

City of South Bend Administration & Finance Policy Manual



2.20 Write-Off of Uncollectible Accounts Receivable Policy – Code Enforcement Effective: January 1, 2015

Purpose: This policy defines the appropriate procedures to write off uncollectible accounts receivable in the Code Enforcement Department.

Scope: This statement applies to the Code Enforcement operations of the City of South Bend.

Responsibility: This policy is the responsibility of the Controller of the City of South Bend. Changes or revisions to this policy are affected only with the consent and approval of the Controller.

Effective Date: This policy is effective January 1, 2015.

1.0 Policies

Code Enforcement records receivables resulting from their daily operations. These receivables are with private individuals and businesses. Some of these receivables become delinquent from time to time. However, the delinquent receivables from private sources are most likely to become uncollectible and can be considered for write-off as bad debts.

1.1 Code Enforcement shall prepare and review an aged trial balance of their accounts receivable as often as necessary, but at least annually at year-end, in order to determine if any delinquent receivables should be written off as bad debts.

1.2 Invoices not paid by their due date are sent directly to the Legal Department for collection action thirty (30) days subsequent to the due date.

1.3 Code Enforcement shall send their requests to the City Controller to write-off receivables as bad debts. The request shall be supported by sufficient evidence of uncollectibility. See below for situations that would constitute terms for write off.

1.4 For write-off requests up to \$1,000, sufficient evidence of uncollectibility shall include records of telephone calls, copies of correspondence between Code Enforcement and the debtor, or record of a collection agency's inability to collect the debt.

1.5 For accounts over \$1,000, sufficient evidence would include copies of documents indicating court action (whether small claims or district court), or justification for an absence of court action, or attempts by a collection agency to collect on the debt.

1.6 Additionally, for accounts greater than \$1,000, evidence of concurring opinion from the Legal Department must exist indicating that all available and lawful means by which the debt may be collected have been pursued. A statement to this effect and citing the Legal Departments Attorney's name in the requesting memo from the department will suffice.

1.7 A write-off of uncollectible accounts receivable from Code Enforcement accounting records does not constitute forgiveness of the debt and it is still payable by the debtor.

1.8 Code Enforcement shall maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

Some situations which may result in writing-off uncollectible receivables include:

1.1.1 Getting delinquent accounts receivable back from the collection agency as uncollectible.

1.1.2 Losing in a litigation involving accounts receivable.

1.1.3 A debtor filing for bankruptcy and the bankruptcy court has determined that we would get little or nothing on the receivable.

1.1.4 Being advised by the Legal Department that it would not be productive to sue a debtor.

1.1.5 The receivable is more than 1 year past due without any success in collection efforts.

2.0 Procedures

2.1 Prepare and review, at least annually at year-end, an aged trial balance of accounts.

2.2 Evaluate the delinquent accounts receivables to determine if any of them should be written off as bad debts.

2.3 Determine if appropriate and adequate attempts have been made to collect the debts.

2.4 Prepare the General Journal entries necessary to record the write-off.

2.5 Write a memo to the Controller to request the write-off. At the very minimum, the memo should contain the following information:

2.5.1 Account description such as name, service date, amount, invoice number (where applicable), and so on.

2.5.2 Justification for the write-off request and evidence of collection efforts made as outlined in Section 1.0 "Policies".

2.5.3 Origination of the debt or type of service rendered.

2.6 Attach supporting documentation as applicable in accordance with Section 1.0 "Policies".

2.7 Prepare and sign the accounting entries for the write-off and attach them to the memo to the City Controller.

2.8 Maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

Action By: City Controller

Action:

2.9 Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.

2.10 Process the general journal entries or return them to Code Enforcement for additional supporting documentation.

2.11 Send approved memo, listing of write offs and agenda request form to the Board of Public Works for approval.

3.0 Responsibilities

3.1 Department Directors are responsible for ensuring that all the provisions of this policy/procedure are met.

3.2 Code Enforcement is responsible for Reviewing delinquent accounts receivable, determining items to be written-off, preparing necessary documents to write them off, and maintaining records of all accounts written-off in accordance with Federal and/or State records retention rules.

3.3 The City Controller is responsible for reviewing the requests from Code Enforcement, evaluating the reasonableness of the write-offs, and approving/processing those deemed appropriate.

Approved By: City Controller