City of South Bend Administration & Finance Policy Manual

2.21 Write-Off of Performance Bonds Policy
Effective: January 1, 2015

Purpose: This policy defines the appropriate procedures to write off Performance Bonds.

Scope: This statement applies to all operations of the City of South Bend that issue Performance Bonds.

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

The City of South Bend collects performance bonds for various reasons. The most common performance bond is when a code enforcement hearing judge demands the bond in lieu of demolition of a problem property. The homeowner is given a date in which repairs must be completed on the house. If the repairs are not completed and an extension is not granted, the bond reverts back to the City and the house is placed back on the demolition list.

A performance bond can be written off (funds reverted back to the City) under the following conditions:

1.1 The date repairs should have been made has passed and no repairs were done and no extension was granted and the Director of Code Enforcement (or Director of the affected department) has signed off on the file stating the performance bond agreement was not followed and, therefore, the bond reverts back to the City.

1.2 The legal department reviewed the details on the performance bond requirements and determined the bond is legally required to revert back to the City.

2.0 Procedures (to be performed by fiscal officer of department handling Performance Bonds)

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

2.3 Determine if appropriate and adequate attempts have been made verify the validity of the bonds.

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, and so on.

2.5.2 Justification for the write-off request outlined in Section 1.0 "Policies".

2.5.3 Origination of the bond.

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 or the Director of the affected department for additional supporting documentation.

2.11 Forward the memo prepared by the department along with the schedule of items to be written off (reverted to the City) and agenda request form to the Board of Public Works for final approval.

3.0 RESPONSIBILITIES:

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

3.2 Department Managers are responsible for reviewing outstanding performance bonds, determining items to be written-off, preparing necessary documents to write them off, and maintaining records of all bonds written-off in accordance with Federal and/or State records retention rules.

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

Approved By: City Controller