

11.1 Accounts Receivable

Policy Statement

This policy sets government-wide standards for accounts receivable (AR) management and creates a framework that can be used to establish procedures for individual departments.

Policy Objective

The goal of the policy is to establish a framework of procedures that are consistent across all government departments yet flexible enough to cover a variety of situations in the most efficient and effective manner possible to improve the cash flow of the province. Timely and accurate billing and collection is an important way to generate a significant cash flow. Optimum cash management requires good AR management.

Application

This policy focuses on invoicing and collection of general AR owing to the province by internal and external customers.

Policy Directives

CUSTOMER MASTER FILE RECORDS

Customer master file records will be maintained by each department. Customer master files for SAP AR will be maintained by Operational Accounting, Department of Internal Services.

NATURE OF ACCOUNTS RECEIVABLE

Departmental AR balances vary by dollar value and volume, depending on the nature and fee structure of the department's billable programs.

APPLICATION OF PAYMENTS

Cash receipts may include payment for numerous invoices and may be partial payments of a particular invoice. Some cash receipts are received in error. Payments will be applied to the particular invoice to which they relate, even if payment is not the same amount as the invoice total. This will leave disputed or unpaid invoices as outstanding on the customer's account for further follow-up and collection efforts.

SEGREGATION OF DUTIES

For internal control purposes, staff who are responsible for the management/ collection of AR must not handle or be responsible for the processing of receipts.

REFUNDS

Payments received in error or paid in excess of the invoice total by more than \$2 will be refunded to the payer. No refund will be made if other invoices are outstanding on the customer's account, and attempts should be made to negotiate with the customer to apply any excess payments to other outstanding invoices.

COLLECTION PROCEDURES

Every department, board, and agency of the province must establish collection procedures, taking into consideration the dollar amount of outstanding accounts receivable. More effort and cost of collecting AR is warranted for higher dollar value AR.

Billing

Invoices will be prepared on a timely basis to permit recording of revenue/ recoveries and generation of cash flows. Customers expect timely billing.

Statements

Departments may send follow-up statements of outstanding AR to customers.

Phone calls

Departments may follow up on outstanding AR by phone calls to customers.

Dunning letters (Collection Letters)

Where the age and amount of an outstanding AR warrants it, departments may send collection letters to customers with increasingly urgent messages and details of outcomes if payment is not received.

Assignment of Overdue Accounts

In general, AR in arrears for a period of ninety (90) days or more must be submitted to the Collections Services Unit of the Office of Service Nova Scotia for collection purposes. Refer to Chapter 11.5 Corporate Collection Policy for detailed information.

ACCOUNTING AND REPORTING PROCEDURES

Balancing of accounts receivable

AR sub-ledger systems or manual lists must be balanced to the corresponding general ledger accounts, with errors corrected on a monthly basis. SAP-AR sub-ledgers are balanced by Operational Accounting.

Aging reports of accounts receivable

AR aging reports, where available, must be produced and reviewed on a timely basis.

Report to Deputy Ministers

Large past-due AR should be reported, on a regular basis, to the Deputy Minister with recommendations for further collection steps.

Returned cheque charge

Unless governed by other fee structures and policies, a department may charge the customer's account an NSF fee for each returned cheque at a rate that is applicable at the time of the cheque return. (Refer to Chapter 11.2 Returned Cheques.)

Annual review of balances

Each year, prior to year end, all AR must be reviewed in preparation for the audit and to assess the adequacy of the allowance for doubtful accounts. Each year, in the fall, assessments must be done to determine the need to write off any accounts. (Refer to Chapter 11.3 Bad Debt Write Off Procedures).

DISCRETIONARY CREDIT

All departments, boards, and agencies advancing discretionary credit must establish credit risk-assessment policies. Information to consider includes past credit history with other government departments, the nature of the business, the type and amount of credit, and the ability of the customer to repay. Credit-granting criteria should be reviewed by departments on a regular basis, based on the volume and age of unpaid accounts receivable.

INTERNAL ACCOUNTS RECEIVABLE/PAYABLE

At least annually, departments must reconcile their interdepartmental accounts receivable/payable with other departments. Departments must resolve and correct any differences by year end.

Enquiries

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Approval date: **July 31, 2008**
Approved by: **Executive Council**

Effective date: **July 5, 2001**
Administrative update: **May 30, 2016**
