



# *Allowance for Doubtful Accounts for Delinquent Student Accounts Policy*

<b>Policy #:</b>	CO007.1
<b>Policy Type:</b>	University
<b>Responsible Executive:</b>	VP Business Affairs
<b>Responsible Office:</b>	Controller's Office
<b>Originally Issued:</b>	October 11, 2024
<b>Latest Revision:</b>	October 11, 2024
<b>Effective Date:</b>	October 11, 2024

## **I. Policy Statement**

The University calculates an allowance for doubtful accounts provision each year to account for expected bad debts relating to delinquent student accounts. The University uses the allowance method to record the University's estimated uncollectible receivables. Annually, the Controller's office analyzes student receivables that are in collections to determine which accounts are uncollectible.

## **II. Purpose of Policy**

ULM has developed procedures for calculating and recording allowance for doubtful accounts and bad debt expense each year. The objectives of these procedures are detailed below:

- 1) Identify which student accounts should be written off at the end of the fiscal year as well as throughout the year.
- 2) Determine the allowance percentage that should be used in calculating the balance for the allowance for doubtful accounts at the end of each fiscal year.
- 3) Calculate bad debt expense at the end of each fiscal year.

## **III. Applicability**

This policy applies to the Vice President for Business Affairs and any Controller's Office personnel responsible for identifying the student accounts that should be written off, calculating the allowance for doubtful accounts, and preparing the entries needed each fiscal year to record this activity.

## **IV. Definitions**

**Allowance for Doubtful Accounts:** A balance sheet account that normally carries a credit balance. This account is also known as bad debt reserve. It is considered a "contra asset" because it reduces the amount of an asset, in this case the collections receivable. This account is the estimate of student accounts receivable that will not be paid by students.

**Bad Debt Expense:** Expense that the University incurs when the allowance for doubtful accounts is increased.

**Uncollectible:** Accounts that are not expected to be collected. The University deems accounts uncollectible when the account has been in collections for more than three years and no payment has been received on the account in the previous 90 days.

**Write-Off/Written Off:** The process of removing an account from the university's balance sheet by crediting the receivable and debiting the allowance for doubtful accounts.

## V. Policy Procedure

ECSI (Educational Computer Systems, Inc.) accounts for the activity with ULM's receivables that have been sent to collections. Receivables for meals, dorms, parking fines, and tuition & fees are all included in this accounting with separate coding used to identify each type of receivable. When each collections load is sent to ECSI, the receivable is removed from the student's account in Banner and moved to a separate receivable in Banner which exclusively includes amounts in collections (account #101345). Receivables for meals receivables are accounted for in the auxiliary fund; dorm receivables are recorded in the restricted fund; and parking fines and tuition & fees receivables are accounted for in the general fund. As amounts are written off or paid, the credit to be made to the receivable is recorded in a contra-account (#101346). ECSI sends an entry to ULM each month that is loaded into Banner. Throughout the year, accounts that are discharged through bankruptcy, small balances less than \$25, and balances owed by those who have deceased will be written off through the allowance for doubtful accounts by debiting the allowance and crediting the receivable.

Student accounts receivable can be removed from the University's balance sheet without being written off if: 1) the student follows the appeals process, and it is determined that the University will not proceed with collecting the funds, 2) the University chooses to remove a charge, or 3) the University grants a waiver.

### Annual Procedures to determine the allowance for doubtful accounts and bad debt expense:

1. In June of each fiscal year, the Student Accounts Collections Analyst pulls a report from ECSI that includes all outstanding balances that are in collections and have not previously been written off. The Controller compares this list to the net amount in Banner (account #101345 and #101346) to be sure the total of the report agrees to Banner.
2. The Student Accounts Analyst reviews the list of accounts from the report created in procedure #1 and excludes any that are newer than three years. The Student Accounts Analyst then removes any with a payment within the last ninety (90) days. The remaining accounts are provided to the Controller as a recommended list of accounts to be written off. Once the Controller has reviewed and approved the list, the Student Accounts Analyst updates each account's collector code in ECSI to reflect the balance has been written off for accounting purposes but continues to attempt collection of the balance unless prohibited by bankruptcy filings.
3. The Controller uses the final list of accounts to be written off from the report created in procedure #2 and credits the contra account (#101346) and debits the allowance for doubtful accounts (#101399) in each respective fund (auxiliary, restricted, general) by the total of each receivable type (meals, dorms, parking fines, tuition & fees).
4. Every three years, the amounts written off are analyzed by comparing the total written off to the total active accounts in Banner. A three-year average percentage of amounts written off compared to the total amount in collections is calculated. This calculation is done separately for meals, dorms, parking fines, and tuition & fees and these four percentages are used as the allowance percentages for the subsequent three years. This allowance percentage is used to calculate the new amount that should be in the allowance for doubtful accounts at the end of the fiscal year.

- The amounts in collections minus the amounts written off are then multiplied by the allowance percentage for each receivable type (meals, dorm, parking fines, and tuition & fees). This calculation determines the amount that should be in the allowance for doubtful accounts for each receivable type. The balance in the allowance for doubtful accounts in each fund (after the write-off described above) is compared to the amount that is calculated to determine by how much the allowance for doubtful accounts needs to be credited. The allowance for doubtful accounts in each fund is then credited by these amounts and bad debt expense is debited.

## VI. Enforcement

The Vice President for Business Affairs is responsible for enforcement of the policy.

## VII. Policy Management

Upon adoption, the Vice President for Business Affairs shall be the Responsible Executive for the management of this policy. The responsible officer is the Controller and the Office of the Controller is the office that is responsible for implementing and administering the policy.

## VIII. Exclusions

Any unusual circumstances or special projects not fully covered under this policy should be addressed to the Controller's Office.

## IX. Effective Date

The effective date of this policy is the date it is adopted and signed by the University President.

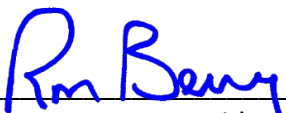
## X. Adoption

This policy is hereby adopted on this 11<sup>th</sup> day of October 2024.

Recommended for Approval by:

Approved by:

  
\_\_\_\_\_  
Dr. Bill Graves, Vice President Business Affairs

  
\_\_\_\_\_  
Dr. Ron Berry, President

## XI. Appendices, References and Related Materials

ULM Student Tuition & Fees Appeal Policy: <https://webservices.ulm.edu/policies/download-policy/311>

ULS Students With Debt Policy: <https://www.ulsystem.edu/wp-content/uploads/2024/10/FB-IV.3-Students-with-Debt-Policy-updated-2024-final.pdf>

## XII. Revision History

Original Adoption Date: October 11, 2024