

# **SECTION 4.07 – ACCOUNTS RECEIVABLE, INTERFUND BILLINGS AND OTHER CLAIMS**

Contact: Accounting at Extension 4170

## **A. Overview**

The accounting office handles the invoicing and interfund billing for the district. An accounts receivable transaction exists whenever amounts are due from private persons, groups, firms, or others for goods and services performed by the district. Some examples of the types of transactions the district would handle as an accounts receivable include:

- Billings/reimbursements for the cost of substitute teachers
- Food services for special events paid for by an outside entity such as PTA
- Transportation costs for trips paid for by an outside entity such as the PTA
- Facility rentals invoices and payments processed by the accounting office after special coordination from the community services department who handles the scheduling and invoicing for facility use.

An interfund billing is created when one fund pays expenditures for another fund, which are subsequently reimbursed by the other fund. These billings involve transactions between the district's General Fund, the ASB Fund, the Private Purpose Trust Fund, and/or the Capital Projects Fund. Interfund billings involve totally separate funds where the money needs to be physically transferred by issuance of a district warrant, and should not be confused with the [Account Code Change Vouchers](#) process described in [Section 4.06](#) - Journal Entries.

Special coordination may be necessary depending on the complexity of the accounts receivable or interfund billing transaction. Schools and departments are encouraged to contact the accounting office to establish their billing transaction needs.

## **B. References**

[Board Policy/Procedure 6020/6020P](#) – System of Funds and Accounts

## **C. Accounts Receivable Billing Procedure**

- Accounts receivable billings and other claims information should be submitted to the accounting office on a [Request for Invoice](#) form. See directions for completing the form in part D of this section.
- The accounting office uses the [Request for Invoice](#) and pertinent attachments to create a receivable account through the BusinessPlus accounts receivable module.
- An official district invoice is generated and a sequential invoice number is assigned.
- The invoice is sent to the party being billed. A pink copy is filed in the accounting office. A goldenrod copy is sent to the school or department who generated the invoice request.

- It is requested that payers remit payments directly to the accounting office. The accounting office tracks the payment against the accounts receivable account in BusinessPlus and clears amounts owing as payments are made.
  - In the event that payment is received at the site, **DO NOT** send money through the inter-office mail. The site should receipt and deposit the funds. However, it is extremely important that the site:
    - 1) Put the district invoice number in the memo of the receipt in the Point of Sale receipting system.
    - 2) Notify the accounting office that payment on an accounts receivable invoice has been received. Accounting will verify and adjust the account receivable.
- Accounting communicates payments received by sending the receipt to the school or department who originated the invoice. Payments received can also be viewed by running reports in BusinessPlus.

**D. Directions for Completing a [Request for Invoice Form](#)**

- Invoice Name: List the complete name and address of the party to be billed.
- Revenue Code: List the account code (org key and revenue object code) where the billing will be credited.
- Description: Provide a description of the activity or items to be invoiced and attach appropriate supporting documentation.
- Total Charge: Complete the total dollar amount of the charge.
- Prepared By and Budget Authority Signatures: The form should be signed and dated by both the preparer and the budget authority.
- Submit to accounting for processing.

**E. Requesting Reimbursement for Substitute Teacher Costs**

Examples of instances that may generate a billing relationship for substitute teacher costs include (but are not limited to): Office of the Superintendent of Public Instruction (OSPI), Educational Service Districts (ESD's) such as the NW ESD 189, and other outside groups sponsoring training/workshops where subs are needed in the classroom.

- List the dates the substitute was needed and whether they were full days or half days on the [Request for Invoice form](#).
- List the teacher's name and the substitute teacher's name (if known).
- The accounting office will calculate the dollar amount of the sub rate plus benefits and will apply this amount to the bill.
- Reimbursements for substitutes are considered revenue. Sites should code the [Request for Invoice](#) to the same org key as the substitute teacher was paid from and attach it to a revenue object code. (Miscellaneous Revenue object code: 3290 is commonly used).
- Subs paid for by OSPI – OSPI uses a special form that attending teachers receive at workshops. This completed form should be submitted to the accounting office so funds can be requested from OSPI to pay for the cost of a substitute teacher. Please list the teacher's site location on the form. Billings to OSPI for substitutes are coded to revenue object code 3410.

- Grant Programs – Substitute costs funded by or reimbursed by grant programs may require special coding. Check with the budget office for questions on substitute reimbursements in a grant program.
- Everett Education Association (EEA) - Special stipulations apply to EEA billings for substitutes. Additional provisions may apply during bargaining or negotiations. Look for guidance from human resources and the accounting office if you encounter a billing relationship with the EEA.
- ASB Fund – different procedures apply when substitute teacher costs will be billed to the ASB Fund. See part G of this section for additional guidance.

#### **F. Interfund Billings – General Fund to ASB, Capital, or Trust**

Interfund receivables are created when one fund receives the benefit of a good or service purchased or provided by another fund. There are different procedures involved depending on the type of transaction.

**Payroll Costs:** All payroll costs are initially run through the General Fund. If payroll costs will be charged to the Capital Projects or ASB Fund, this is accomplished through clearing account codes (also called “holding” account codes) unique to Capital Projects or ASB. When the clearing accounts are used on a timesheet or through the SmartFind Express system, an automated posting strategy is triggered and charges are shifted to the proper fund.

- **Capital Projects Fund – Payroll Costs:** Salaries and timesheets that will be charged to the Capital Projects Fund are coded using the Capital Projects Fund Clearing Account Code (9713007291 – 4XXX) and should have prior signature approval from the capital projects facilities and planning department before they are submitted to the payroll office.
- **ASB Fund – Payroll Costs:** Timesheets or SmartFind Express system entries for substitutes that will be charged to the ASB Fund are coded with the ASB Clearing Account Code (9713007251 – 4XXX) and processed through the payroll office. A separate [ASB Authorization Form](#) must be completed and submitted to the accounting office. This form captures the ASB’s special required student and advisor approvals which must be in place before the ASB Fund can be charged. (See [ASB Manual Section 8](#), ASB Payroll and Timesheets, for a complete description of this process).  
**ASB Payroll Caution:** Only certain types of payroll costs may be appropriately charged to ASB due to legal or district policy restrictions. Review the [ASB Manual](#), consult with the site’s ASB treasurer and/or the accounting office to inquire about the legal constraints.

**Other Costs:** Once the cost of a good or service has already been paid or provided by the department or site’s **General Fund** budget code special communication and processing needs to occur in order to charge it back via an interfund billing as follows:

- **Request for Invoice Form:** A [Request for Invoice](#) form must be completed to initiate an interfund billing. Appropriate supporting

documentation (such as a transaction recap) identifying the details to be billed should be attached. This is considered a reimbursement of expenditure to the General Fund. Do not use a revenue object code.

- **Work Orders:** Departments using the BusinessPlus automated work order module will still utilize their work-order module posting process in charging a transaction to another fund along with a few extra stipulations as follows:
  - The 6XXX transfers series of object codes can not be used.
  - The department will instead use their unique work order type-code for interfund billings which is pre-defined in BusinessPlus. This gives the department who did the work a credit.
  - The department will use the clearing code of the appropriate fund being charged as follows:
    - Capital: 9713007291 – plus four (4) digit object code.
    - ASB: 9713007251 – plus four (4) digit object code.
    - 6XXX transfer series object codes can not be used.
  - The posting expenses the work order to a holding/clearing account. It does not automatically shift the charge.
  - The department posting the work order must submit a [Request for Invoice](#) form with appropriate supporting documentation to the accounting office.
  - The accounting office will then clear the charge from the clearing account and will bill the appropriately identified fund.

Examples where this may occur include: maintenance department work orders to be charged to the Capital Projects Fund, information systems and technology department print jobs to be charged to the ASB Fund.

- **Debit/Credit Forms:** In unique circumstances for departments only, a [Debit/Credit Form](#) may be completed as the beginning step in charging a transaction to another fund. Examples where this may occur include: copier usage costs, meter costs, or incidental office supplies that are not feasibly split coded to various department codes at the time of an invoice's payment. (See also [Section 4.06](#), pg. 2 Debit/Credit Transfers) The following steps will need to be completed:
  - The department prepares the [Debit/Credit form](#) using the appropriate fund's clearing code
    - Capital: 9713007291 – plus four (4) digit object code.
    - ASB: 9713007251 – plus four (4) digit object code.
  - Accounting enters the [Debit/Credit form](#) journal entry (JE) to the clearing account code.
  - Additional handling occurs to clear the transaction from the clearing code and to generate a bill to the appropriate fund, including:
    - A copy of the JE is provided to the technician handling accounts receivable/interfund billings.

- An additional JE is prepared using a Due To/Due From holding account.
- An interfund billing is generated to the appropriate fund.

**Note:** Departments may also be advised to abandon this method, and to instead simply, prepare a [Request for Invoice form](#).

- **Grant Incentives Provided by the ASB Fund:** General Fund state and federal grant programs may at times have unique provisions for providing incentives to students. Incentives must be carefully administered by the grant's budget authority. Examples of incentives provided to students by the ASB Fund might include: ASB yearbooks, ASB cards, food or supplies from the ASB's student store, and/or other types of ASB activities such as a field trip. This results in the need for an interfund billing from the ASB Fund to the General Fund's grant program. The following steps and guidelines apply:
  - **Form:** A [Request for Invoice form](#) will need to be completed.
  - **Account to be Credited:** Use the appropriate ASB activity account code paired with a revenue object code or in some rarer circumstances, depending, an expenditure object code. Contact the accounting office for coding assistance as needed.
  - **Supporting Documentation:** Capturing the appropriate level of detailed documentation to attach to the [Request for Invoice form](#) is important. Supporting documentation, such as the details of the student names, student numbers and the details of the incentives provided has to be generated by the school site, and should be compiled in collaboration between the ASB treasurer and the granting department.
  - **Authorization:** It is recommended that the billing be authorized by the counselor or administrator overseeing the incentives.
  - **POS Considerations:** It may be necessary to reflect incentive payments, against the student's account in the Point of Sale receipting system (POS). Options for reflecting this against the students account in the POS may include:
    - Ringing the item at zero-dollar amount with an appropriate notation made in the memo (this would be done by the school site)
    - Notifying the accounting office so that when the check issued out of the General Fund is being receipted into the POS to the ASB Fund, it can be rung against the identified individual student accounts.
  - **POS Cautions:** Potential requests for refunds may also be a consideration in how it is entered into the POS. A student's item paid through a grant incentive should not be eligible for personal refund to the student. Ringing it at zero-dollar amount to the student account would prevent them from getting an unentitled refund should that circumstance ever arise.

- **Interfund Billings to the Trust Fund:** The district's Private Purpose Trust Fund has numerous accounts where funds are designed to be used to benefit individual student's personal needs in ways that the district's public funds are not allowed to be used. Many of the schools have InvestED Trust Fund accounts that are used for students in need to help them participate more fully in the district's programs and activities. For example, InvestED funds might be used to fund a student in need for their ASB card, student planner, PE shirts and shorts, or admission to a district field trip. (Note: This list is not an all-inclusive listing of InvestED uses. It merely gives examples of uses involving the district's other funds whereby an interfund billing might be necessary.) Methods for accomplishing the appropriate transfer of monies between the Trust Fund and either the General or ASB Fund, are as follows:
- **InvestED Imprest Checking Accounts:** If the site has an InvestED imprest checking account for the Trust Fund, they may generate a InvestED Disbursement form to substantiate the cost to the Trust Fund, and write a check payable to the appropriate fund (General or ASB Fund, depending on the circumstances). The receiving fund receipts the money into the POS as a revenue and/or a reimbursement of expenditure (if appropriate). The Trust Fund will show the expenditure when the next imprest checking account [Request for Reimbursement](#) is processed through accounting. Under this model, there is no [Request for Invoice form](#) or interfund billing involved. All imprest account procedures and restrictions apply. See [Section 2.05](#).
- **Request for Invoice Form:** Transactions not involving InvestED or the InvestED Imprest Checking Account must be transferred to the appropriate fund (General or ASB Fund) through the interfund billing process. A [Request for Invoice form](#) must be submitted to the accounting office along with appropriate supporting documentation.
- **Account Code to be Credited:** The account code to be credited is dependent on the source of the transaction. Contact the accounting office for coding assistance as needed.
- **POS Considerations:** Payments may need to be reflected against the student account/student history in the POS.



**G. Changes to Invoices – Increase, Reduce, Cancel**

Forgiving or canceling a debt without an appropriate reason is considered a “gift of public funds” which is prohibited by the Washington State Constitution. Schools and departments are not authorized to write-off legitimate debts owing without taking adequate collection efforts, and/or unless special extenuating circumstances apply. Legitimate changes to an invoice, such as an increase, reduction, or cancellation will be processed by the accounting office upon written request of the originating school or department. Requests for changes to invoices must contain the signature approval of the budget authority and should explain why the invoice is being changed.

**H. Collection Agencies**

- Schools and departments have an obligation to track the status of payment on accounts receivable transactions and to make adequate efforts to collect for the invoice debts.
- Communication files documenting collection efforts should be maintained.
- Invoices outstanding for greater than 90 days from their due date are considered delinquent and steps should be taken to report the debt to a collection agency.
- Contact accounting at extension 4175 for assistance on sending a debt to a collection agency.
- Because debts are taken off the books when they are sent to a collection agency, a request from the budget authority must accompany any transaction to be sent to collection. Evidence of adequate collection efforts, if applicable, (i.e. logs of phone calls made, copies of letters mailed) should accompany the request from the budget authority.

**I. Fines, Fees & Other Amounts Owing from Students and Parents**

Fines, Fees, and other amounts or obligations owing from students, parents or others, are also a form of a receivable. Each site is responsible for establishing and tracking these obligations. The district has provided sites with the Point of Sale receipting system as the tool to account for student obligations. Fines, fees and other transactions that result in an amount owed, are compiled by teachers, librarians, etc, and submitted to the office manager or other designated individual, for entry into the Point of Sale Fine module on the students account. These are owed against the students account until paid or cleared.

The accounting office is working on providing further district standardized guidance with some best business practices for establishing and collecting fines and fees. Future progress on this project will result in expanded guidance available in a separate section of the [Business Information Manual](#).