

**Document Code No.:** FIN-11-3-2-EP

**Title:** Write-Off of Uncollectable Receivables

**Affected Agencies:** All King County Agencies

**Authorities:** RCW 43.09.200; BARS Manual Section 1.2.40

**Keywords:** (1) Administrative Policies and Procedures, (2) Accounts Receivable, (3) Aged Trial Balance, (4) Write-off

**Sponsoring Agency:** DES / FBOD / Financial Management Section



**King County**

**Executive signature:** *Don Constantine*

**Date signed and effective:** July 18, 2024

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## **I. Purpose**

This policy provides established uniform guidelines for determining which delinquent accounts receivable should be considered a bad debt and written off in order to provide a fair representation of accounts receivable in King County's financial statements.

## **II. Applicability and Audience**

This policy applies to Executive Branch agencies involved with non-tax receivables. The audience may include non-Executive Branch King County departments adopting this policy.

## **III. Definitions**

"Accounts Receivable": This includes all non-tax debt owed to King County by the private sector and by other governments.

"Aged Trial Balance": A schedule classifying the balances of all accounts receivable according to varying lengths of time the accounts are past due.

## **IV. Policy**

### **A. Compliance**

1. County agencies with non-tax receivables shall comply with these policies to ensure Accounts Receivable balances are stated in accordance with Generally Accepted Accounting Principles for presentation in King County's financial statements. County agencies shall prepare and review an Aged Trial Balance of their Accounts Receivable to determine if any delinquent receivables should be written off as bad debt. This review shall be completed and recorded at least annually but prior to the yearend closing.

### **B. Responsibilities**

1. County agencies shall send their requests to write-off Accounts Receivable as bad debt to the Chief Accountant. The request shall be supported by sufficient evidence of uncollectibility, described below.

a. For write-off requests up to \$100, sufficient evidence of uncollectibility includes records of telephone calls, copies of correspondence between the agency and the debtor, or records of a collection agency's inability to collect the debt.

b. For accounts over \$100 but less than \$1,000, sufficient evidence includes copies of documents indicating court action (whether small claims or district court), or justification for an absence of court action, or attempts by a collection agency to collect on the debt.

c. For accounts \$1,000 and more, evidence of concurring opinion from the Prosecuting Attorney must exist, indicating that all available and lawful means by which the debt may be collected have been pursued. A statement to this effect from the Deputy Prosecuting Attorney will suffice.

**2. Accountabilities**

a. Write-off of uncollectible Accounts Receivable from the County's accounting records does not constitute forgiveness of the debt. The debt is owed to the County.

b. County agencies shall maintain records of accounts written off in accordance with State records retention rules.

**V. Implementation Plan**

A. This policy becomes effective for Executive Branch agencies on the date that it is signed by the Executive. The Finance and Business Operations Division (FBOD) is responsible for the implementation of this policy.

Department/Division and Agency Directors are responsible for establishing and maintaining internal controls sufficient to provide reasonable assurance of compliance with this policy.

B. The Financial Management Section (FMS) of FBOD is responsible for communicating this policy to the management structure within the respective agencies and other appropriate parties.

**VI. Maintenance**

A. This policy will be maintained by the Finance and Business Operations Division or its successor agency.

B. This policy will automatically expire five (5) years after its effective date. Prior to the expiration date, the Finance and Business Operations Division or its successor agency will initiate a new, revised, or renewed policy.