



MEMORANDUM

Date: December 20, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Library Collections Procedure**

At a recent Board of Supervisors meeting, the Board inquired as to the procedure of the Library District related to delinquent accounts and debt write-off. I am enclosing a memorandum from the Library Director and applicable Library internal procedure. As you can see, any delinquent library patron's access to the library collection is suspended during the three-year collections cycle until the debt is written off. Information indicates that at least one third of the delinquent accounts, perhaps more, are related to a bad address, which simply means the individual has moved or left the County.

Staff is reviewing a sampling of the 15,498 canceled accounts to determine whether a new library card has been issued to a patron who had a delinquent account with the Library but whose library card was reactivated after the three-year cycle identified in Administrative Procedure 22.75. I will provide that information to the Board when received.

It does not appear there are any procedures that prevent library patrons who have a delinquent or written off account from utilizing library services or benefits after the three-year period during which their library privileges are suspended.

CHH/dr

Attachments

c: Hank Atha, Deputy County Administrator for Community and Economic Development
Melinda Cervantes, Director, Library District

MEMORANDUM

Date: December 18, 2013

To: C. H. Huckelberry
County Administrator

From: Melinda Cervantes *mc*
Director, Library District

Hank Atha
Deputy County Administrator for
Community and Economic Development

Re: Quarterly Report on Collections Library District

In response to your memo dated December 3, 2013, I am providing a copy of the Library District's Internal Operating Procedure: Delinquent Library Accounts/Purging Bad Debt Accounts (7.1.8) last revised November 30, 2011. Also relevant is Administrative Procedure (22-75), Accounts Receivable last revised on December 7, 2011. Below are a link to and an exception from this procedure (22-75).

http://webcms.pima.gov/UserFiles/Servers/Server_6/File/Government/Administration/Administrative%20Procedures/2275.pdf

Per the Library's Internal Operating Procedure (7.1.8), "*charges that have been purged (write-off) or waived are not communicated to customers or publicized in any way, nor is the purging schedule. After three years all library privileges are restored following the purging of delinquent accounts, assuming a customer returns to the library at all.*"

Following established collection efforts for Library District fines and fees, per Administrative Procedure (22-75), Collections Section (3.1), the Revenue Management Division of the Finance & Risk Management Department is responsible for establishing a collections process consistent with this procedure for accounts receivables that Revenue Management bills, maintains and tracks for other departments.

Per Administrative Procedure (22-75), Write-Off Procedures/Criteria (4.1), the Revenue & Collections Section of the Revenue Management Division shall be responsible for making recommendations for write-off (WO) of delinquent accounts deemed uncollectible using specified criteria such as "*Account is more than three years old.*" The Library District provides quarterly reports to the Revenue & Collections Section.

The collections service provider, Unique Management Services (UMS) has provided a snapshot of accounts sent to collections by the Library District.

- From June 2011 through June 2013, UMS shows 15,498 cancelled Library District accounts subsequently recommended for write-off by the Board of Supervisors per Administrative Procedure (22-75)
- Library Internal Operating Procedure (7.1.8) was approved October 27, 2010. The first write-off of collection agency (UMS) accounts was approved for the 4th Qtr. of FY2010-2011 and cancelled uncollectible debt from accounts the Library District submitted to UMS beginning July 2006; these accounts total 15,498 from June 2011 through June 2013
- Of the cancelled accounts 14,109 (91%) are from within the Pima County zip codes of 85701 through 85757 and 1,389 (9%) are Out of Pima County
- 4,462 (32%) of the 14,109 cancelled accounts have bad addresses for customers who may no longer be living in Pima County
- The majority (68%) of delinquent library accounts are for customers whose last known address is within Pima County.

A sampling of the 15,498 cancelled accounts to determine whether a new library card has been issued or an existing library card has been reactivated is in process, but will take additional time to complete.

Approved: October 27, 2010
Updated: November 30, 2011

Internal Operating Procedure: Delinquent Library Accounts

1. OBJECTIVE

The Pima County Public Library charges fines and fees to encourage the prompt return of materials and to replace lost or damaged items. The purpose of this procedure is to outline:

- Collection of fines and fees for delinquent library accounts
- Transferring delinquent accounts to the collection agency
- Purging bad debt accounts
- Reporting to the Finance & Risk Management Department

2. COLLECTION OF FINES AND FEES

Fines and fees are collected according to the Pima County Board of Supervisors (BOS) Policies D32.2 and D32.8. Fines are assessed for overdue material according to the Fines and Fees Schedule Policy (BOS Policy D32.8). Fees are assessed for replacement costs; special Library services and collection agency fees.

2.1 The first three days that materials are overdue are considered a grace period. If materials are returned or renewed during the grace period, fines will not be assessed. After the expiration of the grace period, fines will be charged from the original due date.

2.2 If an item is lost or damaged, the customer may either replace the item or pay the replacement fee established by the Library. If the customer chooses to replace the item, the replacement must be the same format, in good condition, and an acceptable title.

Examples:

- A four DVD set is lost, staff will explain to the customer it can be replaced by an acceptable title 4 DVD set they can buy at a reasonable cost to them. The library will accept a personal set when in good condition and acceptable. If they cannot find a set replacement and bring in a popular DVD the library may choose to accept it. When staff is in doubt refer to the branch manager or librarian.
- When an adult hardback book is lost and the best the customer can do is replace with a popular teen hardback and we know it will circulate the library may choose to accept it.
- The majority of talking books the library purchase are not library edition. The library will accept non-library quality talking books as replacements. Send the item to cataloging with a note when uncertain as to which bib record to add the item to.
- The library no longer requires replacement DVD & CDs to be in new wrapping.

2.3 A Late Notice is sent via email, telephone or mail notification, one day after the due date. The exception will be with items due on Friday or Saturday where the notices will be sent on the following business day.

2.4 Blocks are placed on cards when fines reach the maximum established in BOS Policy D32.8.

2.5 At 30 days after the due date, a Bill Notice will be mailed to inform the customer of pending collection agency action if items are not returned. A replacement cost fee is automatically added to the account when the Bill Notice is sent. The replacement cost fee will be replaced with the maximum fine amount when the item is returned.

2.6 Accounts shall be sent to a collection agency if the fines and replacement cost fees total more than \$50.00 and the account is 50 days past-due. Accounts with balances over \$50.00 of fines only (i.e., there are no unreturned items) are not sent to the collections agency.

2.7 For accounts that are not sent to the collection agency, no further collection attempts are made after the Late Notice and the Bill Notice because the loss of borrowing privileges encourages the patron to return the overdue items and pay their fines,

2.8 Delinquent accounts not sent to a collection agency will be purged after three years, unless there has been some collection activity on the account. See 7.1.

3. WAIVING FINES AND FEES

3.1 Under certain circumstances, fines for overdue materials may be waived at the discretion of the library, when the overdue material is returned. Consult Board of Supervisors Policy D32.8 for allowed criteria for waiving fines and fees.

3.1.1 Staff will not waive fines or fees from their own record or for a family member. Written authorization from a branch manager is necessary to waive fines and fees for another staff member.

3.1.2 After waiving the selected fees, the branch manager will print the receipt from the transaction, sign and date it, and include a brief explanation (i.e.: illness, theft, natural disaster, etc.)

3.1.3 The receipt will be put in the cash register and at the end of the day, stapled to daily z-tape and deposit slip and held with the financial transactions for the branch.

3.1.4 The receipt will be kept following the existing retention schedule for financial transactions of one complete fiscal year plus the current.

3.1.5 During an amnesty program, staff cannot waive their own fines or the fines of a family member, Fines may be waived by any other staff member of equal or superior supervisory level, provided that it is within the rules of the amnesty program. The branch manager's signature is not required.

3.1.6 Per BOS Policy D32.2, Youth can reduce fines by earning "Book Bucks". Please consult with Library's Circulation Services for program details.

3.2 Amnesty Programs approved by the BOS, may be conducted by the Library. These programs only waive overdue fines, not lost materials or collection agency fees. Food for Fines is one such amnesty program. Based upon approval by the BOS, non-perishable food items for local Community Food Banks will be accepted for fines owed, with limits set by the BOS.

3.2.1 During an amnesty program, staff cannot waive their own fines or the fines of a family member, Fines may be waived by any other staff member of equal or superior supervisory level, provided that it is within the rules of the amnesty program. The branch manager's signature is not required.

4. TRANSFERRING DELINQUENT ACCOUNTS TO THE COLLECTION AGENCY

Delinquent accounts, having unreturned material; a balance of \$50.00 or more; and 50 days overdue are sent to the collection agency contracted by the Library. If a customer sets up and maintains a payment plan with the collection agency, through the Library's Circulation Services, collection agency activity will be suspended until the payment is complete, per BOS Policy D32.2. The following steps are taken to transfer the accounts to the collection agency:

4.1 Compile a list every Thursday of all accounts that reach a total of \$50.00 in fines and fees and 50 days overdue.

4.2 System updates the mblock to "u". This adds the collection agency charge on the accounts automatically.

4.3 A new delinquent patron account file is automatically sent for collection processing.

4.4 Each morning, the system sends an updated report to the collection agency on accounts that have been paid in full. This removes the "u" mblock and updates remaining balances of partially paid accounts.

5. COLLECTION AGENCY ACCOUNTS

5.1 Collection agency accounts must be paid in full before a card may be used for circulation services. Staff will not check out library materials on collection agency accounts until they are paid in full. Waiving of fines and fees is not allowed for collection agency accounts (except during an approved amnesty program or replacement of items). Library staff will not waive or negotiate money owed or claim return items. Collection agency accounts can be reregistered for customers who need a new card number; staff will follow reregistration procedures and inform the customer the system will not allow the card to be used for circulation activity (check out or reserve materials) until the balance is paid in full. Library Administration has authority to waive fines and fees from a collection agency account. See 6.6.

5.2 Staff will process partial payments and full payments at the branches and give customer receipts. When needed, a printout showing the remaining balance will be provided. Partial payment will be applied, first, to billed items and fines before applying payments to the Collection Agency Fees.

5.3 Paid-in-full accounts with an mblock of "u" are automatically processed by a system report every morning, seven days a week. The system automatically collects these accounts, removes the "u" mblock, and sends an email to the collection agency.

5.4 If there is a change in name, address, phone, etc., and a balance is owed on the existing account, staff will update the account in the library's system.

5.5 If the customer states they never received billing notifications, (e.g., they were never aware of the account or that the wrong address was used), staff will explain that it is the cardholder's responsibility to keep us updated with their information and offer information of the notification process. Staff will leave the account "as is".

5.6 When a customer explains they experienced extenuating circumstances during the collection timeframe, staff will refer the customer to Circulation Services who will submit a recommendation to Library Administration.

5.7 Collection accounts held by the County's collection agency must be paid at the library and a report of these payments is sent to the collection agency automatically every morning by the collection agency module in III.

6. COLLECTION ACCOUNT PAYMENT MADE AT LIBRARY

At the Library locations, the following are steps for notifying the collection agency if a customer returns material and pays on an account. (Such as fines, replacement costs, collection agency charge, etc.)

6.1 Staff processes returns and payments and issues a receipt.

6.2 Paid-in-Full and partial payment information will be handled as noted in 5.3.

6.3 Staff at branches will update personal information in the customer's account in III. Refer to 5.4.

6.4 Staff will refer customers who need to setup payment plans to Circulation Services.

6.5 Circulation Services processes payments received by mail and mails the receipt to the customer.

6.6 Circulation Services handles collection agency account disputes and recommends action to Library Administration.

7. PURGING BAD DEBT ACCOUNTS.

7.1 Delinquent Accounts not at a collection agency:

After following established collection efforts for fines and fees not in collections, this debt shall be written off in a rolling 3-year cycle, per Administrative Procedure 22-75. After three years, the following process will be followed for purging accounts:

7.1.1 After the end of each quarter, Circulation Services staff will run a list of accounts to be purged. These will be accounts that are three years old.

7.1.2 Circulation Services staff will run a review file using the following criteria to collect the accounts each quarter: 1) MBlock [=] "- ", Money Owed [>] "\$0.01", Circ Activity [<] "appropriate 3 year cycle." This file will be kept pending in the system until approval for purging is received from the Revenue Management Division. 2) Statistic: Compile summary list by age level noting total amounts of money owed, for each category Adult, Child, and Youth.

7.1.3 Circulation Services staff will send the write-off (purged) statistical summary to the Revenue Management Division of the Finance and Risk Management Department.

7.1.4 The Revenue Management Division will complete the write-off process per Administrative Procedure 22-75 by recommending Board of Supervisors approval for the write-off.

7.1.5 When BOS write-off approval has been obtained, the Revenue Management Division will notify the library that the accounts can be deleted from the Library's circulation system.

7.1.6 Administration will purge, from the library system, all Board of Supervisors approved write-offs of fines, fees, item records, and customer accounts. Circulation Services will also send notification to staff.

7.1.7 Most, but not all, accounts can be collected by Circulation Services. Staff members are instructed to waive these charges if and when they encounter them during a library card transaction with the customer. Staff will waive the charges using Payment Type "U."

7.1.8 Staff will NOT mention that charges have been purged or waived. It is not a practice to publicize the purging schedule or even explain that there were charges to customers.

7.2 Purging Accounts sent to collection agencies

The library will send accounts to the collection agency that are 50 days overdue and that owe over \$50 in fines and replacement cost fees. The Library will regularly purge collection agency accounts on a rolling three year cycle.

7.2.1 Accounts not cleared in a timely manner will be reported to national credit bureaus. The account balance will remain on the customer's credit report until the collection agency notifies the credit bureau that the account was purged after three years. Youth accounts are not reported to the credit bureau.

7.2.2 The date the collection agency fee was added determines the start of the three year period for library purposes. After three years accounts not paid in full are considered uncollectible debt.

7.2.3 Circulation Services staff will run a review file using the following criteria to collect the accounts in July of each year: 1) MBlock [=] "u", Circ Activity [<] July 1, "appropriate 3 year cycle," Last Updated Date [<] July 1, xxxx. This file will be kept in the system until approval for purging is received from the Revenue Management Division. 2) Statistics: Compile summary of Purge List by age level noting total amounts of money owed, for each category Adult, Child, and Youth.

7.2.4 Circulation Services staff will send the write off (purged) statistical summary to the Revenue Management Division of the Finance and Risk Management Department to complete the write-off process per Administrative Procedure 22-75.

7.2.5 The Revenue Management Division will notify the library when approval has been obtained to purge the fines, fees, item records, and customer accounts from the library's circulation system. Administration will purge all fines, fees, non-returned items, and customer accounts from the library system.

7.2.6 The library will process a Sync Report and send it to the collection agency. From this report the collection agency will close the purged accounts in their system and with the credit bureaus.

7.2.7 Staff will NOT mention that charges have been purged or waived. It is not a practice to publicize the purging schedule or even explain that there were charges to customers.

8. ACCOUNTS RECEIVABLE

8.1 In accordance with Administrative Procedure 22-75, the Library will send a quarterly report to the Revenue Management Division of the Finance and Risk Management Department that reports all accounts receivable balances.

8.2 The delinquent accounts turned over to the collection agency should be reported separately from other accounts. The report itemizing account and fine information to Unique will be forwarded to Revenue Management Division.

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-75

Effective Date: 04/01/1997

Revision Date: 12/07/2011

C. Deuelbaum
County Administrator

SUBJECT: **ACCOUNTS RECEIVABLE**

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

1. PURPOSES

The purposes of this Administrative Procedure are to:

- Define receivable accounts and delinquent accounts.
- Describe the receivable document types in the Advantage Financial system.
- 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 are 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.

- 2.2. Accrued Receivable (ARE) - the purpose of the Accrued receivable document is to record revenue when the customer will not be billed, but the revenue and receivable need to be recorded on a timely basis.
- 2.3. Unbilled Receivable (UB) – the purpose of the Unbilled Receivable document is to book a receivable when a cash advance is received prior to the creation of the Receivable, such as when building rent is received prior to the due date.
- 2.4. Surplus Award Receivable (RES) – the purpose of this document is to record money owed as a result of surplus auction award of goods or services.
- 2.5. Referral to Collection Agency (CL) – this document allows a department to refer receivables that are delinquent to the Office of Revenue and Collections or an outside collection agency.
- 2.6. 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.
- 2.7. Delinquent Accounts are accounts receivables for which payment for the amount billed has not been received within 30 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 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. Departments will maintain and track their accounts receivable in either Advantage Financial or their own software, which interfaces with Advantage Financial.
 - 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.
 - All collection effort correspondence shall be entered in Advantage Financial using the Receivable Correspondence History Page (RCHT).
 - 3.2.2. After the balance has been outstanding for 90 days, these receivables shall be transferred to the Revenue & Collections Section of Revenue Management for further action. An exception to the rule for transferring

accounts after 90 days, would be for 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 a 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. Payment plans will be setup in Advantage Financial using the payment plan table.

3.4.4. 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.

3.4.4.1. The Revenue and Collections Supervisor is authorized to negotiate a settlement for account balances of \$1,000 or less.

3.4.4.2. The Revenue Management Division Manager is authorized to negotiate a settlement for account balances greater than \$1,000 and less than \$10,000.

3.4.4.3. 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.

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 is 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, uncollectible accounts may be approved for write-off at the following levels:

4.2.1 Write-offs less than \$100 may be approved by the Revenue Management Supervisor

4.2.2 Write-offs of \$100 to \$1,000 may be approved by the Revenue Management Division Manager

4.2.3 Write-offs of \$1,000 to \$5,000 may be approved by the Director of Finance and Risk Management

4.2.4 Write-offs greater than \$5,000 up to \$10,000 may be approved by the County Administrator

4.2.5 Write-offs greater than \$10,000 require the approval of the Board of Supervisors

All non Board of Supervisors approved write-offs shall be presented in a report 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
 - Collection costs
 - The collection rate
 - The number of active accounts
 - The number of delinquent accounts
- 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 FOR REVENUE MANAGEMENT

- 6.1. For each department whose receivables are billed and tracked by Revenue Management, the Quarterly Report will be prepared 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 Revenue Management.

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, and Regional Wastewater Reclamation Department sewer user fees.