

PS 8531.80 OVERDUE ACCOUNTS RECEIVABLE



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# Program Statement

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**OPI:** FPI  
**NUMBER:** 8531.08  
**DATE:** 6/13/2002  
**SUBJECT:** Overdue Accounts  
Receivable

1. **PURPOSE AND SCOPE.** To establish procedures for managing overdue accounts receivable from other government agencies and estimating allowances at all Federal Prison Industries (FPI) locations and Central Office.

Timely collection of accounts receivable is critical for effective cash management. It is important for each factory to recognize and correct collection problems as early in the collection process as possible. Ordinarily, a receivable becomes more difficult to collect as it ages.

2. **SUMMARY OF CHANGES.** Most changes in this PS reflect changes made to implement **Millennium**, FPI's integrated manufacturing/financial accounting software. This version eliminates the previous PS' restriction of its impact to federal agencies. Responsibility for many of the functions in this PS has been transferred from local Business Managers to the Centralized Accounts Receivable Section in Lexington, Kentucky.

3. **PROGRAM OBJECTIVES.** The expected results of this program are:

a. The accounts receivable collections will be monitored and controlled.

b. Cash flow will improve as a result of increased turnover in accounts receivable.

4. **DIRECTIVE RESCINDED**

PS 8531.04      Overdue Accounts Receivable Program (3/8/99)

5. **STANDARDS REFERENCED.** None

6. **OVERDUE RECEIVABLES.** Receivables are generally considered overdue when the invoice representing a total billing remains unpaid after 30 days from the date of the invoice (unless the terms specify otherwise).

Contracts that allow for partial shipments will be billed upon each shipment and the aging of the invoice is to commence then.

Accounts Receivable section staff must review financial reports and aging schedules carefully to ensure that they represent the realistic value and viability of accounts receivable for the Corporation.

7. **AGING ACCOUNTS RECEIVABLE.** The Deputy Controller, Centralized Accounts Receivable (CAR), Lexington, Kentucky or designee must review accounts receivable accounts in **Millennium** to ensure collection efforts, as prescribed in Section 9, are being accomplished.

If receivables greater than 60 days past due are more than 10 percent of the total accounts receivable, the Deputy Controller, CAR or designee must ensure that a concerted effort to collect these accounts are being accomplished.

8. **COLLECTION PROCEDURES.** The Deputy Controller, CAR has the primary responsibility for collection efforts of overdue accounts receivable.

Collection assistance is available through the Financial Management Branch (FMB), Program Management staff and field locations. If necessary, the Assistant Director, Industries, Education & Vocational training (IE&VT), and the Deputy Assistant Director will become involved personally in order to facilitate the collection process.

At a minimum, the Accounts Receivable Section's collection efforts must include the following:

a. The Deputy Controller or designee must ensure that customers are contacted by telephone for all invoices that remain uncollected after 45 days from the invoice date.

The caller must maintain a log of each phone conversation, and the log must include:

- the date of call;
- the name, title, and phone number of the person called;
- the reason for nonpayment;
- any terms for resolution; and
- the commitment by the customer to pay

This information will be maintained in the Customer Text field in **Millennium**.

b. Additionally, **Millennium** provides the opportunity to provide complete statements of all outstanding receivables for a particular customer's account at any given time. The Deputy Controller or designee must ensure that statements are mailed monthly to any customer with a balance greater than \$10,000.

The date the statement was mailed must be annotated in the Customer Text field in **Millennium**, along with any response received from the customer in reference to their statement.

c. Letters must be sent to the customer to document any agreements made during the telephonic interview. The letter will include relevant information concerning the past due invoice to include the amount and date the payment was due.

Any commitments the customer made during the telephone conversation is reported in the letter.

d. The Accounts Receivable staff must ensure that a second telephone call is made and a letter sent within 30 days of the customer's failure to meet any commitment made as a result of the first contact.

All telephone contacts with the customer must be documented by an entry into the Customer Text field in **Millennium**.

e. Follow-up calls and letters must continue at a minimum of 30-day intervals until the invoice is paid.

The FPI Controller may grant exemptions or modifications to the requirement for follow-up correspondence as requirements and circumstances dictate.

9. **WRITE-OFF PROCEDURES.** After the procedures outlined in Section 9 have been completed, but no sooner than 150 days from the billing date, the Accounts Receivable section staff responsible for collecting that invoice must determine the likelihood of collection and, if applicable, recommend to the Deputy Controller that the invoice be written-off.

a. Invoices that are not collectible may be written-off and charged against the Allowance Account or Bad Debt Expense when applicable. Invoices to be written-off must be approved by the applicable approving official:

\$0 - 10,000	FPI Deputy Controller
\$10,001 - 50,000	FPI Controller
\$50,001 - or more	Assistant Director, IE&VT

b. All invoices submitted to be written-off initially are to be routed through the Deputy Controller responsible for accounts receivable. Before an invoice is submitted to the Deputy Controller for consideration to be written-off, the Accounts Receivable Section staff submitting the invoice must ensure that the following information is documented in the Customer Text in **Millennium**:

- < Invoice Number
- < Customer Name
- < Dollar amount to be written-off
- < Reason(s) for non-payment
- < Collect Efforts
- < Reason(s) invoice are considered uncollectible.

Phone logs and correspondence to the customer may suffice as appropriate documentation.

c. The Accounts Receivable staff must use the Credit Memorandum in **Millennium** to write-off an accounts receivable.

The following statement must be certified by the Accounts Receivable Section staff responsible for collecting the invoice as approved by the appropriate official indicated above.

"I certify that the required attempts have been made to collect the amount in question and that this dollar amount is not collectible".

Certification: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Name and Title

Approval: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
Name and Title



At the end of each quarter the amount in G/L Acct 131900, Allowance for Doubtful Accounts must be compared to the estimate previously established. The difference between the balance and the estimate must be charged to the allowance and offset against G/L Acct 628100, Bad Debt Expense.

/s/

Kathleen Hawk Sawyer  
Director