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Movable and Sensitive Minor Equipment

This section applies to departmental equipment that meets the following criteria:

- Equipment items of a movable nature that cost \$5,000 or more.
- Equipment items that meet the definition of sensitive minor equipment (i.e., items particularly vulnerable to theft and costing \$1,500 to \$4,999.99). Refer to Policy FI0600.

Question 1: Yes

During the annual verification of equipment, does a departmental employee **physically observe** all equipment on the inventory list (including sensitive minor equipment), update in the inventory system (IRIS) any discrepancies (including changes in location, equipment that cannot be located, description, serial number, and inventory [tag] number) by methods described in Policy FI0605, and ensure any items in the department costing \$5,000 and above (or that qualify as sensitive minor equipment) not on the inventory list are added?

Risk:

Equipment items purchased or disposed of inadvertently or fraudulently may not be detected in a timely manner. Also, the department's equipment inventory list may not be accurate. Accurate equipment inventory records help in identifying missing or damaged equipment.

Corrective Action:

Assign an employee to **physically observe** all equipment on the inventory list during the annual verification of equipment and to update changes in IRIS by methods described in Policy FI0605. In addition, ensure that all equipment items on hand costing \$5,000 and above and sensitive minor equipment items are listed on the Controller's Office printout and that all items no longer in the department's custody are removed from the printout by appropriate methods. **[Policy FI0605, 8.j.]**

Question 2: Yes

When equipment items are found to be missing university inventory (tag) numbers, are **duplicate** tags requested from the Controller's Office (or appropriate campus office) and attached to them?

Risk:

Allowing university equipment items to remain untagged increases the risk of misappropriation or improper disposal.

Corrective Action:

When equipment items are found to be missing university tags, request duplicate tags from the Controller's Office (or appropriate campus office) and attach them to the items. **[Policy FI0605, 8.g.]**

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Question 3: Yes

When new equipment is entered in IRIS, is either the serial number or “N/A” (for items without one) entered in the serial number field in the asset record?

Risk:

If equipment tags are lost, stolen, or disposed of mistakenly, the serial numbers may provide the only means of positive identification. In addition, federal regulations require recording serial numbers for equipment purchased with federal funding.

Corrective Action:

Ensure that either the serial number or “N/A” (for items without one) is entered in the serial number field in IRIS. **[Policy FI0605, 8.b.]**

Question 4: Yes

Are all equipment items costing between \$1,500 and \$4,999.99 and described in policy as particularly vulnerable to theft **[see detailed list of qualified equipment in Policy FI0600, 2]** added to the university's equipment inventory records in IRIS as sensitive minor equipment (asset class 80000)? **Note: This question pertains to purchases from any University store or external vendor.**

Risk:

Adequate records are not maintained on items vulnerable to theft in accordance with **Policy FI0600**. The department may not have adequate oversight and control of these vulnerable items.

Corrective Action:

Ensure that all items meeting the definition of sensitive minor equipment are entered in the university's equipment inventory records in IRIS. **[Policy FI0600]** Complete an Equipment Acquisition Report (Form T-66) to provide asset information for the equipment and submit it to the Controller's Office (or appropriate campus office).

Question 5: Yes

When a university procurement card is used to purchase an item costing between \$1,500 and \$4,999.99 that is classified as sensitive minor equipment according to **Policy FI0600, 2**, is an asset record created? **[Policy FI0530, 8]**

Risk:

Adequate records are not maintained on items vulnerable to theft in accordance with **Policy FI0530, 8 and Policy FI0600**. The department may not have adequate oversight and control of these vulnerable items.

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Corrective Action:

Ensure that an asset record is created for all items purchased with a procurement card that meet the definition of sensitive minor equipment. **[Policy FI0600, 2 and Policy FI0530, 8]** For instructions on recording an asset on a procurement card document, see the IRIS online tutorial : <https://acctspayable.tennessee.edu/training/record-an-asset-on-a-procurement-card>.

Question 6: Yes

When a university procurement card is used to purchase an item costing between \$1,500 and \$4,999.99 that is classified as sensitive minor equipment according to **Policy FI0600, 2**, is the asset number recorded on the appropriate line of the statement during the procurement card statement reconciliation process to link it to the transaction?

Risk:

Adequate records are not maintained on items vulnerable to theft in accordance with **Policy FI0530, 8 and Policy FI0600, 2**. The department may not have adequate oversight and control of these vulnerable items.

Corrective Action:

Ensure that the asset number is recorded on the appropriate line of the statement during the procurement card statement reconciliation process for all items purchased with a procurement card that meet the definition of sensitive minor equipment. **[Policy FI0600, 2 and Policy FI0530, 8]** For instructions on recording the asset number during the procurement card statement reconciliation, see the IRIS online tutorial : <https://acctspayable.tennessee.edu/training/record-an-asset-on-a-procurement-card>.

Question 7: Yes

When equipment is purchased (either movable or sensitive minor equipment) as an integral component or accessory of a larger equipment item, is it added to the main asset inventory [tag] number rather than assigning the piece its own inventory [tag] number/IRIS asset number?

Risk:

When the equipment is disposed of, it may be difficult to ensure that all of the components and accessories are removed from the university's equipment inventory system.

Corrective Action:

Ensure that component or accessory parts are added to the main asset inventory [tag] number of the larger equipment item rather than assigning each component a separate inventory [tag] number/IRIS asset number. If the component or accessory parts are purchased on a fund that differs from the basic equipment, then a sub-asset should be created using the new fund. **[Policy FI0605, 6]**

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Question 8: Yes

When components or accessories are salvaged from equipment items to be disposed of, are the equipment inventory records reviewed to determine if the components or accessories meet the criteria for movable or sensitive minor equipment and, therefore, should remain on the inventory?

Risk:

Components or accessories qualifying as movable or sensitive minor equipment may be inadvertently removed from the university's equipment inventory.

Corrective Action:

When items are salvaged from equipment, ensure that inventory records are reviewed and any salvaged items that qualify as movable or sensitive minor equipment are retained on the inventory records.

Question 9: Yes

Have all equipment items **received as gifts** been reported to the campus or unit development office and an Equipment Acquisition Report (Form T-66) submitted to the Controller's Office (or appropriate campus office)?

Risk:

Equipment inventory records may be inaccurate, and equipment may not be identified as belonging to the university.

Corrective Action:

All gifts of equipment should be reported to the Controller's Office (or appropriate campus office) and the campus or unit development office so that the university's equipment inventory records may be updated in IRIS. **[Policy FI0605, 8.d. and Policy FI0615, 5.a.]**

Question 10: Yes

When departmental equipment is transferred to another university department, is it reported to the Controller's Office (or appropriate campus office) on the Equipment Change/Deletion Request, Form T-64 (or campus equipment status change form), to transfer the equipment to the proper cost center(s)/WBS element(s) in the university's equipment inventory records in IRIS?

Risk:

University equipment records are not accurate, resulting in a misrepresentation of accountability and potential difficulty in locating items.

Corrective Action:

Submit a Form T-64 (or campus equipment status change form) with signatures from both the transferring and receiving departments to the Controller's Office (or appropriate campus office) to

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transfer equipment to the proper cost center(s)/WBS element(s) in the university's equipment inventory records in IRIS. **[Policy FI0605, 19]**

Question 11: Yes

When transferring equipment, does the department obtain a signature on the Form T-64 (or campus equipment status change form) from the receiving department?

Risk:

Submitting an incomplete Form T-64 results in additional work for the Controller's Office and department and could result in inaccurate departmental equipment records.

Corrective Action:

Obtain the signature from the receiving department on Form T-64 (or campus equipment status change form) and submit the completed form to the Controller's Office (or appropriate campus office) to transfer equipment to the proper cost center(s)/WBS element(s) in the university's equipment inventory records in IRIS. **[Policy FI0605, 19]**

Question 12: Yes

When a research principal investigator comes to (or leaves) the university and equipment purchased with grant funds is transferred to the new university in accordance with the grant, is the equipment added to (or removed from) the university's equipment inventory records in IRIS?

Risk:

University equipment records are not accurate, resulting in a misrepresentation of assets on the university's financial statements and governmental reporting and potential difficulty in locating the equipment. Also, the university could incur fines if equipment that requires licensing is used on campus but not recorded on the inventory.

Corrective Action:

Establish procedures to ensure that T-64s (or campus equipment status change forms) are prepared when research principal investigators come to (or leave) the university so that their associated equipment is added to (or removed from) the university's equipment inventory records in IRIS. Send the signed T-64 forms to the Controller's Office (or appropriate campus office).

Question 13: Yes

Is all equipment owned by the federal government (including government surplus equipment and equipment transferred from another entity) entered in the university equipment inventory records in IRIS?

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Risk:

The university may not have accurate records of government-owned equipment necessary for governmental reporting. The university could incur fines if equipment is not properly accounted for when the project is closed.

Corrective Action:

Ensure that all equipment owned by the government (whether purchased from a grant or transferred from another entity) is entered in the university equipment inventory records in IRIS. [Policy FI0605, 8.e.]

Question 14: Yes

Are all equipment items under *lease/purchase* agreements (*not* equipment rentals) with total expected expenditures of \$5,000 or more entered in the university equipment inventory records in IRIS?

Risk:

The university's equipment inventory records may be inaccurate. Accurate equipment inventory records help in identifying missing or damaged equipment.

Corrective Action:

Ensure that all equipment items under lease/purchase agreements are in compliance with Policy FI0605, 21.

Question 15: Yes

Does departmental staff assigned to manage inventory look for movable equipment items that **do not appear on inventory records**, for example, received as a gift or equipment that has been transferred from another department?

Risk:

Movable equipment may not be recorded in the university's inventory system.

Corrective Action:

Staff should be assigned to manage inventory and look for equipment items that appear to be movable equipment and do not appear on inventory records. The department should create an asset number for each equipment item in IRIS and submit an Equipment Acquisition Report (Form T-66) to the Controller's Office (or appropriate campus office) for those new assets.

Question 16: Yes

Is all departmental equipment that was dismantled, damaged beyond repair, declared surplus, or traded in reported to the Controller's Office (or appropriate campus office) on an Equipment Change/Deletion

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Request, Form T-64 (or campus equipment status change form), to remove the equipment from the university's equipment inventory records in IRIS?

Risk:

University equipment records are not accurate, resulting in a misrepresentation of assets on the university's financial statements. Additionally, the department will not have documentation of the equipment's disposition.

Corrective Action:

Submit a T-64 (or campus equipment status change form) to the Controller's Office (or appropriate campus office) to remove the equipment from the university's equipment inventory records in IRIS. **[Policy FI0605, 18]**

Question 17: Yes

Has the responsibility for equipment management and the annual equipment inventory observation, including verifying that items surplus, dismantled, damaged beyond repair, transferred to other departments, traded in, or stolen are removed from the university's equipment inventory records in IRIS, been clearly assigned to a department employee(s)?

Risk:

Failure to clearly assign responsibility for equipment management and the annual equipment inventory observation to a department employee(s) may result in inaccurate department official equipment records.

Corrective Action:

Assign responsibility for equipment management and the annual equipment inventory observation, including verifying that items surplus, dismantled, damaged beyond repair, transferred to other departments, traded in, or stolen are removed from the university's equipment inventory records in IRIS, to a department employee(s).

Question 18: Yes

When departmental equipment is assigned to individuals for use off premises (either temporarily or long term), are records maintained to indicate who has custody as specified in **Policy FI0605, 16**?

Risk:

Equipment may be subject to theft, waste, or misuse.

Corrective Action:

Maintain records for equipment assigned to individuals for use off premises. **[Policy FI0605, 16]**

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Question 19: (decision 20-22)

Have any equipment items been lost from the department within the past year as a result of a suspected robbery or burglary?

If you answered "Yes" to Question 19, please go to Question 20 and continue.

If you answered "No" to Question 19, please go to Question 23 and continue.

Question 20: Yes

Was the theft reported to the campus/institute police department (or local police department and campus/institute business office if the campus has no police department)?

Risk:

A timely investigation of the loss may not have been conducted.

Corrective Action:

Loss of equipment resulting from a robbery or burglary should be reported to the campus/institute police department (or local police department and campus/institute business office). **[Policy FI0131, 2]**

Question 21: Yes

After a theft, was an Equipment Inventory Change/Deletion Request, Form T-64 (or campus equipment status change form), and a copy of the police report sent to the campus/institute chief business officer or designee?

Risk:

The theft may not have been documented adequately or reported for insurance recovery. The lost equipment may not have been deleted from the official university equipment records.

Corrective Action:

To report a theft of equipment, send a completed Form T-64 (or campus equipment status change form) with a copy of the police report to the campus/institute chief business officer or designee. **[Policy FI0131, 5]**

Question 22: Yes

If there was suspicion that an employee was involved in the theft, was this suspicion reported to the Office of Audit and Compliance?

Risk:

The university may not fulfill its responsibility to investigate all allegations of fraud, waste, or abuse by employees.

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Corrective Action:

Report all suspicions of theft by an employee to the Office of Audit and Compliance. **[Policy FI0130, 2]**

Question 23: (decision 24)

Have any equipment items mysteriously disappeared from the department within the past year whose disappearance was *not* the result of a suspected robbery or burglary?

If you answered "Yes" to Question 23, please go to Question 24 and continue.

If you answered "No" to Question 23, please go to Question 25 and continue.

Question 24: Yes

Was an Equipment Inventory Change/Deletion Request, Form T-64 (or campus equipment status change form), including a written explanation describing the circumstances of the disappearance sent to the campus/institute chief business officer or designee within 30 days of the date the loss was first suspected?

Risk:

The loss of equipment may not have been documented adequately or reported for insurance recovery. The lost equipment may not have been deleted from the official university equipment records.

Corrective Action:

To report a loss of equipment not due to theft, send a completed Form T-64 (or campus equipment status change form) including a written explanation describing the circumstances of the disappearance to the campus/institute chief business officer or designee within 30 days of the date the loss was first suspected. **[Policy FI0131, 4 and 5]**

Returned Checks and Dishonored Credit Card Transactions

Question 25: (decision 26-28)

Does your department perform collection procedures for any dishonored credit card transactions and/or returned checks received?

[Note: Some departments have transferred responsibility for **collecting money for returned checks to a central campus office but still have responsibility for certain returned checks. These departments should also answer the following questions.]**

If you answered "Yes" to Question 25, please go to Question 26 and continue.

If you answered "No" to Question 25, please go to Question 33 and continue.

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Question 26: Yes

Are collection efforts for returned checks and dishonored credit card transactions documented as they are performed?

Risk:

University policy requires collection efforts to be documented (showing due diligence) to write off uncollectible accounts. This information may be lost if it is not documented in a timely fashion.

Corrective Action:

Document all collection efforts as they are performed. [Policy FI0305, 2 and 16]

Question 27: Yes

Are returned checks held in a secure, locked area (including during the work day)?

Risk:

Returned checks may be stolen or lost. The returned check is necessary to make the collection or to write off the receivable.

Corrective Action:

Keep returned checks in a secure, locked area at all times.

Question 28: Yes

When a collection is made on a returned check or dishonored credit card transaction, is a service charge assessed and included in the collection?

Risk:

Compensation is not received for the added expense of processing a returned check or dishonored credit card transaction.

Corrective Action:

Collections for a returned check or dishonored credit card transaction should include a service charge (\$10.00 minimum, \$30 maximum). [Policy FI0305, 11]

Returned Checks Accounts Receivable Fund

Question 29: (decision 30-32)

Does your department have an accounts receivable fund established **for returned checks and/or dishonored credit card transactions** in the university's accounting system (IRIS)?

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If you answered "Yes" to Question 29, please go to Question 30 and continue.

If you answered "No" to Question 29, please go to Question 33 and continue.

Question 30: Yes

Are collections for returned checks and dishonored credit card transactions credited to the returned checks accounts receivable fund?

Risk:

The returned checks accounts receivable fund will indicate a false receivable, resulting in inaccurate university financial statements.

Corrective Action:

Credit all money collected for returned checks and dishonored credit card transactions to the returned checks accounts receivable fund. [Policy FI0305, 9]

Question 31: Yes

Are returned checks and dishonored credit card transactions on hand reconciled to the returned checks accounts receivable fund on a monthly basis?

Risk:

Discrepancies in the returned checks accounts receivable fund are more difficult to resolve the longer they are allowed to exist.

Corrective Action:

Reconcile returned checks and dishonored credit card transactions on hand to the returned checks accounts receivable fund monthly. [Policy FI0305, 13]

Question 32: No

Does the person who handles collections for returned checks and dishonored credit card transactions **also** reconcile these items to the returned checks accounts receivable fund monthly?

Risk:

Misappropriation of collections may not be detected.

Corrective Action:

If possible, assign the responsibility for reconciling the returned checks and dishonored credit card transactions to the returned checks accounts receivable fund to someone other than the person who collects the money for returned items.

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Accounts Receivable

Question 33: (decision 34-50)

Does your department sell goods or provide services to students or persons outside the university for which you extend credit and later collect payment?

If you answered "Yes" to Question 33, please go to Question 34 and continue.

If you answered "No" to Question 33, survey is complete.

Question 34: Yes

Do you report year-end accounts receivable balances to the appropriate campus or institute business office?

Risk:

The university's financial statements will be understated or inaccurate.

Corrective Action:

Departments must send a list of accounts receivable as of June 30 to the campus or institute office that prepares the year-end journal entry. **[Policy FI0305, 5]**

Question 35: Yes

Does the department send invoices/statements according to an established schedule to all account customers with outstanding balances?

Risk:

Follow-up billing on unpaid balances may not be adequate to collect amounts owed.

Corrective Action:

Ensure that all customers on account receive invoices/statements according to an established schedule. **[Policy FI0305, 3]**

Question 36: Yes

Have all employees who maintain the department's accounts receivable records taken some time off during which they permitted others to perform their duties?

Risk:

Often employees involved in fraudulent activities are reluctant to allow others to perform their duties and do not take leave.

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Corrective Action:

Ensure that employees who maintain the department's accounts receivable records take some leave and another employee(s) performs their work in their absence. Alternatively, consider assigning these duties to another employee periodically.

Question 37: No

Do employees who prepare the invoices or record payments in the accounts receivable records personally handle the payments at any point in the process?

Risk:

Employees may be able to conceal misappropriated payments.

Corrective Action:

If possible, ensure that employees who prepare the invoices or record payments in the accounts receivable records do not handle the payments at any point in the process. [Policy FI0305, 2]

Question 38: No

When a customer disputes a charge to his or her account, is the dispute handled by the employee(s) who receives or posts account payments?

Risk:

The employee may be able to conceal that a customer's payment was misappropriated or posted improperly.

Corrective Action:

Ensure that disputed account charges are handled by a supervisor or someone other than the employee who receives/posts account payments. [Policy FI0305, 2]

Question 39: Yes

Does a supervisor (or a designated employee) who does not handle cash receipts approve by signature, electronic approval, or other documentation all credit adjustments to the department's customer accounts?

Risk:

Employees may be able to post a fraudulent credit adjustment to a customer's account to hide the misappropriation of customer payments.

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Corrective Action:

Ensure that a supervisor (or a designated employee) who does not handle cash receipts approves by signature, electronic approval, or other documentation all credit adjustments to the department's accounts. **[Policy FI0305, 2]**

Question 40: Yes

Is an aging of receivables report prepared at least quarterly?

Risk:

Past-due accounts may not be monitored adequately to ensure that collection efforts and write-offs are performed in a timely fashion.

Corrective Action:

An aging of receivables report should be prepared periodically (at least quarterly). **[Policy FI0305, 2]**

Question 41: Yes

Does the department head (or other supervisor) review the department's delinquent accounts at least quarterly?

Risk:

The department head may not be aware of 1) laxity in collection procedures, 2) the need to write off uncollectible accounts, and 3) the failure of the bookkeeper to post payments to the accounts receivable.

Corrective Action:

Ensure that the department head (or other supervisor) reviews the department's delinquent accounts at least quarterly.

Question 42: Yes

Does your department have written instructions/procedures other than university fiscal policy (or campus business policies) to guide employees in collecting delinquent accounts? [For example, do employees have written instructions for 1) sending special collection letters, 2) placing "holds" on student grades and records, 3) preventing students from registering for additional course work, 4) discontinuing services to customers with delinquent accounts, and 5) using a collection agency to collect outstanding accounts?]

Risk:

Employees may not be trained adequately and may not have sufficient reference materials to guide them through unusual or infrequent occurrences.

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Corrective Action:

Develop written instructions/procedures to guide employees in their collection duties. [Policy FI0305, 2]

Question 43: Yes

Does your department follow up on **all** past-due accounts with collection efforts (e.g., special collection letters)?

Risk:

The department's efforts to collect accounts receivable may be inadequate.

Corrective Action:

Ensure that the department follows up on all past-due accounts with special collection efforts. [Policy FI0305, 3]

Question 44: Yes

Are collection efforts documented as they are performed?

Risk:

A record of the collection effort (showing due diligence) is required by university policy to write off uncollectible accounts. This information may be lost if it is not documented in a timely fashion.

Corrective Action:

Document all collection efforts and maintain until the receivable is resolved. [Policy FI0305, 2 and 16]

Question 45: Yes

When allowable, are "holds" placed on student grades and records before the end of the term for students who have past-due accounts?

Risk:

Failure to place "holds" on students' records allows students with outstanding debts to enroll, obtain grade records, and/or graduate from the university, thereby reducing the department's ability to collect the debts owed.

Corrective Action:

Before the end of the term, ensure that "holds" (when allowable) are placed on student registration, student grades, and records for students who have past-due accounts. [Policy FI0305, 3 and 17]

Question 46: Yes

Does your department discontinue services to customers with delinquent accounts?

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Risk:

Accounts receivable balances that have a high risk of being uncollectible are allowed to increase.

Corrective Action:

To avoid additional losses and to exercise due diligence in collection efforts, the department should consider discontinuing services to customers with delinquent accounts. **[Policy FI0305, 3]**

Question 47: Yes

Does your department use a collection agency to collect accounts totaling less than \$25,000 that are over six months old?

Risk:

The department is not exercising due diligence in its collection efforts.

Corrective Action:

Use an external collection agency to collect accounts past due for more than six months and totaling up to \$25,000. **[Policy FI0305, 3]**

Question 48: Yes

Does your department request assistance from the General Counsel's office in collecting all past-due accounts (students, employees, other) of \$25,000 or greater?

Risk:

The department is not exercising due diligence in its collection efforts.

Corrective Action:

Before submitting delinquent accounts totaling \$25,000 or more to an external collection agency, send them to the General Counsel's office for review and determination of whether the university should pursue legal action to recover the debt. **[Policy FI0305, 3]**

Question 49: Yes

Do you periodically evaluate delinquent account balances with any of the following characteristics to determine if they should be written off? **(Accounts Receivable Write-Off Request [Form T-35])**

- Accounts returned by a collection agency as uncollectible.
- Bankruptcy of the debtor has been legally declared.
- Accounts over three years old that have been billed regularly.
- Accounts under \$50.00 and over six months old and either returned for incorrect address or billed at least three times.
- Accounts owed by companies no longer in business.
- Judgments over six months old.
- Residual amounts under \$2.00 (debit) of any age, regardless of whether from a student

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- who is currently enrolled.
- Credit balances to report as unclaimed property.

Risk:

These accounts are likely uncollectible and should not be recorded on the university's accounting records as an asset.

Corrective Action:

Consider submitting these accounts for write-off. **[Policy FI0305, 16]**

Question 50: Yes

Do you submit write-off requests (Form T-35) to the campus chief business officer (or designee) for all accounts that are deemed to be uncollectible?

Risk:

Write-off requests must be submitted to ensure that diligent collection efforts were followed as required by state law.

Corrective Action:

Ensure that write-off requests are submitted to the campus chief business officer (or designee). **[Policy FI0305, 16]**