
SUBJECT: : Collections and Write-off of Uncollectible Accounts Receivable Policy
DATE ISSUED: : August 21, 2018
SECTION: : C

Purpose

The purpose of this policy is to ensure that all reasonable diligence has been used to collect accounts receivable, improve accounting of the City's accounts receivable and ensure the most efficient use of City revenue collection resources.

Policy

It is the policy of the City of Tracy to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. A write-off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt or gift of public funds, it is merely an accounting practice that ensures the City's assets are not overstated.

Scope

This policy applies to all City accounts receivable. Accounts Receivable refers to money owed by customers to another entity (City of Tracy) for goods or services that have been delivered or used but not yet paid for. Types of receivables covered by this policy include but are not limited to: business license tax; transient occupancy tax; administrative citations, rents; fees for services; utility billing, recovery for damage to City property; fines and penalties; and legal judgments.

Procedures

Payment

All payments for City services and/or goods must be made through designated sites of the City of Tracy. Payment can be made in the form of check, money order, cash or credit card.

Customers providing checks that are returned for non-sufficient funds, closed accounts, or stop payments shall be notified and all applicable fees shall be charged to the customer's account. At any time after a customer has presented a second returned check for the payment, the City of Tracy may require that customer only remit payment by money order or cash.

Delinquent Accounts

Whenever payment for a bill which was properly rendered has not been received by the Finance Department at the close of business on the delinquency date specified on the bill, the total amount of

the bill shall become a delinquent account. If the delinquent date is a non-business day, the account shall become delinquent at the close of business on the first business day thereafter.

Delinquent amounts not paid by the time the next bill is prepared shall be separately stated on the next bill rendered to the customer, and such amount shall be subject to a late charge, and such statement shall constitute notice of the delinquency to the customer. The amount of the late charge shall be determined by the City's municipal code and/or late charge policy.

Utility Accounts:

If the utility bill is not paid within fifteen (15) days after the notice of delinquency, a final notice shall be mailed to the customer advising that service will be discontinued if payment of the entire amount then due is not made within fifteen (15) days after the date such notice was mailed.

If the bill has not been paid by the close of business on the due date of the final notice, utility services may be discontinued.

Collection Procedure

Collection procedures are established by the responsible departments and will vary depending on the nature of the receivable. Types of receivables covered by this policy include but are not limited to: business license tax; transient occupancy tax; administrative citations, rents; fees for services; utility billing, recovery for damage to City property; fines and penalties; and legal judgments.

Utility Accounts:

Every attempt will be made by the Finance Department to collect delinquent payments including authorizing up to six months of arranged payments to pay off debt. Customer accounts that are delinquent 6 months or \$1,000, whichever is first, will be sent to the Collection Agency for collections.

No person who owes delinquent accounts to the City on either a closed or current account may open a new utility account until all such delinquent accounts have been paid.

Uncollectible Accounts Receivable

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.

Utility accounts should generally be written-off during the fiscal year in which an account is determined to be uncollectible. The write-off process for utilities reduces the receivable and increases the balance of a designated write-off account. Subsequent collection of an account previously written-off will reduce the balance in the write-off account and will increase cash by the amount collected.

An account will be considered uncollectible after the appropriate collection procedures have been followed, 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 account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- Neither the debtor nor any of the debtor's assets can be located;
- The debtor has no assets and there is no expectation they will have any in the future;
- The debtor has died and there is no known estate or guarantor;
- The debtor is a company which is no longer in business;
- The debt is discharged through legal action (bankruptcy or court judgment);
- The debt has been forgiven by action of the City Council.

Preparation of Request for Write-Off of Accounts Receivable

At least annually, the Accounts Receivable Desk will identify any Miscellaneous Receivable for which it is responsible that meet the criteria for designation as an uncollectible account. Depending on the type or amount of debt, Accounts Receivable will contact the responsible department for direction.

If an account has a balance of \$5,000 or less, a request for write-off will be prepared by the responsible departmental staff, and submitted to the Director of Finance for review and approval.

If an account has a balance in excess of \$5,000 and up to \$25,000 a request for write-off will be prepared by the responsible departmental staff, reviewed by the Director of Finance and submitted to the City Manager for review and approval.

If an account has a balance in excess of \$25,000, the responsible departmental staff along with the City Manager will be required to take the request for write-off to Finance Committee and City Council for approval.

The request for write-off of accounts receivable must include an itemized list of the uncollectible accounts to be written off specifying the following:

- Debtor name;
- Account balance;
- Invoice or charge date;
- Brief description of receivable type; and
- Criteria under which the account was deemed uncollectible.

In addition, documentation must be available to support the uncollectible account designation and substantiate that the department has followed its collection procedures for each uncollectible account. Support documentation could include:

- Invoices, reminder letters, or collection letters (and any documentation that are returned as undeliverable, no known forwarding address, etc.);
- Information from the California Department of Business Oversight;
- Referral to the City's collection vendor;
- Bankruptcy claim and any related plan or discharge;
- Death Certificate, if deceased, and
- Judgment awarded by a court or settlement agreement

Approval Authority for Write-Off Request

The Director of Finance is authorized to approve the write-off of accounts with an outstanding balance up to \$5,000 per account

The City Manager is authorized to approve the write-off of accounts with an outstanding balance in excess of \$5,000 and up to \$25,000 per account.

Write-off of accounts with an outstanding balance due in excess of \$25,000 must be approved by action of the City Council.