

## City of Calistoga

# POLICY AND GUIDELINES ACCOUNTS RECEIVABLE POLICY

### Policy Authorization

Effective Date 6.16.15

Revision Dates (1) \_\_\_\_\_ (2) \_\_\_\_\_

Authorization   
Richard Spitler, City Manager

### **OVERVIEW**

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 collection of past due amounts receivable, regularly review the status of past-due accounts and write-off accounts determined to be uncollectible.

### **PURPOSE**

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

### **POLICY**

**GENERAL POLICY:** It is the policy of the City 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 uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt or gift of public funds.

### **WHO IS COVERED**

This policy applies to all City departments and funds.

### **PROCEDURES**

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; transient occupancy tax; water and sewer utility billings; fees for services; recovery for damage to City property; fines and penalties; and legal judgements.

Accounts receivable should be generally 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.

#### I. Designation of an Account as Uncollectible

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 accounts have been subjected to a diligent internal collection effort and then forwarded to a collection agency for additional service;
- The amount is under \$25 and remains unpaid after one year;
- The account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- The loan is junior to a first mortgage that has been foreclosed or sold as a short sale;
- The debtor cannot be located, nor any of the debtor's assets;
- 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.

#### II. Preparation of Request for Write-Off of Accounts Receivable

At least annually, each department will identify any accounts receivable for which it is responsible that meet the criteria for designation as an uncollectible account. A request for write-off of accounts receivable will be prepared by departmental staff, signed by the department head and submitted to the Administrative Services Director.

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;
- Due date;
- Brief description of receivable type
- Criteria under which the account was deemed uncollectible; and
- Account number of the receivable in the City's accounting system.

For each uncollectible account, documentation must be attached to the request to support the uncollectible account designation and substantiate that the department has followed its collection procedures and exercise due diligence in the collection effort. Due diligence 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 Corporations
- Referral to the City's collection agency
- Bankruptcy claim and any related plan or discharge
- Judgment awarded by a court or settlement agreement
- Notice of discontinuation of services

### III. Approval Authority for Write- Off Requests

Upon receipt of a request for write-off accounts receivable by the Administrative Services Director, Finance department staff will review the request to ensure that it is complete and that all necessary due diligence documentation has been attached. Once Finance department staff has completed its review of a request, the qualified accounts to be written-off will be presented to the appropriate authorizing official for approval:

- The Administrative Services Director is authorized to approve the write-off of accounts with an outstanding balance due of up to \$5,000;
- For outstanding housing loans all write-offs will be reviewed and authorized by the City Attorney;
- The City Manager is authorized to approve the write-off of accounts (except housing loans) with an outstanding balance in excess of \$5,000 and up to \$10,000
- Write-off of accounts with an outstanding balance due in excess of \$10,000 must be approved by action of the City Council

### **ADDITIONAL INFORMATION**

Information regarding the City's policy on the use of accounts receivable is distributed to all employees, and all employees may obtain a copy of this policy at any time from their supervisors.

Inquiries regarding the application of this policy may be directed to employee's supervisor, department head, any human resources management staff available, or directly to the City Manager.

**AUTHORIZATION TO WRITE-OFF**

Customer Account Number: \_\_\_\_\_ Date: \_\_\_\_\_

Customer Name: \_\_\_\_\_

Amount: \$ \_\_\_\_\_

**Write-off Reason Codes (check one)**

- WFD- Forgiveness of debt/waiver  
(Must provide detailed explanation of debt forgiveness or waiver)
- WPS- Past statute for collection
- WTS- Balance too small to pursue
- WBK- Bankruptcy discharge
- WDD- Debtor deceased
- WEJ- Judgment expired
- Sent to outside collection agency

**EXPLANATION OF DEBT FORGIVENESS OR WAIVER**

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Requestor: \_\_\_\_\_ Date: \_\_\_\_\_

**Signature Approvals:**

\$10,000+

Council: \_\_\_\_\_ Date of Meeting: \_\_\_\_\_