Statewide Accounting Policy & Procedure

Accounting Manual Reference: Section: Accounts Receivable Management Sub-section: Process to Write-off Receivables	**Effective Date:** 04/04/2011 **Revision Date:** 03/24/2011

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Policy Summary:

In 2005, the Commission for a New Georgia Receivables Task Force studied the State's policies and practices for recording and collecting overdue accounts and made recommendations for improving the State's ability to collect the monies it is owed in a timely and efficient manner. This policy is in response to these recommendations and is aimed at standardizing the statewide write off process for delinquent and uncollectible accounts.

The OCGA provides that all State agencies and departments, in order to preserve public funds, are authorized to develop appropriate standards that comply with the policies prescribed by the State Accounting Officer [OCGA 50-16-18 (b)].

Additionally, SAO has statutory responsibility under Title 50 of the Georgia Code (chapter 5B) "to develop processes and systems to improve accountability and enhance collection of accounts receivable due to the State" and "develop guidelines to allow uncollectible debts to be removed from active collection processes" [OCGA 50-5B-3(10)].

Business Process Policy Requirements:

Receivables are financial claims against customers for services, products, fines, loans, taxes and other assessments, for which payment has not been received. Examples include:

Taxes	Tuition	Overpayments
Fines & Penalties	Restitution	Judgments
Reimbursements	Assessments	NSF Checks
Child Support	Loans (all types)	Breach of Contract

Procedures for writing off a receivable – To demonstrate compliance with the OCGA regulations concerning the write-off of uncollectible accounts receivable, State of Georgia organizations must abide by the following guidelines:

- State organizations must take all appropriate and cost-effective actions to aggressively manage their accounts receivable assets. The management function consists of:

  - Establishing the receivable,
  - Billing the customer,
  - Collecting, analyzing and aging outstanding receivables, and
  - Providing for uncollectible accounts.

- Management at each State organization must ensure firm, fair and consistent collection steps in accordance with the Georgia code and this policy.

- Federal and State laws take precedence over this policy where conflict exists.

- Management at each State organization must determine when a debt is considered uncollectible, keeping in mind that concluding that a debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt. A debt may be considered to be uncollectible when it meets one of the following criteria:

  - All reasonable collection efforts have been exhausted.
  - The cost of further collection action will exceed the amount recoverable.
  - The debt is legally without merit or cannot be substantiated by evidence.
  - The debtor cannot be located.
  - The available assets or income, current or anticipated, that may be available for payment of the debt are insufficient.
  - The debt was discharged in bankruptcy.
  - The applicable statute of limitations for collection of the debt has expired.
  - It is not in the public financial interest to pursue collection of the debt.

- Debts exceeding $100 must remain on a State organization's books unless the debt is forgiven through the legislative process. State organizations may therefore not write off debts exceeding $100 per obligor (OCGA 50-16-18). An account (145xxx – Receivables Past Due) has been established where State organizations can segregate these receivables that are considered uncollectible, but which may not be removed from the organization's books. By utilizing this account, an organization can identify and segregate those receivables that are not being actively managed from those that are.

- Except as noted below, debts of $100 or any lesser amount may be written off ONLY in accordance with the requirements of OCGA 50-16-18, which includes the following statements:

  - In those instances where the commissioner makes a determination that further collection efforts would be detrimental to the public's financial interest, a certificate reflecting this determination shall be executed, and this certificate shall serve as the authority to remove such uncollectible accounts from the financial records of such State agency or department.
  - Such certificates shall be forwarded to the State Accounting Officer in a manner and at such times as are reflected in the standards developed by the State Accounting Officer and the State agency or department.

- In the case of debts owed to the institutions of the Board of Regents of the University System of Georgia or the Technical College System of Georgia (TCSG), the legal write-off limit is $3000, reduced to $100 effective July 1, 2013 (OCGA 50-16-18).

- In the case of debts owed to the health insurance funds, the legal write-off limit is $400 or less. In addition to the due diligence documentation described below, write-offs of debts owed to health insurance funds shall include a certification under oath or affirmation that further collection would be detrimental to the financial interests of the fund (OCGA 20-2-896, 20-2-294, 45-18-18).

- In the case of debt owed to the Department of Labor by a former employer who is no longer in business in the State of Georgia, the legal write-off limit is $300 or less. The request for approval to write off a receivable shall in addition include a certification under oath or affirmation that further collection would be detrimental to the financial interest of the State (OCGA 34-2-6b).

- The State Revenue Commissioner may certify the write-off of any debt or obligation when its collection, regardless of amount, is barred by the applicable statute of limitations (OCGA 48-3-23.1)

- A write-off certificate must accompany every write-off list (spreadsheet) and both documents must be executed in accordance with OCGA 50-16-18 or other applicable code section.

- The executed certificates and spreadsheets documenting due diligence review by State organizations shall be forwarded to SAO on a quarterly basis. If there are no accounts to write-off in a quarter, the organization does not need to submit a write-off certificate or spreadsheet to SAO. SAO will confirm receipt in writing. The certificates shall cover the full amounts of write-offs and shall serve as the authority to remove the uncollectible accounts from the financial records of the State organization (OCGA 50-16-18).

Accounting Treatment:
Refer to the *Revenues and Receivables* section of the Accounting Policy Manual for accounting guidance related to writing off accounts receivable.

Authority:
- OCGA 20-2-896, *Health Insurance Plans, Plan for Public School Teachers, Administrative discharge of certain debts*
- OCGA 20-2-924, *Health Insurance Plans, Plan for Public School Employees, Administrative discharge of certain debts*
- OCGA 34-2-6, *Department of Labor, Specific powers and duties of Commissioner*
- OCGA 45-18-18, *State Employees' Health Insurance Plan, Discharge of certain debts or obligations due health insurance fund*
- OCGA 48-3-23.1, *Revenue and Taxation, Authorization for commissioner to develop standards which will provide a mechanism to discharge debts or obligations barred by the statute of limitations*
- OCGA 50-5B-3, *State Accounting Office, Duties of the state accounting officer; recommendations for improving cash management practices; implementing policies*
- OCGA 50-16-18, *State Government, General Provisions, Writing off small amounts due to state*

Applicability:
This policy applies to all organizations of State government meaning, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia.

Forms and Attachments:

Refer to the SAO website for sample templates of the write off certificate and write-off list (spreadsheet) to comply with the reporting requirement of OCGA 50-16-18:

- Reporting > Compliance Reporting > Accounts Receivable