

**BOARD OF TRUSTEES
UNIVERSITY OF THE VIRGIN ISLANDS**

Resolution approving an Accounts Receivable Write-off Policy for the University of the Virgin Islands

WHEREAS, the University of the Virgin Islands (UVI) has a fiduciary responsibility to fulfill its overall mission ethically and in compliance with applicable policies, laws, regulations, rules, contracts and grant requirements, and donor restrictions; and

WHEREAS, it is the policy of the UVI to achieve best practices in its standards of financial integrity and sound financial controls based on a set of broad and consistent financial policies which govern decisions, actions and implementations throughout the University's organizational structure; and

WHEREAS, one of the Presidential Goals for 2011-2012 was to identify, revise and submit, for approval, appropriate policies to replace outdated financial policies, and create new ones in areas where none exists; and

WHEREAS, on September 18, 2012, the President's Cabinet voted to recommend to the Board of Trustees, via the Finance and Budget Committee, an Accounts Receivable Write-off Policy; and

WHEREAS, on September 28, 2012, the Finance and Budget Committee voted to recommend, to the Board of Trustees, the approval of the Accounts Receivable Write-off Policy effective November 1, 2012.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF TRUSTEES:

- A. The Accounts Receivable Write-off Policy, attached hereto as Exhibit A, is hereby approved, effective November 1, 2012.
- B. The President and Vice-President for Administration and Finance are authorized to take such actions as are necessary and proper to implement this resolution.

CERTIFICATION

The undersigned hereby certifies that the foregoing is a true and exact copy of a resolution of the Board of Trustees of the University of the Virgin Islands adopted at a meeting on October 27, 2012, as recorded in the minutes of said meeting.



October 27, 2012

Secretary of the Board

Date

SECTION V: ACCOUNTING ADMINISTRATION

1.1 ACCOUNTS RECEIVABLE WRITE-OFF

1.2 PURPOSE

This policy provides guidance for collection of general accounts receivable (bills owed to the University) and the write-off of uncollectible accounts receivable in accordance with Generally Accepted Accounting Principles (GAAP). The implementation of the procedures will support internal controls needed to ensure proper use of University assets.

1.3 POLICY STATEMENT

It is the policy of the University to collect payment of bills as expeditiously as possible.

1. Any amount of money owed the University is due and payable when services are rendered.
2. Accounts that are delinquent sixty (60) days or more should be considered in arrears.
3. An account shall be written off as a bad debt when collection efforts have been exhausted or when the account is determined to be otherwise uncollectible.
4. Adequate information concerning the age of outstanding bills and claims is essential for proper control of accounts receivable.

These provisions will enable the University to reflect a more accurate accounts receivable value.

1.4 SCOPE AND APPLICABILITY

This policy establishes the guidelines for how accounts in arrears will be written off, and the individual(s) who can authorize and record the write off. The policy applies to all bills issued by the University.

1.5 RESPONSIBILITY

The University maintains an operating environment in which the billing for goods and services rendered by the University takes place within several departments. Department heads are responsible for maintaining adequate documentation for billings and collection efforts and a control balance for recording customer payments. All employees involved in the billing and collection processes take full responsibility for understanding the University's policies and procedures regarding billing and collection.

The Vice President for Administration and Finance/CFO is responsible for ensuring the appropriate method of bad debt recognition, that includes establishing an Allowance for

Doubtful Accounts, is utilized and the write-off of accounts receivable is consistent with this policy.

1.6 POLICY IMPLEMENTATION

1. Accounts receivable represent debts owed to the University for goods or services that the university has sold or provided to its customers. These debts are short term and are normally expected to be paid to the University in 30 days with no interest charge. Departments that have outstanding accounts receivable must keep adequate documentation, which includes individual account balances and a control balance for recording customer payments as well as credit sales. If departments believe they have accounts receivable and have never formally recorded these accounts on the University's records, they should contact the Controller's Office for instructions. All departments with accounts receivable should register their accounts receivable activity with the University Controller. Any new receivable operations should also register with the University Controller.

Internal Control

2. To promote the accuracy of the university's accounts receivable records and to discourage fraudulent manipulation of the accounting records, departments should incorporate the following internal control measures for accounts receivable:
 - An aging of all accounts and a review of past due accounts should be performed periodically.
 - An employee other than the employee who receives payments should handle items disputed by customers.
 - A reconciliation of individual account balances to the control balance should be performed periodically.
 - Invoices should be pre-numbered and all numbers accounted for periodically.
 - An employee who does not handle cash receipts should approve payment of credit balances and credit adjustments to the account balance.
 - A diligent effort should be made to collect all outstanding accounts (see 3 below).
 - Regular billings should be made to all customers on account.
 - Where possible, the duties of the accounts receivable specialist and the employee who receives payment should be separated.
 - Accounts receivable write-offs should be approved by an employee who does not handle cash receipts.
 - Routine collection procedures should be documented in writing.

Billing and Collection Efforts

3. Departments must ensure that due diligence in collection efforts has been exercised. Due diligence is satisfied when:

- Statements or invoices are mailed monthly.
- Special reminders or collection letters are mailed for all past due accounts.
- Services are discontinued for delinquent customers, and holds are placed on the release of student grades and records and on the registration for course work.
- Exceptions to this policy may be granted by the Vice President for Administration and Finance/CFO (VP, A&F/CFO) or his/her designee when students provide proof of the ability to settle the debt in a timely manner or of the special circumstances that warrant the exception.
- Accounts past due for more than six months and totalling up to \$5,000 are referred to an external collection agency. Justification for not using a collection agency must appear on the write-off request (see **15** below).

Delinquent amounts totalling \$5,000 or more are sent to the VP, A&F/CFO Office for review and determination of whether the University should pursue a legal action to recover the debt, before the account is turned over to an external collection agency.

Allowance for Doubtful Accounts

4. Because some accounts receivable may prove to be uncollectible, the University Controller is responsible for determining an appropriate amount as an allowance for those accounts considered to be uncollectible each June 30th. The Controller should establish an allowance for doubtful accounts to reflect the **estimated** uncollectible accounts. This allowance will be used to reduce the total amount of accounts receivable on university financial statements.

The following method will be used for estimating the amount of uncollectible accounts receivable to be recorded as an allowance for doubtful accounts.

Aging of Accounts Receivable. When using an aging of accounts receivable, individual customer account balances are categorized according to the length of time they have been outstanding (see **5** below). The department estimates the relative uncollectibility for each category based on past experience. The estimated uncollectible amounts in each category are totalled to determine the total allowance.

The University Controller is responsible for preparing the accounts receivable journal entry and will record the allowance for doubtful accounts at the end of each fiscal year.

Year-End Reporting

5. The University Controller should instruct all deans, directors and department heads how to report year end accounts receivable balances. Upon notification, departments must send a list of accounts receivable as of June 30th to the Controller to prepare the year-end journal entry. An aging of accounts receivable must accompany this list. An aging is performed by categorizing individual customer account balances according to their age. The aged accounts should be categorized as follows:

0-365 days
366-730 days
731-1,095 days
1,096+ days

Returned Checks

The following general policies apply to returned checks.

6. Previously deposited checks that are being returned from the bank as uncollectible are automatically debited to the University's bank account. The checks are returned to the Accounting office, which will charge an appropriate accounts receivable returned checks fund.
7. A detailed record of returned checks must be maintained at all times. If returned checks are assigned to other offices for collection, the responsible office must obtain and keep a receipt to document transfer of the checks and responsibility for collection.
8. When collections are received for returned checks, an official receipt must be written if the check is redeemed in person. Such funds should then be deposited to the university's general bank account and credited to the accounts receivable returned checks account that was initially charged when the bank returned the checks.
9. A separate receipt book for returned checks is recommended for use in areas that have a high volume of returned checks.
10. When collection is made for returned checks, a service charge of a minimum of \$20.00 (the actual amount to be set by the VP, A&F/CFO) should be assessed and included in the receipt. In the case of returned checks for donor gifts, the VP, Institutional Advancement may waive the fee.
11. Any service charges collected should be credited to the appropriate income fund when deposited.
12. On a monthly basis, the responsible office must reconcile the returned checks on hand to the amount shown on the University's official records. If a returned check is

determined to be uncollectible, the procedures in **15** below must be followed to write off the amount from the University's accounting records.

Uncollectible Accounts

13. When accounts prove to be uncollectible based on collection efforts described in **3** above, department heads are responsible for authorizing that these accounts be written off the University's accounting records. Detailed write-off procedures are listed below. Student loans have additional procedures for writing off accounts receivable, which appear in **21-22** below.

Note: Departments should refer to campus/unit procedures for instructions on handling the fines, fees, and debts of a student who dies during a term of enrolment. Accounts of students who are currently enrolled should not be written off, except as identified in item **17**.

Write-Off Procedures

14. Departments should follow the procedures below when writing off accounts receivable.
- The department head may authorize uncollectible accounts to be written off after ensuring that 1) due diligence was exercised in attempting to collect the accounts and 2) the write-offs are supported by documentation of collection activity (copies of invoices and collection letters, notes from telephone contacts, returned mail, collection agency correspondence, etc.)
 - The department head completes an **ACCOUNTS RECEIVABLE WRITE-OFF REQUEST (ARWR) form** and sends it with an itemized list of uncollectible accounts to the University Controller. The request must include a justification for write-off (see **15** below). For details on writing off uncollectible returned checks, see **20** below.
 - Requests for write-offs may be submitted at any time during the year. All write-offs for the fiscal year ending September 30th should be submitted to the Controller's Office no later than June 30th.
 - The department head (or designee) will review and sign the **ARWR form**, forward it to the Controller's Office, and return a copy to the department for departmental files.
 - The Controller's Office (or designee) will prepare and record the journal entry to write off the accounts from the University's official records.
 - The Controller's Office will prepare an annual summary of all write offs per department or individual to be sent to the Vice President for Administration and Finance/CFO for approval to write off.
 - The University's contracted external auditor will use this summary to perform a periodic audit of accounts receivable write-offs.

Justification for Write-Off

15. The reasons for writing off account balances must be indicated on the **ARWR form**. Accounts that meet one or more of the following criteria may be submitted for write-off:

- Accounts returned by a collection agency as uncollectible.
- Bankruptcy of the debtor has been legally declared (see **21-22** below for instructions on student loans).
- Credit balances under \$50.00 and inactive for one year. These will be written off to unclaimed property.
- Accounts over two years old that have been billed regularly.
- Accounts under \$50.00 and over six months old and either (1) returned for incorrect address or (2) billed at least three times. Generally, the third billing should include a special collection notice.
- Accounts owed by companies no longer in business.
- Judgments over six months old.
- Account balances less than \$2.00 (debit) of any age, regardless of whether from a student who is currently enrolled.
- Other reasons to be considered on a case-by-case basis.

Student Debts

16. **Former Students.** If the debtor is a former student of the University, a hold on the release of transcripts and on future registration privileges must remain in effect until the obligation is paid. Whenever collections are made for amounts previously written off, an official university receipt should be prepared and the amount collected credited to the appropriate income accounts. Any holds or encumbrances against the individual should be released.

17. **Current Students.** Certain debts may be cancelled or written off when a student dies during a term of enrolment. Departments should consult campus/unit procedures for instructions.

18. **Current Employees.** An employee shall not have a delinquent student receivable balance. Each semester's tuition charges are paid for by the University through the tuition waiver allowance; this allowance covers tuition costs but does not cover miscellaneous fees. An employee who has an outstanding balance must sign an employee deduction form allowing the University to collect payment from the employee through payroll deduction beginning with the first instance in which the employee has an outstanding balance. Employees' balances are not sent to a collection agency for collections. If an employee separates from the University and the outstanding balance is not paid in full, the University has the right to deduct the outstanding amount from

the employee's final pay check. In cases where the outstanding balance is more than the final pay check, the University will treat the employee as any other debtor, as contained in University policy (Accounts Receivable Write-Off policy).

Bankruptcy of Debtors

19. The following conditions apply when a debtor files for bankruptcy:

- a. When a department receives notification from the bankruptcy court that a debtor has filed for bankruptcy, the department should immediately cease all collection efforts.
- b. If the bankruptcy notice states that claims may be filed, the department may do so. Careful attention should be paid to deadlines for filing.
- c. Student loans or other debts representing an obligation to repay amounts received or credited for educational purposes are not dischargeable in bankruptcy unless the court finds that exception from discharge will impose an undue hardship on the debtor. However, for bankruptcies filed prior to October 7, 1998, such debts are dischargeable without a finding of undue hardship if seven years have passed since the debt first became due and the date of filing for bankruptcy.
- d. If a discharge notice is received from the bankruptcy court, the debtor is no longer liable and the debt should be cleared from the debtor's record. However, for non-dischargeable debts as described in c. above, collection efforts may resume after the debtor's discharge in bankruptcy.
- e. Collection efforts may also resume if the case is dismissed.

Any questions about the above conditions should be directed to the Vice President for Administration and Finance.

Write-Off of Uncollectible Returned Checks

20. When a returned check proves to be uncollectible, the department should follow the write-off procedures in **15** above. The original returned check should be stapled to the completed **ARWR form**. If the uncollectible returned check was tendered by a current or former student, a hold must remain on the student's transcript until the obligation is paid.

Whenever collections are made for returned checks that have been written off, an official university receipt should be given to the payer in lieu of the returned check. Any holds or encumbrances against the individual should be released.

Write-Off of University Student Loans

21. The procedures for writing off uncollectible university student loans (principal and interest) are the same as for other university receivables. Refer to **15** above for detailed write-off procedures.

Assignment and Write-Off of Government-Sponsored Student Loans

22. The procedures for assignment of government-sponsored student loans appear in the federal and state publications that outline the loan program regulations. Generally, the procedures require that assignment forms be completed for each note considered to be uncollectible. The completed forms are forwarded to the University Controller for approval and transmittal to the sponsoring government department or agency.

In special circumstances, student loans can be cancelled, which is in effect a write-off. Current regulations for Perkins Loans provide that notes with small balances (as defined in the regulations) proven to be uncollectible can be cancelled without government approval or assignment procedures. Similarly, loans may be cancelled if the debtor has been legally declared bankrupt. If the statutory period has passed and the loan has been discharged, a copy of the court discharge is the only documentation needed for note cancellation. In these circumstances, once government regulations have been followed, no additional university approvals are necessary before write-off (note cancellation) of the receivables.

Write-Off of Uncollectible Donor Returned Checks for Gifts

23. Returned checks resulting from checks deposited for gifts are addressed in the **Returned Checks** section above. After collection procedures have been followed, the unit's chief collection officer will recommend for write-off the returned checks that have proven to be uncollectible. These accounts will be reviewed by the Vice President for Institutional Advancement. The checks and the write-off form should be submitted to the University Controller for write-off. Written approval for the write-off must be maintained on file for audit verification. Accounts approved for write-off will be charged against the fund credited on the original deposit and the gift will be removed from the gift records.

ACKNOWLEDGEMENTS AND CREDITS

This proposed financial policy document draws on financial policies and guidelines developed by various colleges and universities to the extent that research identified those policies as “best practice policy models” from which other colleges and universities in the higher education community have benefited. In a few cases, some elements of a proposed policy might mirror the financial policy guidance offered by a particular institution because that policy has been adopted by other institutions as a model policy.

The institutions from which policy guidance was been drawn in the drafting of this document include the following:

- University of Tennessee System
- University System of Maryland
- Indiana University
- University of California-Davis
- Appalachian State University

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