

**ADMINISTRATIVE POLICY**

# General Accounts Receivable (non-Student Account) Allowance for Doubtful Accounts and Bad Debt Write-Off Policy

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**Approval Authority:** Vice Chancellor for Finance, Information Technology and CFO

**Responsible Administrator:** Controller

**Responsible Office:** Finance

**Policy Contact:** Director of Accounting and Financial Reporting

Originally issued:  
April 2021

Current version  
effective as of:  
July 2023

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## **POLICY STATEMENT/REASON FOR POLICY**

Finance will establish reserves for uncollectible general accounts receivable (GAR) to reflect the appropriate net amount of receivables expected to be collected in accordance with Generally Accepted Accounting Principles (GAAP). These reserves are determined largely by historical collection trends, current conditions, and materiality and will be established for all general accounts receivable based on the aging of amounts outstanding. With approval from the Controller, Finance will write off specific receivables when it is determined the amounts are uncollectible. Note that this policy does not include “Student Accounts Receivable,” “COREs,” or “Contributions Receivable.”

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## **THIS POLICY APPLIES TO**

This policy applies to the individuals in Finance involved in the preparation, analysis, ongoing monitoring, review, and approvals of the general accounts collectability, allowances, and write-offs.

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## **POLICY**

### **A. Billing and Collections**

Finance ensures due diligence by sending out (via email) monthly statements to each GAR customer that show their current balance. Payments are sent to the Office of Student Accounts to ensure appropriate segregation of duties between custody (receiving the payments) and record keeping (processing the payment). Payments are processed by Finance.

### **B. Allowance for Doubtful Accounts**

At the end of each fiscal year, Finance analyzes all outstanding general accounts receivables in order to establish the allowance for doubtful accounts using reserve percentages. These reserve percentages have been determined based on historic collection trends, current conditions, and input from the departments that hold the receivables. The reserve percentages will be reviewed by the Controller on an annual basis prior to calculation of the allowance for

doubtful accounts to ensure the reserve percentages remain appropriate. Finance prepares a journal entry to adjust the allowance for doubtful accounts to align with the most recent analysis. A specific year's percentages can be found with that year's journal entry support. The allowance is booked to the entities/departments that hold the respective receivables.

### C. Uncollectible Accounts

A quarterly evaluation is done by Finance to identify all balances greater than 90 days old. Collection efforts include reaching out to the appropriate VU departmental contact for each customer who in turn follows up with their customers. Responses from the VU departmental contact are documented in the quarterly workpaper.

### D. Bad Debt Write-Off

Finance reserves the right to deem any account uncollectible but will take into consideration a variety of factors when writing off accounts at year-end such as: size of payments received vs the size of outstanding balance, input from the VU departmental contact regarding collectability, etc. Accounts deemed uncollectible will be submitted to the Controller's Office via journal entry for approval and write-off. The bad debt write-off is booked to the entities/departments that hold the respective receivables.

### E. Recovery of Amounts Previously Written Off

In the event that payment is received for an account balance previously written off, Finance will record a two-part entry to:

1. Re-establish the receivable and associated allowance, and
2. Recognize the cash received and reduction of receivable, ensuring no impact to the income statement.

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## DEFINITIONS

General Accounts Receivable - Money owed for non-student account related university services.

Fiscal Year – A period of time an organization uses for accounting purposes.

Uncollectible Accounts – Receivables that have been determined to have little chance of being paid.

Write-Off – The recognition of the reduced value of an asset (receivable).

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## CONSEQUENCES OF NON-COMPLIANCE

Failure to follow policy could result in inaccurate or incomplete financial statements.

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## PROCEDURES

See documented example/procedures in current year's bad debt evaluation file.

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**ADDITIONAL CONTACTS**

<b>Subject</b>	<b>Contact/Position</b>	<b>Office</b>	<b>Phone</b>
General Accounts Receivable Allowance and Bad Debt Write-off	Finance	Accounting	(615) 343-6601

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**HISTORY**

**Issued: April 2021**

**Reviewed: June 2023**

**Amended: June 2023**

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