



Write Off Accounts Receivable

Lawrence Berkeley
National Laboratory

Financial Policies and Procedures

Part II

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Primary contact:	Manager, Accounts Receivable

Summary

A write off of an accounts receivable is an accounting procedure removing balances from the accounts of record in order to accurately portray the records' true economic value on the balance sheet. This policy applies to write offs under or over recovery of non-Department of Energy (DOE) agreements and employee bad debts. Additionally, in order to limit the write-off activity, the Accounts Receivable Department (AR) aggressively takes collection actions to resolve all delinquent debt.

Policy

This policy applies to the following types of non-DOE agreements:

- Federal Work for Others (WFO) awards
- Non-federal WFO awards with the exception of State of California
- Cooperative Research and Development Agreements (CRADAs)
- User agreements
- Receivables due from employees (salary overpayment)

An exception to the process, are refunds for State of California. If there are remaining advances or overpayments, the State of California, including University of California (UC), requires refunds. Some federal agencies reject refunds, via IPAC, if the expired awards are closed. Refunds are written off to miscellaneous revenue, type fund 58.

This policy conforms to the [DOE Accounting Handbook, Chapter 8, Receivables](#) and the [DOE Contract 31, Contract Clauses, Clause I.102](#).

The AR Department reviews the aging reports, allowance for doubtful accounts, WFO funding and cost reports, and the unbilled account on a regular basis. The AR Department analyzes for allowability and materiality. Initiates write offs considered uncollectible and/or for amounts considered immaterial.

Uncollectible accounts receivable and an excess of costs over income are unallowable. All amounts are written off when approved per the criteria noted in chart below. When an entry is made to the allowance for doubtful accounts, there must be appropriate supporting documentation (e.g., UC approval, invoices).

Any uncollectible receivables over \$50 are submitted to UC for approval. It is not necessary to request formal approval from UC when writing off immaterial balances (less than or equal to \$50). Upon UC approval, reimbursement is processed, via pre-fee deduction, for costs incurred in current fiscal year. For costs incurred in prior fiscal years, UC wires the payment to the Laboratory.

Procedures

Roles and Responsibilities

Write off Billed Receivables – Non-DOE Agreements

Approval criteria	Receivables over \$50 – Debit (unallowable)	Receivables under \$50 – Debit (unallowable)	Receivable/ Advance under \$50 - Credit (Refund)	Unbilled under \$50 – Debit(unallowable)/ Credit
Federal/Non-Federal/CRADA /User agreement	UC approval	UC blanket approval	n/a	Debit – UC blanket approval
Employee	UC approval	UC blanket approval	n/a	n/a

For Billed Receivables over \$50:

A write off may occur when the AR Department determines that the chance of collecting the debt is minimal or less than 50 percent. The debt must have been transferred to the Department of Treasury for collection. Federal and UC debts cannot be transferred to the Department of Treasury.

Accounts Receivable

- Reviews, on a regular basis, the aging report and determines the uncollectible receivables
- Prepares a letter of disclosure and approval to the UC. The letter should clearly state:
 - Amount
 - Circumstance for declaring item an unallowable bad debt
 - Corrective action plan to ensure a repeat does not occur

- Submits letter to Controller for signature and approval
- Reserves the debt in the allowance account upon authorization by the UC
- Notifies General Accounting

General Accounting

- Processes reimbursement, via pre-fee deduction, upon UC approval for cost incurred in current fiscal year, or applies reimbursement against the project for cost incurred in prior fiscal years

For Billed Receivables under \$50:

Immaterial amounts remaining on receivables are aggregated for write off on a periodic basis.

Accounts Receivable

- Reviews, periodically, the aging report to determine the immaterial receivable balances
- Submits request to UC for reimbursement and provides a summary disclosure
- Notifies General Accounting

General Accounting

- Processes reimbursement, via pre-fee deduction, upon UC approval for cost incurred in current fiscal year, or applies reimbursement against the project for cost incurred in prior fiscal years

For Write offs on refunds under \$50:

Upon completion of the project, there is a reconciliation of total costs incurred to total payment. Any remaining advance or overpayment is returned to the sponsor. If the sponsor waives the refund, refunds are offset to UC funds.

Accounts Receivable

- Contacts the sponsor for the low dollar refund. If the sponsor does not respond in 30 days, a refund is offset to UC funds. However, if a sponsor claims the refund after 30 days, a refund is still issued even though the refund was previously written off

For Write offs unbilled cost under \$50:

Unbilled costs are the results of: costs incurred beyond period of performance; costs in

excess of the agreement value; credit costs re-allocated to the project; and/or the award in negative cash position. On a monthly basis, unbilled costs are charged to an unbilled receivable account until the divisions prepare a resource adjustment to offset the costs or notify AR to invoice the costs. On a periodic basis, low dollar unbilled costs are aggregated for write off.

Accounts Receivable

- Reviews, periodically, the WFO funding and cost reports to determine the low dollar unbilled cost for the expired awards
- Submits request to UC for reimbursement and provides a summary disclosure
- Notifies General Accounting

General Accounting

- Processes reimbursement, via pre-fee deduction, upon UC approval for costs incurred in current fiscal year, or applies reimbursement against the project for cost incurred in prior fiscal years

Authority

- [DOE Accounting Handbook, Chapter 8, Receivables](#)
- [OMB Circular A-129 provides that Federal agencies write-off delinquent debt over two years old](#)
- [DOE Contract 31, Contract Clauses, Clause I.102-DEAR 970.5232-2 Payments & Advances \(12/02\)](#)
- [Federal Acquisition Regulation, FAR31.205-3, Bad Debts](#)

Contacts

- Manager, Accounts Receivable
- Manager, General Accounting
- Controller

Related documents

- [OCFO Financial Policy, Allowance for Doubtful Accounts](#)

Glossary

- **Work for Others:** Work for non-DOE entities performed by DOE/contractor personnel and/or utilize DOE facilities and are not directly funded by DOE appropriations. Work is in accordance with DOE Order 481.1C.
- **Cooperative Research and Development Agreements (CRADAs):** An agreement entered into between the University of California, as operator of the Laboratory, and one or more participants including at least one non-federal party under which the government, through the Laboratory, provides personnel services, facilities, equipment or other resources with or without reimbursement towards the conduct of specified research or development efforts that are consistent with the mission of the Laboratory. The Laboratory is precluded from contributing funds to other sponsors in support of a CRADA.
- **Over Recovery:** Credit balance created by payments exceeding invoice costs.
- **Under Recovery:** *Debit balance created by costs exceeding funding.*
- **Pre-fee deduction:** This method of payment may only be used for costs which cannot be incurred on government funds. Deductions may be made only with the appropriate approvals and documentation. Approved costs are paid with funds which would otherwise have been paid to the University as part of the monthly fee payment.
- **User Agreements:** Any DOE facility, including associated equipment and instruments, officially designated as either a national research facility or locally designated user facility. At the Laboratory, designated research facilities are: Advance Light Source (ALS), National Center for Electron Microscope (NCEM), the Molecular Foundry, National Energy Research Scientific Computing Center (NERSC) and the Joint Genome Institute (JGI). The 88 Cyclotron is a locally designated User facility.