**Bad/Delinquent Debt Management Policy**

**Purpose:** To establish procedures for managing unpaid meal charges and delinquent debt to ensure that bad debt is not paid for with food service funds in accordance with the NSLP guidelines.

**Scope:** This policy applies to all school food authorities (SFAs) participating in the NSLP.

**Policy Statement:** SFAs must make reasonable efforts to collect unpaid meal charges classified as delinquent debt. The cost of these efforts is an allowable use of NSFSA funds. [However, once a debt is determined to be uncollectable, it must be reclassified as bad debt and cannot be paid for with NSFSA funds1](https://www.fns.usda.gov/cn/unpaid-meal-charges-clarification-collection-delinquent-meal-payments).

**Procedures:**

1. **Identification of Delinquent Debt:**
	* Unpaid meal charges will be considered delinquent debt when payment is overdue.
	* SFAs will maintain records of all delinquent accounts and efforts made to collect the debt.
2. **Collection Efforts:**
	* SFAs will make reasonable efforts to collect delinquent debt, including sending reminders to parents/guardians and setting up payment plans.
	* The cost of collection efforts is an allowable use of NSFSA funds.
3. **Reclassification as Bad Debt:**
	* If collection efforts fail and the debt is deemed uncollectable, it will be reclassified as bad debt.
	* Bad debt must be written off as an expense from non-federal sources, such as the general fund of the LEA.
4. **Non-Use of NSFSA Funds:**
	* NSFSA funds will not be used to cover any costs associated with bad debt.
	* Any recovered funds from previously written-off bad debt will accrue to the general fund, not the NSFSA.
5. **Record Keeping:**
	* SFAs will maintain documentation of all efforts to collect unpaid meal charges and the process for writing off bad debt.
	* Records will be retained in accordance with state and local record retention policies.
6. **Annual Review:**
	* This policy will be reviewed annually to ensure compliance with federal regulations and to make necessary adjustments based on the SFA’s experience.

**Effective Date:** This policy is effective as of April 15, 2024 and will be communicated to all stakeholders involved in the NSLP.