELATED LINKS].

This procedure does not apply to internal sales of products and services (sales by one University of Alberta unit to another). Follow *Guide to Financial Management, Chapter 7: Internal Sales*.

Purpose

The purpose of this procedure is to:

- establish institutional procedure for external billings that support timely and prudent billing practices
- ensure external billings are processed in accordance with the university's financial reporting requirements
- ensure effective and expedient collection practices

PROCEDURE

Procedure Summary:

1. [DECISION TO PROCESS EXTERNAL BILLINGS OR CASH SALES](#)
2. [ESTABLISHING PRICE](#)
3. [ACCESS TO BILLING MODULE](#)
4. [BILLING APPROVAL](#)
5. [EXTERNAL CUSTOMER ACCOUNTS](#)
6. [FOREIGN CUSTOMER BILLINGS](#)
7. [PROCESSING BILLINGS](#)
8. [CORRECTING AND CANCELLING BILLINGS](#)
9. [RETENTION AND FILING OF SOURCE DOCUMENTS](#)
10. [BILLING PAYMENTS](#)
11. [TRANSACTION REVIEW AND VERIFICATION](#)
12. [COLLECTIONS, WRITE-OFFS, RECOVERY OF WRITE-OFFS AND CREDIT BALANCES](#)

Procedure Details:

1. DECISION TO PROCESS EXTERNAL BILLINGS OR CASH SALES

The decision to process external sale transactions through Billing or cash sales is dependent on the appropriateness and cost effectiveness of the process. Consideration is given to the nature of the unit's customers, the type of services or products being sold and the volume of transactions.

Cash sales are typically high volume, low value transactions where the customer is physically present when paying for goods and services received (e.g. a retail operation where the majority of customers are staff and students). In such cases the preparation of an external billing invoice would not make sense.

External billings typically occur when the unit has agreed to receive payment after the goods and/or services have been provided to an external customer. In such cases an external billing must be generated. External billing transactions are typically higher value transactions involving customers who are neither staff nor students.

The decision to advance credit (i.e. process a billing) rests with the person accountable for the billing unit, taking into consideration the unit's risk tolerance. Credit should only be extended to the following types of customers:

- high profile organizations with well-established business reputations
- customers and business partners with whom the unit and/or the university has had successful dealings and who have proven to be of low bad debt risk (review of payment history)
- government agencies

To determine a company's credit worthiness, the faculty can request Financial Services to obtain a commercial credit report from the credit reporting agency. This report will provide a payment history rating, any suits, liens or judgements filed and will provide basic company and contact information. The credit report along with a credit application is the standard for granting credit. The fee for this service will be charged to the unit requesting the credit report.

Attention to the clarity of contracts/agreements with customers, timely billing practices and follow-up on overdue accounts will significantly reduce collection problems and the likelihood of bad debts.

[\[Return to Summary\]](#)

2. ESTABLISHING PRICE

The billing unit must ensure that the cost of the supply/service or expense recovery reflect the full cost (both direct costs and indirect costs).

- Billing units, which price their good/service on the basis of direct costs only, are underpricing.
- Direct costs are those which are traceable (i.e. Specific material, labor costs, administrative time that can reasonably be measured).
- Indirect costs are those, which are not traceable to the specific activity (i.e. Salaries of Chairs, and administrative staff, regular telephone service, supplies not specifically charged out).
- An appropriate indirect cost rate can be calculated as budgeted indirect unit costs divided by budgeted direct unit costs.
- Expense recoveries are generally a specifically identified expense (i.e. A specific salary).
- Review on a regular basis (i.e. annually) that all pricing policies in place adequately cover all costs (both direct and indirect costs).

[\[Return to Summary\]](#)

3. ACCESS TO BILLING MODULE

The faculty Senior Financial Officer (SFO or delegate) authorizes:

- a. Units to process billings by approving the *Billing Unit Setup and Update Request Form* [FORMS]
- b. Access to processing billings by unit staff through the ZBI_INVOICE_ENTRY role, which is requested using the PeopleSoft Financials Access Form.

In the interests of efficiency:

- Faculties are encouraged to centralize billing activities at appropriate points within the faculty.
- Faculties with low volumes of billing activity (e.g. 10 or fewer billings per year) may contact fsar@ualberta.ca for keying service.
- Units with high volumes of invoicing processed in an external third party system should consider importing their billings into the PeopleSoft Billing module using an interface. Contact Financial Services – Accounts Receivable (fsar@ualberta.ca) to coordinate the setup of an interface.

If requested, Research Services Office will create invoices for units if the billing is related to a research project with a project type of “RSCSH”. Once the External Research Billing Form is completed in accordance with the instructions and returned to Research Services Office, an invoice will be created in PeopleSoft Billing and mailed to the sponsor. (RSO External Research Billing FORMS)

[\[Return to Summary\]](#)

4. BILLING APPROVAL

An agreement (e.g. purchase order, work order) or contract is required to be in place between the university and the customer before services or products are provided and the billing to the customer is processed. The agreement or contract will include the fee/price, terms for returns or refunds and billing and payment terms, and must be approved by the appropriate individual in the unit.

In rare circumstances where there is no agreement or contract, a “pro forma invoice” may be printed to obtain the written approval of the appropriate individual in the unit before the invoice is finalized and issued.

[\[Return to Summary\]](#)

5. EXTERNAL CUSTOMER ACCOUNTS

The unit will determine whether a customer exists in the Accounts Receivable module by running the AAA_AR_Customer query. Units may bill only to Commercial (GAR) and Province of Alberta (PAB) customers. PAB customers include all Government of Alberta ministries, agencies, boards and commissions. SFR customers (mainly research) are restricted for Financial Services and Research Services Office use only.

If the customer exists but is inactive, the unit will request customer reactivation by submitting the *Customer Setup and Update Request Form [FORMS]*.

To request a new customer account or to make changes to an existing customer such as adding a new address location, the unit will complete the Customer Setup and Update Request. When a billing unit requests a customer setup, Financial Services – Accounts Receivable assumes the unit has satisfied itself as to the customer’s credit worthiness.

To maintain current customer information, units must inform Financial Services – Accounts Receivable of changes to customer addresses or telephone numbers in a timely manner. Financial Services – Accounts Receivable monitors for duplicate and inactive customer accounts and may inactivate customer accounts due to a history of bad debts. Returned invoices and statements (e.g. due to incorrect address) will be forwarded to the unit for correction, where appropriate. If the unit does not provide a revised address, Financial Services – Accounts Receivable will determine whether there is credit risk and, if so, will write-off the invoice to the unit and inactivate the customer. Refer to section 12; Collections & Write-Offs, Recovery of Write-Offs.

[\[Return to Summary\]](#)

6. FOREIGN CUSTOMER BILLINGS

Payments from foreign customers should be made by electronic funds transfer (EFT) for maximum security and to enable conversion from foreign currency to Canadian dollars (CAD) with minimal delay. Refer to the *EFT Incoming Payment Procedure* for further information.

Whenever possible, agreements/contracts with foreign customers should be structured in Canadian dollars (CAD) for billing and payment purposes. This transfers foreign exchange risk to the third party customer. Where the agreement/contract cannot be structured in CAD, the next preferred option is United States dollars (USD). The invoice will be created in US dollars under a USD currency customer account. Payments must be received in US dollars to avoid exchange rate differences.

If an agreement is denominated in a currency other than CAD or USD, the invoiced amount must be converted to CAD for processing. Upon payment, Financial Services will arrange to send the foreign item out for collection. This can take considerable time and the service charges will be passed on to the billing unit. If an agreement is

structured in CAD or USD but payment is received in some other currency, Financial Services – Accounts Receivable will coordinate collection of the foreign item as outlined.

To minimize the effect of exchange rate fluctuations between the invoice date and the payment date, small differences are absorbed centrally. Material gains or losses will be credited or charged back to the billing unit. This can be particularly significant for long term contracts with multiple billings. For USD billings in excess of \$100,000, to avoid a large loss being charged to the unit, the unit should contact Financial Services - Treasury (treasury.fs@ualberta.ca) regarding 'hedging' (i.e. the purchase of a forward contract to lock in a future exchange rate).

US domiciled customers may request a W8-BEN-E form (Certificate of Tax Exempt Status). The university is registered for income tax purposes with the U.S. Internal Revenue Service. The W8-BEN-E form identifies the University of Alberta as a Registered Charity which is exempt from US withholding tax. Requests for W8-BEN-E Forms are to be sent to fs.requests@ualberta.ca.

[\[Return to Summary\]](#)

7. PROCESSING BILLINGS

Access to enter billings is granted by completing the *PeopleSoft Financials Security* form and the *Billing Unit Setup and Update Request* form [FORMS]. *Bill Source* is the unit creating the billing and is entered when the bill is created. *The Bill Header panel* stores all information pertaining to the invoice including customer information, payment terms and type. To ensure the billing is associated to the correct *Billing Specialist*, the billing user must enter their name in the "*Biller field*". This is done by overriding the default *Billing Specialist*. The person processing the billing must not be the same as the approver of the billing.

Billings must be processed and invoices sent in a timely manner (e.g. as soon as the services or products have been provided or as soon as an expense being recovered have been incurred). If a job or work order is partially complete at March 31 and a progress billing is allowed under the terms of the job or work order, a work-in-progress invoice dated March 31 should be issued to recognize the revenue related to the costs incurred to date. When the final invoice is issued in the new fiscal year, the amount of the work-in-progress billing should be deducted from the total cost of the job or work order. Units are required to accrue revenue exceeding \$100,000, through a *GLJE Request*, where a billing has not been processed, which should rarely occur as the year-end processing deadlines for external billings and GLJE requests are the same.

The unit is responsible for ensuring billings are processed and coded appropriately and accurately:

a. Customer

Units may only bill to Commercial (GAR) and Province of Alberta (PAB) customers. All Government of Alberta ministries and provincial agencies, boards and commissions are found in the PAB series and not in the GAR series. SFR customers are restricted for Financial Services and Research Services Office.

Note; regarding invoices to Alberta Health: Invoices must include the contact name at AB Health and the functional centre code (17 digits in length and beginning with 201xxx for AH operating codes, and 203xxx for AH trust codes).

b. Fund – refer to *Guide to Financial Management, Chapter 7, Revenue and Banking*

Generally, units can process external sales only to operating funds (F210, F310, F330). There are certain approved exceptions where units are allowed to combine revenue sources (e.g. record external sales revenue to 402xxx accounts in F530). This includes units funded from both restricted and operating (e.g. centres,

institutes) and, pursuant to approval by RSO, small amounts of ad hoc sales throughout the life of a restricted research project funded by grant revenue.

External expense recoveries are coded to the same fund as the expense being recovered.

- c. Account – refer to *Guide to Financial Management, Chapter 7, Revenue and Banking*

Units may process billings for external sales only to the following accounts:

- external revenue (402xxx)
- non-credit fees (4031xx)
- fees related to credit tuition courses (specific units only): 403074 – Field Trip Camp School Revenue and 403089 – Miscellaneous Course Fees

Units will code billings for external cost recoveries according to the **Appendix** to *Guide Chapter 7: External Sales and External Cost Recoveries*. Account coding is dependent on the fund type and scenario underlying the transaction.

- d. GST

Refer to Guide Chapter 7: Goods and Services Tax (GST) and Harmonized Sales Tax (HST) - External Sales and External Cost Recoveries

[\[Return to Summary\]](#)

8. CORRECTING AND CANCELLING BILLINGS

Billing errors must be resolved within a timely manner (preferably before invoices are mailed out) and in accordance with month and year-end processing schedules.

Corrections to and cancellations of billings are processed in the billing module and require approval by an appropriate person in the unit prior to processing.

To process a billing correction, a credit invoice must be created to reverse the original billing and a correct invoice issued under a new invoice number.

To cancel a billing, a credit invoice must be created to reverse the billing. The billing module will automatically reference the original billing number on the credit invoice. The units must record the explanation in the bill notes as to why the credit invoice is being issued.

[\[Return to Summary\]](#)

9. RETENTION AND FILING OF SOURCE DOCUMENTS

Units are required to retain orderly and secure records for six prior years plus the current fiscal year. For accessibility, records should be filed in the unit or faculty by fiscal year and journal number. An External Billing Jacket is recommended for retention purposes (refer to Financial Services Forms Cabinet).

Appropriate supporting documentation includes, as applicable:

- original purchase order or work order
- original approved contract/agreement with the customer or external organization or reference to the contract number

- pro forma invoice, evidencing approval

[\[Return to Summary\]](#)

10. BILLING PAYMENTS

Customer payment by electronic funds transfer (EFT) is preferred in order for payment to be transferred directly to the university's bank account. Financial Services – Accounts Receivable will provide the billing unit with university's EFT payment information (refer to Electronic Funds Transfer (EFT) Incoming Payment Procedure). The university also accepts payment by cheque or bank draft payable to the "University of Alberta".

All payments are to be sent directly to Financial Services - Accounts Receivable, and not to the billing unit. The billing module automatically prints this information on the customer invoice, along with the appropriate mailing address. Payments received at the billing unit must not be deposited but sent immediately to Financial Services – Accounts Receivable using the *Cheque Deposit Information Form* [FORMS]. If the unit receives a billing payment, the unit will advise the customer to update the payment address information.

[\[Return to Summary\]](#)

11. TRANSACTION REVIEW AND VERIFICATION

Queries and reports are available for transaction review and verification purposes. Refer to the "*External Billing – Monitor Bills*" section in Online Financials Training [RELATED LINKS].

Discrepancies most often result from billings not being set to 'ready' or from budget errors where the invoice will not post to the general ledger. Incorrect entry of a chartfield will result in the invoice being incorrectly posted. In each case, the billing unit can take the appropriate action to address the respective discrepancy. Other discrepancies should be promptly reported to fsar@ualberta.ca indicating "Billing Unit Revenue Discrepancy" in the subject line.

[\[Return to Summary\]](#)

12. COLLECTIONS, WRITE-OFFS, RECOVERY OF WRITE-OFFS AND CREDIT BALANCES

a. Collections

Units are required to monitor their accounts receivable on an on-going basis (at a minimum monthly) and take the appropriate action with their customers. To assist units with this process Financial Services, Accounts Receivable, will provide a monthly aging report to the faculty SFO (or delegate) listing all outstanding invoices. Additional queries are available for monitoring purposes: AAA_AR_Deposits_Payments, AAA_AR_Items_By_Customer, FS_AR_Days_Late, ZAR_Aging_By_Dept_Subdiv. Refer to the "External Billing – Monitor Bills" section in Online Financials Training [RELATED LINKS]. Units can also access payment status in the billing module.

Units are required to send past due amounts status updates (reason, follow-up actions and timelines, etc.) to fsar@ualberta.ca indicating "AR Outstanding Account Update" in the subject line. Financial Services will add

these comments to the customer conversation page. Units are able to view these comments when accessing the AR module.

Financial Services – Accounts Receivable assists with collection of outstanding accounts as follows:

- sends customers a monthly statement of account, 60 days past-due account letter (at approximately 90 days past the billing date) and 90 days past-due account letter (at approximately 120 days past the billing date)
- notify all campus units (via email) when GAR customer billings are 90 days past due. Advise the unit the invoice will be written-off at 120 days past due.
- reinstates the billing and notifies the unit if a cheque for payment of an invoice has been rejected by the bank due to insufficient funds (NSF). An administrative fee of \$25 will be added to the customer account to offset the related bank service fees incurred by the university. The unit is responsible for pursuing the customer for payment.
- takes appropriate action for other returned cheques depending upon the reason for the return.

b. Write-Offs

Financial Services – Accounts Receivable will write off outstanding accounts to the unit (account 502671 – Bad Debt Expense) in the following circumstances:

- accounts 120 days past due
- customer invoices and statements returned due to incorrect address, where the unit has not provided a revised address and if Financial Services – Accounts Receivable determines there is a credit risk

Where an amount has been written off, Financial Services – Accounts Receivable will also recover the GST remitted from Canada Revenue Agency and may inactivate the customer account, if appropriate.

Units may request that collections be referred to a collection agency. The unit assumes responsibility for all associated costs such as the collection agency fee (generally at least 20% of the outstanding amount). The unit will notify Financial Services – Accounts Receivable of this action. The unit will provide copies of all supporting documentation and other applicable information to Financial Services – Accounts Receivable. Financial Services – Accounts Receivable will liaise with the collection agency, notify the unit as to the agency's collection terms and conditions, and keep the unit apprised of the agency's progress. Amounts recovered by the collection agency (net of agency fees) will be credited to the unit's bad debt expense account.

c. Recovery of Write-offs

When an outstanding account is written off, the university recovers the GST previously remitted to the Canada Revenue Agency. The GST amount applicable to recovery of written off amounts must, in turn, be remitted to Canada Revenue Agency. Therefore, payments received for billings that have been written-off must not be deposited by the unit but forwarded to Financial Services – Accounts Receivable. The payment will be credited back to the reinstated invoice and the Chart of Accounts associated with the billing. Financial Services – Accounts Receivable will notify the billing unit of this transaction.

d. Credit Balances

If a credit balance results from a customer overpayment, duplicate payment or errant payment of a cancelled invoice, Financial Services – Accounts Receivable will follow up with the customer. If the customer agrees, the credit balance will be applied to another outstanding invoice. Otherwise, Financial Services – Accounts Receivable will refund the credit balance to the customer. Refunds are processed monthly or on an ad hoc basis as appropriate.

[\[Return to Summary\]](#)

DEFINITIONS

There are no definitions for this Procedure. [[▲Top](#)]

FORMS

Should a link fail, contact uappol@ualberta.ca. [[▲Top](#)]

[Billing Unit Setup and Update Request](#)

[External Billing Customer Setup and Update Request](#)

[Cheque Deposit Information Form](#)

[Cashier Deposit Book Request](#)

[Incoming EFT Customer Payment Information Form](#)

RELATED LINKS

Should a link fail, contact uappol@ualberta.ca. [[▲Top](#)]

[External Sales and External Cost Recoveries](#) (Guide to Financial Management)

[PeopleSoft User Training Program](#) (refer to Courses/Online Financials Training)

[Research Services Office – Request for External Research Billing](#)

[Research Services Office – External Billing \(Research\) Customer Setup and Update Request](#)