




King County

Title <b>Write-Off of Uncollectible Accounts Receivable</b>	Document Code No. FIN 11-3-1 (AP)
Department/Issuing Agency DES / FBOD / Financial Management Services Section	Date 1/02/2011
Approved <div style="text-align: right; margin-right: 100px;">  </div> Dow Constantine	

1.0 SUBJECT TITLE: Write-Off of Uncollectible Accounts Receivable

1.1 EFFECTIVE DATE: 10 days after signed by Executive.

1.2 TYPE OF ACTION: SUPERSEDING FIN 11-3 (AP), December 1, 1990.

1.3 KEY WORDS: (1) Administrative Policies and Procedures, (2) Accounts Receivable, (3) Aged Trial Balance, (4) Write-off

2.0 PURPOSE:

2.1 BACKGROUND:

Various King County departments have non-tax accounts receivable resulting from their operations. Some of these receivables become uncollectible after a period of time, or an event. When the County determines that a receivable is uncollectible, the receivable is written off for accounting purposes, which does not constitute a forgiveness of debt.

Some situations which may result in writing-off uncollectible receivables include:

2.1.1 Accounts receivable submitted to a collection agency are returned to the county as uncollectible.

2.1.2 Litigation losses involving accounts receivable.

2.1.3 Receiving notification from the bankruptcy court that a debtor has filed for bankruptcy and that collection of the debt is remote.

2.1.4 Advised by the Prosecuting Attorney's Office that it would not be productive to sue a debtor.

## 2.2 PURPOSE:

To establish uniform guidelines for determining which delinquent accounts receivable should be considered a bad debt and written off. Also, to provide a fair representation of accounts receivable in King County's financial statements.

## 3.0 ORGANIZATIONS AFFECTED:

All County agencies involved with non-tax receivables.

## 4.0 REFERENCES:

- 4.1 Administrative Policy/Procedure FIN 11-2-1 (AP), "Provision for Estimated Uncollectible Accounts Receivable".
- 4.2 "GAAP": Generally Accepted Accounting Principles promulgated by both the Governmental Accounting Standards Board and the Financial Accounting Standards Board.
- 4.3 State of Washington Office of Financial Management Policy 85.54.55 "Uncollectable receivables."

## 5.0 DEFINITIONS:

- 5.1 "Accounts Receivable": This includes all non-tax debt owed to King County by the private sector and by other governments.
- 5.2 "Aged Trial Balance of Accounts Receivable": A schedule classifying the balances of all accounts receivables according to varying lengths of time the accounts are past due.
- 5.3 "FMS" – Financial Management Section of the Finance and Business Operations Division.
- 5.4 "Accounts Receivable" – Group within FMS managing accounts receivable.

## 6.0 POLICIES:

- 6.1 County agencies with non-tax receivables shall comply with these policies and procedures in order to ensure accounts receivable balances are stated in accordance with Generally Accepted Accounting Principles for presentation in the King County's financial statements.

County agencies shall prepare and review an Aged Trial Balance of their accounts receivable monthly and at year end to determine if any delinquent receivables should be

written off as bad debt. This review shall be completed and recorded at least annually, but prior to the yearend closing. All agencies shall adhere to Policy/Procedure FIN 11-2-1 (AP).

- 6.2 County agencies shall send their requests to write-off receivables as bad debt to the Chief Accountant, FMS. The request shall be supported by sufficient evidence of uncollectibility, described below.
  - 6.2.1 For write-off requests up to \$100, sufficient evidence of uncollectibility shall include records of telephone calls, copies of correspondence between the agency and the debtor, or record of a collection agency's inability to collect the debt.
  - 6.2.2 For accounts over \$100 but less than \$1,000, sufficient evidence would include copies of documents indicating court action (whether small claims or district court), or justification for an absence of court action, or attempts by a collection agency to collect on the debt.
- 6.3 For accounts \$1,000 and more, evidence of concurring opinion from the Office of the Prosecuting Attorney must exist indicating that all available and lawful means by which the debt may be collected have been pursued. A statement to this effect from the Deputy Prosecuting Attorney will suffice.
- 6.4 A write-off of uncollectible accounts receivable from the County's accounting records does not constitute forgiveness of the debt. The debt is owed to the County.
- 6.5 County agencies shall maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

## 7.0 PROCEDURES:

Action By: Agency

Action:

- 7.1 Prepare and review, monthly, and at least annually at year-end, an aged trial balance of accounts receivable in accordance with Policy/Procedure FIN 11-2-1 (AEP).
- 7.2 Monthly, and at least annually evaluate the delinquent accounts receivables to determine if any of them should be written off as bad debt.
- 7.3 Determine if appropriate and adequate attempts have been made to collect the receivables.
- 7.4 Account receivable balances of \$1,000 or more-Write a request to the Chief Accountant, FMS, to request approval for the write-off of uncollectable accounts receivable. At the very minimum, the request should contain the following information:

- 7.4.1 Account description such as name, service date, amount, invoice number (where applicable), length of delinquency and so on.
  - 7.4.2 Justification for the write-off request and evidence of collection efforts made as outlined in Section 6.0 "Policies".
  - 7.4.3 Origination of the debt or type of service rendered
  - 7.4.4 Attach supporting documentation as applicable in accordance with Section 6.0 "Policies".
  - 7.4.5 The Chief Financial Officer/designee of the department signs the request and forwards it along with the documentation to the PAO.
- 7.5 Account receivable balances less than \$1,000-Write a request to the Chief Accountant, FMS, to request the write-off of uncollectable accounts receivable. At the very minimum, the request should contain the following information:
- 7.5.1 Account description such as name, service date, amount, invoice number (where applicable), length of delinquency and so on.
  - 7.5.2 Justification for the write-off request and evidence of collection efforts made as outlined in Section 6.0 "Policies".
  - 7.5.3 Origination of the debt or type of service rendered.
  - 7.5.4 Attach supporting documentation as applicable in accordance with Section 6.0 "Policies".
  - 7.5.5 The Chief Financial Officer/designee of the department signs the request and forwards it along with the documentation to the Chief Accountant, FMS.
- 7.6 Maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

Action By: Deputy Prosecuting Attorney

Action:

- 7.7 Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.
- 7.8 Prepare a statement indicating that all available and lawful means by which the debt may be collected have been pursued.
- 7.9 Sign the statement and forward along with the Agency request to the Chief Accountant, FMS.

Action By: FMS

Action:

- 7.10 Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.
- 7.11 Return the request for additional supporting documentation if needed.
- 7.12 Process the appropriate general journal entries.
- 7.13 Forward a copy of the Deputy Prosecuting Attorney's statement to the requesting agency.

8.0 RESPONSIBILITIES:

- 8.1 Department Directors are responsible for ensuring that all the provisions of this policy/procedure are met.
- 8.2 Agency is responsible for reviewing delinquent accounts receivable, determining items to be written-off, preparing and submitting the necessary documentation to FMS and PAO, and maintaining records of all accounts written-off in accordance with Federal and/or State records retention rules.
- 8.3 FMS is responsible for reviewing the requests from agencies, evaluating the reasonableness of the write-offs less than \$1,000, and approving/processing those deemed appropriate. FMS will also advise county agencies of the PAO's authorization of write-offs in excess of \$1,000.
- 8.4 Deputy Prosecuting Attorney is responsible for reviewing the requests from agencies, evaluating and approving write-offs of \$1,000 or more and notifying FMS for appropriate action.

9.0 APPENDICES:

None

