

COLLECTIONS, WRITE OFFS, ALLOWANCES, AND ANNUAL REPORTING OF ACCOUNTS RECEIVABLE

I. Purpose

This policy provides guidance for the collection, allowance, write-off, and annual reporting of accounts receivable. The policy applies to the University's portfolio of student accounts and other non-student receivables. Grant and patient receivables are not addressed in this policy.

II. Definitions

- A. Student Accounts Receivable – Amounts owed by a student as a result of the educational process. This may include, but is not limited to, amounts owed for tuition, fees, books, supplies, housing and fines.
- B. Other Accounts Receivable – Amounts owed to the University for goods or services provided not included in Student Accounts Receivable.
- C. Write-off of Uncollectible Balances – The process of removing the balance from the accounts receivable balance in the University's financial statements. After a thorough collection process is followed by the University, and it is determined that an accounts receivable balance will not be paid in a reasonable time, the balance is no longer considered an asset and is not reflected in the financial statements.
- D. Allowance for Doubtful Accounts – A reasonable estimate based on historical collections or other reasonable rationale used to record an estimate of the amount of accounts receivable that will become uncollectible during the period. This amount is reflected as a contra asset on the statement of net position.
- E. Aging Report – A list of accounts receivable that is grouped or summed by category according to the length of time the account has been outstanding. Those categories are based on date ranges from the time the student incurs the account balance. Typical categories might be less than 30, less than 60, less than 90, 90-180, or greater than 180 days. For purposes of calculating the allowance for student receivables, this aging is determined by the date the revenue was charged or billed, excluding all future term charges.

III. Collections

A receivable becomes past due if payment is not received on an account by the payment due date. A concerted effort should be made to collect accounts, including the current amount due applicable to installment payments.

Collection actions may include but are not limited to: notifying the debtor through various means of communication (mail, e-mail, phone call, texting, social media and other), withholding or suspending services, referring the account to an outside collection agency and/or participating in the State of Arkansas Individual Income Tax Setoff Program (Debt Set-Off). Any efforts to collect overdue accounts receivable performed by University employees must be documented. Collection efforts by third parties on behalf of the University must be conducted according to the provisions of the Federal Fair Debt Collection Practices Act.

IV. Bad Debt and Allowance for Doubtful Accounts

Accounts receivable should be reported in the balance sheet at realizable cash value, i.e., gross claims less estimated doubtful accounts. Potential losses from bad debts should be recognized by adjustment of balance sheet assets. A contra asset account, Allowance for Doubtful Accounts, should be established to reflect adjustments for doubtful accounts.

The process of calculating the estimate for uncollectible balances requires a rational estimate that follows Generally Accepted Accounting Principles (GAAP) and is consistently followed and applied on a regular basis. The allowance for doubtful accounts should be calculated using the aging categories on the Accounts Receivable Aging Report. The age of the receivable and history of collections should be utilized to arrive at an estimated uncollectible percentage per aging category. A new percentage should be calculated annually for fiscal year-end reporting and shall be reflective of the collectability of accounts of each campus individually and applied to the outstanding accounts receivable balance at fiscal year-end. In addition, the Allowance for Doubtful Accounts should be updated at fiscal year-end to reflect the estimated uncollectible amounts based on the calculation.

V. Write-Offs of Uncollectable Accounts

While routinely executing collection procedures, some receivables will be determined to be uncollectible. Accounts deemed uncollectible must be submitted to the Chief Fiscal Officer of the State (Arkansas Department of Finance and Administration) for abatement pursuant to Arkansas Code Ann. § 19-2-306.

The State's Chief Fiscal Officer will notify the University in writing when the request for abatement is approved. Upon approval from the State, the balance owed will be removed from the debtor's account; however, the administrative and academic records of the student or other debtor will continue to reflect a default status. In addition, for unpaid student balances, to the extent permitted by law, financial holds will be placed on the release of academic transcripts and records and the registration of classes. (Board Policy 505.6 Withholding of Diplomas, Transcripts and Registration.)

VI. Reporting

Based on audited financial statements and other financial records, the University will report annually to the Board of Trustees the following information:

1. Total Student Accounts Receivable
2. Allowance for Doubtful Accounts
3. Net Student Accounts Receivable
4. Total Amount Written-Off
5. Bad Debt Expense
6. Student Accounts Receivable Aging Report

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