



**Uncollectible Accounts**

Policy Area: <b>Accounts Receivable</b>	Effective Date: <b>07/01/1995</b>
Policy Sub Area: <b>NA</b>	Last Revision Date: <b>NA</b>
Authority: <b>G. S. 147-86.21</b>	Policy Owner/Division: <b>Statewide Accounting</b>

**Policy**

- Write-off of Uncollectible Accounts

Accounts should be written off an agency's financial accounting records when all collection procedures, including those required by the Office of the Attorney General (OAG), have been conducted without results and management deems the accounts uncollectible. Accounts due from individuals or vendors must be submitted to the Department of Revenue for setoff debt proceedings at least once prior to write off. (For further details, see Subsection 350, Debt Setoff Programs.) After write off, these accounts shall continue to be submitted to the Department of Revenue for debt setoff proceedings.

Agencies are not required to obtain approval from the OAG to write off uncollectible accounts. However, OSC requires that the reasons for writing off an account and compliance with the agency's write-off policy must be adequately documented. Such documentation must be readily available for audit.

Interagency receivables cannot be written off without the approval of the Office of the State Controller. If an agency is unable to collect receivables from another state agency, the agency should contact OSC's Statewide Accounts Receivable Management Unit for assistance. The Controller has the authority to process the interagency transactions that he/she considers necessary under the circumstances.

Federally sponsored student loans should be written off and no longer considered a debt of the agency when assigned to the U.S. Department of Education or other applicable federal agency.

- Accounting for Receivables Written Off

Uncollectible accounts may be written off of an agency's financial accounting records and no longer recognized as collectible receivables for financial reporting purposes, but the legal obligation to pay the debts still remains. Accounts written off remain debts to the agency until discharged by the Office of the Attorney General or collected.

**Procedures**

To account for uncollectible receivables

- For any uncollectible receivable of more than \$25.00 that has been written off, a summary level record of the accounts sufficient to substantiate the debt is to be retained indefinitely or until the debt has been collected or discharged. For uncollectible receivables of \$25.00 or less that have been written off, such records must be retained for two years.
- A record of accounts written off must be maintained and reported to the OSC when requested.
- If an account is determined to be an indigent care account or a contractual adjustment, the account is no longer classified as a receivable/debt of the agency and, therefore, the procedures to account for uncollectible receivables do not apply. Agencies should adhere to applicable indigent care regulations.

**Accounting Guidance**

NA

**Related Documents (Memos/Forms)**

NA

**Revision History**

Date	Description
NA	