



Accounting and Administrative Manual
Section 100: Accounting and Finance

**Doubtful Grant and Contract Receivables: Write-off of Unrecoverable Amounts
and Collections on Previously Written-off Receivables**

No.: A-05

Date: 01/18/02

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Purpose:

The purpose of this procedure is to identify the correct accounting entries for writing off unrecoverable grant and contract (restricted fund) expenditures. Generally, account codes 8651 and 8661 are used to write-off disallowed costs and cost overruns, respectively. The allowance for doubtful contracts account code 0292 is used for write-off of uncollectible receivables. The MAU's chief financial officer, or designee, is responsible for establishing and maintaining the allowance. See also A-06, "Establishing an Allowance for Doubtful Contracts Receivable and Unrecoverable Grant and Contract Expenditures and Analysis of Bad Debt Expense" in Section 100 in the University of Alaska Accounting and Administrative Manual.

Unrecoverable Write-Offs:

Unrecoverable restricted fund expenditures include three types: disallowed costs, cost overruns, and uncollectible grant and contract receivables. All amounts should be written off in the period deemed uncollectible.

Disallowed costs are expenditures charged to grant and contract restricted funds that are not allowable. These expenditures may be disallowed due to noncompliance with cost policies, increased costs due to failure to follow a disclosed accounting practice, and increased costs resulting from a change in accounting practice. See section J of OMB Circular A-21 (relocated to Title 2 in the Code of Federal Regulations (2 CFR), Part 220 (2 CFR, Part 220)) and D-03 "Accounting for Unallowable Costs" in Section 100 in the University of Alaska Accounting and Administrative Manual, for examples of disallowed costs.

The disallowed costs account code, 8651, should be used to adjust the restricted fund for expenditures that are disallowed. The following entry should be done with the same program code for both sides of the entry:

DR: XXXXXX-XXXXX-8651
 Unrestricted fund and department organization code
CR: XXXXXX-XXXXX-8651
 Restricted fund and department organization code

Cost overruns are allowable grant and contract expenditures that exceed the approved grant or contract budget.



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The cost overrun account code, 8661, should be used to adjust the restricted fund for the overexpenditures. The following entry should be done with the same program code for both sides of the entry:

DR: XXXXXX-XXXXX-8661
Unrestricted fund and department organization code
CR: XXXXXX-XXXXX-8661
Restricted fund and department organization code

This entry should be reversed if the funding agency increases a grant or contract award amount to cover additional costs.

Uncollectible grant and contract receivables are allowable grant and contract expenditures that cannot be collected from the funding agency. Responsibility for the uncollectibility can be attributed to either the department responsible for the project, campus Grants and Contracts office, or the funding agency. The department is responsible for uncollectibility if there was some type of noncompliance, such as failure to provide the final technical report to the funding agency. A campus Grants and Contracts office may be responsible if it is the result of some type of noncompliance on the part of the Grants and Contracts office, such as failure to provide a final billing within the time frame required by the funding agency. The funding agency may also be responsible for the unrecoverability of the receivable if, for example, the funding agency declares bankruptcy.

Uncollectible receivables, as described in the preceding paragraph, should be written off against the allowance account as follows:

DR: XXXXXX- - 0292
Unrestricted fund and allowance for doubtful contracts account code
CR: XXXXXX- - 03XX
Restricted fund and account receivable account code

Grants and Contracts office Accounting Technician

1. Reviews aged accounts receivable report and monthly accounting system grant reports.
2. Determines grant or contract charges that are not billable or recoverable.

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3. If applicable, accounting technician contacts responsible department to get the correct accounting information for preparing the journal entry.
 4. Prepares journal entry to write-off the overrun, disallowed costs, or uncollectible receivable as previously shown.
 5. Obtains appropriate departmental approvals on journal voucher.

Grants and Contracts office Accountant or Supervisor

1. Reviews all journal entries to ensure the correct accounting has been used to write-off the cost overrun, disallowed costs, or uncollectible receivable.
2. Approves the journal entry and forwards to the central financial or support services designee for final approval and input into university's accounting system.

Payments on Accounts Receivable Previously Written-Off:

All collections on account receivables previously written-off are recorded in the same manner as a payment on a current account. The grant and contract receivable balance must be restored so that the payment received can be applied to it. The applicable accounts receivable balance sheet account code in the restricted fund should be debited. The MAU's Allowance for Doubtful Contracts, 0292, in the unrestricted fund should be credited.

DR: XXXXXX- - 03XX
 Restricted fund and account receivable account code
CR: XXXXXX- - 0292
 Unrestricted fund

Allocations to academic or research departments or administrative subunits of amounts previously written off which are subsequently collected should also be reversed.

Grants and Contracts office Accounting Clerk

1. Receives partial or full payment on account which was previously written-off.
2. Notifies the accounting technician responsible for administering the account that payment has been received.



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3. Prepares deposit and processes payment in the same manner as a receipt on a current account.

Grants and Contracts office Accounting Technician

1. Prepares journal voucher to reverse write-off of uncollectible receivable as previously shown.

Grants and Contracts office Accountant or Supervisor

1. Reviews all journal entries to ensure the correct accounting has been used to reverse the previous write-off of the uncollectible receivable.
2. Approves the journal entry and forwards to the central financial or support services designee for final approval and input into financial accounting system.