

Check-Out and Settlement

CHECK-OUT AND SETTLEMENT are part of the final stage of the guest cycle. The services and activities of the departure stage are performed primarily by a member of the front office staff. Before the age of computers in hotels, the workload of the front desk staff in medium and large hotels was great enough that registration and cashier positions were separate. A guest would be checked in by the front desk registration staff and checked out by the front desk cashiering staff. Cross-training of staffs was very rare. Only in smaller hotels did the same person do both jobs. Today, because of front desk automation, most hotels train their front desk personnel on both check-in and check-out procedures. This adds variety to the job, permits more flexible staffing schedules, and provides better service to the guest. Personnel from the front office accounting division may be involved as well. Before departing the hotel, the guest will generally stop at the front desk to review his or her folio, settle any outstanding account balance, receive a receipt of the account statement, and return the room key.

Many guests will forget all the previous courtesy and hard work of the front office staff if check-out and account settlement do not go smoothly. This chapter covers the final phase of the guest cycle by examining the various activities involved in check-out and settlement.

Check-Out and Account Settlement

The front office performs at least three important functions during the check-out and settlement process:

- It resolves outstanding guest account balances.
- It updates room status information.
- It creates guest history records.

Guest account settlement depends on an effective front office accounting system that maintains accurate guest folios, verifies and authorizes a method of settlement, and resolves discrepancies in account balances. Generally, the front office finds it most effective to settle a guest's account while the guest is still in the hotel. A guest can settle an account by paying cash, charging the balance to a credit card, deferring payment to an approved direct billing entity, or using a combination of payment methods.

Most front offices require a guest to specify during registration an eventual method of settlement. This procedure enables the front office to verify or confirm the guest's credit card or direct billing information before he or she arrives at the desk for check-out and account settlement. Pre-settlement verification activities help minimize the guest's check-out time and may significantly improve the front office's ability to collect outstanding account balances. Guests may later change their minds and pay by another form of



At most hotels, the front desk agent will ask the guest to specify a method of payment at check-in.

settlement. However, the pre-settlement verification activities ensure that the hotel will be paid for the accommodations and services it provided during the guest's stay.

Effective front office operations depend on accurate room status information. When a guest checks out and settles his or her account, the front desk agent performs several important tasks. First, the agent changes the guestroom's status from *occupied* to *on-change* on the room status report. *On-change* is a housekeeping term that means that the guest has checked out of the hotel and that the room he or she occupied needs to be cleaned and readied for the next guest. After making the room status change, the front desk agent notifies the housekeeping department that the guest has departed.

In hotels with manual or semi-automated systems, the front desk communicates information to the housekeeping department by telephone or through an electronic room status board or a telewriter. In a fully automated front office, information may be relayed automatically to the housekeeping department when the front desk agent completes the check-out process. Once housekeeping receives the information, a housekeeper cleans and readies the room for inspection and resale. To maximize room sales, the front office must maintain the current occupancy and housekeeping status for all rooms and must exchange room status information with the housekeeping department quickly and accurately.

Check-out and settlement also involves the creation of the *guest history record* that will become part of the *guest history file*. Because a hotel can gain a valuable competitive edge in the hospitality marketplace through the proper analysis of guest history data, guest history files can provide a powerful data base for strategic marketing. Guest history files and records are discussed later in this chapter.

Departure Procedures

Check-out and account settlement can be an efficient process when the front office is well-prepared and organized. The departure stage of the guest cycle involves several procedures designed to simplify check-out and account settlement. These procedures include:

- Checking for mail, messages, and faxes
- Checking for safe deposit box or in-room safe keys
- Posting outstanding charges
- Verifying account information
- Inquiring about additional recent charges
- Presenting the guest folio
- Verifying the method of payment
- Processing the account payment
- Securing the room key
- Updating the room's status

The procedures used will vary among front offices, depending upon the hotel's level of service and degree of automation. The amount of personal contact between the guest and front desk staff may also vary, since some front offices offer automated or express check-out services.

Check-out affords the front office yet another chance to make a positive impression on the guest. A guest approaching the front desk should be greeted promptly and courteously. The front desk agent should check for any messages, faxes, or mail awaiting guest pickup. The front desk agent should also verify that the guest has cleared his or her safe deposit box or in-room safe and returned the key.

To ensure that the guest's folio is accurate and complete, the front desk agent should process any outstanding charges that need posting. In addition, the front desk agent should ask the guest if he or she incurred any recent charges and make the necessary postings to the guest's folio. Before computers became common in hotels, guests used to call the front office before coming to the front desk to check out. This notice allowed the cashier to prepare the folio so the guests would not have to stand and wait while the charges were identified and posted. Today, most guests expect their folios to be accurate and ready for them when they approach the front desk to check out. If this is not done, the guest may leave the hotel with a bad impression.

Traditionally, at check-out the guest is presented a final copy of his or her account folio for review and settlement. During this time, the front desk agent should ask how the guest intends to settle the account, regardless of which method of settlement the guest specified during the registration process. This request is necessary because many front offices require the guest to establish credit at check-in, regardless of how the guest eventually plans to settle the account. A guest may establish credit by presenting a credit card at check-in, and then decide to settle his or her account balance by cash or check.

After determining how the guest will pay, the front desk agent should then bring the guest's account balance to zero. This is typically called **zeroing out** the account. A guest's account balance must be settled in full for an account to be considered zeroed

out. As long as the hotel has received full payment or is assured full payment, the account will be settled with a zero balance. For example, if the guest pays cash, the account is brought to a zero balance. If the guest settles using a credit card, the hotel will get an approval from the credit card company for the amount due. The credit card company guarantees payment to the hotel for the amount approved, so the account can also be brought to zero. Hotels are usually paid by credit card companies within a day or two of the settlement transaction. Because of this guarantee, the hotel assumes payment in full and closes the folio. If the account is to be paid through direct billing by the hotel, however, the account is not brought to a zero balance because it must be transferred to the city ledger and billed through the accounts receivable system.

Methods of Settlement

A guest account can be brought to a zero balance in several ways. Methods of settlement include cash payment, credit card or direct billing transfer, or a combined settlement method.

Cash Payment in Full. A cash payment in full at check-out will bring a guest account balance to zero. The front desk agent should mark the folio paid. As mentioned previously, the front office sometimes requires the guest to present a credit card at check-in to gain charge privileges. A guest may have had a credit card imprinted at registration, even though he or she intended to settle the account by cash. The front desk agent should destroy the guest's credit card voucher imprinted at registration when the guest pays the account in full with cash.

Credit Card Transfer. Even though credit card settlement brings a guest account to zero, the amount of the charge must be tracked until payment is actually received from the credit card company. Therefore, credit card settlement creates a transfer credit on the guest's folio and moves the account balance from the guest ledger to a credit card account in the city (or non-guest) ledger. The front desk agent should imprint the credit card onto a credit card voucher, if it was not imprinted at registration. The front desk agent should then enter the amount due the hotel (from the guest's folio) onto the credit card voucher before presenting it to the guest for signature. The guest's signature completes this transaction. In many locations now, imprinting vouchers is no longer necessary because the hotel computer system sends the settlement transaction directly to the credit card company. In these cases, the guest only signs a voucher printed at the front desk at the time of settlement.

Direct Billing Transfer. Like credit card settlement, direct billing transfers a guest's account balance from the guest ledger to the city ledger. Unlike credit card settlement, responsibility for billing and collecting a direct billing lies with the hotel, rather than an outside agency. Direct billings are not normally an acceptable method of settlement unless the billing has been arranged and approved by the hotel's credit department before or during guest registration. To complete a direct billing settlement, the front desk agent should have the guest sign the folio to verify that its contents are correct and that the guest accepts responsibility for all charges contained on the folio.

Combined Settlement Methods. A guest may elect to use more than one settlement method to bring the folio balance to zero. For example, the guest may make a partial cash payment and charge the remainder of the account balance to an acceptable credit card. Front desk agents must accurately record the combined settlement methods and



Most guests will relate at check-out how the hotel's guestrooms, facilities, and services met their expectations. (Courtesy of Renaissance Hotels & Resorts, Solon, Ohio)

take care that all required paperwork is properly completed. Properly completed paperwork will help facilitate an effective front office audit.

Once the guest has settled the account, the front desk agent should provide the guest with a copy of the folio and continue to be a goodwill ambassador for the hotel. Check-out and account settlement is one of the last opportunities the front office has to convey hospitality. The front desk agent should take full advantage of this opportunity. For example, the agent should ask if everything at the property met the guest's expectations, especially the room, facilities, and services.

Check-out and account settlement is an excellent time for the agent to let the guest know that the hotel cares about the quality of the guest's experience during his or her stay. Many front offices provide guests with comment cards at check-out, hoping that guests will provide an evaluation of their experience. The front desk agent should always thank guests for staying at the hotel and wish guests a safe trip. The front desk agent should also ask guests to consider returning to the property on any return trip to the area.

As discussed earlier, immediately after the guest has settled his or her account and departed the hotel, the front desk agent must provide updated room status information to the housekeeping department.

Late Check-Out

Guests do not always check out by the hotel's posted check-out time. To minimize late check-outs, the front office should post check-out time notices in conspicuous

places, such as on the back of all guestroom doors and in a prominent location at the front desk. A reminder of the check-out time can also be included in any predeparture materials distributed to guests expected to depart on the current day. Late check-outs can be a problem for some resorts. Guests may wish to stay the full day and use the recreational facilities of the resort, including their room. It is important to properly communicate and tactfully enforce the check-out time in order to prepare the room for the arriving guests.

Some hotels authorize the front desk to charge **late check-out fees**. A guest will probably be surprised to find such a fee on a folio, especially if he or she is not familiar with the hotel's check-out policy. Whenever a guest calls the front desk inquiring about a late check-out, the front desk agent should inform the guest about the hotel's policy regarding late check-out charges.

Some guests may resent being charged an additional expense and refuse to pay. Front desk agents should approach such situations calmly, offering a well-reasoned explanation for the late check-out fee policy. A front office manager may need to be summoned to discuss the matter with the guest.

Front office staff should not be apologetic about the late check-out fee. The hotel's check-out time is carefully selected and not arbitrarily set. It is not intended to inconvenience guests. Management establishes a check-out time so that the housekeeping department will have sufficient time to prepare rooms for newly arriving guests. Guestrooms should be cleaned and readied for arriving guests before the housekeeping staff completes its workshift. For this reason, the hotel may feel justified in assessing a late check-out fee.

Check-Out Options

Changes in technology and guest needs have prompted front offices to develop alternatives to standard check-out and account settlement procedures. These options combine advances in technology with special guest services to expedite departure activities.


Express Check-Out

Guests may encounter long lines at the front desk when trying to check out between 7:30 A.M. and 9:30 A.M., a prime check-out period for many front offices. To ease front desk volume, some front offices initiate check-out activities before the guest is actually ready to leave. A common predeparture activity involves producing and distributing guest folios to guests expected to check out. Front office staff, housekeeping staff, or even hotel security staff may quietly slip printed folios under the guestroom doors of expected check-outs before 6 A.M., making sure that the guest's folio can't be seen or reached from outside the room.

Normally, the front office will distribute an **express check-out** form with each predeparture folio. Express check-out forms may include a note requesting guests to notify the front desk if departure plans change. Otherwise, the front office will assume the guest is leaving by the hotel's posted check-out time. This procedure usually reminds and encourages guests to notify the front desk of any problems in departure before the hotel's check-out time.

A sample express check-out form is shown in Exhibit 8.1. By completing such a form, the guest authorizes the front office to transfer his or her outstanding folio balance to the credit card voucher that was created during registration. If no credit card imprint

Exhibit 8.1 Sample Express Check-Out Form

		
DEPART <input type="text"/>	ROOM NO. <input type="text"/>	RATE Sheraton-Boston Hotel
If you wish to take advantage of SPEEDY CHECK-OUT SERVICE:		CHECK OUT AT 1:00 PM
<input type="checkbox"/> AT YOUR EARLIEST CONVENIENCE, HAVE THIS FORM IMPRINTED WITH YOUR CREDIT CARD AT THE FRONT DESK OR BY THE FRONT OFFICE CASHIER.		IMPORTANT IF UTILIZING THE HOTEL PARKING FACILITY, HAVE THE CASHIER OR SPEEDY CHECK OUT CLERK ISSUE A VOUCHER.
<input type="checkbox"/> RECORD YOUR ROOM NUMBER, DATE AND TIME OF DEPARTURE AND SIGN THE FORM IN THE SPACES PROVIDED ON THE REVERSE SIDE.		
<input type="checkbox"/> WHEN YOU DEPART, HAND THE COMPLETED FORM AND YOUR ROOM KEY TO THE FRONT OFFICE CASHIER OR DROP THEM IN ANY OF THE SPEEDY CHECKOUT BOXES AT THE CASHIER'S DESK.		
THIS IS YOUR AUTHORIZATION TO CHARGE MY ACCOUNT TO THE CREDIT CARD ACCOUNT IMPRINTED ABOVE.		SPEEDY CHECK OUT AUTHORIZATION
_____ GUEST SIGNATURE		ROOM NO. _____ DATE _____ TIME OF DEPARTURE _____

Courtesy of The Sheraton-Boston Hotel, Boston, Massachusetts

was captured at registration, some front offices will not provide express check-out service. Once completing the form, the guest deposits the express check-out form at the front desk at the time of departure. After the guest has left, the front office completes the guest's check-out by transferring the outstanding guest folio balance to a previously authorized method of settlement. Any additional charges the guest makes before leaving the hotel (telephone calls, for example) will be added to his or her folio before the front desk agent brings the account to a zero balance via account transfer. Due to the possible occurrence of late charges, the amount due on the guest's copy of the express check-out folio may not equal the amount applied to the guest's credit card account. This possibility should be clearly stated on the express check-out form to minimize later confusion. When late charges are added to the account, a copy of the updated folio should be mailed to the guest so that he or she has an accurate record of the stay. In this way, the guest is not surprised when his or her credit card billing arrives with a different amount.

For an express check-out procedure to be effective, the front office must have captured accurate guest settlement information during registration. The front desk agent must be sure to relay room status information to the housekeeping department as soon as an express check-out form is received.

Self Check-Out

In some hotels, guests can check themselves out of the hotel by accessing **self check-out terminals** (see Exhibit 8.2) in the lobby area or by using an in-room system (see Exhibit 8.3). Self check-out terminals or in-room systems are interfaced with the front office computer and are intended to reduce check-out time and front desk traffic. Self check-out terminals vary in design. Some resemble automatic bank teller machines, while others possess video and audio capability.

To use a self check-out terminal, the guest accesses the proper folio and reviews its contents. Guests may be required to enter a credit card number by using a keypad or by

Exhibit 8.2 Self Check-Out Terminal



Courtesy of Hyatt Hotels Corporation

passing a credit card through a magnetic strip reader attached to the terminal. Settlement can be automatically assigned to an acceptable credit card as long as the guest presented a valid card at registration.

Check-out is complete when the guest's balance is transferred to a credit card account and an itemized account statement is printed and dispensed to the guest. A self check-out system should then automatically communicate updated room status information to the front office computer. The front office system, in turn, relays room status information to the housekeeping department and initiates action to create a guest history record.

In-room folio review and check-out usually relies on an in-room television set with a remote control device or guestroom telephone access via an in-room television set. The guest can confirm a previously approved method of settlement for the account since the in-room television is connected via computer to the front office computer system. The front office computer directs the self check-out process. Generally, guests can pick up a printed folio copy at the front desk on their way out. Similar to other self check-out technologies, in-room self check-out automatically updates room status and creates guest history records. Another advantage of in-room folio review is that guests can look at their folios at any time during their stays without having to stop by the front desk.

Exhibit 8.3 In-Room Check-Out Screens

Room: 1203

Harry Budow

11/28/94	Room Service	\$ 21.34
11/28/94	Room	125.00
11/28/94	Room Tax	7.50
11/28/94	Movie	7.95
11/29/94	Room	125.00

Balance: \$310.22

- 1** Check-out
- 2** Next Page

Previous Screen

9

Start Over
SERVICES

Check-out is complete.

Your bill is at the front desk.

**Leave your key in the room,
at the front desk or with
the concierge.**

- 1** Channel Guide

Start Over
SERVICES

Courtesy of SpectraVision, Richardson, Texas

Unpaid Account Balances

No matter how carefully the front office monitors a guest's stay, there is always the possibility that the guest will leave without settling his or her account. Some guests may leave the hotel and honestly forget to check out. In addition, the front office may discover late charges for a guest who has already checked out. Unfortunately, some guests depart



Inside Hospitality Personalized Automation

Larry Elliott
Assistant Director of Rooms
Opryland Hotel
Nashville, Tennessee

At Opryland, we encourage our guests to use a new technology by adding a personal touch to what could otherwise be an impersonal process.

About 30% of our guests use the automated check-out systems we've installed. Guests can check out by accessing a special computer program through the guestroom television, or they can check out at the automated check-out terminals located in the lobby.

Front desk agents describe our automated check-out features to guests at check-in. We tell guests that they can review their folio or check out without having to leave their guestroom. All they have to do is simply tune their television to channel 88 and follow the instructions on the screen.

A bellperson tells the guest even more about video check-out while en route to the guestroom. The bellperson mentions that video check-out is the most convenient way to check out of the hotel. Once at the guestroom, the bellperson tunes in the television for the guest and shows the guest how the system works. A bellperson will also help a guest use the new system to check out on the day of departure, if the guest desires. As a whole, employee assistance is unnecessary since the system is so easy to use.

This form of automated check-out can take as little time as a minute, plus whatever time it takes for the guest to stop by a special desk to pick up a copy of his or her bill. Some guests don't even make that stop; we just automatically send them a statement. Employees at the special desk present guest statements, collect guestroom keys, and ensure that guests have enjoyed their visit. These special desks provide our staff one more opportunity to convey warmth and courtesy—personal touches that can sometimes be lost through automation.

We also have check-out terminals located in our lobby and public areas. Guests may use these terminals as an alternative to the in-room check-out system. Check-out terminals resemble automated bank teller machines and are accessed by running an approved credit card through a magnetic strip reader. These terminals instantly produce a copy of the guest's bill and can check the guest out in seconds. Generally, we have an employee nearby to answer any questions guests may have about the system—or simply, to ease guest anxiety about using the machine.

The speed and convenience of automated check-out can be a real blessing to guests and to the hotel—especially on days of major departures. But some guests, for whatever reason, won't use automated check-out systems; some simply want to experience the services and attention of a traditional check-out. We've found that by completely explaining automated check-out—and by providing personal assistance when necessary—we can give guests the best of both worlds.

the hotel with no intention of settling their account. These guests are commonly referred to as *skippers*. Regardless of the reason, after-departure charges or outstanding balances represent **unpaid account balances**.

Late charges may be a major concern in guest account settlement. A late charge is a transaction requiring posting to a guest account that does not reach the front desk for posting until after the guest has checked out and closed his or her account. Restaurant, telephone, and room service charges are examples of potential late charges. Since the guest would not have paid for these purchases before leaving, the hotel may experience problems collecting for after-departure charges.

Even if late charges are eventually paid, the hotel incurs the additional costs involved in after-departure billing. Sometimes, the extra expenses for labor, postage, stationery, and special statements may cost more than the amount of the late charge. Few hotels can easily afford to finance a large volume of late charges. Hence, reducing late charges may be important to maximizing profitability.

Front desk agents can take several steps to help reduce the occurrence of late charges. Front desk staff can:

- Post transactional vouchers as soon as they arrive at the front desk. This procedure will help minimize the volume of unposted charges prior to and during the check-out period.
- Survey front office equipment and voucher and folio racks for unposted charges before checking a guest out. For example, local telephone traffic and in-room movie charge meters may possess transactional information not recorded on a voucher.
- Ask departing guests whether they have incurred any charge purchases or placed long-distance telephone calls which do not appear on their final folio.

While most guests will respond honestly to a direct question, many guests may not feel obligated to volunteer information about charges not posted to the folio. These guests will simply pay the outstanding balance on the folio and disregard unposted charges. Some guests may be unaware that they remain responsible for paying unposted charges.

Front office management at a non-automated or semi-automated property may establish a system to ensure that revenue outlet charges are delivered quickly to the front desk for posting. This is especially important during peak morning check-out periods. In an effort to minimize late charges, the front desk may employ runners to pick up revenue outlet vouchers, or may exchange voucher information by telephone. A pneumatic tube network may also be used to relay information between departments and the front desk. The pneumatic tube network is similar to the way materials are relayed between clients and bank tellers at a drive-through bank.

A front office computer system that interfaces with revenue center outlets is often the most effective means of reducing or even eliminating late charges. A restaurant point-of-sale system with a two-way communication interface can instantly verify room account status, check credit authorization, and post charges to the guest's folio, all before the guest leaves the restaurant. Similarly, a call accounting system interface can help eliminate telephone late charges. Guests who make telephone calls from their guestroom and then go directly to the front desk to check out may well find *all* their telephone charges listed on their folio.

Some front offices find that requiring a room key deposit at registration helps reduce unpaid account balances at check-out since guests have to stop at the front desk to reclaim their room key deposit. Eager to retrieve their deposits, guests are more likely to return to the front desk before they leave the hotel. In the process of refunding a deposit, the front office cashier has an opportunity to retrieve the guest's folio, search for any late charges, and complete the settlement process.

Guests who present a credit card at check-in may assume that all charges will automatically be transferred to their credit card account for subsequent billing. Depending on the hotel's legal agreement with a credit card company, the hotel may simply write "signature on file" on the signature line of the credit card voucher and receive payment for the guest's outstanding balance. "Signature on file" means the guest has signed the hotel's registration card at check-in and, by doing so, has agreed to pay the bill in full when he or she departs. Some credit card companies allow after-departure charges to be added to the guest's signed credit card voucher. Front desk agents must be sure that the credit card company will accept additional charges before posting charges to a voucher a guest has already signed. When after-departure charges are posted to a folio and added to a credit card voucher, the hotel should send a copy of the updated folio to the guest so that the guest will understand why additional charges appeared on the account.

Often guests do not intend to depart a hotel without paying. A guest may be in a hurry and actually forget to settle his or her account. In any case, the front desk staff must be sure that the guest has in fact left before changing the room's occupancy status. Usually, either the housekeeping department or a front desk agent must inspect the room.

Account Collection

Late charges that are billed to departed guests should not be classified as uncollectible until the front office has exhausted all billing and collection procedures. A properly completed registration card should contain the guest's signature and his or her home and business addresses and telephone numbers. Procedures for billing late charges may be different for a guest who settled an account in cash and for a guest who settled an account to a credit card. Guests who paid with a credit card will be billed according to the policies and procedures of the credit card company governing late charge collection.

Guest accounts not settled at check-out by cash payment in full—regardless of the credit established or prepayments processed during registration—are transferred from the guest ledger to the city (non-guest) ledger for collection. At that time, the guest account is transferred from the control of the front office to the hotel's accounting division.

Typical city ledger accounts include:

- *Credit card billings* to authorized credit card companies
- *Direct billings* to approved company and individual accounts
- *Travel agency accounts* for authorized tours and groups
- *Bad check accounts* resulting from departed guests whose personal checks were returned unpaid
- *Skipper accounts* for guests who left the hotel without settling their account
- *Disputed bills* for guests who refused to settle their accounts (in part or in full) because of a discrepancy
- *Guaranteed reservations accounts* for billing and tracking no-show guests
- *Late charges accounts* for guests who checked out before some charges were posted to their accounts
- *House accounts* for non-guest business and promotional activities

Inside Hospitality

Verifying the No-Show

Don Hartley, CHA
General Manager
Holiday Inn—Nashville Brentwood
Brentwood, Tennessee

Those of us on the receiving end of guest complaints recognize the serious consequences of a misunderstood bill. Billing a guest for not keeping a guaranteed reservation or billing a no-show is an extremely sensitive issue; it is also the number one concern voiced by guests across Holiday Inns.

There's a number of reasons to carefully approach guaranteed reservations and their billing. For one, a guaranteed reservation represents a type of legal agreement that requires special handling from the start. Second, this type of reservation generally involves one of our strongest market segments: the business traveler. This means that essentially, you may be billing one of your best customers for a situation rooted in misunderstanding—or a situation beyond the person's control. And third, improperly billing a no-show reservation can result in lost business—from both the guest and from any business or travel agency that booked the reservation.

Front desk and accounting staff must ask themselves important questions before taking any actions on no-show reservations. They must determine if the guest clearly understood the hotel's policy for guaranteed reservations; they must determine whether an unpreventable situation caused the guest to miss the cancellation hour; and they must ensure that all front office records leading up to the no-show were accurate.

If you consider all the things that can happen when you're traveling, you'll see why billing no-shows has to be more than a cut-and-dried procedure. Sometimes, travelers may be so overwhelmed by the process of traveling itself that they're not thinking about the fine print. For instance, it snowed here in Nashville during the Easter weekend. You can imagine the travel problems *that* caused, and the number of late arrivals and no-shows we experienced at the hotel.

Like every situation in the hospitality business, there are a million variables to take into account. That's because we're in a people business—one that requires you to follow policies and provide services that meet your guests' needs.

To be effective, the front office must establish a policy for billing departed guests with overdue accounts. Typically, front office management determines the procedures and billing cycle appropriate for account collection. Accounts receivable billing includes determining:

- When outstanding account balances are payable
- The number of days between billings
- How to contact departed guests whose accounts are overdue

Exhibit 8.4 Billing Scheduling Chart

Schedule	Method	Timing
1st billing	_____ Statement with back-up invoice	Mailed no later than _____ hours after the guest's account is transferred to the city ledger.
2nd billing	_____ Statement _____ Telephone call _____ Letter	_____ Days later
3rd billing	_____ Statement _____ Telephone call _____ Letter	_____ Days later
4th billing	_____ Statement _____ Telephone call _____ Letter	_____ Days later
5th billing	_____ Statement _____ Telephone call _____ Letter	_____ Days later
and so on.		

The sooner the collection process is started, the sooner the hotel is likely to receive payment on unpaid account balances. Timing is often the key to success in preparing departed guest and non-guest accounts for collection. Each front office needs to develop its own collection schedule. Collection schedules can range from aggressive (short-cycle) to lenient (long-cycle) depending on the hotel's financial needs, clientele profile, history of collection patterns, and so on. Exhibit 8.4 contains a billing scheduling chart that may be used to develop or outline the methods and timing cycles for collections. Sometimes charges are disputed by guests because they do not remember making the charge. Because of this problem, most hotels keep copies of the charge vouchers or restaurant checks at the front desk until after settlement. These copies will also be helpful in resolving after-departure charges that the guest disputes.

In all collection cases, it is important for hotel staff to be polite but firm in any encounter involving a deferred payment account. Collection activities that violate a consumer's rights may prove to be more costly than the original debt. The Federal Fair Debt Collection Practices Act and the Fair Credit Billing Act clearly state the responsibilities and rights of those involved in collection activities.¹

Regardless of the collection procedures followed, problems in accounts receivable billing may develop. The hotel should have a documented procedure for collecting overdue accounts. Some hotels appoint a credit committee to examine overdue accounts and decide among collection options.

Just as individual guest accounts must be watched closely, so must meeting and tour master accounts. Credit for tour groups and meetings should be established well before

they arrive. Sometimes, the hotel requires a deposit to ensure at least a partial payment. Many hotels prepare a preliminary master account folio before the group's departure and review it with the group leader to answer any questions and expedite the payment process.

From an accounting perspective, some properties attribute uncollectible accounts back to the department that originally accepted the uncollectible charge. For instance, the front office may be assessed the amount of an uncollectible transaction if the post office returns a wrongly addressed billing. Postal returns can happen when a front desk agent fails to request that a guest clarify illegible writing on a registration card. Tracking receivables back to the originating department may help identify departments whose transaction processing procedures regularly result in uncollectible account balances. The credit committee, credit manager, or general manager should then analyze the departments' procedures, or lack thereof, and recommend corrective action. Collection problems may indicate the need for employee retraining or closer supervision.

Account Aging

Credit card billings are normally paid according to the hotel's contractual agreement with the credit card company. The time between billing and payment ranges from immediate to 30 days, and sometimes more. Factors that affect the length of this period include the volume of transactions, frequency of mailing vouchers to the credit card company, electronic transfer of transactions and funds, and any transaction fees levied by the credit card company. Most other city ledger accounts are usually settled within 30 days of billing, which is generally considered satisfactory. Some city ledger accounts, however, may take longer than 30 days to collect. The hotel should establish methods for tracking past due accounts based on the date the charges were incurred. This practice of scheduled billings is normally referred to as **account aging**.

Account aging analysis may differ from property to property depending on the variety of hotel credit terms in effect. At large properties, the hotel accounting division typically monitors account aging. At smaller properties, the night auditor may assume this responsibility. An account age analysis sheet identifies which accounts receivable are 30, 60, 90, or more days old. Exhibit 8.5 shows a simplified aged accounts receivable report. In most hotels, accounts that are less than 30 days old are considered **current**. Accounts that are older than 30 days are considered **overdue**. In some cases, accounts that are older than 90 days are considered **delinquent**.

Front Office Records

The front office usually makes at least two copies of each guest account folio. One copy serves as the guest's receipt and the other as the hotel's permanent record. Front offices that use a three-part folio usually file the third copy with the guest's credit card voucher or direct billing statement in case the guest later needs a summary of charges, or in case a credit card or sponsoring company disputes portions of a folio.

Non-automated and semi-automated front office operations often maintain storage files for registration cards and guest folio copies. Registration cards are filed alphabetically, while folios tend to be filed numerically by serial number. In a fully automated front office, computer system records may be stored on magnetic disk or magnetic tape or in printed form. Computer records can be used to back up original billings.

Exhibit 8.5 Aged Accounts Receivable Report

AGED ACCOUNTS RECEIVABLE REPORT

As of _____, 19 ____

Name	Balance	Current	Outstanding			
			30-60	60-90	90-120	120+
Elizabeth Penny	\$125					\$125
Mimi Hendricks	\$235			\$235		
M/M Phil Damon	\$486	\$100	\$386			
Harrison Taylor	\$999			\$999		
TOTALS	\$1,845	\$100	\$386	\$1,234		\$125

Guest Histories

Front office management can better understand its clientele and determine guest trends when it develops and maintains a **guest history file**. This file is a collection of personal and financial data about guests who have stayed at the hotel. An individual **guest history record** within the file normally contains personal and transactional information relevant to the guest's stay. (Guest history records are confidential and proprietary; the front office is obligated to protect guests from invasions of privacy.)

Creating the guest history record is one of the last steps in the check-out and account settlement process. Many front offices build their guest history files from a collection of expired registration cards. Other front offices develop a special form to construct a guest history record. Exhibit 8.6 contains a sample guest history card. Some front offices use a computer-based system that automatically re-formats guest information into a guest history data base. In most instances, the information needed for a guest history record can be gathered from the guest's registration card and folio.

Guests staying at resort hotels may find themselves filling out a special form that asks for such information as the name of spouses or children, birthdays, hotel room preference, and favorite foods. Having such information on file helps the property provide better guest service.

3 Exhibit 8.6 Guest History Card

NAME _____		_____	
ADDRESS _____		_____	
FIRM _____		_____	
POSITION _____		CREDIT _____ / _____ / F/P _____	

	ARRIVED	ROOM	RATE	DEPARTED	AMOUNT		REMARKS
1							
2							
3		12					
4		13					
5		14					
6		15					
7		16					
8		17					
9		18					
10		19					
11		20					
		21					
		22					
		23					
		24					
		25					

The hotel's sales and marketing division can use guest history records as a source for mailing lists or to identify guest characteristics important for strategic marketing. This information may help the hotel develop and place advertisements that appeal to the types of clientele the hotel is attempting to attract. Guest history records may also point out the need for new, supplementary, or enhanced services.

A computerized guest history system may be based on special software that allows the hotel to excerpt guest history data for marketing efforts and to measure the effectiveness of past efforts. For instance, a computerized guest history data base may enable the hotel to determine the geographic distribution of its guests' home and business addresses. Hotel advertising may be placed more effectively based upon this type of data.

Marketing Follow-Through

Just as a hotel's marketing department may rely in part on guest history files to develop new marketing strategies, so too may a property's marketing program depend on the front office's performance and follow-through at check-out. For example, if the marketing department creates a program to reward frequent guests with a free stay after

a certain number of visits, the front office may be responsible for tracking the number of times a guest stays at the property. Front desk agents may have to validate and record coupons or adapt to some other type of recordkeeping system.

Many hotel companies have frequent-traveler clubs, designed to encourage brand loyalty. These clubs generally award some type of credit for staying at the property. This credit is usually applied to club membership during check-out. Front desk agents may be responsible for completing a voucher for the guest or for making sure the guest's folio is properly coded to automatically update the guest's club account. Some hotel frequent-traveler programs are also co-marketed with airlines, car rental companies, or marketing firms. In these cases, the benefits must also be credited to these co-marketers.

If a guest needs a reservation for the next stop on his or her trip, the front office may be helpful in making a reservation at a hotel specified by the guest. A front desk agent can also make a reservation for a guest's return trip to the hotel. Front desk agents should keep in mind that check-out is the last opportunity to offer the hotel's services. Offering to make reservations for guests in transit or to make reservations for a future trip to the hotel often leads to repeat business regardless of whether the guest makes a reservation at that time or not. Guests tend to remember the friendliness, convenience, and special services that help distinguish one property from another.

Summary

Check-out and account settlement are among the final transactions the guest experiences with the front office. Before departing the hotel, the guest will generally stop at the front desk to review his or her folio, pay any outstanding account balance, receive a copy of the account statement, close his or her safe deposit box, and return the room key. During check-out and account settlement, the front office accomplishes several important functions, including reconciliation of the guest account balance, updating of room status information, and initiation of a guest history file. Through the use of pre-settlement verification activities, the front office can reduce the guest's check-out time and improve the front office's ability to collect outstanding account balances.

Effective front office operations also involve the resale of rooms once a guest has checked out. This entails prompt communication of room status information with the housekeeping department.

In addition to collecting any unpaid balances and updating room status information, the front desk agent may check for mail, messages, and faxes, post outstanding charges, verify account information, inquire about additional recent charges, present a final guest folio, verify the method of payment, process account settlement, secure the room key, and create a guest history file. A guest account can be brought to a zero balance in several ways. Methods of settlement include cash payment, credit card or direct billing transfer, or a combined settlement method.

To minimize late check-outs, the front office should post check-out time notices in conspicuous places. A reminder of the check-out time can also be included in any pre-departure materials distributed to guests expected to depart on the current day.

Changes in technology have prompted the front office to develop alternatives to standard check-out and settlement procedures. These check-out options help to minimize the time required for completing departure activities. Express check-out is a popular predeparture activity that involves producing and distributing guest folios to guests expected to check out in the morning. The early morning folios are quietly slipped under the guestroom doors around 6 A.M. This process enables guests in a hurry to depart without having to stop at the front desk. Another check-out option involves self check-out. In

some properties, guests can check themselves out by accessing self check-out terminals in the lobby or by using an in-room system. Self check-out terminals and in-room systems are interfaced with a front office computer and are intended to reduce check-out time and front office traffic.

No matter how carefully the front office monitors the guest's stay, there is always the possibility that a guest will leave without settling his or her account. Some guests may honestly forget to check out, while others may intentionally avoid paying their bill. The front office may also discover late charges after a guest has legitimately checked out. Regardless of the reason, after-departure (late) charges or outstanding account balances represent unpaid account balances. Guest accounts not settled at check-out by cash payment in full, regardless of the credit established or prepayments made during registration, are transferred from the guest ledger to the city (non-guest) ledger for collection. At the time of transfer, responsibility for account settlement is transferred from the control of the front office to the hotel's general accounting division.

Endnotes

1. For a complete guide to federal and state statutes relating to credit and collection, consult the *Credit Manual of Commercial Laws*, published annually by the National Association of Credit Management, Columbia, Maryland.

Key Terms

account aging
current account
delinquent account
express check-out
guest history file
guest history record
late charge

late check-out
late check-out fee
overdue account
self check-out terminal
unpaid account balance
zero out

Review Questions

1. What are the three functions of the check-out and account settlement process? Why are these functions essential to the hotel's accounting, housekeeping, and marketing functions?
2. What is the definition of *zero out*? What happens to a guest account that is not settled at check-out?
3. What are three methods of guest account settlement at check-out? How are they different from each other? What effect does each have on the guest ledger and city ledger?
4. What difficulties arise from late check-outs? How might these problems be reduced by the use of late check-out fees?
5. How does a typical express check-out procedure work? How does a typical self check-out terminal work? What are the advantages and disadvantages of each?
6. What are late charges? What steps can the front office take to reduce late charges?

7. What types of guest information are useful in collecting payment for late charges and unpaid account balances?
8. What are some elements of an effective billing and collection process? How can tracking uncollectible accounts to the departments responsible improve internal control?
9. What is account aging? Why is it important? Who might be responsible for account aging analysis?
10. What are the uses of guest histories? How can the front office construct a guest history file?

Case Study

For about two months, Kathy Cole, the general manager of the Montrose Hotel, has been noticing a problem with the accounts receivable ledger. It has grown more than it should have, even though occupancy has been improving recently. The total ledger has grown by over 50%, with most of the growth being aged at over 30 days. Kathy cannot let this condition continue for very long, so she is addressing it with Glenna Danks, the hotel controller. Glenna tells Kathy that they are having trouble collecting on accounts sent to them from the front office.

The front office manager, Russ Fleming, has been on the job for about three months. Russ came to the Montrose Hotel from another of the chain's properties, where he was the assistant front office manager. The hotel Russ came from has a front office computer system, but the Montrose Hotel will not have one until next year. Kathy asks Russ to work with Glenna to find an answer to the issues. Upon researching the problems, Russ and Glenna find the following:

- Registration cards are not being filled in by guests with correct, billable, or readable addresses. Guests are sometimes leaving the space open.
- Credit card vouchers are difficult to read.
- Many credit card vouchers have after-departure charges on them.
- Groups are paying their master accounts more slowly than usual.
- Guest comment cards show many complaints about inaccurate bills and the time it takes to check out of the hotel.

Kathy, Glenna, and Russ must act quickly to bring the accounts receivable ledger back to its usual small amount. Based upon the information Glenna and Russ discovered:

1. Identify which departments must be involved in the actual problem resolution.
2. Write an action plan describing what each department must do to resolve the problem. Be sure to include employee training, updating departmental procedures and specific accountabilities for ensuring the work is done properly.
3. Since the front office computer system is not scheduled to be installed for some time, what can hotel management do now, with what they currently have to work with, to resolve the guest comment card complaints?

REVIEW QUIZ

When you feel you have covered all of the material in this chapter, answer these questions. Choose the *best* answer.

True (T) or False (F)

- F 1. Generally, it is most effective for the front office to settle a guest's account while the guest is still in the hotel.
- F 2. The housekeeping term "on-change" means the guest has left the hotel and that the room needs to be cleaned and readied for the next guest.
- T F 3. Most self check-out systems still require front desk agents to update room status information.
- T F 4. For express check-out to work, the front desk agent must have obtained the appropriate guest settlement information during registration.
- F F 5. A late charge is a charge posted to a guest account if the guest checks out after the hotel's standard check-out time.

Multiple Choice

6. Which of the following account settlement methods does *not* result in the transfer of an amount from the guest ledger to the city ledger?
- credit card
 - direct billing
 - combined settlement
 - cash payment in full
7. City ledger accounts are considered current when:
- the guest is registered at the hotel.
 - they are zeroed out at check-out.
 - they are less than 30 days old.
 - they are less than 60 days old.

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8. If a guest refuses to pay a late check-out fee, which of the following is an appropriate action for the front desk agent to take?
- a. Apologize for the inconvenience and summon the front office manager to discuss the matter with the guest.
 - b. Calmly explain the rationale behind the fee policy and summon the front office manager if the guest still refuses to pay.
 - c. Firmly explain the rationale behind the fee policy and remind the guest of his or her legal obligation to pay the fee.
 - d. Explain the rationale behind the fee policy and suggest that security staff will be called if the guest refuses to pay the fee.
9. Which of the following is *not* a front office departure procedure?
- a. checking for mail and messages
 - b. updating the account aging schedule
 - c. posting outstanding charges
 - d. inquiring about additional recent charges
10. Which of the following is a common use of a guest history file?
- a. tracking delinquent accounts
 - b. account aging
 - c. compiling a mailing list
 - d. validating points for frequent-traveler clubs

Self-Evaluation

After answering all of the questions in the Review Quiz, check your answers with the Review Quiz Answer Key found at the back of this book. For each question you got wrong, write its learning objective number next to it. This helps you identify learning objectives you might need to re-study in order to fully understand the chapter. To find the page numbers of the material that corresponds to each learning objective, turn to the list of learning objectives at the beginning of this chapter.