

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-75

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C. Dunkelbaun
County Administrator

SUBJECT: **ACCOUNTS RECEIVABLE**

DEPARTMENT RESPONSIBLE: **Department of Finance and Risk Management**

1. PURPOSE

The purposes of this Administrative Procedure are to:

- Define the receivable accounts and delinquent accounts.
- Set forth procedures for the collections process.
- List criteria for requesting approval to write-off delinquent accounts.
- Establish levels for approving write-off requests.
- Set forth procedures for reporting requirements.

2. DEFINITIONS

2.1. Accounts Receivable (RE) are amounts owed on open accounts for goods or services that the County has furnished to individuals or organizations. An accounts receivable arises if full payment has not been received within the accounting period when the transaction occurred. Accounts receivables would include, but not be limited to, the following:

- Fines
- Taxes of various kinds
- Permit and license fees
- Claims for damage to County property
- Payments due under an intergovernmental agreement
- Forfeited bonds
- Attorney fees
- NSF checks and returned check fees
- User fees
- Rent payments
- Lease payments
- Right-of-way payments
- Health fees (including animal control)

Although property taxes (real and personal) and special assessments are forms of accounts receivable, they are recorded and reported separately according to Arizona Revised Statute and are not subject to this Administrative Procedure.

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- 2.2. Write-Off (WO) – this document allows Revenue Management or an outside collection agency to write off a receivable that meets the write-off criteria and has been approved for write-off in accordance with Section 4. of this Procedure.
- 2.3. Past-due Accounts are accounts receivables for which payment for the amount billed is not received within 30 days of the billing due date.
- 2.4. Delinquent Accounts are accounts receivables for which payment for the amount billed is not received within 90 days of the billing due date.

3. COLLECTIONS

- 3.1. The Revenue Management Division of the Finance & Risk Management Department (Revenue Management) is responsible for establishing a collections process consistent with this Procedure for accounts receivables that Revenue Management bills, maintains and/or tracks for other departments.
- 3.2. Departments that maintain their own accounts receivable records are responsible for establishing a collections process consistent with this Procedure. The process shall provide for billing; maintaining and tracking accounts receivable; and collection efforts. At fiscal year-end, an accounts receivable accrual should be sent to Finance if the department's software does to interface with AMS.
- 3.2.1. Each department shall pursue collection efforts on outstanding receivable balances. Each month, the effort shall include, at a minimum, one of the following:
- A Statement or Invoice showing the past-due amount.
 - Written notice.
 - Phone call. The date of the call, name of the person contacted, and results of the call shall be documented.
- 3.2.2. After the balance has been outstanding for 90 days, these receivables shall be transferred to the Collections Section of Revenue Management for further action. Two exceptions to the rule for transferring accounts after 90 days, are for accounts that have a higher probability of being collected if they remain with the department; and pending restitution cases. The department should retain these accounts until the court has ordered or dismissed restitution.
- 3.2.3. **Bad Check Program**
- Each department that accepts checks for payment shall participate in the Pima County Attorney's Bad Check Program. Any collection effort for checks returned to the departments due to insufficient funds shall be coordinated through that Program.

3.3. Interest Penalty

All delinquent accounts are subject to an interest penalty as allowed by A.R.S. §44-1201.

3.4. Additional Revenue Management Responsibilities:

3.4.1. Delinquent accounts that have been referred to the Revenue & Collections Section will be contacted to notify the customer that the account is in Collections.

3.4.2. If payment-in-full is not obtained, Revenue Management may, at its discretion, arrange a payment plan; negotiate settlement; seek a court judgment; or request write-off if one of the write-off criteria listed in Section 4.1 is applicable.

3.4.3. In certain circumstances when it has been determined that payment will only be received if the account balance is reduced, such as when a customer is going out of business, an offer of a negotiated settlement of the balance of the delinquent account will be made.

3.4.3.1. The Revenue Management Supervisors are authorized to negotiate a settlement for account balances of \$1,000 or less.

3.4.3.2. The Revenue Management Division Manager is authorized to negotiate a settlement for account balances up to \$10,000.

3.4.3.3. The Director, or Deputy Director, of Finance is authorized to negotiate a settlement for account balances greater than \$10,000.

Note: Negotiated settlements with any insurance company require the review and approval by the Director, Department of Finance and Risk Management if the reduction is more than \$10,000.

4. **WRITE-OFF PROCEDURES**

4.1. Write-Off Criteria

The Revenue & Collections Section shall be responsible for making recommendations for write-off (WO) of delinquent accounts deemed uncollectible using the following criteria:

- Debt discharged in bankruptcy
- The company is no longer in business
- Wrong responsible party
- Unable to locate
- Deceased responsible party
- Account more than three years old

- Court has refused/reduced judgment against responsible party
- Incarcerated, absconded, or failed to appear at court hearing
- Deported illegal immigrant
- The party is on disability, SSI or other benefits that would exempt them from collection actions

4.2. Write-off Approvals

Based on write-off criteria in 4.1, individual uncollectible accounts may be approved for write-off at the following levels:

- 4.2.1. Write-offs less than \$500 may be approved by Revenue Management Supervisors
- 4.2.2. Write-offs up to \$2,500 may be approved by the Revenue Management Division Manager
- 4.2.3. Write-offs up to \$10,000 may be approved by the Director of Finance & Risk Management
- 4.2.4. Write-offs up to \$15,000 may be approved by the Deputy County Administrator for General Governmental Services
- 4.2.5. Write-offs up to \$25,000 may be approved by the County Administrator
- 4.2.6. Write-offs greater than \$25,000 require the approval of the Board of Supervisors
- 4.2.7. All non-Board of Supervisors approved write-offs shall be presented in the Quarterly Reports to the Board of Supervisors on a regular basis.

5. REPORTING REQUIREMENTS FOR DEPARTMENTS

- 5.1. Each department shall send a Quarterly Department Report on Receivable Collections (Quarterly Report) to Revenue Management within 30 days from the end of each calendar quarter. The quarterly collections report shall include:
 - Beginning Balance
 - Amounts billed for the period
 - Amounts collected during the period
 - Corrections/Restatements
 - Delinquent accounts transferred to the Revenue & Collections Section of Revenue Management
 - Ending Balance
 - Delinquent Balance
 - The collection rate
 - The number of active accounts
 - The number of delinquent accounts

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- 5.2. Amounts billed in the month after the quarter ends should be included in the quarterly report if the goods or services were provided during the previous quarter. For example, if March fees are billed in April, that amount should be included in the March 31st report.
 - 5.3. Supporting documentation must accompany the Quarterly Report and include updated balances for each account. The total of all individual account balances must equal the Accounts Receivable Ending Balance on the report.

6. REPORTING REQUIREMENTS BY REVENUE MANAGEMENT

- 6.1. Revenue Management will prepare the Quarterly Report for the departments whose receivables are billed and tracked by Revenue Management.
- 6.2. Revenue Management shall:
 - 6.2.1. Summarize the Quarterly Reports for all departments.
 - 6.2.2. Submit the summary report to the County Administrator within 30 days following the departments' submission due dates (e.g., a department's March 31st Quarterly Report would be due to Revenue Management by April 30th and Revenue Management would submit the summary report for all departments, on or before May 31st.) Therefore, the Summary due dates would be March 1st, June 1st, September 1st, and December 1st, of each year.
 - 6.2.3. The summary report shall include the total amount of requested write-offs.
 - 6.2.4. The summary report shall include the total amount of negotiated settlements.
- 6.3. County Administration will provide a transmittal report to the Board of Supervisors that accompanies the summary report from the Collections Section.

7. EXEMPTIONS

This Administrative Procedure does not apply to collection of Public Fiduciary accounts, real and personal property taxes, grant receivables, Justice Court accounts, Superior Court accounts, Library accounts, and Regional Wastewater Reclamation Department sewer user fees.