



Write-Offs on Sponsored Programs

1. Overview

Write-offs are necessary to realign current assets on the university's balance sheet. These actions give a better picture of the university's fiscal health.

2. Purpose

These procedures will provide guidelines when considering an award for a write-off and how to prepare the package for senior management. The framework will include criteria necessary to make the decision, steps to validate the total bad debt amount, the elements to include in the write-off package, and monitoring steps after an award is written-off.

3. Who Must Comply

Departmental Administrators
Principal Investigators (PI)
Research Financial Services
Research & Sponsored Programs

4. Definitions

NOA – *Notice of award*. This document is the main agreement between the university and the sponsor. It contains the three elements of a project: scope, duration, and budget. It may also include appendices outlining terms and conditions on expenses and billing if applicable.

Accounts receivable – Any money or in-kind contribution owed to the university for appropriate costs incurred related to an award that has yet to be recovered by the university.

Past due receivable – A past due receivable is a balance unpaid by a sponsor beyond the initial due date established in the NOA or contract.

Bad debt – It is a debt that the university has considered unrecoverable.

F&A – This is *Facilities and Administrative Costs*, aka Indirect Costs or Overhead. These are costs that are not directly related to a project; therefore, they should not be in the write-off amount.

Natural accounts – Natural accounts are also general ledger accounts which are bookkeeping ledgers

Write-off – A write-off is an accounting action that removes an asset while debiting a liability account. The primary use of write-offs in RFS will be to clear receivable balances owed on awards in the sub-ledgers

5. Procedure

A write-off is the last stage of the accounts receivable collection process for awards that are past due. Before reaching this stage, RFS personnel must follow a collection process to obtain payment from the sponsor. This process includes:

- Follow-up emails on monthly invoices sent to sponsors
- Outreach emails and phone calls to sponsor contacts by RFS
- Using the assistance of departmental administrators and PIs as contacts to the sponsor for collection purposes
- Debt letters sent using email to the sponsors

RFS will track the award and the receivable balance using the AR Billed Aging report from Oracle (PJ 099). If the debt remains open after nine months (270 days), a write-off may become necessary to remove the debt from the books.

At any point in the process, the sponsor can contact the university and communicate they will not satisfy the debt owed. There are three possible reasons for a sponsor not to pay a receivable:

- An error by RFS – Examples of fault by RFS:
 - *Not sending an invoice in a specified time*
 - *Billing for costs not allowed by the sponsor (e.g., foreign travel)*
- An error by PI/Department Administrators – Examples of failure by the department:
 - *Incomplete reporting or reports missing to sponsor*
 - *Not completing all requirements for the scope of the project*
 - *Failed to provide information to RFS accountants on time*
- An issue with the sponsor – Examples by the sponsor:
 - *Bankruptcy*
 - *Unwillingness to pay*
 - *Sponsor contact information on record invalid and no public records available*

When this occurs, the debt is considered uncollectable, and the university should stop the collection process and work with the sponsor for an amicable solution. If the sponsor is unwilling to work with the university or the sponsor cannot work with the university, RFS should write-off the award.

If the fault is by RFS, the write-off receivables will go against the university's bad debt reserve account, 14280 – Allowance for Doubtful Accounts. A write-off package must accompany the write-off journal entry.

If the Department Administrators or the PI's are at fault, RFS will charge a departmental account the final receivable balance. Departmental accounts can include the 10.5% F&A cost return account, any department or PI special F&A cost return account not designated for a specific purpose, or any other unrestricted account. A support memo must accompany the journal entry.

If a sponsor cannot pay a receivable balance through no fault of their own (e.g., bankruptcy), the university should write-off the debt against the university's bad debt reserve. A support memo must accompany the write-off journal entry.

To determine the exact receivable amount for the write-off, the RFS accountant must do a full reconciliation. The accountant will finalize all expenses and settle the budget, bringing the award to a point where the last piece would be a presumed payment to clear the receivable balance. This amount is a final receivable balance.

**Please note, this step is not valid if the receivable to be written-off occurs during an award's project period. In such a case, the accountant will communicate with department personnel to ensure the invoices' expenses are accurate for the write-off memo and journal entry.

The final receivable balance contains both direct and indirect costs, if applicable. The F&A portion of the balance will not be written-off. The AR Manager will calculate the indirect part of the final balance and provide it to the accountant. The accountant will process a separate journal entry for only the F&A portion after the write-off is complete. The JE will have a separate support memo.

The write-off support memo should consist of five parts:

- Sponsor name
- Write-off amount (total, direct, F&A)
- Cause of issue
- Action steps taken
- Appropriate signature authorizations

Along with the supporting memo should be back-up documentation. Examples of back-up documents:

- NOA cover page plus section indicating billing and payment terms
- Unpaid invoice(s)
- Email correspondence to/from sponsor
- Bankruptcy notice

Active monitoring will continue every quarter for awards written-off to the university's bad debt reserve account. If the university recovers part or all of the monies, RFS will reverse the write-off proportionally.

RFS will provide quarterly a listing of sponsors with write-offs and their balances owed to Research and Sponsored Programs. RSP will analyze accounts written off for non-payment when evaluating new awards from the sponsor. Sponsors with a history of write-offs with the university may need to settle their debts in part or in full before engaging in new business.

6. Responsibilities

Research Financial Services

- Ensure RFS personnel followed all collections processes before considering write-off
- Act as liaison between sponsor and department to reach an amicable agreement and avoid write-off
- AR Manager to create the write-off support memo for the JE

- Create the JE for processing
 - If against the department, use an account supplied by the department administrator
 - If against the university, use the correct bad debt reserve account and only write-off direct costs. If there are F&A costs, the award's accountant must create a JE and charge the F&A portion back to the department

Departmental Administrators

- Help facilitate an amicable solution to a collections matter to avoid the write-off
- Work with RFS accountant to settle award to final receivable balance
- Support RFS with any essential documents necessary for the write-off package

Research & Sponsored Programs

- Monitor sponsors with awards in the pipeline to ensure they do not owe a bad debt to the university
- Alert RFS of a sponsor with a write-off on file and is attempting to back a new agreement.

7. Resources

Related Procedures

AR Management