Accounting Best Practices: Billing & Collections

Surveys Results & Recommended Practices

February 2014
# Table of Contents

*Click on title to jump to section*

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>5</td>
</tr>
<tr>
<td>Background</td>
<td>8</td>
</tr>
<tr>
<td>AMS/CRM/Donor System</td>
<td>9</td>
</tr>
<tr>
<td>Billing</td>
<td>13</td>
</tr>
<tr>
<td>Collections</td>
<td>15</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>17</td>
</tr>
<tr>
<td>Posting</td>
<td>19</td>
</tr>
<tr>
<td>Conclusion</td>
<td>22</td>
</tr>
<tr>
<td>What’s Next?</td>
<td>23</td>
</tr>
</tbody>
</table>
Executive Summary

The Billing & Collections Survey was conducted online from November 21st, 2013 to December 11th, 2013. Ninety-two (92) responses were received, primarily from professional/trade organizations (70%). Key findings and takeaways are summarized below.

Nearly three-fourths (73%) of organizations say their AMS/CRM/Donor system is integrated with their website.

**So what?** Website integration allows members/donors to initiate or renew transactions and manage account information, minimizing the time needed by organizational staff to enter data into the AMS/CRM/Donor system. Also, website integration (in conjunction with the use of an online account portal) enables the seamless linking of data across different systems that can be updated in real time.

Nearly four out of 10 (38%) organizations have finance departments minimally involved or not involved in the selection of the AMS/CRM/Donor system. This finding corresponds with Tate & Tryon’s IT Staffing and Spending Survey, which found that only 34% of respondents say that the CFO has the most influence over the decision of whether to upgrade software in the organization.

**So what?** Because of the increasing use of the AMS/CRM/Donor system as a tool of business intelligence and strategic planning, technology decisions should involve finance (and other functions with knowledge of the organization’s business strategy), rather than being purely or primarily IT-driven.

Only about 1 in 4 (27%) organizations feel they are very effective in capturing and reporting data from their AMS/CRM/Donor system.

**So what?** Many factors could be driving dissatisfaction with data capture and reporting, such as incompatible databases or unclear directives. In Tate & Tryon’s Membership Metrics Survey, when asked to select their primary challenge regarding the collection, analysis, and/or reporting of member (and other stakeholder) metrics, respondents most frequently cited missing or inaccurate data (45%). Nonprofits should review their entire data collection, storage and analysis process, including data sources and inputs, to identify which parts may not be working effectively.

Four out of 10 (40%) organizations use three or more software solutions to process billing.

**So what?** The ability to link data across the many ways a member or other stakeholder might engage with a nonprofit is important for developing a complete understanding of stakeholder behavior and level of involvement. The fewer software solutions used to process billing, the easier it will be to integrate information from different sources.
Nearly seven out of 10 (69%) organizations indicate that the finance department is at least partially involved in member/donor/customer billing. However, when asked why finance is involved in billing, approximately four out of 10 (42%) organizations are not sure or have not thought about whether finance should be involved in the member/donor/customer billing process.

**So what?** A deliberate, thoughtful, and strategic approach to organizing billing roles and responsibilities will help ensure that nonprofits are taking advantage of all potential efficiencies. For some organizations, centralization of the billing function allows for more efficient use of labor and implementation of more effective internal controls. For larger organizations, it may be more efficient for billing to take place in the department where a transaction occurs.

Approximately half (53%) of organizations still receive more than 50% of their collections by check (versus electronically or by credit card).

**So what?** Electronic receipt of revenue is more efficient and enables easier payment. It also helps mitigate risk, as 25.6% of all fraud cases in 2012 were schemes involving theft of cash receipts, according to the Association of Certified Fraud Examiners’ 2012 Report to the Nations.

Nearly three out of 10 (29%) organizations are somewhat dissatisfied or very dissatisfied with the time required to reconcile credit card transactions with AMS reports and/or the bank statement.

**So what?** Nonprofits should implement practices that enable easy tracking and reconciliation of information, such as including a unique ID number for each transaction in the AMS/CRM/Donor system and merchant system, and reconciling the AMS/CRM/Donor system and payment processor/bank statement daily.

One-third (33%) of respondents have an entirely manual process for posting batches to the general ledger.

**So what?** A manual batch posting process is time consuming and increases the probability that data will be entered incorrectly. Batch posting should be automated if possible.

Seven out of 10 (70%) respondents manually enter the majority of cash receipts in the AMS/CRM/Donor system. Cash receipts from membership dues and contributions are more likely to be posted to a single, centralized AMS/CRM/Donor system than cash receipts from publications, meeting registrations, exhibits, and advertising or sponsorship.

**So what?** Posting financial information from different sources of revenue in one location facilitates holistic analysis of an organization’s financial performance.

A variety of accounting practices are utilized by nonprofits, ranging from manual to automated and silo-based to collaborative. While the results included in this report provide nonprofit leaders an idea of how their billing and collections practices compare to similar organizations, their focus should be on identification of improvement opportunities. Please contact us to learn more about conducting an internal finance assessment or using data to drive strategic results.
Introduction

Financial transactions and reporting methods impact an organization’s ability to understand its financial position and provide forecasts that inform strategy. Strategy in turn influences how the budget is developed, which affects an organization’s financial processes. The cyclical nature and interdependencies of these components is reflected in Figure 1.

From Tate & Tryon’s experience of working with more than several hundred nonprofit organizations, we have observed that too much time is spent on transaction processing. This is often the result of nonprofits failing to approach their financial processes strategically, such as challenging existing procedures, harnessing the benefits of technology, and seeking potential synergies with different parts of the organization. When departments or functions develop their own procedures without collaboration, redundancies and inefficiencies inevitably result. This includes the use of multiple, incompatible software systems that complicate an organization’s ability to integrate financial and non-financial data across functions, which is an important step in obtaining a holistic perspective of an organization’s financial position.
For example, figure 2a depicts the billing and collections processes of an organization using multiple software solutions to process transactions from different revenue sources.

**Figure 2a. A Silo Approach to Billing and Collections Processes**

*Siloed Approach to Billing and Collection Processes*

- Membership/Contributions
- Publications
- Conferences
- Exhibit Space
- Membership Database AMS
- Subscription Management Software (3rd Party)
- Event Management Software (3rd Party)
- Exhibit Software
- PayPal
- Authorize.net
- Virtual Merchant
- Cybersource

By contrast, a streamlined data system that integrates information from multiple revenue sources in a single, centralized database is illustrated in Figure 2b.

**Figure 2b. A Collaborative Approach to Billing and Collections Processes**

*Collaborative Approach to Billing and Collections Processes*

- Membership/Contributions
- Publications
- Conferences
- Exhibit Space

*Full Service AMS*

- PayPal

*General Ledger*

*Bank*
Accounting Best Practices Series

**Billing & Collections Survey Results**

**Figure 3. People, Process, and Technology Assessment Framework**

Organizations can maximize internal efficiencies, improve performance, and mitigate risks by taking a strategic and collaborative approach to their financial processes. The People, Process and Technology Assessments are a helpful framework for nonprofit leaders who wish to review their financial procedures (Figure 3).

To help nonprofits better understand how their current practices compare to similar organizations and where there are opportunities for improvement, Tate & Tryon is conducting a three-part series on accounting best practices that entails (1) collecting information on the accounting practices of nonprofits and (2) providing survey results with recommendations for improving financial process performance and efficiency.

This report includes findings from the Accounting Best Practices: Billing & Collections Survey, the first survey in the series. The second and third surveys will be conducted in early 2014 and will cover the procurement to payment and budget and accounting processes.

The Billing & Collections Survey examines use of the AMS/CRM/Donor system, billing processes and responsibilities, collections practices (including credit card processing procedures), and posting methods. In addition to survey results, this report includes best practice descriptions and critical questions that can help guide a strategic discussion about financial processes. For example, when examining their billing and collections processes, nonprofit leaders may want to consider the following:

- Does the AMS/CRM/Donor system integrate data across all revenue sources?
- Is data stored in the AMS/CRM/Donor system captured and reported effectively?
- Could steps involving manual data entry be replaced by automation?
- Has the organization involved finance in software upgrade or purchase decisions?

These questions and the best practice guides throughout this report can help nonprofit leaders take the first step towards critically evaluating their approach to billing and collections.
Background

The Accounting Best Practices: Billing & Collections Survey was conducted online from November 21st, 2013 to December 11th, 2013. Ninety-two (92) survey submissions were received, primarily from professional/trade organizations (70%) (Figure 4). This report includes high-level findings and describes significant differences among different types of responding organizations, while the Billing & Collections Dashboard contains detailed survey results that can be filtered by nonprofit type and size.

Approximately one-third (35%) of responding organizations have annual revenue of $20M or more. Nearly one-fourth (24%) of responding organizations have annual revenue less than $5M (Figure 5).

Figure 4. Please select the option that best describes your organization (n=92)

![Survey Respondent Organizations](chart)

Figure 5. Please select the option that best describes your organization’s annual revenue (n=92)

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1M</td>
<td>2%</td>
</tr>
<tr>
<td>$1M - $4.9M</td>
<td>22%</td>
</tr>
<tr>
<td>$5M - $9.9M</td>
<td>16%</td>
</tr>
<tr>
<td>$10M - $19.9M</td>
<td>25%</td>
</tr>
<tr>
<td>$20M - $49.9M</td>
<td>26%</td>
</tr>
<tr>
<td>$50M - $99.9M</td>
<td>3%</td>
</tr>
<tr>
<td>$100M or More</td>
<td>6%</td>
</tr>
</tbody>
</table>
AMS/CRM/Donor System

When asked to indicate their AMS/CRM/Donor software, nearly one-fourth (23%) of respondents select Avectra and 14% select iMIS. Smaller portions of respondents use a variety of other software, including Personify (9%), Razor’s Edge (8%), and Microsoft CRM (7%). Three percent of respondents have no AMS/CRM/Donor software (Figure 6).

Respondents were asked about the capabilities of their AMS/CRM/Donor system (Figure 7). Nearly three-fourths (73%) of respondents say that their AMS/CRM/Donor system is integrated with their website, and approximately six out of 10 (62%) respondents say their system allows members to manage account information online through a self-service portal. Nearly three-fourths (72%) of respondents say their AMS/CRM/Donor system produces accounts receivable reports.

Figure 6. Please indicate your AMS/CRM/Donor software (n=92)

<table>
<thead>
<tr>
<th>Software</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avectra</td>
<td>23%</td>
</tr>
<tr>
<td>iMIS</td>
<td>14%</td>
</tr>
<tr>
<td>Personify</td>
<td>9%</td>
</tr>
<tr>
<td>Razor’s Edge</td>
<td>8%</td>
</tr>
<tr>
<td>Microsoft CRM</td>
<td>7%</td>
</tr>
<tr>
<td>ClearVantage</td>
<td>5%</td>
</tr>
<tr>
<td>Aptify</td>
<td>5%</td>
</tr>
<tr>
<td>None</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>26%</td>
</tr>
</tbody>
</table>

Figure 7. Please indicate whether your AMS/CRM/Donor System has the following capabilities (n=range 89 to 92)

- Integrated with website: 73%
- Allows members to manage account information online through self-service portal: 62%
- Produces accounts receivable (AR) reports: 72%
For nearly four out of 10 (37%) responding organizations, finance is very involved in the selection of the AMS/CRM/Donor system (Figure 8). For a similar percentage (38%) of responding organizations, finance is minimally involved or not involved in the AMS/CRM/Donor system selection process. Approximately two-thirds (68%) of professional/trade organizations have a finance department somewhat involved or very involved in the AMS/CRM/Donor system selection process, compared to only 32% of philanthropic/charity organizations.

In a recent Tate & Tryon survey on IT staffing and spending, when asked who in their organization has the most influence over the decision of whether to upgrade software in the organization, equal portions of respondents indicated the person with the most influence was the CIO/CTO/Technology Director (34%) or the CFO (34%).
Approximately three-fourths (76%) of responding organizations report non-financial information stored in the AMS/CRM/Donor system, such as member demographics and activity data, to management and/or the board (Figure 9). Of those organizations that do report non-financial information, 15% report that the finance department is primarily responsible for reporting the non-financial information (Figure 10). Approximately one-fourth (27%) of organizations with annual revenue less than $10M have finance departments that are primarily responsible for reporting non-financial data, compared to only 5% of organizations with annual revenue of $10M or more. This suggests that non-financial reporting responsibilities may be more decentralized (spread across multiple functions) in larger organizations.
When asked to indicate their organization’s level of effectiveness in capturing and reporting data housed in the AMS/CRM/Donor system, approximately one-fourth (27%) of respondents feel they are very effective while 15% feel they are ineffective (Figure 11).

*Figure 11. Please indicate your organization’s level of effectiveness in capturing and reporting data housed in the AMS/CRM/Donor system (n=88)*

**Best Practices for Capturing and Reporting AMS/CRM/Donor System Data**

- **Connect financial data with non-financial data**: The fact that only a small percentage of organizations have finance departments responsible for reporting non-financial data suggests that finance departments are missing the opportunity to link financial data with non-financial data, shifting finance from the traditional role of watchdog to the role of business partner. To quote Donny Shimamoto, a recognized technology expert within the national CPA community, accountants can move beyond cost control and start “looking at the organization as a whole and discussing how to best optimize the performance.”

- **Evaluate the integrity of data sources**: In a recent survey on membership metrics, when asked to select their primary challenge regarding the collection, analysis, and/or reporting of member (and other stakeholder) metrics, respondents most frequently cited missing or inaccurate data (45%). Nonprofits should review their entire data collection, storage and analysis process, including data sources and inputs, to identify which parts may not be working effectively.
Billing

Microsoft Dynamics GP is the most frequently indicated general ledger (GL) software (41%), followed by Microsoft Dynamics SL (20%) and Quickbooks (17%) (Figure 12).

Four out of 10 (40%) respondents use three or more software solutions to process billing (Figure 13). Half (50%) of philanthropic/charity organizations use only one software solution to process billing, compared to one-fourth (25%) of professional/trade organizations.

Figure 12. Please indicate your GL software (n=92)

<table>
<thead>
<tr>
<th>Software</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS Dynamics GP</td>
<td>41%</td>
</tr>
<tr>
<td>MS Dynamics SL</td>
<td>20%</td>
</tr>
<tr>
<td>QuickBooks</td>
<td>17%</td>
</tr>
<tr>
<td>Peachtree</td>
<td>5%</td>
</tr>
<tr>
<td>Sage MAS 90 or 200</td>
<td>5%</td>
</tr>
<tr>
<td>MS Dynamic NAV</td>
<td>3%</td>
</tr>
<tr>
<td>Blackbaud</td>
<td>3%</td>
</tr>
<tr>
<td>Intacct</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
</tbody>
</table>

Figure 13. Please indicate the number of software solutions used to process billing (i.e., the number of software solutions used to process conference registrations, exhibits, publications, contributions, membership, etc.) (n=84)

Best Practices for Billing Processes

Develop a billing process that permits integration of billing information across revenue sources

The ability to link data across the many ways a member or other stakeholder might engage with a nonprofit is important for developing a complete understanding of stakeholder behavior and level of involvement. The fewer software solutions used to process billing, the easier it will be to integrate, analyze, and report information from different sources.
When asked which department(s) in their organization perform the member/donor/customer billing, nearly seven out of 10 (69%) indicate that the finance department is at least partially involved (Figure 14). Approximately one-third (31%) say that only the department(s) responsible for the revenue perform the billing, while slightly more than one-fourth (27%) say only the finance department performs the billing. Approximately one-third (34%) of professional/trade organizations task only the department(s) responsible for the revenue with billing, compared to 8% of philanthropic/charity organizations.

Respondents who indicate that finance is involved in member/donor/customer billing were asked to select the primary reason the finance department prepares and processes the billing. Nearly three out of 10 (28%) respondents say the reason is that the finance department believes it is a good internal control, while one-fourth (25%) say that the department(s) responsible for the revenue believe(s) billing is an accounting function (Figure 15). Approximately four out of 10 (42%) respondents are not sure or have not thought about whether finance should be involved in the member/donor/customer billing process.

**Figure 14. Who performs the member/donor/customer billing? (n=84)**

<table>
<thead>
<tr>
<th>Department(s)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible for Revenue</td>
<td>31%</td>
</tr>
<tr>
<td>Finance Department</td>
<td>27%</td>
</tr>
<tr>
<td>Both</td>
<td>42%</td>
</tr>
</tbody>
</table>

**Figure 15. If finance is involved in preparing and processing member/donor/customer billing, select the primary reason (n=57)**

- Finance Believes it is a Good Internal Control: 28%
- Billing is Considered to be an Accounting Function: 25%
- Bills Not Processed Accurately by Department(s) Responsible for Revenue: 5%
- Not Sure: 14%
- “That’s just the way it is”: 28%

**Best Practices for Roles and Responsibilities for Processing Billing**

- Be deliberate, thoughtful and strategic determining the most efficient and effective way to organize billing roles and responsibilities in your organization.
- For some organizations, centralization of all billing functions allows for more efficient use of labor and implementation of more effective internal controls.
- For larger organizations, it may be more efficient for billing to take place in the department where a transaction occurs.
Collections

The survey included a series of questions regarding collections practices (Figure 16):

- Approximately half (53%) of responding organizations receive more than 50% of their overall revenue by check (rather than electronically). Approximately three-fourths (74%) of organizations with annual revenue less than $5M receive the majority of their overall revenue by check, compared to only one-fourth (25%) of organizations with annual revenue of $50M or more.

- Nearly two-thirds (65%) of responding organizations use remote deposit. Nearly nine out of 10 (88%) organizations with annual revenue of $50M or more use remote deposit, compared to only 58% of organizations with annual revenue less than $5M.

- Slightly less than half (45%) of responding organizations use a lockbox. Approximately half (51%) of professional/trade organizations use a lockbox, compared to only 17% of philanthropic/charity organizations. More than three-fourths (77%) of organizations with annual revenue of $20M or more use a lockbox, compared to only 18% of organizations with annual revenue less than $10M.

For organizations that do use a lockbox, less than half (44%) receive an electronic file from their lockbox provider allowing for an automated upload (Figure 17).
Best Practices for Collections

Receive revenue electronically
- Electronic receipt of revenue is more efficient and enables easier payment. It also helps mitigate risk, as 25.6% of all fraud cases in 2012 were schemes involving theft of cash receipts, according to the Association of Certified Fraud Examiner’s 2012 Report to the Nations.

Use remote deposit
- If deposits are received in the organization’s office(s), remote deposit is a more efficient, time-saving practice than manually bringing deposits to the bank.

Use a lockbox with automated upload function
- Lockboxes allow organizations to leverage the scale of bank operations and use electronic report keeping through the bank’s imaging systems. Lockboxes also accelerate deposits and enable the automated entry of cash receipts into the AMS/CRM/Donor system.
Credit Cards

The survey asked a series of questions to examine current practices regarding credit card processing. Approximately two-thirds (65%) of respondents say that GL (account) codes are pre-populated for online transactions. Nearly nine out of 10 (89%) respondents say their credit card process is PCI compliant, and nearly all (95%) respondents accept all major credit cards (Figure 18). Approximately seven out of 10 (71%) professional/trade organizations pre-populate GL codes for online transactions, compared to only one-third (33%) of philanthropic/charity organizations. Additionally, 82% of organizations with annual revenue of $20M or more pre-populate GL codes for online transactions, compared to only about half (52%) of organizations with annual revenue less than $10M.

Nearly two-thirds (64%) of responding organizations have at least 1,500 credit card transactions per year. Nearly three out of 10 (28%) responding organizations have fewer than 1,000 credit card transactions per year (Figure 19).

Figure 18. Please select the response that best reflects your organization’s current practices regarding credit card processing (n=81)

Figure 19. Approximately how many credit card transactions does your organization process in a typical year? (n=81)
Figure 20 shows the merchant banking solutions used by respondents to process credit card payments. PayPal (68%) and Authorize.net (22%) are the most commonly selected merchant banking solutions.

Less than one-fourth (21%) of respondents are very satisfied with the time required to reconcile credit card transactions with AMS reports and/or the bank statement, and half (50%) are somewhat satisfied (Figure 21). Approximately three out of 10 (28%) organizations with annual revenue less than $20M are very satisfied with the time to reconcile, compared to only 7% of organizations with annual revenue of $20M or more.

Figure 20. Which merchant banking solution does your organization use to process payments by credit cards (select all that apply)? (n=81)

PayPal 68%
Authorize.net 22%
Cybersource 5%
Virtual Merchant 4%
Payment Tech 2%
TransFirst 2%
First Data 2%
Other 15%

Figure 21. Please indicate your level of satisfaction with the time required to reconcile credit card transactions with AMS reports and/or the bank statement (n=81)

Very Satisfied 21%
Somewhat Satisfied 50%
Somewhat Dissatisfied 22%
Very Dissatisfied 7%

Best Practices for Credit Card Transactions

Implement practices that enable easy tracking and reconciliation of information

• Ask your credit card company to present gross fees on the monthly statement.
• Include a unique ID number for each transaction in the AMS/CRM/Donor system and merchant system.
• Reconcile the AMS/CRM/Donor system and payment processor/bank statement every day.
Posting

Eight out of 10 (80%) respondents say that billing and collections information is primarily posted to the GL in batches (Figure 22). Nine out of 10 (90%) organizations with annual revenue of $10M or more post billing and collections information to the GL in batches (versus as individual transactions), compared to only 64% of organizations with annual revenue less than $10M.

For responding organizations who primarily post information to the GL in batches, approximately half (52%) have a partially automated process for posting batches from each software system to the GL. One-third (33%) of respondents have an entirely manual process for posting batches to the GL (Figure 23). Responding organizations that post billing and collections information as individual transactions to the GL are equally split between those who manually post transactions to both the software system and the GL and those who manually post transactions only to the GL (i.e., the software system is not used to process billings) (Figure 24).

Figure 22. Please indicate how billing and collections information primarily posted to your general ledger (n=84)

<table>
<thead>
<tr>
<th>Batches</th>
<th>Individual Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Figure 23. If in batches, extent of which batches are posted automatically to the general ledger (n=67)

<table>
<thead>
<tr>
<th>Entirely Automated</th>
<th>Partially automated</th>
<th>Entirely Manual</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>52%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Figure 24. If individually, how individual transactions are primarily posted (n=16)

<table>
<thead>
<tr>
<th>Manual posting to software and GL</th>
<th>Manual posting to GL only</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>
The extent to which cash receipts are posted to a single, centralized AMS/CRM/Donor system vary by revenue source. Nearly nine out of 10 (87%) respondents say that cash receipts for membership dues are posted to a single, centralized system. On the other hand, only about six out of 10 (59%) respondents say that cash receipts for exhibits and advertising/sponsorship are posted to a single, centralized system. Figure 25 provides further detail.

**Figure 25. For each of the following revenue sources, indicate whether cash receipts are posted to a single, centralized AMS/CRM/Donor system (n=range 64 to 76)**

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Dues</td>
<td>87%</td>
</tr>
<tr>
<td>Contributions</td>
<td>80%</td>
</tr>
<tr>
<td>Publications</td>
<td>66%</td>
</tr>
<tr>
<td>Meeting Registrations</td>
<td>64%</td>
</tr>
<tr>
<td>Exhibits</td>
<td>59%</td>
</tr>
<tr>
<td>Advertising or Sponsorship</td>
<td>59%</td>
</tr>
</tbody>
</table>

For seven out of 10 (70%) respondents, the majority of cash receipts are manually entered into the AMS/CRM/Donor system (Figure 26). Approximately one-fourth (24%) upload cash receipts electronically from the bank. More than one-third (36%) of organizations with annual revenue of $10M or more upload cash receipts electronically, compared to only 6% of organizations with annual revenue less than $10M. Similarly, organizations with annual revenue of $10M or more are less likely to manually enter cash receipts (55%) than organizations with annual revenue less than $10M (91%).

**Figure 26. How are the majority of cash receipts entered into the AMS/CRM/Donor system? (n=80)**

- Entered Manually: 70%
- Uploaded Electronically from Bank: 24%
- Collections Not Entered: 6%
Best Practices for Posting

1. **Post batches to the GL, automate batch posting**
   - As there is no need to replicate AMS/CRM/Donor system transactional data in the GL, batch posting to the GL is the best practice to avoid duplicative data entry.
   - Automated batch posting to the GL saves time and minimizes the risk of data entry error.

2. **Post to both the AMS/CRM/Donor system and GL**
   - Posting transactions to both the AMS/CRM/Donor system and the GL helps ensure the accuracy of reports and that both systems are in sync.

3. **Integrate and automate cash receipt posting**
   - Posting financial information from different sources of revenue in one location facilitates holistic analysis of the organization’s financial performance.
   - Electronic upload of cash receipts saves time and improves data accuracy.
Conclusion

Currently a variety of accounting practices are utilized by nonprofits, ranging from manual to automated, redundant to streamlined, and silo-based to collaborative. While the results included in this report provide nonprofit leaders an idea of how their billing and collections practices compare to similar organizations, their focus should be on identification of improvement opportunities and adoption of best practices. As a first step, organizations should determine whether their billing and collections practices effectively use people, process and technology to accomplish the following:

- **Properly allocate human resources (People Assessment)**
  - Does the organization have staff with the proper skill level performing the proper functions?
  - Is the organization’s staffing right-sized to relative workload volumes?

- **Optimize operations for maximum efficiency and effectiveness (Process Assessment)**
  - Does the organization regularly review summary AR reports and monthly credit card statements to maintain proper oversight of the billing and collections process?
  - Does the organization link member/donor activity data to financial performance?
  - Can the billing function be more centralized? Should finance take a more active role?
  - Does the organization foster a culture of collaboration, both in terms of software adoption and knowledge sharing?

- **Harness technological efficiencies (Technology Assessment)**
  - Has the organization minimized, to the fullest extent possible, the number of software solutions used in process billing?
  - What steps in the billing and collections process can be automated through the use of technology (e.g., online member/donor account portal, automated batch posting, remote deposit, and lockbox with automated upload function)?

By asking these questions, mapping existing processes, and identifying opportunities for improvement, nonprofit leaders will help ensure that their billing and collections processes are using resources efficiently for the most effective results. Tate & Tryon offers additional resources to help organizations evaluate their financial processes, including the Billing and Collections Dashboard. We also encourage nonprofits to participate in the second survey of our Accounting Best Practices Series, which examines the procurement to payment process, available in early 2014.
What’s Next?

Check out our additional tools, research, and services that will help guide your strategic discussions and identify opportunities to improve your financial performance and efficiency. Also, stay informed about future survey opportunities!

Resources

Accounting Best Practices: Billing & Collections Dashboard

Data Management Checklist

Who (and What) is the Chief Data Officer?

IT Staffing and Spending Benchmarks

Membership Metrics: A Review of Current and Best Practices

About Tate & Tryon

Tate & Tryon is a public accounting and consulting firm that specializes in accounting, financial management, and research services for nonprofit entities. We offer unparalleled experience and financial solutions through a wide range of accounting, audit & attest, tax preparation, and advisory services. We also provide financial systems consulting through T3 Information Systems, which is a wholly-owned subsidiary of Tate & Tryon. T3 specializes in the Microsoft Dynamics GP (Great Plains) accounting system, as well as business intelligence and planning software that meet the unique needs of the nonprofit community.

Services

Key Performance Indicator (KPI) Selection Consulting

Finance and Accounting Diagnostic

Business Process Review

Risk Management Assessment

IT Solution Selection

CFO and Controllership Services

Contact Us

2021 L Street NW, Suite 400
Washington, DC 20036 Email: lmalone@tatetryon.com
Phone: 202-419-5191 Website: www.tatetryon.com

“The professionalism of every staff member we have been in contact with is exceptional. I have worked with many CPA firms during my long accounting career in the Washington DC Metro Area, and without a doubt, Tate & Tryon is number 1.”

-Lynn Craig, VP of Finance & Administration
The American Waterways Operators