



POLICY NUMBER: SLCC-BO-

POLICY AND PROCEDURES MEMORANDUM

Title: Allowance/Write-Off Policy

Effective Date: 03/01/12

Date of Last Revision: 03/01/12

Cancellation:

Office: Business Office

Allowance/Write-Off Policy

South Louisiana Community College (SLCC) will utilize the allowance method to record the College's estimated uncollectible receivables. Annually, the A/R accountant will analyze the accounts receivable accounts to determine which accounts are uncollectible. Those accounts, which are 180 days or more past due, will be fully reserved at the end of the year. If the account is still outstanding after 3 years, then the account is written off by the Business Manager.

Procedures and Specific Information

301.1 STATUTORY REFERENCE

LCTCS Policy #5.009 titled "Allowance/Write Off Policy" requires each of its colleges to establish an allowance for bad-debt and write-off policy. In addition, the policy requires notification to the LCTCS President of any account to be written off that is greater than \$5,000.

LCTCS Policy #5.008 titled "Accounts Receivable" requires that students, individuals or entities whose obligations were previously written-off by the College to repay their debt before conducting any further business with the College to whom the debt is owed.

Generally accepted accounting procedures (GAAP) require that revenues generated and expenses incurred in generating those revenues should be reported in the same reporting year. This is identified as the matching principle. In accordance with this principle, the College will use the allowance method for recording uncollectible receivables.

301.2 POLICY STATEMENT

South Louisiana Community College will utilize the allowance method to record the College's estimated uncollectible receivables. Annually, the A/R accountant will analyze the accounts receivable accounts to determine which accounts are uncollectible. Those accounts, which are 180 days or more past due, will be fully reserved at the end of the year. If the account is still outstanding after three years, then the account is written off by the Business Manager

301.3 GENERAL POLICY

301.3.1 The direct write-off method will be used for accounts that are less than or equal to \$10. Since the direct method does not conform to the matching principle of GAAP, this method should only be used for uncollectible amounts that are immaterial. Immaterial for this purpose has been defined as \$10 or less.

301.3.2 When an accounts receivable amount that is greater than \$10 must be written off due to it being uncollectible, such amounts are always recorded to the related reserve for doubtful accounts and not as a reduction of revenue.

301.3.3 The Business Office is required to reconcile the balance in their reserve for doubtful accounts at least quarterly. The amount recorded as the reserve for doubtful accounts should be documented by a spreadsheet that shows which accounts are deemed uncollectible.

301.3.4 All decisions to write off an account are based on a review of documented collection efforts that demonstrate that due diligence was exercised in the pursuit of payment. This includes but is not limited to sending three invoices requesting payment and then turning over the account to the attorney general's office for collections.

301.3.5 An accounts receivable may be canceled or adjusted versus written off, because 1) the College is not entitled to collect the funds and was never entitled to collect the funds, or 2) the debtor qualifies for a waiver or refund. An accounts receivable will not be canceled to avoid the write-off procedures.

301.3.6 An accounts receivable amount is determined to be uncollectible when it meets one of the following criteria:

301.3.6.1 All reasonable collection efforts have been exhausted.

301.3.6.2 The cost of further collection action will exceed the amount recovered.

301.3.6.3 The debtor cannot be located.

301.3.6.4 The debt was discharged in bankruptcy.

301.3.6.5 The statute of limitations for collection of the debt has expired.

301.3.6.6 It is not in the public interest to pursue collection of the debt.

301.3.7 Determining that the debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt, except as noted in criteria d and e. SLCC shall continue to seek collection of the account.

301.3.8 In accordance with LCTCS policy # 5.008, SLCC must not conduct any further transactions with any student or public/private entity whose debt was written off by the College until such debt is subsequently paid by the student or public/private entity.

301.4 DETAILED OPERATING PROCEDURES

301.4.1 Establishment of the Allowance

301.4.1.1 When an account is deemed "uncollectible", it should be classified as "inactive" before being written off.

301.4.1.2 When an account is classified as inactive, it should be fully reserved during the year in which it is classified as such.

301.4.1.3 The request to classify an account as inactive should be made by the A/R Accountant to the Business Manager.

301.4.1.4 The request must document the collection efforts that have occurred on the account.

301.4.1.5 The Business Manager will approve or deny the request.

301.4.2 Write-Off of inactive receivables that are \$10 or less

301.4.2.1 The A/R Accountant should make the request to write-off accounts that are \$10 or less to the Business Manager.

301.4.2.2 The Business Manager will approve or deny the request.

301.4.3 Submission to the Attorney's General's Office for Collections

301.4.3.1 After the student has been sent three collection letters and the account is at least nine months old with little or no activity in the form of payments, the A/R Accountant will prepare the worksheet with the Attorney General's required information and submit to the Business Manager.

301.4.3.2 Once it is submitted to the Attorney General's office for collection, a hold is placed on the student's account that prevents the student from paying the college directly as per the Attorney General's direction.

301.4.3.3 The Attorney General's office sends collections monthly via EFTs along with copies of the collection activities for the month and a recap quarterly. The payments less any collection fee is posted to the students' accounts. If the payment eliminates all the balance, the Attorney General's and the Past Due holds are removed which allows students to register for classes or obtain a transcript.

301.4.4 Write-Off of inactive receivables that are greater than \$10 but less than \$5,000

301.4.4.1 At the beginning of every year, A/R accountant must review their inactive accounts receivable accounts to write off receivables that are less than \$5,000 that have been inactive for at least three years.

301.4.4.2 The A/R accountant will request to the Business Manager for write-off of these receivables.

301.4.4.3 Business Manager should review the collection efforts and either approve or deny the request for write-off.

301.4.5 Write-Off of inactive receivables that are \$5,000 or greater

301.4.5.1 At the beginning of every year, the A/R accountant must review their inactive accounts receivable accounts to write off receivables of \$5,000 or greater that have been inactive for at least three years.

301.4.5.2 The A/R accountant must request approval through the Business Manager for write-off of these receivables.

301.4.5.3 The Business Manager should review the collection efforts and either approve or deny the request for write-off.

301.4.5.4 If the request is approved, the Business Manager/Vice Chancellor of Administration and Finance will report the required information to the President of the Louisiana Community and Technical College System, in accordance with policy # 5.009.

301.4.6 REQUIRED JOURNAL ENTRIES

301.4.6.1 Utilizing the Direct Write-Off Method

DR Bad Debt Expense
CR Accounts Receivable

301.4.6.2 Utilizing the Allowance Method

301.4.6.2.1 To record the allowance for the inactive accounts

DR Bad Debt Expense
CR Allowance for Doubtful Receivables

301.4.6.2.2 To write-off receivables that have been deemed uncollectible and approved for write-off under the allowance method

DR Allowance for Doubtful Receivables
CR Accounts Receivable

301.4.6.3 If an account that was reserved through the allowance account, and written off is subsequently paid, then the following entries are necessary, in addition to the deposit of the funds received:

301.4.6.3.1 To reestablish the receivable and the associated allowance account

DR Accounts Receivable
CR Allowance for Doubtful Receivables

301.4.6.3.2 To adjust the allowance for doubtful accounts balance

DR Allowance for Doubtful Receivables
CR Bad Debt Expense

Policy Reference: LCTCS Policy #5.009
LCTCS Policy #5.008

Review Process:

x	Reviewing Council/Entity	Approval Date	Effective Date
	Cabinet Approval	2/28/12	3/01/12
	Executive Committee Approval	2/29/12	3/01/12
	Chancellor Approval	2/28/12	3/01/12

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Hard Copy Distribution to Cabinet

Signature,

Natalie J. Harder 3-1-12

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