

NUMBER: FINA 4.13 (NEW)
SECTION: Administration and Finance
SUBJECT: Allowance for Doubtful Accounts
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Policy for: All Campuses
Procedure for: All Campuses
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I. Policy

In order to accurately recognize revenues on the University Financial Statements, the University must provide for the possibility that some present and future revenues may not be collectible. This policy will facilitate an accurate forecast of this allowance based on actual experience and relevant data.

This policy applies to the recording of all revenue in the University’s financial records.

This policy sets forth the university system wide procedures for establishing an allowance to handle removing uncollectable debts from university accounts. This policy also establishes the calendar for writing off this bad debt during the fiscal year.

A. Definitions

1. In this instance “Doubtful Accounts” are defined as monies owed to the university with low probability of repayment. This category may include, but is not limited to tuition, fees, other charges, advances, etc.
2. The “Allowance” is a budgeted operating expense created by a campus/department with the expectation that some doubtful accounts exist in that department’s ledger. The required threshold for establishing an allowance is documented below.
3. The University department/campus responsible for the billing and administration of the accounts is the “Responsible Party” for the allowance for known or potentially uncollectible accounts.

II. Procedure

- A. The university shall calculate an allowance of non-collectability for any revenues for which uncertainty exists about future collections. All campuses or University departments are required to allow for the non-collectability of revenues when the

receivables exceed \$20,000. This is accomplished by submitting an Allowance for Doubtful Accounts (contra account to Accounts Receivable) and expensing the allowance (contra account to Revenue) to the University Bursar.

Examples of these include but are not limited to:

- Student Accounts Receivable
- Student Loans Receivable
- Housing Receivable
- Parking Receivable
- Health Services Receivable

- B. The Allowance amount will be 100% of the 180 day balance on June 30 of previous fiscal year, and will be submitted via Post Close Journal Entry in July by the Bursar's Office on behalf of each billing campus and department.
- C. A mid-year review of the Allowance will occur by December 15 each year to determine the accuracy of the estimate by the billing campus or department. Adjustments to the allowance should be made if material differences are noted.
- D. Account write-offs and increases to the allowance are recorded in the department or campus recording the revenue. All recommendations for adjustments must be submitted to the University Bursar by December 15 after a mid-year review. A review of uncollectible accounts must be considered during the annual budget process and all budgetary adjustments completed prior to the submission of all write-offs.
- E. All uncollectible accounts will be written off once they exceed a minimum six (6) months with no productive activity on the account. Write-offs will occur twice per year, in December and June. The calendar for write offs, as well as any other instructions, will be communicated by the Bursar's Office to all University departments and campuses.
- F. Sponsored receivables will be transferred to the student account if the sponsor fails to pay any invoiced charges.
- G. The deadline for posting all write-offs is June 30 of each year. Write-offs will not be processed for the current fiscal year after the June 30 deadline.