CLAIMS 101

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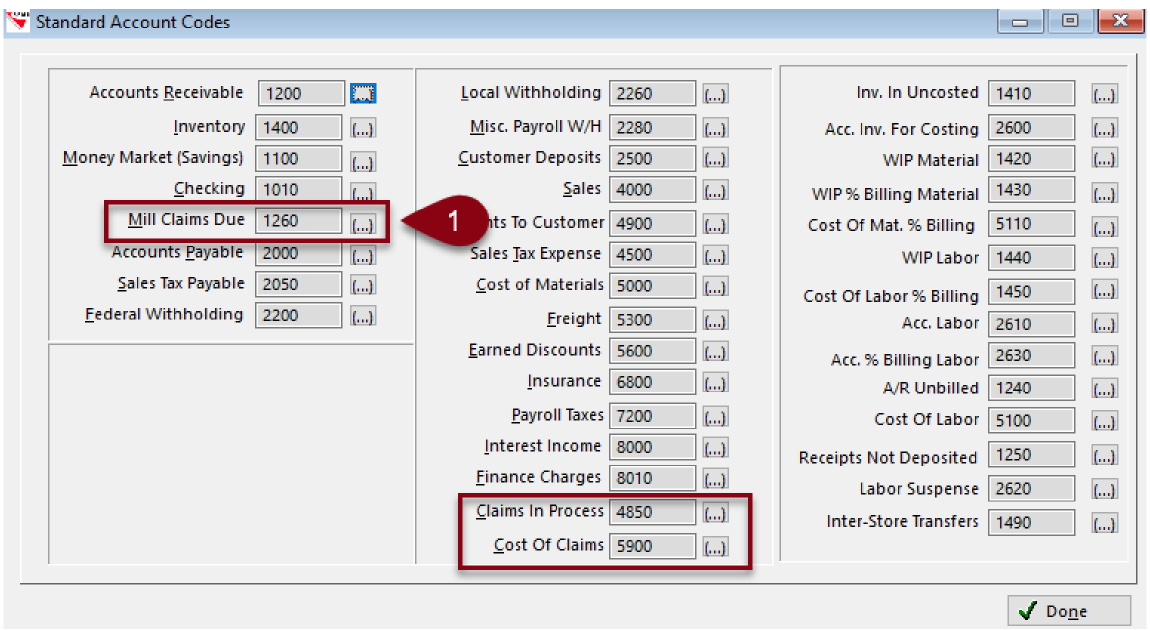
Setting Up the Claims Module

Add standard account codes

Because of the unique processing of the Claims module, it is necessary to add three Standard Account codes. These additional standard codes are used to provide a clear audit trail of your claims activity in the General Ledger. As you enter and process claims, RFMS will use these three codes to post credits and debits automatically as noted below.

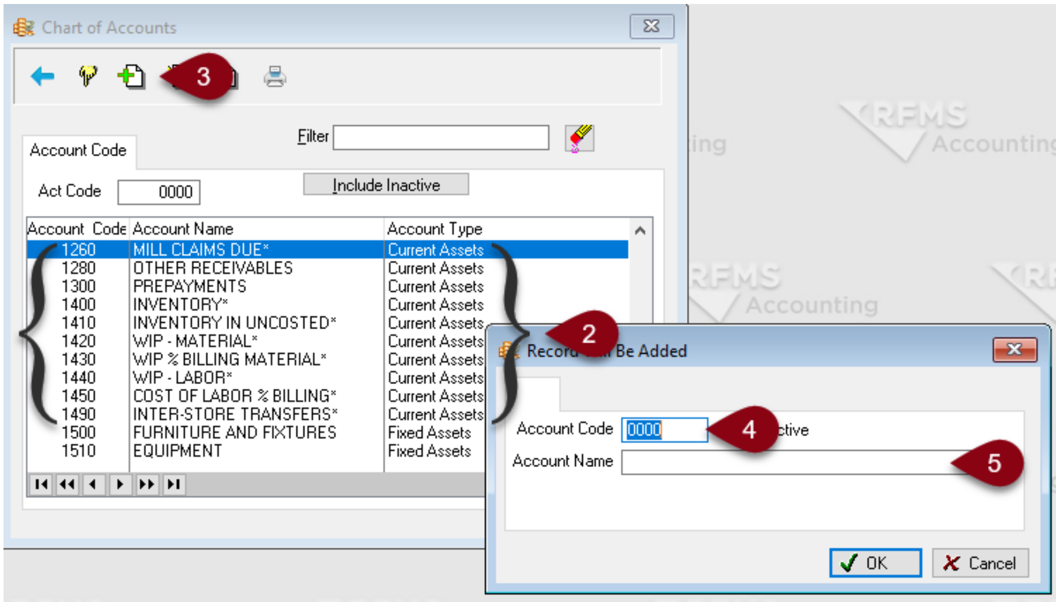
Mill Claims Due - Current Asset – Debit when processed (job costed) – Credit when settled (paid)
Claims in Process – Sales Income or Misc. Income - Credit when processed (job costed)
Cost of Claims – Cost of Sales or Misc. Expense – Debit when processed (job costed)

Accounting > File > General Ledger > Standard Account Codes



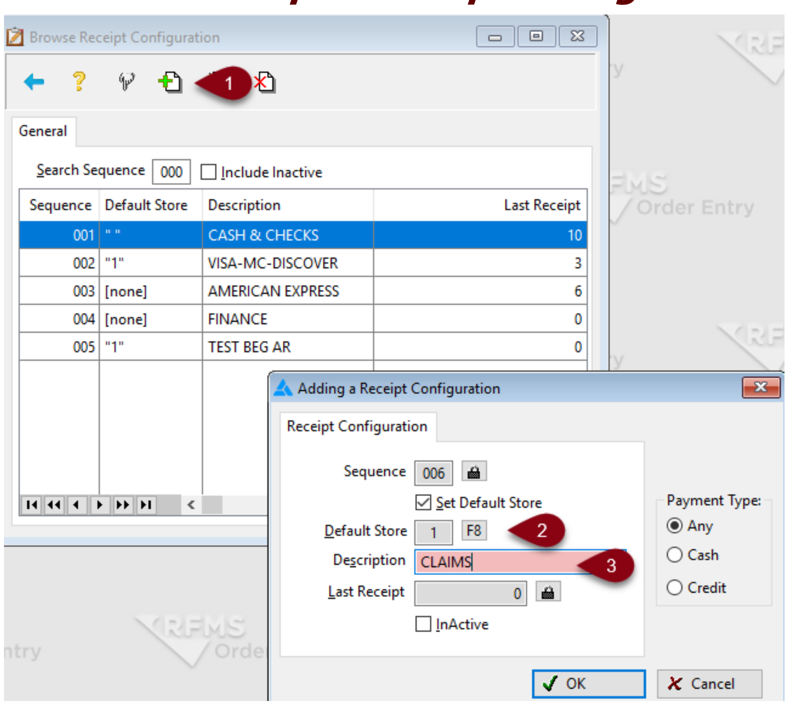
1. Click the ellipses button to access your Chart of Accounts.
2. Review the Account Type range for a number not being used.
3. Click the green plus icon to insert a new account.
4. Insert new Account Number.

5. Insert new Account Name. I like to include an * after the account name for all Standard Accounts as a visual reference when viewing the Chart of Accounts.



Create a receipt file for your mill credit payments

Order Entry > Utilities > Set Up > Receipt Config



1. Click the green plus to add a new receipt file.
2. Enter Store information.
3. Enter Description: Claims or Accounting Use Only.

Create Customer Types and Salesperson for claims

This step is optional but allows for better reporting & tracking of claims.

Order Entry > Utilities > Set Up > Customer Types

1. Click green plus to insert a new Customer Type.
2. Enter Description:

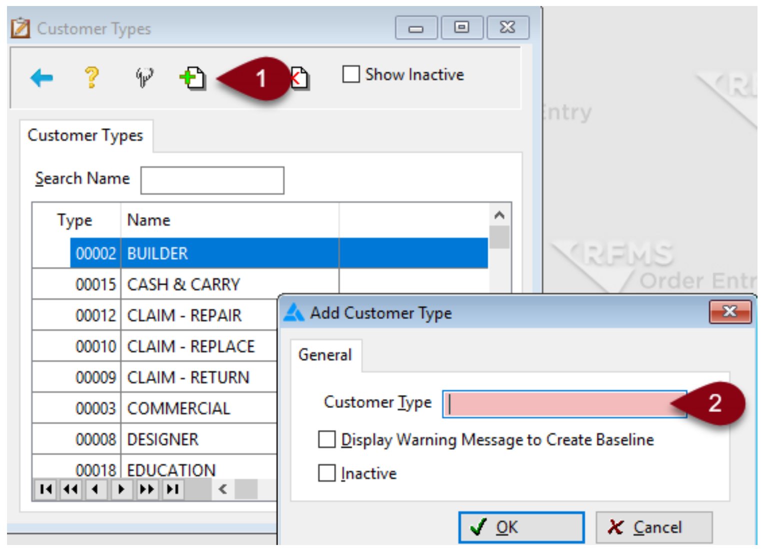
    Claim

    Or for more detailed tracking:

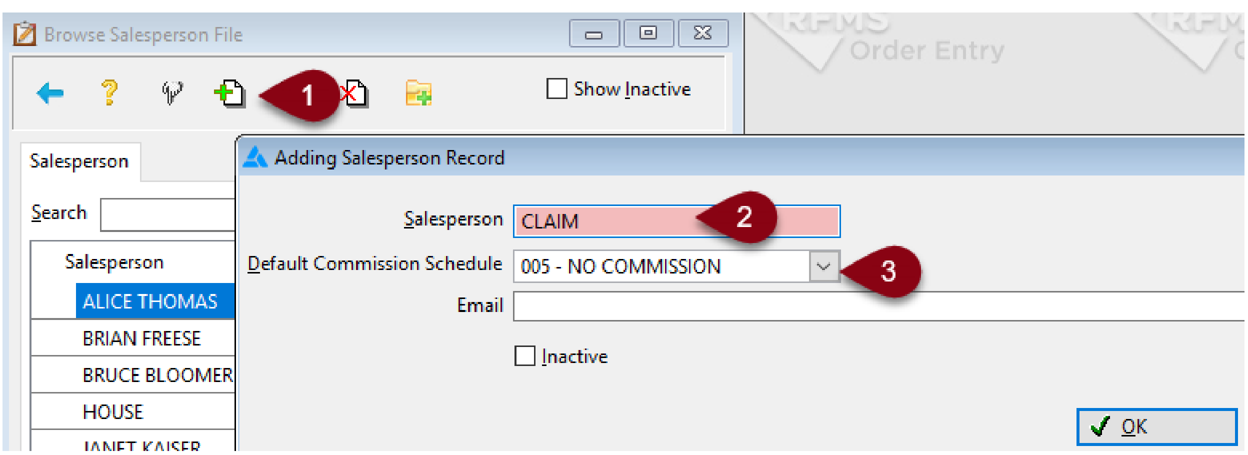
    Claim – Return

    Claim – Replacement

    Claim – Repair



Order Entry > Utilities > Set Up > Sales Representatives

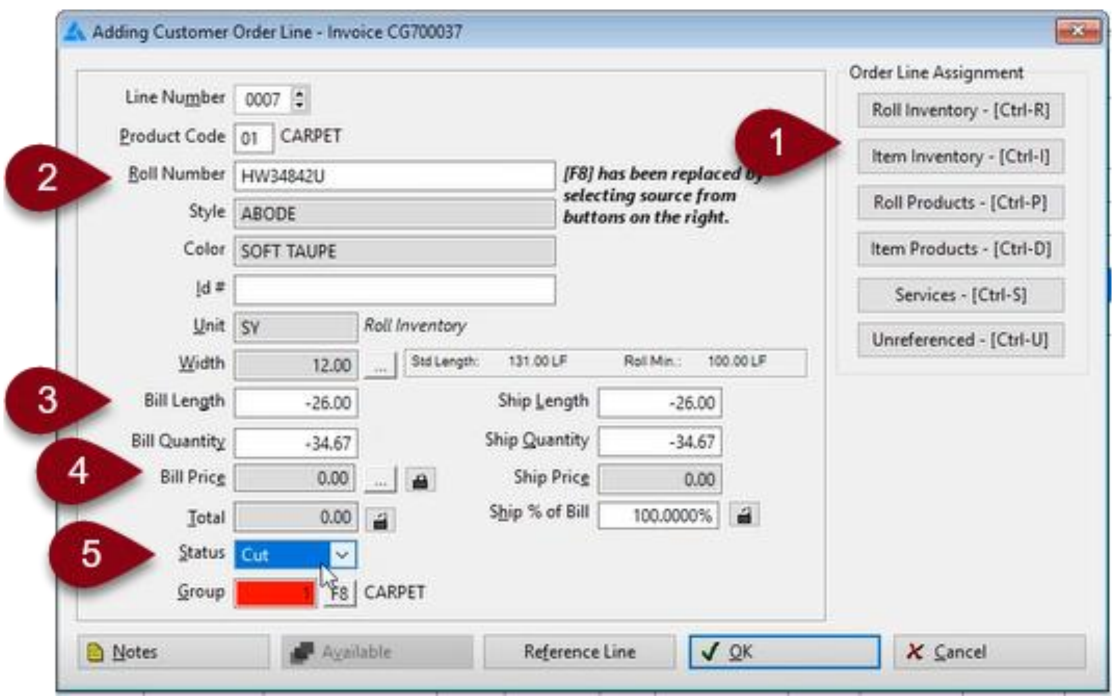


1. Click green plus to insert a new salesperson.
2. Enter name, Claim or House.
3. Select Default Commission Schedule for No Commission.

Create A Claim

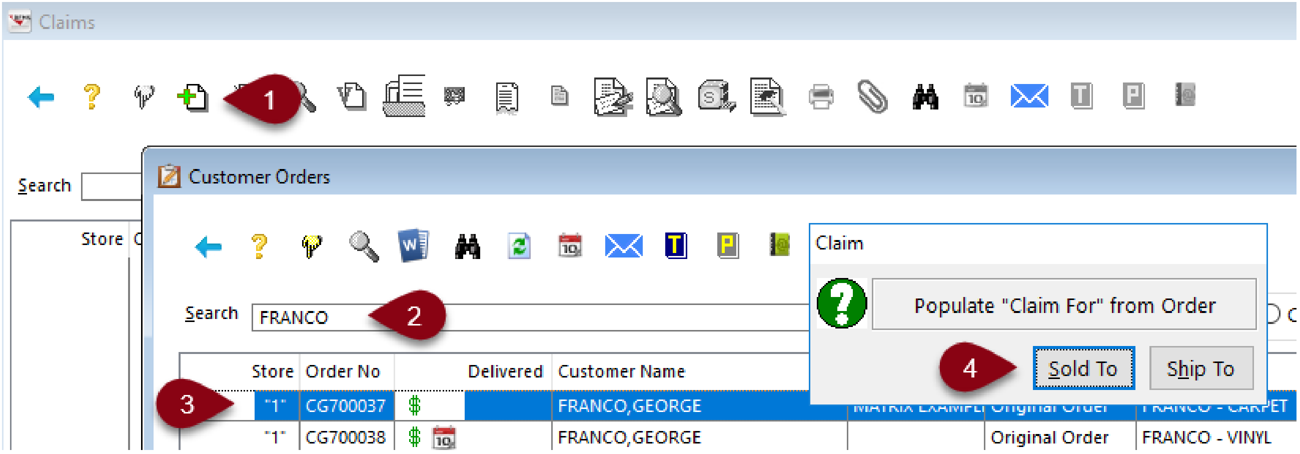
The claim creation process starts with determining the status of the material. If the material has not been installed and is currently in the warehouse, create a claim and pull that material from inventory. However, if the material has already been installed, return it to inventory on the original order first so that it can be pulled into the Claim for processing to the Supplier. If your order has been job costed, create a new order for the customer to return the material, you may then wish to place the new order in a billing group with the original order for tracking purposes.

Return Materials to Inventory



1. Select either Roll or Item Inventory for Order Line Assignment.
2. Search roll or item number of original material and pull into order.
   *Note: if you cannot find the original material, your settings may not be showing you zero available inventory. Open the Binoculars and check the box ☑ Display "Zero Available" Inventory
3. Enter a negative quantity to return materials to inventory.
4. Zero out the selling price so it doesn't change the invoice value.
5. Cut the line so that it's available in inventory to assign to the claim.

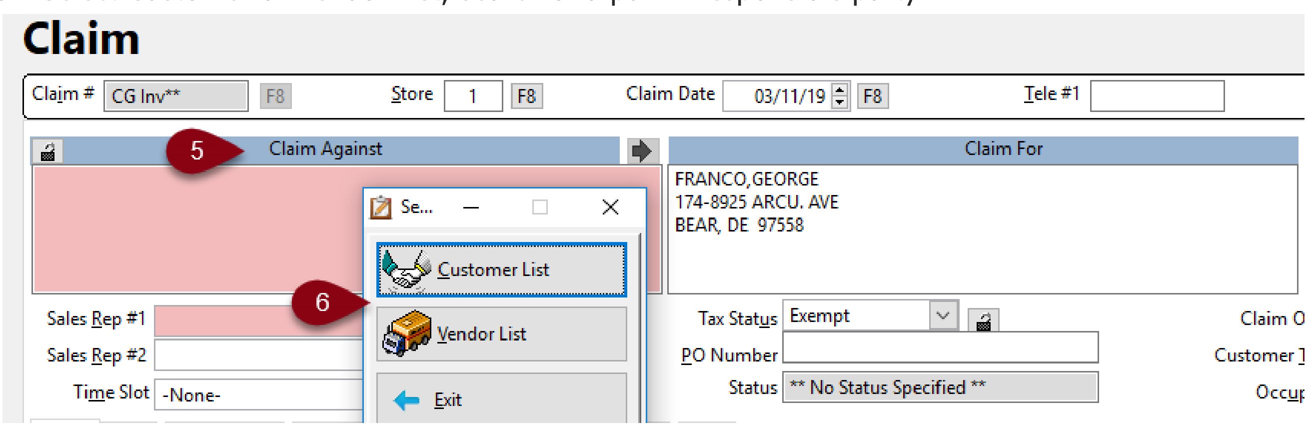
Order Entry > File > Claims or use the shortcut key F5



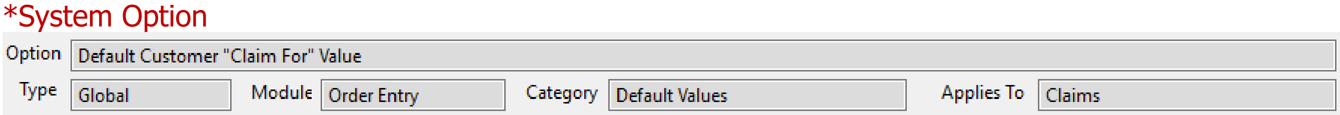
1. Click green plus to add new claim.
2. Enter customer name to search for original order.
3. Double click the order to associate the claim and pull the information into Claim For field.
4. Select whether the claim is for the Sold to or Ship To on original order*.
5. Double click in Claim Against Box.

You'll notice the claims screen looks exactly like the Order Entry Screen. If your company has any required fields, these will also be required for claims. Complete the header information as applicable.

6. Select Customer or Vendor List, search and pull in responsible party.



*System Option

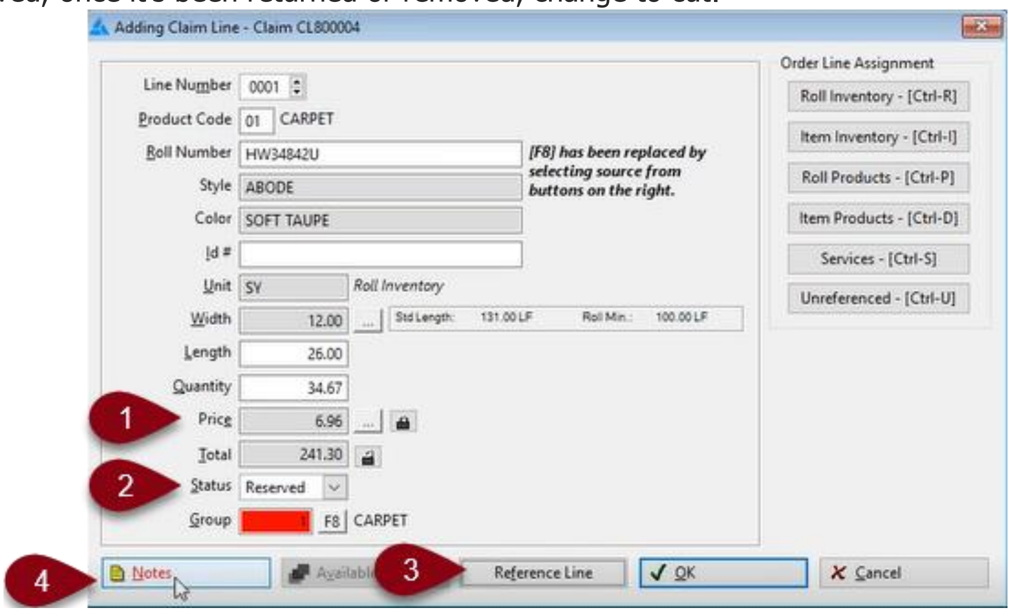


There is a System Option for pulling from the Customer List to always populate with Sold To Or Ship To. For example, a retail client may have the option set to Sold To but a Builder or Commercial client may have it default to Ship To. You may leave it set to Ask to be able to choose for each claim.

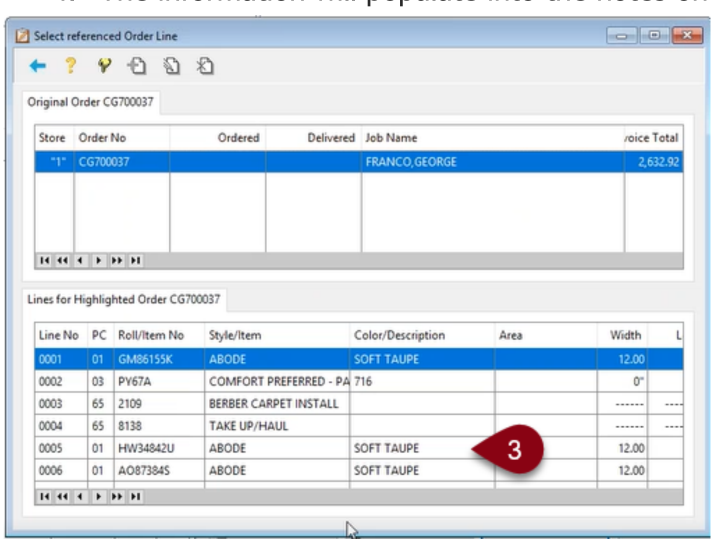
Lines on a claim

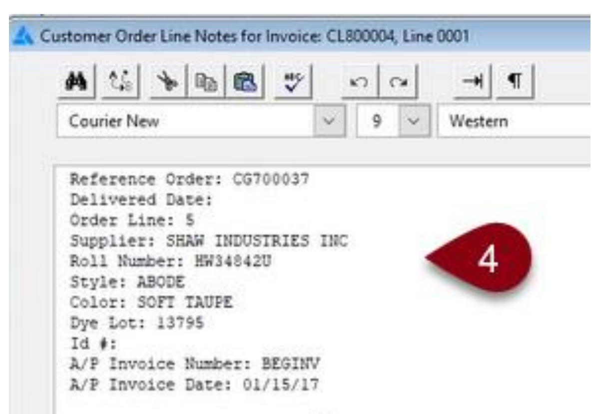
Capture all expenses associated with the claim by adding lines, this includes all services to complete repair, replacement, administrative fees, disposal fees, etc. A vendor's restocking fee would be added as a negative line item; set up a service line to utilize for restock fees.

1. The price in a claim is going to be the cost of the material or labor as that's what we expect to get back from the Supplier. Reference the cost when assigning the line from Inventory.
2. The status should follow normal process rules, if it's still in warehouse or installed, leave reserved, once it's been returned or removed, change to cut.



3. Use the reference line to pull original material information into the claim.
4. The information will populate into the notes on the line.





Initiate Claim with Vendor

- Contact vendor or initiate claim on vendors website.
- Add Vendor's Claim # to the PO# field.
- Use Internal notes to document status, calls, return instructions, etc.
- Generate a copy of the claim and submit to vendor.

Claim Approved by Vendor - Process the Claim

The basic process is the same format as an order. A return would be handled like a cash and carry sale except the vendor is the customer. A replacement order would be handled like an installation order.

Return materials

- Return authorization and instructions should be documented in the Internal Notes of the claim including return authorization #, shipping instructions and other details.

- Copy and paste these details to the PICKING TICKET instructions when generating the document for the warehouse to prepare materials for the vendor's preferred return method (vendors' truck, 3rd party freight company etc).

- When the material is picked up the shipper must sign any return documents provided by the vendor and the picking ticket to show material was taken.

Replacement of Defective Materials

Purchase Replacement Material

- Change material lines status on original order to Generate PO.

- Purchasing should notify the vendor that the material being ordered is REPLACEMENT and request it be inspected by the vendor prior to shipping. The sidemark should be **JOB NAME/REPLACMENT** and instructions given to the vendor to mark the order, shipping documents and invoice that this is a replacement order for a CLAIM.

Receive and Inspect Replacement Material

- When the reordered material arrives for a claim it should be **INSPECTED BY WAREHOUSE OR QUALIFIED STAFF** in order to ensure the same defect is not present in the reordered material.

- Any material purchased for a claim should be stored separately from all other materials and clearly marked as a replacement, this will help prevent confusion by staff in trying to sell or use materials for another job.

Put A/P Invoice on Hold

- A copy of the PO and shipping document should be provided to A/P clearly marked CLAIM on the paperwork to notify them to put the replacement invoice on hold until a credit memo is received.

Schedule Job

- Complete this step as you normally would.

Print Picking Ticket - Work Order - Delivery Ticket for ERRM only

- Return or dispose of defective materials?

- IF the vendor requires material to be returned it must be noted on the PICK TICKET and WORK ORDER to ensure the warehouse and installer are aware material needs to be brought back for credit.

- The Work order, Work Ticket & Delivery Ticket is generated as you normally would on a regular order.

***Best Business Practice:* All materials brought from a jobsite for a return as well as any new materials purchased for a claim should be marked with a special bin location in RFMS. This will allow for quick inventory reconciliation, locating of claims materials and prevent staff from selling materials earmarked for a claim.**

Post Provider Records

- Complete this step as you normally would on a regular order.

Job Cost Transaction

- As is normally the case with a regular order, once the final inspection is completed and providers labor posted, the claim should be processed or closed (the equivalent of job costed).

Journal Postings for Standard Accounting

Debit Mill Claims Due and Credit Claims in Process

Debit Cost of Claims and Credit Inventory

Journal Postings for ERRM Accounting

Delivery Ticket

Debit WIP Material and Credit Inventory

Bill Claim

Debit Mill Claims Due and Credit AR Unbilled

Book Claim

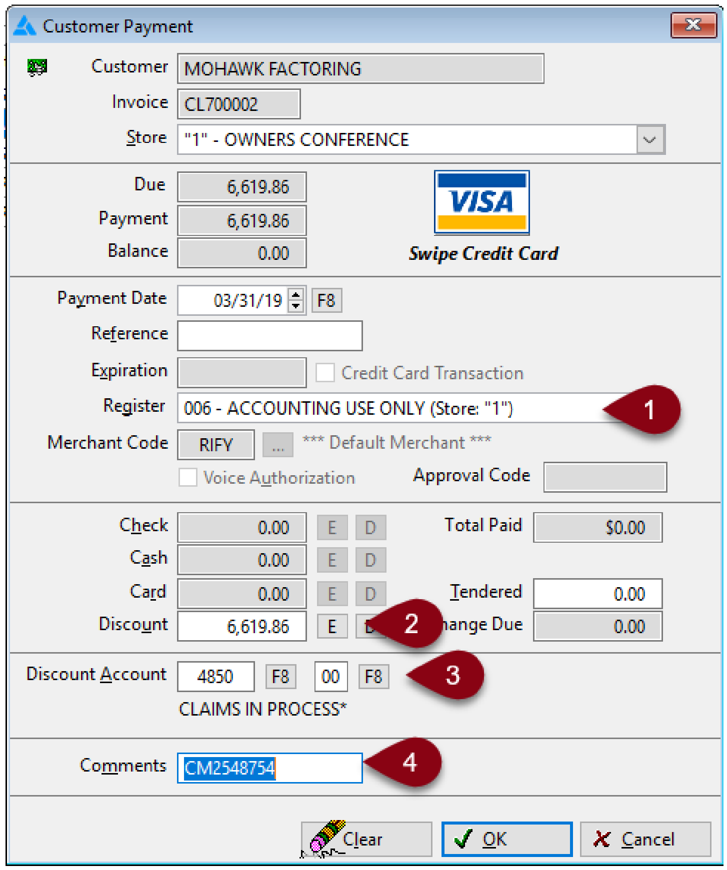
Debit Cost of Claims and Credit WIP Material and WIP Labor (debited when provider record added)

Debit AR Unbilled and Credit Claims In Process

Post Mill Credit – Settle the Claim

When the vendor credit memo arrives, it should be posted to the claim like a payment is applied to an order. Click the payment icon:

1. Select the Claims or For Accounting Use Only register.
2. The discount field is used to post claims credits. Click E if the entire claim amount matches the credit memo, otherwise enter amount of credit memo.
3. The Discount Account is already set to your Claims in Process Account.
4. Enter the credit memo number in either Reference or Comments. Once entered copy it so you can paste it into the AP record in following step.



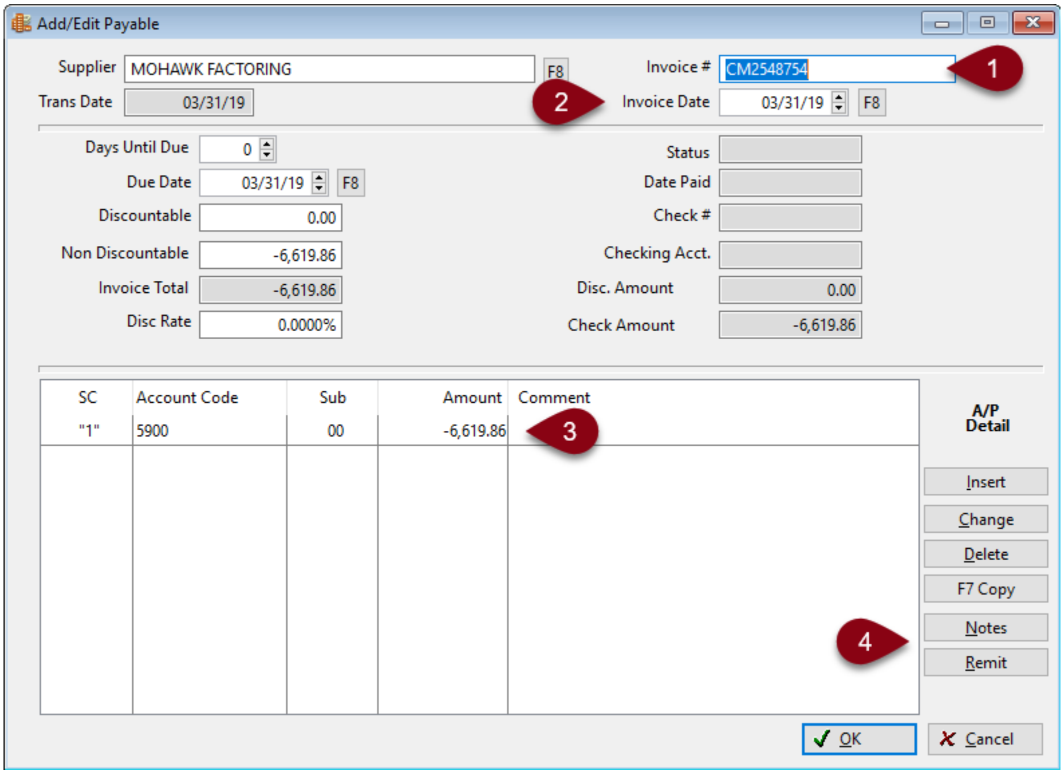
Journal Postings for both Standard & ERRM Accounting

Debit Claims in Process and Credit Mill Claims Due

An accounts payable record is automatically created (similar to the inventory costing routine) for the vendor in the amount of the payment applied and the distribution allocated to credit cost of claims.

1. Paste the Credit Memo number that you copied from the previous step posting mill credit into the invoice number field.
2. Enter the date of the credit memo.
3. Note the accounting distribution is already completed.
4. Add notes as needed.

Once the credit memo is received, find original invoice, release hold and schedule to pay on same day as credit memo.



Journal Postings for both Standard & ERRM Accounting

Debit AP and Credit Cost of Claims

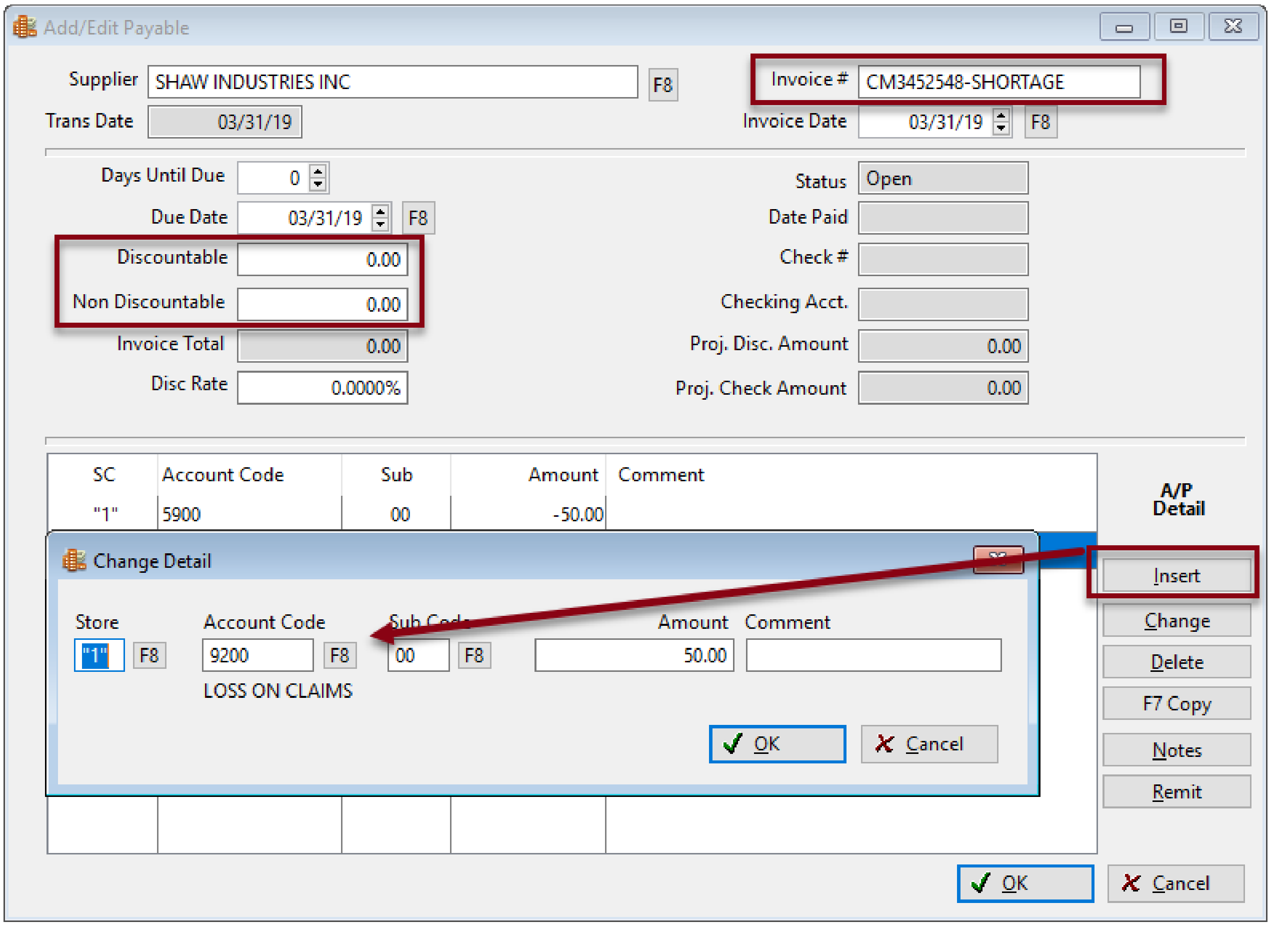
Special Situations

Partial Credit

If the vendor doesn't credit the amount requested, first post the credit memo as noted above leaving a balance on the claim. Then return to the claim to post another settlement for the remaining balance. You then have 2 options depending on how you'd like to see this appear on your financial statements:

1. If your system allows abandoning the payable, do so. If your system does not allow this option, post the AP using credit memo #-shortage or some other indicator to change the credit memo number. And then Void the payable. This will result in the Cost of Claims not receiving a 'wash' credit for the portion the mill denied and accordingly, this portion of the claim will have the financial effect of an expense.

2. Allow the AP created to post and edit the amount to zero. This will cause the AP to be out of balance, click insert and select your account for Loss on Claims or Claims Write Off's. This will create a zero AP record that should be selected on your next check run to clear the Accounts Payable record.



Claim Denied

If the claim is denied, you'll process the entire balance as noted in the instructions for partial credit above.

Payment in lieu of Credit

In the event a vendor submits a check for a claim:

1. Settle the claim as described above and void the payable created.
2. Post the check in Banking, making a deposit For Income Other Than Sales.
3. Distribute the deposit to Cost of Claims account.

4. If the payment is being passed on to the customer, create the AP to the customer and code it to the Cost of Claims account and process payment.

Restocking Fee

If a restocking fee is being accessed a service line should be generated on the claim. Create service line 'Vendor Restock Fee' to be used as a discount line to reduce the amount of claim due. The selling price on the service record should be the percentage in negative decimal form.

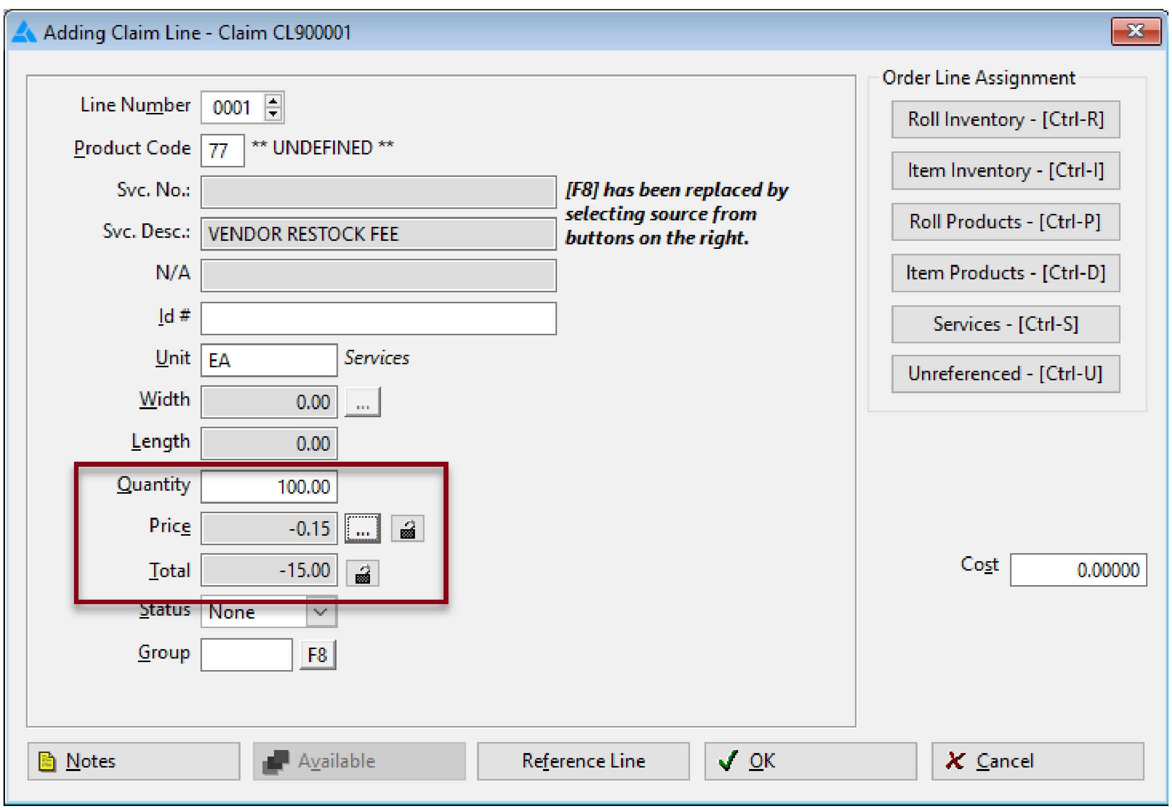
Example:

15% Restocking Fee for material with a cost of $100

Enter the Restock Service line with a Quantity equal to the cost = 100.00

The Unit Price will be the percentage amount in negative decimal form = -.15

Your Line Total will equal the amount of the restock fee reducing your claim amount = -15.00

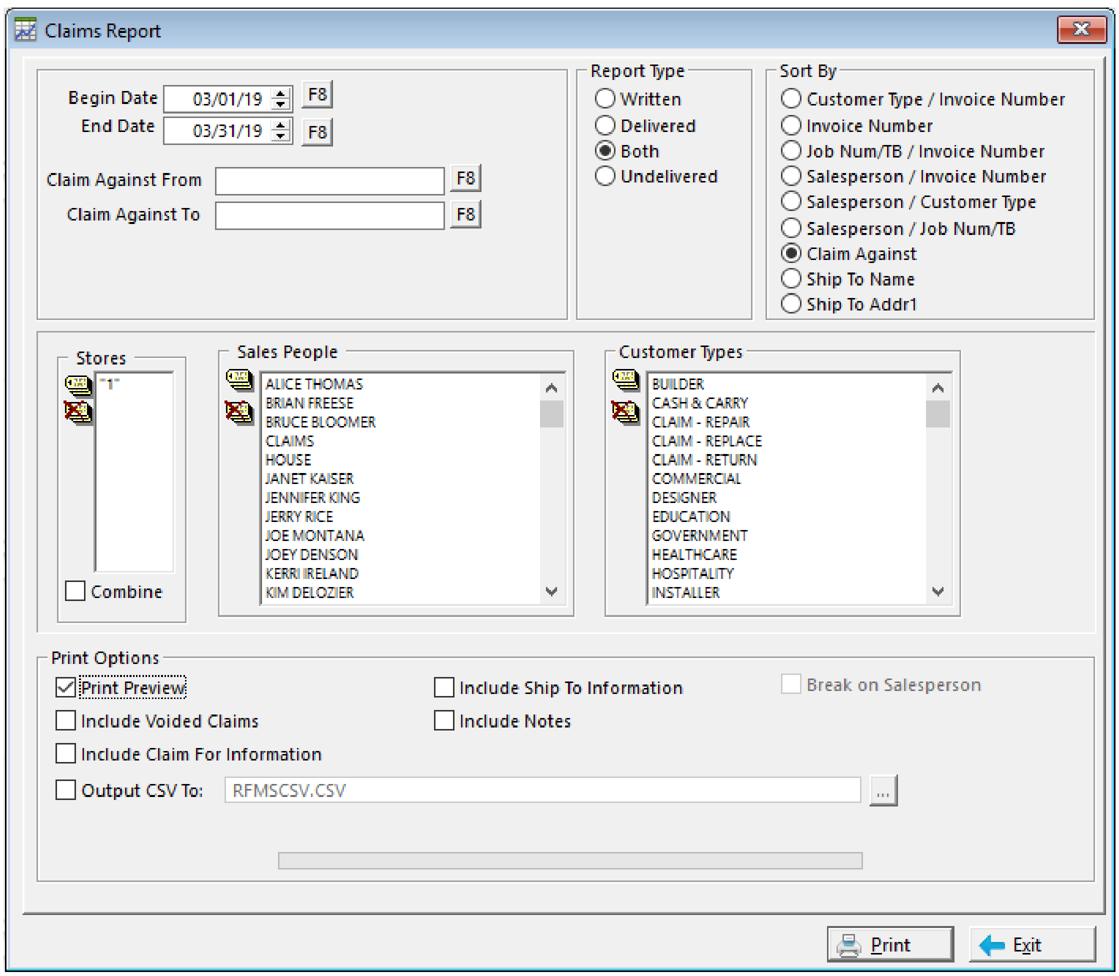


Claims Reports

In the Sales Reports module, there are several ways to run and track claims. Also, in the accounting module there is a Claims Aging report under the File Menu.

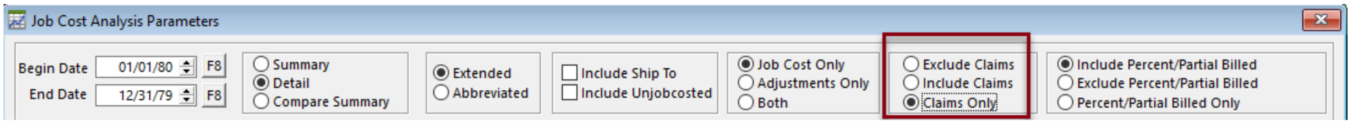
Claims Report

This report will print a list of all claims and allows customizing by selecting your specified criteria. Use it to track trends by Supplier, Installer, Customer or Customer Type as well as monitor the status of open claims.



Job Cost Analysis Report

This report has options to exclude or include claims in your normal review or view claims only.



Materials Analysis Report

This report includes many sort options and framing parameters that will provide almost any combination of information. Use this report to sort by Customer Type or Sales Person or select Include Claims if you didn't elect to set up the optional Claims items in these fields. You can create mailing labels that can then be used to send out customer satisfactions surveys after all repairs are completed.