



Title: Policy: **Allowance/Write-Off Policy**

Approval Date: **02/24/2012**

Effective Date: **03/01/2012**

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**08/23/2017**

Cancellation: **N/A**

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 Student Accounts Department will analyze the accounts receivable accounts to determine which accounts are uncollectible. Those accounts, which are delinquent (defined as not having been paid after their due date) will be fully reserved at the end of the year. If the account is still outstanding after 2 years, then the account is written off by the Director of Student Accounts.

### **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 Student Accounts Department will analyze the accounts receivable accounts to determine which accounts are uncollectible. Those accounts,

which are delinquent will be fully reserved at the end of the year. If the account is still outstanding after two years, then the account is written off by the Director of Student Accounts.

### **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.

**301.3.3** The Student Accounts Department 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:

- (a) All reasonable collection efforts have been exhausted.
- (b) The cost of further collection action will exceed the amount recovered.
- (c) The debtor cannot be located.
- (d) The debt was discharged in bankruptcy.
- (e) The statute of limitations for collection of the debt has expired.
- (f) 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 REPORTING**

**301.4.1** In accordance with LRS 39:79, South Louisiana Community College will submit a report regarding debts and receivables owed to the Office of Statewide Accounting and Reporting Policy on a quarterly basis. A copy of the quarterly reports shall also be provided to the Sr. Vice-President for Finance & Administration of the LCTCS system office at the time they are submitted to the Office of Statewide Accounting and Reporting Policy.

**301.4.2** Additionally, any single account to be written off that is greater than \$5,000 will be reported to the President of the LCTCS.

**301.4.3** All recording of accounts receivable, allowances and write-offs should be in accordance with generally accepted accounting procedures (GAAP) and those of the state.

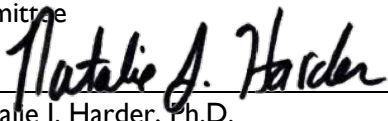
*Reference:*

*Policy Reference:* LCTCS Policy #5.009  
LCTCS Policy #5.008

*Review Process:*

	<b>Reviewing Council/Entity</b>	<b>Approval Date</b>	<b>Effective Date</b>	<b>Date of Last Review &amp; Revisions Approval</b>
x	<i>Executive Committee Approval</i>	<i>02/24/2012</i>	<i>03/01/2012</i>	<i>08/23/2017</i>
x	<i>Chancellor Approval</i>	<i>02/28/2012</i>	<i>03/01/2012</i>	<i>08/23/2017</i>

*Distribution:* Distributed Electronically via College's Internet  
Distributed Electronically to Executive Committee

  
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