

McLennan Community College

POLICIES AND PROCEDURES

Reference:	D-XVII	Effective Date:	08/12/2022
Subject:	Allowance for Doubtful Accounts		
Source:	Vice-President, Finance & Administration		
Approval Authority:	President	Approval Date:	08/12/2022
Approved by Leadership Team:	Hills:	Benson:	McKown:
History:	Previously effective 01/15/2021		
Remarks:			

I. Policy

In order to accurately recognize revenues on the College's Financial Statements, the College must provide for the possibility that some present and future revenues in the receivable accounts may not be collectible. This policy facilitates an accurate forecast of this allowance based on actual experience and relevant data. This policy applies to the recording of all revenue in the College's financial records. This policy sets forth the College's financial system procedures for establishing an allowance to handle removing uncollectable debts from accounts receivable accounts. This policy also establishes the calendar for writing off this bad debt during the fiscal year.

A. Definitions

1. The "Doubtful Accounts" are defined as monies owed to the College with low probability of repayment. This category may include, but is not limited to taxes, tuitions, fees, other charges, etc.
2. The "Allowance" is a budgeted operating expense created by the student accounts receivable department with the expectation that some doubtful accounts exist in the College's general ledger. The required threshold for establishing an allowance expenditure is documented below.
3. The student accounts receivable department is responsible for the billing and administration of the receivable accounts and is considered the "Responsible Party" for the maintenance review of allowance for known or potentially uncollectible accounts.

II. Procedure

- A. The Comptroller shall calculate an allowance of non-collectability for any revenues for which uncertainty exists about future collections. This is

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accomplished by submitting an Allowance for Doubtful Accounts and provision of the allowance amount to the Vice President, Finance & Administration for approval.

1. Examples of these include but are not limited to:

- a. Tuition Receivable
- b. Fines Receivable
- c. Return to Title IV Receivable
- d. Pell Never Attended Receivable

B. The Allowance amount for property tax receivables based on the following schedule of the Accounts Receivable (AR) balance as of August 31st:

<u>Age of Property Tax Receivable</u>	<u>Allowance Amount</u>
Less than one year	40%
Over one year and less than two years	50%
Over two years and less than three years	60%
Over three years and less than four years	70%
Over four years and less than five years	80%
Over five years and less than six years	90%
Over six years	100%

C. All other receivables will have their allowance determined based on the following schedule of the AR balance as of August 31st:

<u>Age of Other Receivables</u>	<u>Allowance Amount</u>
Over one year and less than two years	10%
Over two years and less than four years	50%
Over four years	100%

D. Write-Offs and Adjustments

1. Account write-offs and increases to the allowance are recorded by the Business Office.
2. Efforts should be made to pursue the timely collection of delinquent accounts. Uncollectible accounts will be written off once they are deemed uncollectible by the Business Office and approved by the Vice President, Finance & Administration. Write-offs will occur as needed. Collection efforts should be exhausted prior to any write-offs.