Accounts Receivable Write-offs

Brief

<table>
<thead>
<tr>
<th>Title</th>
<th>Accounts Receivable Write-offs</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

BRIEF

Policy Summary

This policy provides guidelines on Berkeley Lab write-offs of uncollectible accounts receivable. To limit write-off entries, Berkeley Lab aggressively takes collection actions to resolve all delinquent debt whenever it is possible and cost effective.

Who Should Read This Policy

All employees in the Office of the Chief Financial Officer (OCFO) and division business operations staff (including the principal investigator) responsible for receivables management and related write-offs

To Read the Full Policy, Go To:

The POLICY tab on this wiki page

Contact Information

Business & Disbursements Services Manager, OCFO
Lead Financial Policy and Assurance Analyst, OCFO

Policy

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</tbody>
</table>

POLICY

A. Purpose

This policy provides guidelines on Lawrence Berkeley National Laboratory (Berkeley Lab) accounts receivable write-offs of uncollectible accounts receivable.

B. Persons Affected

All employees in the Office of the Chief Financial Officer (OCFO) and division business operations staff (including the principal investigator) responsible for receivables management and related write-offs

C. Exceptions

Not applicable

D. Policy Statement

Berkeley Lab has two types of receivables that may be subject to delinquency and nonpayment: (1) reimbursable receivables and (2) University of California (UC) receivables. To limit write-off entries, the Laboratory aggressively takes collection actions to prevent delinquent
accounts-receivable balances and resolve all delinquent debt whenever it is possible and cost effective.

The Laboratory Financial Management System generates, on a monthly basis, accounts-receivable aging reports for all receivables, reimbursable or UC. All reports are categorized by contract or advance type and include the following information:

- Invoice number
- Days outstanding calculated from the invoice date and binned in 30-day increments

It is the functional owner's responsibility to monitor the aging on a monthly basis and aggressively collect in order to minimize risk of loss.

1. Reimbursable Receivables
   a. Uncollectible receivables arise when reimbursable activities performed under the management and operating (M&O) contract between the University of California (UC) and DOE are unpaid by the sponsor/third party. Reimbursable activities include the following:
      i. Work for Others (WFO) awards
      ii. Interlocation appointments
      iii. Cooperative Research and Development Agreements (CRADAs)
      iv. Other miscellaneous receivables
   b. Uncollected receivables are to be considered bad debts and written off when they are determined to be uncollectible or when they are placed with a collection agency.
      i. As stated in Contract 31, Clause I.106 – WFO Funding Authorization: "Any uncollectible receivables resulting from the Contractor utilizing Contractor corporate funding for reimbursable work shall be the responsibility of the Contractor, and the United States Government shall have no liability to the Contractor for the Contractor's uncollected receivables."
      ii. FAR 31.205-3 – Bad Debts states: "Bad debts, including actual or estimated losses arising from uncollectible accounts receivable due from customers and other claims, and any directly associated costs such as collection costs, and legal costs are unallowable."
      iii. Therefore, when uncollectible receivables for reimbursable activities are deemed bad debts, the costs are incurred against the UC management fee.

2. Reimbursable Receivable Write-Off Procedure
   a. Contract Accounting will prepare a quarterly report of uncollectible and aged receivables and submit that report to the Controller for review. Aged receivables are invoices greater than 180 days. The quarterly submission will include Contract Accounting's recommendations and justification to support either ongoing collection efforts or write-offs.
   b. The Controller will review the uncollectible and aged receivable report with the Chief Financial (CFO), and those receivables deemed uncollectible will be submitted to the UC Laboratory Management Office (LMO) for review and approval to be incurred against the UC management fee.

3. Reimbursable Receivable Project Closeout Immaterial Write-Off Procedure
   a. In addition to uncollectible amounts, the OCFO has been granted authority to approve the write-off of immaterial WFO balances ($50 and under, both debit and credit balances) based on authorization provided by the DOE Berkeley Site office (BSO). WFO sponsors may request that remaining credit balances under $50 be refunded during the closeout process.
   b. Amounts deemed immaterial are written off under this approval by the OCFO Business and Disbursements Services Manager, as identified as part of the contract closeout process.
   c. Annually, subsequent to fiscal year-end, Contract Accounting will prepare a report summarizing all immaterial write-offs processed during the fiscal year. The report will be provided to the Controller.

4. UC Receivables
   a. UC receivables are receivables related to Intellectual Property (IP) activities, which include license, option and baimeft fees (such as issue fees), royalties, and recoverable patenting costs (hereafter called "licensing fees"). During the term of Contract 31, UC's contract with DOE for the operation of Berkeley Lab, the receivables generated from IP-related activities are owned by UC in accordance with the BayhDole Act (effective July 1, 1981), which allows universities and small businesses to elect to retain ownership of inventions made under federal funding, and with Contract 31, Clause I.102(h).
   b. Because these receivables are UC-owned, they are subject to the write-off provisions contained in the UC Accounting Manual (AM) Policy R-212-2, Receivables Management. UC policy requires the write-off of uncollectible receivables to be authorized by campus chancellors (for Berkeley Lab, by the Laboratory Director). This authority was delegated to the chancellors by the UC President (DA 2196). The Laboratory Director has delegated this approval authority to the CFO.
   c. Uncollectible receivables arise when invoices for IP licensing fees are unpaid by the licensee or optionee. Uncollected receivables are to be considered bad debts and written off when they are determined to be uncollectible or when they are placed with a collection agency.

5. UC Receivable Write-Off Procedure
   a. The Tech Transfer and Intellectual Property Management Department (Tech Transfer) will prepare a quarterly report of uncollectible and aged receivables and submit that report to the Controller for review. Aged receivables are invoices greater than 180 days. The quarterly submission will include Tech Transfer's recommendations and justification to support either ongoing collection efforts or write-offs.
   b. The Controller will review the submitted materials with the CFO. The CFO will authorize receivables for write-offs based on delegated authority from the Laboratory Director.

6. UC Receivable Immaterial Write-Off Procedure
   a. In addition to uncollectible amounts, the Laboratory Director has granted authority to approve the write-off of immaterial UC balances ($50 and under) to the Chief Technology Transfer Officer.
   b. Annually, subsequent to fiscal year-end, Tech Transfer will prepare a report summarizing all immaterial write-offs processed during the fiscal year. The report will be provided to the Controller.

E. Roles and Responsibilities
Role | Responsibility
--- | ---
Contract Accounting | • Collection efforts related to reimbursable receivables  
• Prepares quarterly report of uncollectible and aged receivables  
• Writes-off immaterial balances resulting from project closeout, with Business Services Manager authorization  
• Prepares the annual report of immaterial balance write-offs

Technology Transfer and Intellectual Property Management Department | • Collection efforts related to UC receivables  
• Prepares the quarterly report of uncollectible and aged receivables  
• Writes-off of immaterial balances, with Chief Technology Transfer Officer authorization  
• Prepares the annual report of immaterial balance write-offs

Controller/OCFO | • Submits uncollectible reimbursable receivables to UCOP LMO for review and authorization  
• Reviews and authorizes write-offs for uncollectible UC receivables

F. Definitions/Acronyms

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Bad Debts (DOE Contract 31)</td>
<td>Actual or estimated losses arising from uncollectible accounts receivable due from customers and other claims, and any directly associated costs such as collection costs and legal costs</td>
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<tr>
<td>Cooperative Research and Development Agreement (CRADA)</td>
<td>An agreement entered into between the University of California, as operator of the Laboratory, and one or more participants including at least one non-federal party under which the government, through the Laboratory, provides personnel services, facilities, equipment, or other resources with or without reimbursement toward the conduct of specified research or development efforts consistent with the mission of the Laboratory. The Laboratory is precluded from contributing funds to other sponsors in support of a CRADA.</td>
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G. Recordkeeping Requirements
None

H. Implementing Documents
None

I. Contact Information
Business & Disbursements Services Manager, OCFO  
Lead Financial Policy and Assurance Analyst, OCFO

J. Revision History

<table>
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<tr>
<th>Date</th>
<th>Revision</th>
<th>By whom</th>
<th>Revision Description</th>
<th>Section(s) affected</th>
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<tr>
<td>1/2/2012</td>
<td>1</td>
<td>S. Frainier</td>
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Document Information

<table>
<thead>
<tr>
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<tbody>
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<tr>
<td>Effective date:</td>
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<td>Next review date:</td>
</tr>
</tbody>
</table>
Policy Area: Accounting
RPM Section (home) Financial Management
RPM Section (cross-reference) 11.37
Functional Division OCFO
Prior reference information (optional) RPM, Chapter 11, Section 11.37

Source Requirements Documents
- DOE Accounting Handbook, Chapter 8, Receivables
- FAR 31.205-3 – Bad Debts
- Contract 31, Clause I.106 – WFO Funding Authorization

Implementing Documents
None

Other References

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<td>11.07.004.000</td>
<td>Cost Allowability</td>
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