



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
STANDARD PRACTICE MANUAL

		SUBJECT: ACCOUNTS RECEIVABLE COLLECTIONS AND WRITE-OFF POLICY
SECTION:	3	CATEGORY: ACCOUNTS RECEIVABLE
POLICY NUMBER:	306	
REVISED DATE:	04/06/15	APPROVED BY: <i>Paul Angulo</i>

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for the internal control, collection and write-off of accounts receivable. Write-off policies and procedures contained herein must comply with applicable accounting requirements for federal, state and other regulatory agencies and all Generally Accepted Accounting Principles (GAAP). In addition, the policy must also comply with the California government code, and all related rules and regulations.

SCOPE: Applies to all County departments, agencies, special districts, and authorities that are governed by Riverside County Board of Supervisors, and/or which maintain funds in the County Treasury.

POLICY: The Riverside County Auditor-Controller (ACO) has established policies and procedures in compliance with California Government Code (GC) Section 25257 for the collection and write-off of uncollectible accounts receivable by all County departments maintaining an accounts receivable. These procedures recognize that certain amounts of bad debt will occur when accounts receivables, are established. Furthermore, in the case of certain accounts receivable, it is in the best interests of the County to write off such accounts receivable rather than pursue collection efforts.

PROCEDURE: The ACO recommends that departments collect payment at the time goods or services are provided. If a customer is more than 30 days past due on their accounts receivable, the collection process must begin. Security roles have been assigned to departmental staff and ACO staff (central) by the Riverside County Information Technology, Enterprise Solutions Division to ensure proper authorization of duties. The responsibilities of the roles are outlined below.

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DEPARTMENT'S RESPONSIBILITIES

Departments are responsible for recording accounts receivables timely and accurately, as well as collecting receivables timely, and reviewing the control to ensure timely collections. Departments are responsible for utilizing the following written policies and procedures to ensure that past due receivables are followed-up promptly and in a cost effective manner for the department.

- 1) If the County extends credit, due to not immediately receiving payment upfront for a good or service, the following information must be provided on a credit application or contract:
 - Customer's Full Name
 - Home and Office Address
 - Telephone numbers for home, place of employment, and a cell phone
 - Customer Driver's License number
 - Federal Employer Identification Number (FEIN) for businesses
 - Social Security Number for individuals or sole proprietorships
 - Terms of payment must be specified
 - Customers must agree to pay any and all costs of collections, such as court costs and attorney fees, if legal action becomes necessary.
 - The customer will then sign and date the credit application form or contract.
 - See purchasing guidelines, if necessary, contracts must be approved by the Board of Supervisors prior to receipt of goods or services.

- 2) A system-generated invoice for goods and services should be billed at the time the goods are provided or services rendered. If a customer is not billed immediately, an invoice must be rendered at least 30 days before the first payment is due. Invoices shall include the date on which the invoice was prepared, and shall be mailed, or delivered on the same date stated on the invoice.

- 3) Terms of payment for all debts to the County shall be net 30 from the invoice date. Because normal County business is conducted Monday through Friday, due dates that occur on a Saturday or Sunday, shall be advanced to the following Monday. Due dates that occur on a holiday shall be advanced to the next business day.

- 4) All accounts receivable activities will be monitored using an accounts receivable aging report. At the end of each month, the department must run the aging report. This report must be reconciled to the Accounts Receivable Module and the General Ledger Module. The department will also use this report to work past-due and delinquent accounts.

- 5) It is the department's responsibility to routinely notify customers when payment is due, and to expeditiously pursue all past-due and delinquent receivables. Accounts with unpaid balances 1 to 90 days past the due date are considered past due. Departments should identify on the billing invoice the potential consequences of not paying timely, such as late fees and interest charges.

- 6) These late fees and interest charges will begin accruing on all accounts receivables not paid within 30 days of the invoice due date. GC 16583.1 states that a reasonable fee can be imposed as long as it does not exceed the actual costs to recover collection costs on a past due account.

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- 7) The department is to send a follow up statement once a month to all past due accounts. The statement should show the following information:
 - Beginning Balance
 - Amounts charged during the month
 - Payments on accounts during the month
 - Ending Balance
 - Due Date
 - Invoice Date

- 8) If the County has received a partial payment, the department will credit the accounts receivable for the amount received. It is the responsibility of the department to contact the customer and make arrangements for the remaining balance of the payment. A follow-up letter should then be sent, confirming the arrangement that was agreed upon.

- 9) All contacts with the customer should be noted in a collection log.

- 10) If the customer submits a written dispute of the debt, the originating department will have 30 days to evaluate the validity of the dispute. The department then has 30 days to reach a decision. A response letter is sent to the customer notifying them of the decision. The department will either agree with the customer or continue with debt collection.

- 11) Accounts with unpaid balances of greater than 90 days past due are considered delinquent and are subject to collection procedures. Departments are prohibited from providing any additional goods or services to that customer until full payment has been made.

EMPLOYEE ACCOUNTS RECEIVABLE

- 1) GC Section 19838 requires reimbursement of overpayments made to employees. These overpayments can arise from salary and travel advances or payroll warrants issued. Departments will notify employees (in writing) timely, but no later than 30 days after the overpayment is identified, and provide them an opportunity to respond. Departments cannot take action to recoup an overpayment unless the action is initiated within three years from the date of the overpayment.

- 2) Departments should develop procedures to ensure prompt collections of employee receivable that include, but are not limited to the following:
 - a. Payroll Receivable – When overpayments arise from payroll warrants issued, the departments establishes a payroll receivable for the employee. The amount of the overpayment is collected either through payroll deduction or through collection agency. Departments are encouraged to use payroll deduction, when possible, to assist in prompt collection and to avoid subsequent manual income tax reporting.

 - b. Separating Employees – Review outstanding payroll receivables and collect any outstanding amounts from employees prior to their separation from the department. If the employee transfers from one department to another, notification must be sent to the ACO Payroll department notifying them of their outstanding receivable. If the separating employee is leaving the county, the balance of the receivable is withheld from their final payroll check.

 - c. Perform periodic review of payroll receivable reports, at least monthly, to ensure there is ongoing collection activity.

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COLLECTION PROCEDURES

Timeline for Collection of Accounts Receivable

Collection Step	Latest Day for Completion
Services Rendered, Goods Delivered, Fees Due, etc.	Day 0
Receivable is Recorded, Initial Invoice or Statement is Mailed	Day 15
First Dunning Invoice/Statement with Dunning Message No. 1	30 Days Past Due
First Telephone Contact	45 Days Past Due
Second Dunning Invoice/Statement or Collection Notice with Dunning Message No. 2	60 Days Past Due
Second Telephone Contact	75 Days Past Due
Final Dunning Invoice/Statement or Demand Letter with Dunning Message No. 3	90 Days Past Due
Referral of Accounts to a Collection Agency	120 Days Past Due

- 1) Collection procedures are not required on accounts with a remaining balance of less than \$100. Collection procedures will include intensive efforts to recover amounts owed, however it must be cost effective. The effort expended to collect the debt must be in proportion to the amount of revenue due to the county.
- 2) At 30 days, when an account becomes delinquent, the department shall mail the first Dunning Letter, in which immediate payment is demanded and the assessment of interest charges is explained. All Dunning Letters and communications with debtors must follow the provisions of the *Fair Debt Collection Practices Act*, which prohibits abusive debt collection practices, limits communications with debtors, and prohibits harassment or abuse.
- 3) If no response is received after the first Dunning Letter, the first telephone contact should be made within 45 days of the due date of the receivable.
- 4) At 60 days past due, the customer is mailed a second Dunning Letter. This explains that if the invoice is not paid within the next 30 days, the invoice will be turned over to the Auditor-Controller’s office. At that time the ACO will decide if the receivable should be turned over to a Collection Agency for further review and action.
- 5) A second telephone contact should be made within 75 days of the due date of the receivable.
- 6) If payment has not been received within the next 30 days, as noted on the second dunning letter, a Final Demand Letter is sent. This notifies them that their account is seriously delinquent and more extensive collection efforts will begin immediately. The Final Demand Letter must be sent out certified mail with return receipt.
- 7) Within 30 days from the Final Demand Letter, if the department has not received a response and all reasonable attempts to collect payment have failed, a transfer form to be completed and sent to the Auditor-Controller’s Office. The department must mark this customer as “inactive” in the PeopleSoft system, and record a journal entry to record this account as a “bad debt expense.”
- 8) Any account under \$1,000 is deemed uncollectible, and may be written-off by the Billing Supervisor, after collection efforts have failed. Department Heads have the authority to write-off accounts under \$5,000. Any account over \$5,000 will require approval from the Board of Supervisors prior to be written-off.

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AUDITOR-CONTROLLER’S ROLES

- 1) The Auditor-Controller’s Office may request accounts be written off, if the billing and collection procedures detailed in this policy have been exhausted. The following criteria may justify a write-off:
 - a. Neither the debtor nor the debtor’s assets can be located, due to a wrong address, lack of social security number and/or driver’s license.
 - b. The debtor does not and will not for the foreseeable future, own nor have the right to own assets from which the County could reasonably collect the debt.
 - c. The debt is disputed and the County has insufficient documentation to pursue collection efforts.
 - d. The debtor’s estate is subject to a pending bankruptcy proceeding and it is reasonable to conclude that the debt will be discharged and the County will receive none or an insubstantial share of the asset of the bankruptcy estate.
 - e. The debtor is deceased and there are no assets in the debtor’s estate from which the County could collect the debt.
 - f. It is not in the public interest to pursue collection of debt.
 - g. It is reasonably estimated that the cost of collecting the debt would be equal or exceed the amount of the debt.
- 2) Other criteria to be considered include the type of debt, how long the debt has been outstanding, and the debtor’s status. If these conditions have been met, and the account is over \$1,000, then the account can be forwarded to a collection agency for further action. The account will still be considered written off and any payments received would simply reduce the bad debt expense that was recorded.
- 3) The ACO will create a Form 11 annually to the Board of Supervisor’s within 120 days after the close of the fiscal year and include the following information:
 - a. Gross accounts receivable amount at the end of the fiscal year.
 - b. Detail of all receivable written off though out the fiscal year.
 - c. Current receivables (amounts due more than 12 months from the report date).
 - d. Long-term receivable (amounts due more than 12 months from the report date).
 - e. Past-due receivables (1 to 90 days past due).
 - f. Delinquent receivables (over 90 days past due).

This report will also include a listing of all accounts that have been referred to a collection agency and / or the District Attorney’s Office and the status of each one.

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COLLECTION AGENCY ROLES

- 1) Once an account has been referred to a collection agency, the department will submit to the Auditor-Controller’s Office, all supporting documentation, including a copy of the invoice(s), collection letters, and collection log. At this state of the collection the departmental efforts to collect the money should cease. Double collection efforts may be considered as harassment of the debtor. The department will refer all subsequent customer contacts to the collection agency.
- 2) Per California Government Code 16585(a) a city, county, or city and county may sell or transfer part or all of its accounts receivable to a private debt collector or private persons or entities, provided the city, county, or city and county notifies the debtor in writing at the address of record that the alleged accounts receivable debt will be turned over for private collection unless the debt is paid, or appealed within a time period, as determined by the city, county, or city and county providing the notice.

DISTRICT ATTORNEY OFFICE ROLES

- 1) If an account has gone through the County collections process and a collection agency without successful resolution, the District Attorney’s office may intervene and file a lawsuit, seeking a judgment against the debtor. If a judgment is obtained, Riverside County may proceed with all available legal remedies for collection on that debt. Judgments granted to the County remain in effect for eight years.
- 2) If the determination is made to write-off the accounts, without going thru a collection agency, the receivable is transferred back to the ACO so that a Form 11 can be prepared asking the Board of Supervisors approval to write-off the account. The Board of Supervisors will have the authority to release any debt due to the County per California Government Code Section 25259 which says the “Board of Supervisors may make an order discharging the department, officer, or employee from further accountability and direct the County Auditor-Controller to adjust any charge against said department, officer or employee in a like amount.”

RECORDS MANAGEMENT ROLES

All records related the actual receivable and collections efforts must be maintained in accordance with the County general records retention schedule. Whatever department does the final write off to the receivable will be the department of record.

SECURITY ROLES

In order to perform the functions discussed above, at least one of these roles must be requested:

- A Collection Processor is able to write-off an account that is under \$1000.
- A Department Collection Processor is able to write-off accounts under \$5000.
- An ACO Collection Processor can approve any write-offs over \$5000 that has received Board of Supervisor Approval.

***** Please note that an individual CANNOT be both a Collection processor and a Department Collection approver. They must choose one or the other.***

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SAMPLE DUNNING LETTERS

Dunning Letter # 1



**COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER**

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



**Paul Angulo, CPA, M.A.
County Auditor-Controller
Frankie Ezzat, MPA
Assistant Auditor-Controller**

Payment Reminder

Date

Name
Address
City, State, Zip

Subject: Past Due Invoice Number [REDACTED]

Dear Name:

Our records show that your present balance of \$ [REDACTED] is past due. Please make arrangements for payment on or before (date). Interest will be added at 1 ½ percent per month (18 percent per annum) on the unpaid balance.

If you are unable to send your remittance by return mail, please write or call us immediately to make arrangement necessary to clear this balance. Your prompt attention will be greatly appreciated. Our office is open 8:00 am to 5:00 pm Monday thru Friday.

Should you have any questions or concerns regarding this matter, please feel free to contact me at (951) 955-XXXX.

Thank You,

Name
Position
County of Riverside

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**Paul Angulo, CPA, M.A.
County Auditor-Controller
Frankie Ezzat, MPA
Assistant Auditor-Controller**

Second Notice

Date

Name
Address
City, State, Zip

Subject: Past Due Invoice Number [REDACTED]

Dear Name:

According to our records, your current balance is \$ [REDACTED]. Of this amount \$ [REDACTED] is more than 30 days past due. As you know, our normal terms require payment within 30 days after then invoice is sent to you. Please pay the amount due by (date). Interest will be added at 1 ½ percent per month (18 percent per annum) on the unpaid balance.

If there is some error, or you are unable to pay the amount due immediately, please contact us so that we can correct the situation or make suitable arrangements for prompt payment of this outstanding obligation. Immediate payment or payment arrangement is required to avoid costly collection or legal action. Our office is open 8:00 am to 5:00 pm Monday thru Friday. The county may take legal action to clear the debt.

Should you have any questions or concerns regarding this matter, please feel free to contact me at (951) 955-XXXX.

Thank you for your attention to this Request.

Name
Position
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**Paul Angulo, CPA, M.A.
County Auditor-Controller
Frankie Ezzat, MPA
Assistant Auditor-Controller**

Final Demand Notice

Date

Name
Address
City, State, Zip

Subject: Past Due Invoice Number [REDACTED]
Payment Due Date:
Total Amount Due:

Dear **Name**:

Despite our efforts to resolve your past due account, you have not responded to numerous attempts to contact you. You have until **(DATE)** to either submit payment in full for the past due amount or to contact the **XXXXXXXX** Department to make payment arrangement to reconcile this obligation. If you fail to do so by **(DATE)**, Riverside County shall initiate steps as necessary to enforce collection.

In order to avoid this unpleasant action and further damage to your credit report, please pay the past due amount of \$ **[REDACTED]** by **(DATE)**. This is the last notice you will receive before action is taken.

If the outstanding balance is referred to a collection agency, additional fees (currently 54.00% of the balance) will be added to the unpaid balance in addition to the 5% late fee already include.

Your prompt attention to this matter is requested. Our office is open 8:00 am to 5:00 pm Monday thru Thursdays. If you have any questions or concerns regarding this matter, please feel free to contact me at (951) 955-**XXXX**.

Thank you for your attention to this Request.

Name
Position
County of Riverside

Enclosure

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