Write-offs

Write-Offs

Write-offs are defined as costs that cannot be charged to or will not be reimbursed by a sponsor (award funding source). Write-offs can be the result of payroll prepayments, unallowable expenses, disallowed expenses, overexpenditures, or bad debt expenses. Write-offs need to be recorded, classified, and reported for management to comply with OMB 2 CFR Part 200 and for purposes of fairly stating the corporate annual financial statements. The RF "Responsibility of Losses Policy" should be followed for write-offs.

Central office has established a write-off project for each operating location. Write-offs should be charged to the campus project titled "Write-Off ###." (### = campus number) in a timely manner.

Payroll Overpayments

Although every effort should be made to ensure correct payments to employees, occasionally an employee is overpaid. Because the overpayment is usually a result of an error during the payment process,

- Reasons for overpayments should be examined to avoid recurrence of inaccuracy, and
- Every attempt should be made to recover overpayments from the employee.
  When employees are prepaid overpaid on a sponsored award, the charges should be removed in a timely manner. The campus Payroll Overpayment Account can be used as a holding account for the charges until the amounts are recovered from the employee. If it is deemed that the amounts are deemed uncollectible the charges should then be transferred to the campus write-off project.

Unallowable Expenditures

An expenditure is unallowable (or disallowed) when it is determined that it does not comply with sponsor guidelines and the sponsor will not reimburse the Research Foundation or will request a refund (if the sponsor has already paid the Foundation). Unallowable costs should be detected and removed from sponsored award and transferred to the write-off project timely manner.

If the disallowed expenditure is the result of a sponsor audit, forward a copy of the sponsor's audit report and any background information on the disallowed expenditure to the Central Office of Internal Audit and the Office of Sponsored Program Services.

Overexpenditures

Overexpenditures are expenditures that have exceeded amounts that have been authorized by a sponsor. Overexpenditures should be transferred to the write-off project in a timely manner.

Bad Debts

Bad debt expenditures may result when an operating location does not receive payment or receives a reduced payment from the sponsor, which results in expenditures exceeding cash receipts on an award. Reasons for these unfunded expenditures may include the sponsor's inability to pay because of a financial situation or the sponsor's unwillingness to pay based on the results or outcome of the deliverables. Unfunded expenditures, which occurred as the result of a bad debit, should be transferred to the write-off project in a timely manner using the expenditure type of OTR Bad Debt.

Funding the Write-Off Project

The operating location is required to fund the write-off project. The write-off project may be funded from RF Funded awards, multiple sponsor awards, or other funding as deemed appropriate by the operating location.

Reducing F&A for Write-Offs

Facilities and Administrative (F&A) costs may be reduced to cover overexpenditures or bad debts if deemed appropriate by the operating location. F&A should not be reduced for payroll prepayments or for unallowable expenditures as the direct costs should be transferred to the write-off project.

Sponsor Accounts Receivable

Amounts due from sponsors should be monitored and reviewed by decentralized operating locations and central office for centralized locations in accordance with Accounts Receivable procedures. Every effort should be made to resolve the accounts receivable (deficit balances) in a timely manner. Amounts deemed uncollectible should be written off in a timely manner.

Unallowable Expenditure Types

Unallowable expenditure types exist for OTPS expenditure categories (e.g., SUP Unallowable supplies, GNS Unallowable General Srvs). These expenditure types should be used when unallowable charges are incurred and are not charged to the write-off project. Operating locations may use the unallowable expenditure types when transferring charges to the write-off project if the charges are unallowable but they are not required for corporate classification or reporting purposes.

On or after December 26, 2014, 2 CFR Part 200 is effective and applies to all new awards issued. Funding awarded prior to this date and/or incremental funding may still be governed by OMB Circular A-110, A-21 or A-133, depending on the awarding agency's specific terms and conditions.

Change History

- **December 26, 2014** - Updated for reference to 2 CFR Part 200
- **June 7, 2011 -** Updated to change wording from overpayment to prepayment.
- **July 23, 2002** - Converted and updated from Accounting Manual AC-A-002 and AC-A-006 and from parts of AC-A-003, AC-A-004, AC-A-005.

Feedback
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