



Allowance/Write-Off Policy

Original Adoption: February 10, 2008
Effective Date: December 09, 2015
Last Revision: December 09, 2015

Northwest Louisiana Technical College (NWLTC) will utilize the allowance method to record the College's estimated uncollectible receivables. Annually, campus accountants will analyze their 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 at 2 years, then a request to write off the account is submitted to the Chief Finance Officer. This policy affects all NWLTC campuses.

*Policy Reference: LTC Policy #FS1930.301 Allowance/Write-Off policy
LCTCS Policy #5.009
LCTCS Policy # 5.008*

Approved:

Dianne Clark
Interim Director



Allowance/Write-Off Policy Procedures and Specific Information

Original Adoption: February 10, 2008
Effective Date: December 09, 2015
Last Revision: December 09, 2015

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 single 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.

POLICY STATEMENT

The Regions of Northwest Louisiana Technical College will utilize the allowance method to record the College’s estimated uncollectible receivables. Annually, regional and campus accountants will analyze their 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 at 2 years, then a request to write-off the account is submitted to the Chief Finance Officer.

GENERAL POLICY

The direct write-off method will be used for accounts that are less than or equal to \$250. 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 \$250 or less.

When an accounts receivable amount that is greater than \$250 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.

Each campus 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 the associated invoices that are deemed uncollectible.

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.

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.

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

All reasonable collection efforts have been exhausted.

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

The debtor cannot be located.

The debt was discharged in bankruptcy.

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

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

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. The NWLTC Regions shall continue to seek collection of the account.

In accordance with LCTCS policy # 5.008, the Regions of the NWLTC 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.

DETAILED OPERATING PROCEDURES

Establishment of the Allowance

When an account is deemed “uncollectible”, it should be classified as “inactive” before being written-off.

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

The request to classify an account as inactive should be made by the Regional Accounting Manager/Regional Accountant to the Chief Finance Officer.

If the request is approved, then Chief Finance Officer will approve and post the journal entry.

Write-Off of inactive receivables that are \$250 or less

The Regional Accounting Manager/Regional Accountant should make the request to write-off an account that is \$250 or less to the Chief Finance Officer.

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

The Chief Finance Officer will approve or deny the request and will notify the Regional Accounting Manager/Regional Accountant in writing of the decision.

If the request is approved, then the Chief Finance Officer will approve and post the journal entry.

Write-Off of inactive receivables that is greater than \$250 but less than \$5,000

At the beginning of every year, each campus 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 two years.

The Regional Accounting Manager/Regional Accountant should review the collection efforts and either approve or deny the request for write-off.

If the request is denied, the Regional Accounting Manager/Regional Accountant must notify the campus Dean and campus accountant in writing of their decision and the reasons for the decision.

If the request is approved, the Regional Accounting Manager/Regional Accountant should submit the request to the Chief Finance Officer who will either approve or deny the request.

If the request is denied, the Chief Finance Officer will notify the Regional Accounting Manager/Regional Accountant in writing of their decision and the reasons for the decision.

If the request is approved, the Chief Finance Officer will prepare the appropriate journal entries for the write-off.

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

At the beginning of every year, each campus/regional accountant must review their inactive accounts receivable accounts to write-off receivables of \$5,000 or greater that have been inactive for at least two years.

The Regional Accounting Manager/Regional Accountant should review the collection efforts and either approve or deny the request for write-off.

If the request is denied, the Regional Accounting Manager/Regional Accountant must notify the campus Dean and campus accountant in writing of their decision and the reasons for the decision.

If the request is approved the Regional Accounting Manager/Regional Accountant should submit the request to the Chief Finance Officer who will either approve or deny the request.

If the request is denied, the Chief Finance Officer will notify the Regional Accounting Manager/Regional Accountant in writing of their decision and the reasons for the decision.

If the request is approved the Chief Finance Officer will report the required information to the President of the Louisiana Community and Technical College System, in accordance with policy # 5.009.

REQUIRED JOURNAL ENTRIES

Utilizing the Direct Write-Off Method

DR 5898 Bad Debt Expense
CR 12xx Accounts Receivable

Utilizing the Allowance Method

To record the allowance for the inactive accounts

DR 5898 Bad Debt Expense
CR 1299 Allowance for Doubtful Receivables

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

DR 1299 Allowance for Doubtful Receivables
CR 12xx Accounts Receivable

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:

To reestablish the receivable and the associated allowance account

DR 12xx Accounts Receivable
CR 1299 Allowance for Doubtful Receivables

To adjust the allowance for doubtful accounts balance

DR 1299 Allowance for Doubtful Receivables
CR 5898 Bad Debt Expense

*Policy Reference: LTC Policy #FS1930.301 Allowance/Write-Off policy
LCTCS Policy #5.009
LCTCS Policy # 5.008*

Approved:



Dianne Clark
Interim Director