

TECHNICAL COLLEGE SYSTEM OF GEORGIA ACCOUNTING PROCEDURES MANUAL

This procedure applies to technical colleges and system office

3.6 Uncollectible Accounts Receivable

General

The Georgia Constitution, Article III, Section VI, Paragraph VI concerning gratuities prohibits the General Assembly (including all Technical Colleges and Central Office) from having the authority to grant any donation or gratuity or to forgive any debt or obligations owed to the state of Georgia (including all Technical Colleges and Central Office). Furthermore, Georgia code 50-16-18 provides a mechanism for writing off small amounts due the state (\$3,000.00 or less), which have been deemed “uncollectible” per TCSG Collection Procedure (Due Diligence).

Uncollectible Accounts Receivable of \$3,000.00 or less

Pursuant to Georgia Code 50-16-18, all Technical Colleges and the System Office, “in order to preserve public funds, are authorized to develop appropriate standards, in conjunction with the Georgia Department of Audits and Accounts, which will provide a mechanism to consider administratively discharging any obligation or charge in favor of such agency or department when such obligation or charge is \$3,000.00 or any lesser amount”. This procedure is not applicable when the obligor has more than one such debt or obligation totaling more than \$3,000.00 in any given fiscal year.

Procedure

1. All Technical Colleges and the System Office should review outstanding accounts receivable and attempt collection on a regular basis. Copies of all supporting documentation related to collection attempts should be maintained by each Technical College and/or the System Office for the purpose of writing off uncollectible accounts receivable for \$3,000.00 or less.
2. Annually, each Technical College and the System Office will prepare a list of the accounts receivable that have been deemed “uncollectible”. The list shall contain information pertinent to the receivable to be written off. (i.e. name, address, amount, description of debt (tuition, fees, etc.), and any

other related information.) The listing, along with all supporting documentation related to collection attempts, shall be made available for the State Auditors during the audit.

3. The Vice President of Administration for each Technical College and the designee for the System Office shall review, approve and sign the listing therefore authorizing the write off. A copy of the signed listing along with any other pertinent information shall be attached to the journal voucher.
4. If the receivable is related to a student, a hold must be placed on their account in Banner.

If the receivable was originally recorded with a journal voucher, the accounting entry to write off the receivable will be a journal voucher debiting Surplus (Account #390001) for the prior fiscal year and crediting the original "Accounts Receivable" account for the amount to be written off.

If the receivable was set up in the Accounts Receivable module of People Soft, the receivable should be cancelled in the module. A journal voucher should also be done debiting Surplus (Account #390001) for the prior fiscal year and crediting the original "Revenue" account for the amount that was written off.

If the receivable was related to a student, use the appropriate Banner detail code to record the information in the Banner system.

Uncollectible Accounts Receivable Greater Than \$3,000.00

Pursuant to Georgia Code 50-16-18, uncollectible accounts receivable greater than \$3,000.00 cannot be written off. However, if an outstanding "Accounts Receivable" has been determined to be uncollectible by following the procedures established in steps 1 thru 3 listed above, then each Technical College and/or the Central Office must establish a reserve equal to the amount of "Accounts Receivable" over \$3,000.00 that have been deemed uncollectible. This analysis of outstanding "Accounts Receivable" must be performed at least annually prior to the fiscal year end close. Partial "Accounts Receivable" and accounts receivable of \$3,000.00 or less may not be reserved.

The accounting entry to establish the reserve will be a journal voucher debiting Surplus (Account #390001) for the prior fiscal year and crediting the Other Reserves –TCSG Uncollectible Accounts Receivable (Account # 337082) for the amount of the reserve to be established.

Once the reserve has been established, it shall be analyzed and adjusted annually. The reserve shall remain on the books until such time as legislation has been enacted to allow the write-off of the uncollectible accounts

receivable. If the reserve is determined at any time to be higher than deemed necessary the additional funds shall lapse.

All Technical Colleges and the System Office must fully reserve all outstanding "Accounts Receivable" over \$3,000.00 that has been deemed "uncollectible" as soon as possible. The reserves are subject to the review and approval of the State Auditor.

Examples of Entries and Their Effect

The following are examples of the necessary entries and the possible affect they will have on your books assuming the fiscal years are FY04 and FY05.

Receivables less than or equal to \$3,000.00

Scenario 1 – Accounts Receivable from Prior Years less than or equal to \$3,000.00

The entry to establish the prior year receivable would be:

Debit	Accounts Receivable
Credit	Surplus

The entry to write off the receivable would be:

Debit	Surplus
Credit	Accounts Receivable

Note: This entry will have no effect on current year revenue. The debit and credit to surplus should be equal.

Scenario 2 – Accounts Receivable from Current Year (FY05) less than or equal to \$3,000.00

The entry to establish the current year receivable would be:

Debit	Accounts Receivable
Credit	Revenue

The entry to write off the receivable in FY05 for the receivable set up in FY04 would be:

Debit	Surplus
Credit	Accounts Receivable

Note: For FY04 additional revenue is recognized by establishing the receivables in Peoplesoft. For FY05, you would have to set aside \$x from your budget to cover the debit to surplus for writing off the uncollectible receivables that were established in the budget fund (60001, 60015, 60005, 61001, 62006) during FY04.

Receivables More Than \$3,000.00

Scenario 3 – Accounts Receivable from Prior Years more than \$3,000.00

The entry to establish the prior year receivable more than \$3,000.00 would be:

Debit	Accounts Receivable
Credit	Surplus

The entry to establish the reserve for uncollectible accounts receivable more than \$3,000.00 from prior years would be:

Debit	Surplus
Credit	Reserve for Doubtful Accounts (337082)

Note: This entry will have no effect on current year revenue. The debit and credit to surplus should be equal.

Scenario 4 – Accounts Receivable from Current Year (FY04) more than \$3,000.00

The entry to establish the current year receivable more than \$3,000.00 would be:

Debit	Accounts Receivable
Credit	Revenue

The entry to establish the reserve for uncollectible accounts receivable more than \$3,000.00 in FY05 would be:

Debit	Surplus
Credit	Reserve for Doubtful Accounts (337082)

Note: For FY04 additional revenue is recognized by establishing the receivables in PeopleSoft. For FY05, you would have to set aside \$X from your budget to cover the debit to surplus for adding the uncollectible receivables to the Other Reserves –TCSG Uncollectible Accounts Receivable that were established in the budget fund (60001, 60015, 60005, 61001, 62006) during FY04.

Prior year surplus accounts are calculated cumulatively to determine the net amount (Dr or Cr). The balance in the current year surplus account is calculated separately based on the net amount of the accounting entries for the current year.

Receivables over \$100.00 but less than \$3,000.00 that were previously reserved

Scenario 5 – Writing off reserve for doubtful accounts of 3,000.00 or less

The entry to write off the reserve for doubtful accounts that was recorded in a prior year would be:

Debit	Reserve for Doubtful Accounts (337082)
Credit	Accounts Receivable

When money is collected for a receivable that was written off in a prior year, the entry in PeopleSoft would be:

Debit	Cash
Credit	The appropriate current year revenue account.