

ADMINISTRATIVE PROCEDURES OF THE MILWAUKEE PUBLIC SCHOOLS

ADMINISTRATIVE PROCEDURE 3.06 (12) WRITE - OFF OF UNCOLLECTIBLE ACCOUNTS

The following procedures are to be followed to designate a receivable account as uncollectible and to remove such accounts from the general ledger accounts for financial reporting purposes.

(1) GENERAL

(a) Accounts receivable are current assets on the balance sheet that represent an amount owed to the district.

(b) An account is considered to be uncollectible when it meets one of the following criteria:

1. all reasonable collection efforts have been exhausted;
2. the cost of further collection action will exceed the amount recoverable;
3. the debt is legally without merit or cannot be substantiated by evidence;
4. the debtor cannot be located;
5. the available assets or income, current or anticipated, that may be available for payment of the debt are insufficient;
6. the debt has been discharged in bankruptcy;
7. the applicable statute of limitations for collection of the debt has expired; or
8. it is not in the public interest to pursue collection of debt.

(c) A determination that debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt, except under criteria 3 and 6, above.

(d) All accounts deemed uncollectible shall be written off prior to fiscal year end. Accounts that are deemed uncollectible may be written off periodically during the fiscal year if it is deemed necessary to do so.

(e) Before an account can be considered for write-off due to uncollectibility, all appropriate and cost-effective actions to aggressively manage the accounts-receivable assets should be followed. The management function consists of:

1. establishing the receivable;
2. billing the customer;
3. collecting, analyzing, and aging outstanding receivables;
4. providing for uncollectible accounts;
5. ascertaining that the district does not currently have any amounts due to the vendor or individual, whether arising from a vendor relationship, former employee relationship, or otherwise; and
6. maintenance of a detailed listing of customer accounts to be written off, along with the appropriate supporting documentation.

(f) The Office of Finance is authorized to determine if an account is uncollectible and to write off the associated debt. The Chief Financial Officer authorizes accounts receivable write-offs as follows:

1. Comptroller — individual accounts up to \$5,000
2. Chief Financial Officer — individual accounts greater than \$5,000

(g) A report of individual accounts written off in the amount of \$25,000 or more shall be presented as part of the monthly financial report to the Board. The Financial Services department will maintain records of all accounts written off.

(h) The Office of Finance will accept payment for accounts receivable previously written off.

(i) For vendors or individuals for whom accounts that were declared uncollectible and written off, efforts should be made so that restitution is received or agreed to before consideration for future business relationships or employment with the district.

(j) Federal and state laws take precedence where conflicts exist.

(2) SCHOOL NUTRITION SERVICES — EXCEPTION

(a) Bad-debt expenditures are unallowable costs for federal programs.

(b) DPI requires that, if a district writes off any uncollectible accounts related to students in schools nutrition services (Fund 50) which relate to prior fiscal periods, it must record an operating transfer from the general fund (Fund 10) to school nutrition services (Fund 50) in the amount of the bad debt.

(c) If the district records a bad debt related to meals served in the current fiscal period, it should simply abate the uncollectible portion against the related revenue account, with no operating transfer being required.

History: Adopted 08-25-2016
Cross Ref.: Admin. Policy 3.06 Fiscal Accounting and Reporting

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