

CITY OF SPOKANE DEPARTMENT POLICY AND PROCEDURE	DEPT 5200-15-02 LGL 2015-0017
TITLE: COLLECTION AND CHARGE OFF OF UTILITY ACCOUNTS RECEIVABLE	
EFFECTIVE DATE: March 11, 2015 REVISION DATE: N/A	

1.0 GENERAL

1.1 The Utility Billing Department has account balances due for charges for water, sewer and refuse services. These receivables may be with private individuals, businesses, or other governmental organizations. Some of these receivables become uncollectible after a period of 6 years, or the occurrence of an event. When the City determines that an account receivable is uncollectible, the receivable is charged off for accounting purposes, which does not constitute a forgiveness of the debt. Repayment and collection efforts of the charged off receivable may still occur after a charge off has occurred.

The purpose of this policy and procedure is to establish uniform guidelines for collecting and determining which delinquent accounts receivable should be considered a bad debt and charged off in order to provide a fair representation of the current accounts receivable present in the City's financial statements. Accounts receivable that have been charged off for accounting purposes may still be collected by the City through any available means.

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2.0 DEPARTMENTS/DIVISIONS AFFECTED

This policy shall apply to the Utility Division and Utility Billing Department.

3.0 REFERENCES

"GAAP": Generally Accepted Accounting Principles promulgated by both the Governmental Accounting Standards Board and the Financial Accounting Standards Board. State of Washington Office of Financial Management Policy 85.54.55 "Uncollectable receivables."

4.0 DEFINITIONS

- 4.1 "Accounts Receivable" means all non-tax debt owed to the City by the private sector and by other governmental organizations.
- 4.2 "Aged Trial Balance of Accounts Receivable": A schedule classifying the balances of all accounts receivable according to varying lengths of time in which the accounts are past due.
- 4.3 A charge off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt. The debt still remains as being owed to the City.

5.0 POLICY

- 5.1 Whenever possible, the utility billing department is to collect payment at the time goods or services are provided.
- 5.2 Utility Billing Staff is responsible for reviewing the status of outstanding accounts receivable. If a utility account has had the water shut off and is more than ninety (90) days outstanding, Utility Billing should undertake additional measures to collect on the outstanding receivable, particularly sending the past due account to a collection agency.

If any portion of the outstanding balance is more than 5.5 years old, it is approaching the 6-year statute of limitations for collection efforts, there must be a partial charge off processed to bring the account balance to less than 5.5 years old.
- 5.3 Once an item has been sent to collection, the amount must be paid to the collection agency and cannot be remitted to the City. If a payment is accepted by the City, it must immediately be forwarded to the appropriate collection agency.
- 5.4 As a result, the invoice should be charged off to ensure that the customer will not inadvertently pay the City. Any charge off request recommendation form must be signed by the Utilities Department Manager before submitting the charge off request to the Assistant Director of Utilities.

- 5.5 The account is then referred to a collection agency who subsequently collects on the item. Any amounts remitted to the City by the collection agency should be credited to the charged off portion of the balance, posting to the oldest charges first.

6.0 PROCEDURE

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

- a. Resolve and forgiveness.
- b. Court Order/Judgment involving accounts receivable; subsequent valid dispute of the accounts receivable item.
- c. Bankruptcy court determination/order.
- d. Debtor is deceased and there is no estate remaining.
- e. Advised from the City Attorney's Office the debt is uncollectable.
- f. Sending an account to a collection agency.

- 6.2 Responsibilities of the Utility Billing Department.

- 6.2.1 If the debtor did not satisfy the outstanding amount by the stated date on the Final Notice, Utility Billing will review the account for sending to collections or to legal for placing a lien on the title based on likelihood of collecting the debt.
- 6.2.2 The Utility Billing Department should fully document all actions taken and any attempts made to collect the outstanding debt. This information is necessary to assist the collection agency in pursuing the outstanding debt amount.
- 6.2.3 Charge offs should not be stalled or avoided unless there is a repayment in process. Charge offs should be recommended for approval within 30 days of account termination, and no later than 150 days past due.
- 6.2.4 The collection agency subsequently collects up to 100% of the debt, in addition, adding up to a 50% collections fee per RCW 19.16.500. Proceeds should be appropriately credited by the department who billed the original account prior to collection action.

6.2.5 It is vital to cease future bills/invoices to the customer for anything assigned to collections. Include the relevant details (check date, amount, and budget code used to monitor receipt of monies remitted).

6.2.6 Keep sufficient records in a central location regarding amounts received by the collection agency and the status of all accounts sent to collections.

Process any charge off and the related accounting entries as needed.

6.2.7 Maintain records of accounts charged off in accordance with federal and/or state records retention rules.

6.2.8 For any requested charge offs, other than those sent to collection, the Utility Billing Manager will review the request for charge off and supporting details for reasonableness of the request and adequacy of the supporting documentation.

6.2.9 As necessary, Utility Billing will prepare an opinion or statement addressing non-collectability.

6.2.10 As necessary sign the statement and forward along with the written request for charge off back to the Utility Billing Manager.

6.3 Responsibilities of approver with appropriate approval authority, as per section 6.6: Authority Thresholds for Charge off Approvals.

6.3.1 Review the charge off request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.

6.3.2 Return the charge off request for additional supporting documentation if needed.

6.3.3 If required, obtain concurring opinion from Office of the City Attorney.

6.3.4 Approve or deny any request for charge off.

6.4 Information to Be Provided in Charge Off Memo for accounts greater than \$5,000.00.

6.4.1 At the very minimum, the charge off memo should contain the following information:

- a. Account description such as name, service date, length of delinquency, amount, invoice number and final bill date.
- b. Comments to reflect the reason for non-payment; repayment options and outcomes offered to customer if applicable; next course of action recommended.
- c. Bankruptcy filing date, Case # and processes completed if applicable.
- d. Date of death and if there is an estate, if applicable.
- e. Number of contact attempts and types of contact made.
- f. Origination of the debt or type of service rendered which resulted in debt.
- g. Attach supporting documentation as applicable.

6.5 Authority Thresholds for Charge off Approvals.

6.5.1 Debts up to \$1.00 - \$5,000: Utility Billing Manager

6.5.2 Debts up to \$5,001 - \$10,000: Assistant Director of Utilities Division

6.5.3 Debts up to \$10,001 - \$25,000: Director of Utilities Division

6.5.4 Debts greater than \$25,001 and above require additional approval by City Council

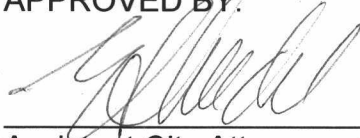
7.0 RESPONSIBILITIES

The Utilities Division shall administer this policy.

8.0 APPENDICES

None

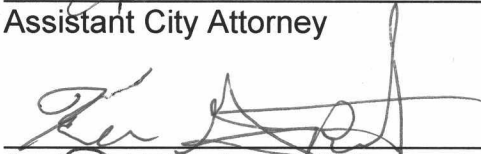
APPROVED BY:



Assistant City Attorney

3-10-15

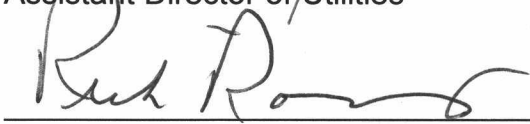
Date



Assistant Director of Utilities

2-10-2015

Date



Director of Utilities

2/24/15

Date