

City of Lancaster
Administrative Policies and Procedures Manual

Subject		Effective Date	
Accounts Receivable Recognition and Write-Off		05/27/2014	
Index: Finance	Supersedes	Staff Contact	Pages
Number: 200-10	N/A	B. Boswell	6

1.0 Purpose

The purpose of this policy is to set authorization levels and standard guidelines to prevent accounts receivable, administer accounts receivable, and the write-off of uncollectible accounts receivable.

2.0 Organizations Affected

All City departments/divisions

3.0 References

Not applicable

4.0 Definition of Terms

- 4.1 Accounts Receivables – Obligations due and payable to the City or its blended component units.
- 4.2 Delinquent Accounts Receivables – Accounts outstanding more than 60 days.
- 4.3 Uncollectible Accounts Receivables – Accounts meeting the criteria to be written-off.
- 4.4 Write-off of Uncollectible Receivables List – List prepared as needed to begin the account write-off process.

5.0 Policy

5.1 It is the City's policy to prevent the creation of accounts receivables by requiring payment at or before services are rendered. In some cases, however, an accounts receivable account may be established and may become delinquent. It is the City's policy to actively pursue collections of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. Types of receivables covered by this policy include, but are not limited to:

5.1.1 Business License fees

5.1.2 Common Area Maintenance (CAM) fees

5.1.3 False Alarms

5.1.4 FOG permits

5.1.5 Insurance claims

5.1.6 Legal Judgments

5.1.7 Medical insurance reimbursements

5.1.8 Permits

5.1.9 Property/Building Leases

5.1.10 Sponsorships & Partnerships

5.1.11 Various contracts/agreements

5.2 A write-off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt or a gift of public funds. Accounts receivable should generally be written-off during the fiscal year in which an account is determined to be uncollectible. Subsequent collection of an account previously written-off will be treated as new revenue in the appropriate fund.

6.0 Procedure

6.1 **Collection Procedures:**

Collection Procedures are established by the Finance Department and will vary depending on the nature of the receivable. Whenever possible, the City will avoid advancing City resources. Once a receivable exists, the City will take the following steps in collection efforts:

- 6.1.1 Generate an invoice and monthly statements.
- 6.1.2 Mail written reminder/past due notices as needed.
- 6.1.3 Attempt phone collection if information available.
- 6.1.4 Turn delinquent accounts (typically 120 days or more past due) over to a collection agency, if no payments arrangements are made.
- 6.1.5 Refer to the City Attorney for collection assistance, if warranted.

6.2 **Write-Off Procedures:**

6.2.1 Designation of an Account as Uncollectible:

After the appropriate collection procedures have been followed, an account will be considered uncollectible if it meets one or more of the following criteria:

- The debt is disputed and the City has insufficient documentation to pursue collection efforts.
- The cost of further collection efforts will exceed the estimated recovery amount.
- The debt is less than or equal to \$100.00 and remains unpaid for six (6) months or more.
- Neither the debtor, nor any assets of the debtor, can be located.
- The debtor is deceased, and there is no known estate or guarantor.
- The debt is discharged through legal action (bankruptcy or court judgment).
- The debt has been forgiven by action of the City Council.

6.2.2 Preparation of Write-off of Accounts Receivable List:

Annually, or as warranted, Finance will work with the appropriate departments to identify any accounts receivable that meet the criteria for designation as an uncollectible account. An itemized list of uncollectible accounts to be written-off will be compiled specifying the following:

- Debtor name and last known contact information
- Account balance
- Due date
- Brief description of receivable type
- Criteria under which the account was deemed uncollectible
- Account number of the receivable

For each uncollectible account, documentation should be attached supporting the uncollectible account designation and that due diligence has been exercised in collection efforts. Due diligence documentation should, at a minimum, include:

- Invoices, reminder letters, returned checks and/or collection letters (and any documentation that is returned as undeliverable, no known forwarding address, etc.)
- Bankruptcy claims and any documents supporting a claims court or other judgment rendered by proper authority
- Judgment awarded by a court or settlement agreement
- Notice of discontinuation of services

6.2.3 Approval authority for Write-Off Requests:

The Finance Director will review the list of uncollectible accounts to ensure that it is complete and that all necessary due diligence documentation has been attached. Once the review is complete, the qualified accounts will be written-off after approval from the corresponding authority is received. Subsequent to the write-off step, the write-off list will be presented to the appropriate reporting party according to the following Council approved authority levels:

Transaction Amount	Write-Off Authority
\$20,000 or less	Finance Director
\$20,001 to \$125,000	City Manager
\$125,001 or greater	City Council

If new developments arise suggesting that a possibility exists for collection of an account previously written-off, the collections process will be resumed.

7.0 Criteria for Maintaining Accounts Receivable

7.1.1 Accounts receivable write-offs will not be performed based on the following criteria:

- Insufficient collection efforts have been made or demonstrated
- Existence of a lien and future collection is possible
- Knowledge that the debt will be collected in the future
- Lack of proper approval.

8.0 Summary

8.1.1 The above guidelines cannot cover every issue, exception, or contingency that may arise in operating the city. Staff's best judgment will prevail in situations where these guidelines lack direction.

Approved:

Mark V. Bozigian, City Manager

Date