

Johns Hopkins University Accounts Receivables Shared Services Policies and Procedures

INTRODUCTION

This is to provide guidance on policies and procedures for Billings and Receivables. Patient and Student billings and receivables are not part of these policies and procedures.

Johns Hopkins Enterprise Billings and Receivables Policies and Procedures are organized into the following sections:

- Organizational Responsibility
- SAP System Roles
- Procedures
 1. Billings
 2. Receivables
- Policies
- Frequently Asked Questions (FAQ)
- Forms

These Policies and Procedures are effective January 1, 2007 in connection with implementation of the SAP system on that date.

ORGANIZATIONAL RESPONSIBILITY

Account Receivable Shared Service Center (ARSSC)

The Accounts Receivable Shared Service Center (ARSSC) provides a shared business environment for the Johns Hopkins University and Johns Hopkins Health System. It is committed to providing quality service in the billing and collection process of Sponsored, Non-Sponsored and Inter-Entity Transactions. Patient and Student Receivables are not included in the activities of the ARSSC.

JHU and JHHS Departments

Department Billing Specialists are responsible for creating and issuing invoices for both sponsored and non-sponsored activity for manual billings. The billings will be prepared in departments and sent to ARSSC for review and release.

Departments are also responsible for submitting non-sponsored customer master data for new customers to ARSSC. Billings cannot be prepared in SAP unless the master data for the customer has been set up.

SAP SYSTEM ROLES

Questions concerning Billing policies and procedures should be directed to:

Accounts Receivables Shares Service Center
 Johns Hopkins at Eastern
 1101 East 33rd Street
 2nd Floor, Suite B212
 Baltimore, MD 21218

Email: billings@jhu.edu

Phone: 443-997-2480

Fax Server: 443-997-5155

Fax (standard correspondence): 443-997-5155

Website: <http://ssc.jhmi.edu/accountsreceivable>

BILLING ROLES

BILLING ROLES	DESCRIPTION	ORGANIZATION UNIT
Department Billing Specialist – Sponsored and Non-Sponsored	Responsible for creating and issuing invoices for both sponsored and non-sponsored activity for manual billings.	Department
Customer Master Data Specialist	Responsible for creating, changing, deleting and maintaining the Customer Master Data.	Accounts Receivable Shared Service Center
Billings Accountant	Responsible for creating and issuing invoices for sponsored and non-sponsored activity.	Accounts Receivable Shared Service Center
AR - Display Documents	Responsible for viewing only the Accounts Receivable information for both sponsored and non-sponsored transactions.	Accounts Receivable Shared Service Center

Questions concerning Receivables policies and procedures should be directed to:

Accounts Receivables Shares Service Center
 Johns Hopkins at Eastern
 1101 East 33rd Street
 2nd Floor, Suite C210
 Baltimore, MD 21218

Email: receivables@jhu.edu

Phone: 443-997-2481

Fax Server: 443-997-4290

Fax (standard correspondence): 443-997-4290

Website: <http://ssc.jhmi.edu/accountsreceivable>

RECEIVABLES ROLES

RECEIVABLES ROLES	DESCRIPTION	ORGANIZATION
AR - Management	Responsible for analyzing Accounts Receivable activity, performing bad debt write offs, posting receivable transfers, mass reversals of transactions and managing reserves for bad debt.	Accounts Receivable Shared Service Center
AR – Cash Application Administrator	Responsible for processing incoming payments from a lockbox for an open item.	Accounts Receivable Shared Service Center
AR - Administrator	Responsible for performing analysis on outstanding receivables and unapplied cash.	Accounts Receivable Shared Service Center
AR - Accountant	Responsible for researching and managing the open receivable items and unapplied cash items. Open items include Letter of Credit accounts.	Accounts Receivable Shared Service Center
AR – Display Documents	Responsible for viewing only the Accounts Receivable information for both sponsored and non-sponsored transactions.	Accounts Receivable Shared Service Center

Sponsored Billing Responsibilities

1. Letter of Credit Resource Related Billing

- Funds drawn by ARSSC from sponsoring agencies
- Procedures are based on a Letter of Credit agreement with that sponsor.
- Billed by ARSSC.

2. Non-Letter of Credit Billings (other than Clinical Trials and Fixed Fee Awards)

- Billings prepared by ARSSC.

3. Fixed Fee Awards

- Prior to SAP Implementation, some of the billings were prepared by departments.
- Two options for fixed fee awards:
 1. Award requires an invoice - billing plan is set up in SAP by Sponsored Projects Shared Services at the time of award setup. The billing and receivables are performed by ARSSC, but no invoice is mailed to the sponsor.
 2. Award requires an invoice – scheduled amount is invoiced and mailed out by ARSSC.

4. Clinical Trials

- Departments, prior to SAP Implementation, billed and collected their clinical trial invoices.
- Departments with their own approved billing systems will be able to continue to prepare their billings.
- Billings will be prepared in departments and sent to ARSSC for review and release.
- Documentation is maintained in the department, but certain documents are scanned or faxed to ARSSC to enable reviewer to release and mail the billing.

Non-Sponsored Billing Responsibilities

1. Billings to be prepared by ARSSC

- Inter-Governmental Personnel Agreement (IPA).
- Billings prior to SAP implementation that were prepared in JHHS Controller's Office (telephone, linen, parking, etc.)

2. All other non-sponsored billings will be prepared by departments and sent to ARSSC for approval and release.

3. Certain departments have their own approved billing system (Animal Services, Pathology, etc.)

- Departments send lump sum information (not by customer) monthly to JHU Controller's Office detailing amount billed and amount collected. Controller's Office prepares a journal voucher recording the transactions. The department is responsible for collecting the receivables.

OR

- Journal Voucher (JV) upload process will be used by departments for capturing detailed billings by customer. ARSSC will collect these receivables.

BILLING PROCEDURES

Introduction

ARSSC is responsible for creating and issuing invoices for both sponsored and non-sponsored activity.

Departmental billing accountants can initiate miscellaneous billings and clinical trial billings. These billings will be prepared in SAP and then electronically sent to ARSSC for approval and release.

Most sponsored and non-sponsored billings should be centralized, with cash receipts going directly to university/health system bank accounts rather than to departments. If the department needs to create an invoice, a parked document must be opened. ARSSC will then review, approve, and mail the invoice to the sponsor or customer. ARSSC will also monitor, follow up, and collect open receivables.

Revenue is recognized on the account when the open item is approved and released. Prior to SAP implementation, Johns Hopkins recognized revenue on grants at the time the expense was incurred. The difference in timing in SAP is due to utilizing a program that posts the amount of the unbilled revenue at the end of the month as an accrual. This accrual will reverse at the beginning of the following month.

For internal Johns Hopkins billings, cost allocations will replace invoices. The SAP software has a cost allocation tool that allows for the processing of inter-entity transactions. The cost allocation tool automatically creates a "due-to" and "due-from" entry in the general ledger. "Due-to" and "due-from" accounts will be reviewed and a transfer of cash between the health system and the university will occur on a periodic basis.

The following billings and receivables are not included in the activities of ARSSC and are out of scope:

- Clinical billings and receivables
- Student billings and receivables
- Large billing systems that will be interfaced with SAP:
 1. SOM Continuing Medical Education
 2. JHH Keane
 3. Bayview Meditech
 4. JH Home Health Horizon
 5. JH Home Health CU / TIMS
 6. JHU Student Loans (ECSI)
 7. Bayview RAM
 8. JH Home Health HBS
 9. JH Home Health MBI
 10. JHHS Intrastaff

Setting up the Customer Master Record

A customer is defined as a business partner with whom a business relationship exists, involving the issue of goods or services. For example, if the ABC Company rents a room for a conference from Johns Hopkins, the ABC Company is the customer. If the billing address is different from the company address, a request must be submitted to ARSSC for a “bill to customer” so that the invoice is mailed to the billing address. The “bill to” is added to the primary customer.

There are 2 types of customers at Johns Hopkins: Sponsored and Non-Sponsored.

A sponsor is an organization or other source that finances a project conducted by Johns Hopkins personnel. The sponsor may be a government agency, company, foundation, or individual interested in a study or interested in a particular area and is entitled to receive some consideration or benefits. The agreement from the sponsor represents a contractual obligation for performance of a specific activity by the Johns Hopkins Enterprise. A sponsored customer is identified by a six digit numerical sequence beginning with 3 (300000). Sponsored customers are set up by Sponsored Projects Shared Services when the department initiates the proposal.

A non-sponsored customer is an outside organization which is billed by Johns Hopkins Enterprise for goods, services or reimbursement of expenses that were provided to that third party by Johns Hopkins Enterprise. A non-sponsored customer is identified by a six digit numerical sequence beginning with 6 (600001). Non-sponsored customer set up is the responsibility of the ARSSC.

Setting Up New Non-Sponsored Customers:

A customer master record controls how the business transactions for a particular customer are recorded and processed in SAP. A customer master record must be created for each customer doing business with Johns Hopkins. The record consists of a core source of information and default data for transactions such as payment terms for receivable aging and bank information for automatic clearing.

Several key fields are required to create a master record: customer information such as name and address, contact information such as the person to call or email if an open item has not been paid, and bank information such as bank routing number and bank account.

To request set up for a new Non-Sponsored Customer, click on the following link:

<https://prcoeus.johnshopkins.edu/rpa/index.jsp>

The customer master data maintenance specialist is located in ARSSC and has the ability to edit a master record or mark a customer for deletion. This customer will still exist until it is archived. There are fields in the customer master record that cannot be changed once the customer is created such as the account number, the sales organization, division, or distribution channel. Fields that can be edited include: street address, title, the company contact, and additional bank information. The customer master data maintenance specialist is ultimately responsible for keeping the record up to date, which is crucial for the billing process to work successfully.

Maintaining the Non- Sponsored Customer Master Data

1. The department completes the new customer request form. An e-mail is automatically sent to the customer master maintenance specialist in ARSSC.

<https://prcoeus.johnshopkins.edu/rpa/index.jsp>

2. The customer master maintenance specialist will research the request. If the customer is a duplicate, the customer master maintenance specialist will notify the department of the correct customer and provide a reason for rejection to set up a new customer. If the customer does not exist, then the customer master maintenance specialist will proceed to set up the new customer to include the bank information on the customer account.

3. Once the new customer is established, the sender of the request is notified via email of the new customer number.

Setting Up New Sponsored Customers

Sponsored customers are set up by Sponsored Shared Services as part of the grant proposal/award set up process.

Types of Billings

Resource Related Billing

Resource related billing is expense based invoicing to sponsors for work done according to an agreement. The costs are summarized from the grant or contract by expense category and placed on an invoice form. There are two types of resource related billings: letter of credit and non-letter of credit.

Grants can be entered to process several resource related billing requests if more than one exists and the numbers fall into a range. For example, all grants under the letter of credit code DHHS can be executed at one time.

1. Letter Of Credit (LOC)

A Letter of Credit is a specific form of resource related billing. Sponsored invoices are created by ARSSC using the resource related billing tools. These invoices are used as a basis for drawing funds from a sponsor based on an existing letter of credit agreement with that sponsor. Under the terms of these agreements, which will vary between sponsors, Johns Hopkins will log in to the sponsors' systems and request these payments and the payments are electronically transferred by the next day to Hopkins bank accounts. Letter of Credit agreements at Hopkins are unique to sponsored projects.

For the billing of customers for letters of credit, ARSSC will run transactions to summarize expenses in SAP and create a debit memo request, which takes the place of an invoice. This memo will be parked and released which will generate billed revenue.

2. Resource Related Billing Non-Letter of Credit (RRB-Non-LOC)

An invoice is produced in SAP that summarizes all expenses by category and mailed to the sponsoring agency.

3. Direct Pay Agreement

A direct pay agreement is one that states that the sponsor will pay Johns Hopkins a specified amount on a specified date. Sponsored Projects Shared Services creates a billing plan which is reflective of the agreement. Unless stated in the agreement, an invoice need not be sent. Sponsored Projects Shared Services creates and maintains the billing schedule.

4. Inter-Governmental Personnel Agreements (IPA)

An Intergovernmental Personnel Agreement is a written record of the obligations and responsibilities of the parties to a temporary assignment arrangement under the IPA Act of 1970. This normally consists of salaries and benefits paid to a group of University employees working on a project for the U.S. Government.

5. Scheduled Billing

A scheduled billing is when the sponsor has an agreement with Johns Hopkins to pay a specified amount on a specified schedule of dates. Sponsored Projects Shared Services creates a billing plan which is reflective of the agreement. This differs from a direct pay in that an invoice must be sent to the sponsor.

6. Manual Billing

A manual billing is performed in SAP for a sponsored or non-sponsored customer when no other billing method is appropriate. This could be because Johns Hopkins only needs to send one invoice for an agreement, or the agreement is a direct pay agreement but only calls for a few installments. This could also be used to correct past billing errors.

Resource Related Billing Process

1. The department contacts ARSSC with request.
2. A billing accountant from ARSSC enters relevant information for creating a sales order (request for services from a customer).
3. Once completed the billing accountant processes a resource billing request that assigns the expenses accrued for the customer to the sales order that has just been created.

4. If several resource billing requests are pending processing, the range of numbers are entered and processed together.
5. To determine which invoices are to be issued and mailed, the billing accountant runs the billing due report. The list is reviewed for accuracy before the creation of the invoice.
6. Once the billing due list has been run, a billing accountant reviews all sales orders and expenses for accuracy. In the review, line items can be blocked and rejected.
7. After a thorough review by the billing accountant, the sales order is released and the invoice is sent to the customer.

Non-Sponsored Billing Invoice (other than Resource Related Billing) Process:

1. The department contacts ARSSC with request.
2. A billing accountant from ARSSC enters the relevant information for creating a non-sponsored billing invoice.
3. A member of ARSSC performs a correspondence print request to view and maintain customer correspondence. The correspondence may be an invoice, a credit memo or an account statement.
4. ARSSC then sends the invoice to the customer.

Invoices Prepared by Departments:

1. A departmental billing specialist has a need to invoice a customer.
2. If the customer to be billed is a new customer, the department submits a new customer request form via email to the customer master maintenance specialist in ARSSC. The customer master maintenance specialist will research the request. If the customer is a duplicate, the customer master maintenance specialist will notify the departmental billing specialist of the correct customer and provide a reason for rejection to set up a new customer. If the customer does not exist, the customer master maintenance specialist will set up the new customer including the bank information on the customer account. Once the new customer is established, the department billing specialist is notified via email of the new customer number.
3. The departmental billing specialist enters the relevant billing information into a parked document which is then routed to ARSSC for approval and release.
4. Documentation that supports the invoice must be faxed, emailed, or attached to the parked document and sent to ARSSC.

5. ARSSC reviews the parked document for accuracy and completeness within two business days.
6. Upon approval, ARSSC posts the parked document and sends the invoice to the customer, unless otherwise noted.
7. If the parked document is not complete and accurate, ARSSC will request further information from the department billing specialist before posting.

Credit Memos

Credit memos are prepared by ARSSC. A Credit Memo is a posting that reduces the balance of receivables. It is created when a refund has been issued to a customer. A monthly report will be used to track customers who have unbilled or credit amounts on their internal order.

1. The department will need to contact ARSSC to request the refund to the customer.
2. ARSSC enters relevant information into SAP for creating a Credit Memo.
3. Once it has been determined that the Credit Memo is to be sent, ARSSC prints the Credit Memo form and sends it to the customer.

Customer Credit Memo Prepared by Department (Parked Document):

1. To refund a customer, the departmental billing specialist enters the relevant information into a credit memo for parking.
2. ARSSC reviews the parked credit memo within two business days.
3. If all information is accurate and complete, ARSSC approves the credit memo which posts the financial information and the credit memo form is then mailed to the customer.
4. If the parked credit memo is not complete and needs more information, ARSSC will contact the originating department for the correct information.
5. If the credit memo is rejected by AR Shared Services, an email notification is sent to the originator along with an explanation for the rejection.

Note: If an invoice has been billed and paid at the time of the credit memo request, Accounts Payable Shared Services will process the request and issue a check to the customer.

BILLING POLICIES

All billings other than clinical and student billings, which are out-of-scope, must be prepared in SAP. Exceptions must be approved by the Controller.

All inter-entity billings will be done in the SAP Controlling module. There will be no invoices printed or sent between internal entities.

SAP transactions allow multiple business areas (legal entities) to be included in a single document.

- Sponsored billing plans are created in SAP by Sponsored Project Shared Services.
- Non-Sponsored billing plans are created by the Master Data Specialist in ARSSC.
- Monthly invoicing should be completed within 40 days of the previous invoice.
- Quarterly invoicing should be completed within 100 days of the previous invoice.
- Parked invoices will be approved and released by ARSSC within 2 business days of notification otherwise the department will be notified via email.

The following billings will be prepared by Accounts Receivable Shared Services:

- Letter of Credit Awards (LOC)
- Sponsored billings (other than LOC) that are not for clinical trials
- Fixed fee awards that require an invoice
- Inter-Governmental Personnel Agreement (IPA) billings
- JHHS non-sponsored billings that prior to SAP implementation were prepared in the JHHS Controller's Office (telephone, linen, parking, etc)

The following billings can be prepared by departmental billing specialists in SAP but must be routed to AR Shared Services for approval and release.

- Clinical trial awards
- Non-sponsored billings other than IPA

Documentation and Record Retention Requirements

Documentation for departmentally prepared billings must be maintained in the department and retained for seven years.

Master Data for Sponsors and Customers

Departments are responsible for submitting non-sponsored customer master data, including Bill-To addresses, to the ARSSC.

Master data for sponsors will be maintained by Sponsored Shared Services (including address changes).

RECEIVABLES POLICIES

1. Accounts Receivable Shared Services is responsible for collecting all receivables resulting from billings either prepared or approved by AR Shared Services.
2. Below are guidelines for researching open items:
 - Contact customer after 45 days if open invoice is greater than \$10,000
 - Contact customer after 60 days if open invoice is between \$3,000 and \$10,000
 - Contact customer after 90 days if open invoice is less than \$3,000
 - Contact department within 1 day if customer claims the invoice will not be paid due to performance. At this point it is the department's responsibility to resolve and the invoice will be closed as uncollectible. Once disagreement is resolved a new invoice will be issued.
 - All issues that Accounts Receivable Shared Services can resolve will be completed within 3 business days and forwarded to the customer. A follow-up call will be made within 5 business days.

RECEIVABLES PROCEDURES

Introduction

ARSSC researches open invoices and provides the collection effort on behalf of the Johns Hopkins Enterprise.

The accounts receivable accountant may need to post a down payment as a result of funds received in advance. If the customer already exists in the system, then the funds will be applied to the customer account until the invoice is created. If the customer does not exist, then the accountant will request the customer to be established prior to transferring the funds. The accountant manages the down payments until the funds are applied to an open item.

ARSSC prepares several reports on a regular basis to research down payments, open items, and confirm that customer master records have correct information. The following reports are used for researching this information:

- Accounts Receivable Aging
- Days Sales Outstanding
- Customer Master Data

When posting the lockbox file if the bank information or document number is not identified, then the funds will be posted to an unapplied cash account. ARSSC is responsible for researching the unapplied cash account and transferring the funds to either clear an open item or post the amount to a customer's account.

In the case that a customer claims that they did not receive an invoice ARSSC will send another invoice. This invoice will be a duplicate of the original invoice sent at the time of billing the customer.

ARSSC is able to research customer accounts with the use of the display function called Customer Line Items which allows the entire customer account to be viewed for open items, cleared items, and closed items.

Collecting Receivables:

1. Start of Month: An AR Aging report will be produced at the beginning of each month to identify the latest open items and the days outstanding. Each accounts receivable accountant will be assigned customers they are to follow up with and collect for the month.
2. The accounts receivable accountant will begin their collection efforts by contacting the customer to see when Johns Hopkins will be receiving their outstanding invoiced amounts. ARSSC staff contact list:
<http://ssc.jhmi.edu/accountsreceivable/contact.html#loc>
3. After contacting the customer regarding the outstanding items, the accounts receivable accountant will record the outcome of the conversation on the invoicing document in the SAP system.

Below are guidelines for researching open items:

- Contact customer after 45 days if open invoice is greater than \$10,000.
- Contact customer after 60 days if open invoice is between \$3,000 and \$10,000.
- Contact customer after 90 days if open invoice is less than \$3,000
- Contact department within 1 day if customer claims the invoice will not be paid due to performance. At this point it is the department's responsibility to resolve

and the invoice will be closed as uncollectible. Once disagreement is resolved a new invoice will be issued.

- All issues that ARSSC can resolve will be completed within 3 business days and forwarded to the customer. A follow-up call will be made within 5 business days.

Researching Unidentified Cash Deposits

1. Start of Month: The accounts receivable accountant will execute a report of the unidentified cash deposits.
2. The accountant will view the general ledger unapplied cash account to determine which items can be applied to open items or customer accounts. The accounts receivable accountant determines which items in the unapplied cash account need to be transferred to an open item or customer account. Further research may be required to identify the unapplied cash items.
3. The funds identified to an open item or customer will be transferred accordingly. The accounts receivable accountant will transfer the funds, using a Cash Journal – FBCJ, with the appropriate details provided on the document such as reasons why the money needed to be moved.

The validation of cash posting is a part of the ARSSC role.

ARSSC prepares several reports on a regular basis to identify:

- Aged Receivables
- Current Receivables
- Partial Paid Receivables
- Unapplied Cash

Customer Master Data Record Supports the Import of the Bank Lockbox File from the Bank to Clear Open Items

1. An open item that cannot be identified is imported from the lock box. The open item cannot be properly applied, as there is no existing master record for the customer. When posting the lockbox file if the bank information or document number is not identified, then the money is posted to an unapplied cash account. ARSSC researches the unapplied cash account and transfers the money to either clear an open item or post to a customer's account.
2. The lockbox file (BAI2) is saved on the bank's secured website and is ready for a daily upload to SAP. The bank information on the customer master record is required in order for the lockbox file to post the open items as was intended.

3. The master data record is created. This will enable the open item to be cleared with the use of two primary keys. (The two primary keys required in the Customer Master Record are the Bank Routing number and the Bank Account Number, which is recorded on the general data screen on the "Payment Transaction" tab of the Customer Master Record.)

4. The open item is then cleared and the customer's account is updated.

Accounts Receivable Write Offs

The Accounts Receivable Manager will determine the validity of writing a receivable off. The Accounts Receivable Manager communicates with the University Divisional Business Office or JHHS Controllers Office by notifying them of the possibility of requiring a write off of a receivable as a result of an outstanding open item that has been determined as uncollectible. Documentation for approving the write off is necessary and may be done by email or a memo.

Misapplied Cash Receipts

The Accounts Receivable Manager provides authority to adjust the posting of money that has been misapplied after a review of the posting has been completed. Business Warehouse reports can be used as a tool to provide the necessary backup to justify the adjusting entry.