

ACCOUNTING PROCEDURE

TOPIC: Section 4--Receivables 6.0	EFFECTIVE DATE: 12/5/94
TITLE: Write-off of Accounts Receivable	REVISION DATE: 9/1/99
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**POLICY**

The write-off of receivables will be approved when the minimum standard of collection outlined in [Receivables 2.0 \(Debt Collection Policies\)](#) has not resulted in payment of the debt.

Unless the Bureau of Fiscal Services (BFS) has approved in writing an alternative bad debt and write-off policy, the following procedures apply to all divisions and institutions.

**PROCEDURES**

1. **Write-off Authority.** In all cases, write-off's of accounts receivable must be approved in writing by someone in authority not directly involved with either the billing or collection cycles. For write-offs of \$250.00 or more, recommendations for write-off's should be approved by the Management Director. Adequate documentation should be available for the Management Director's review, and a copy of an approval letter should accompany journal voucher writing off the receivable.
2. **Receivables less than \$100.00.** Amounts not to exceed \$100 may be written off at the institution or division level, provided all collection efforts were completed satisfactorily and timely. When an individual or business has had more than one outstanding invoice of less than \$100.00, the appropriate collection efforts will be for the total amount owed, not the amount of each individual invoice.
3. **Receivables between \$100.00 and \$1,000.00.** Accounts of \$100 but less than \$1,000 may be written off by the Bureau of Fiscal Services **when returned to the organization as uncollectible by a collection agency.** As documentation, attach the collection agency's return report to the journal voucher writing off the receivable and submit the journal voucher directly to the appropriate Lead Accountant. Approval of write-off's of accounts of \$100 but less than \$1,000 is required by the Director, Bureau of Fiscal Services, or designee.
4. **Receivables of \$1,000.00 or more.** In compliance with *DOA External Accounting Manual*, all accounts of \$1,000 or more must be approved for write-off by the State Controller's Office (SCO).
5. **Special Circumstances.** Generally, receivables will be written off in accordance with the procedures in #2 through #4 above. However, there

are special circumstances that require additional efforts and/or documentation.

- a. **Address Unknown.** Commonly, collection letters will be returned by the post office as "address unknown." Unknown addresses are **not** a valid reason for write-off unless the receivable is less than \$100.00.

Receivables of \$50.00 or less may be written off when documented by a return envelope. For receivables between \$100.00 and \$1,000.00, return by a collection agency as "hopeless skip" is adequate documentation. For receivables of \$1,000.00 and greater, divisions or institutions should provide documentation of any additional attempt to locate the individual or business by following up on all leads. Generally, referrals to the Department of Justice should not be made if no address can be determined, and the collection agency has returned the receivable as a "hopeless skip."

- b. **Estates.** Whenever possible, action should be taken to recover monies due from estates. In the event of a deceased individual, if the receivable is not paid within thirty days, immediate referral to the Office of Legal Counsel (OLC) is required. Any write-off of amounts due from deceased individuals should be accompanied by evidence of death and/or the results of the OLC referral.
- c. **Bankruptcy and Other Legal Issues.** Any indication or bankruptcy, business reorganizations, or other legal issue requires prompt referral to OLC. Proposed write-offs for an individual's bankruptcy should be documented by the final bankruptcy notice whenever possible. Any proposed write-off regarding sales or dissolutions of a business requires OLC referral and documentation of follow up on all leads.
- d. **Economic or Personal Hardship.** In rare circumstances, economic or personal hardship may be justification for write-off. BFS will approve such write-offs only with appropriate documentation of the hardship and generally after referral to a collection agency. Hardship usually includes extremely limited income, permanently disabling medical conditions, or large uninsured medical bills. Temporary hardships are not adequate justification for write-off.

6. **Report to DOA.** For receivables not recorded in ARS, DOA requires a quarterly report of the total amount written off and a detail listing of any amount greater than \$500 which was written off in the current quarter. Divisions and institutions may meet this requirement by completing Attachment 1 to **Receivables 5.0**, e.g., "Total Written off" **and** by detailing, on Attachment 1, any receivable of \$500 or more that was written off in the current quarter (or by attaching a list of receivables to Attachment 1).

**REFERENCES**

*DOA External Accounting Manual V, G*

**RECEIVABLES 2.0 (Debt Collection Policies)**

**RECEIVABLES 5.0 (Accounts Receivable Aging Reports)**

**CONTACT PERSON**

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