



July 18, 2019

Board of Directors
Ventura Regional Sanitation District
Ventura, California

APPROVAL AND ADOPTION OF DELINQUENT ACCOUNTS RECEIVABLE AND WRITE-DOWN / WRITE-OFF POLICY

RECOMMENDATION

Adopt Proposed District Policy 2.1.09 setting authorization levels and standard guidelines on how and when to handle delinquent accounts receivable and to either write-down or write-off uncollectible accounts receivables.

FISCAL IMPACT

A positive fiscal impact is expected from the adoption and implementation of this policy since it would minimize revenue loss due to uncollectible accounts receivable or bad debt.

BACKGROUND/ANALYSIS

Upon review of the District's fiscal management policies and practices, District staff determined that the District currently lacks any formal guidance or authorization levels for administering delinquent accounts receivables and to reduce or write-off uncollectible accounts receivables. Over the years, the District has had to write-off accounts receivable balances that perhaps could have been collected had the procedures in the proposed policy been in place.

In an effort minimize the District's loss exposure, the attached Delinquent Accounts Receivable and Write-Down / Write-Off policy is attached for your review and recommended for your approval. The policy addresses the following items related to delinquent accounts receivables:

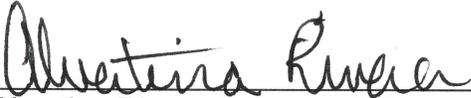
1. Prevention
2. Collection Procedures
3. Appeal Process for Disputes
4. Write-Off or Write-Down Procedures
5. Authority limits and Delegation for making payment arrangements and Write-Off or Write-Down

The policy has been recommended for approval by the Personnel and Finance Committee, which reviewed it at its July 16, 2019 meeting.

This letter and the associated policy have been reviewed by Legal Counsel as to form and content.

If you should have any questions or need additional information, please contact me by phone at (805) 658-4646 or via email at TinaRivera@vrsd.com.

ALVERTINA RIVERA, DIRECTOR OF FINANCE

APPROVED FOR BUDGET IMPACT: 
Alvertina Rivera, Director of Finance

APPROVED FOR AGENDA: 
Chris Theisen, General Manager

Attachments: Delinquent Accounts Receivable and Write-Down / Write-Off Policy



2.1.09 Delinquent Accounts Receivable and Write-Down / Write-Off Policy
Date Adopted: 07/18/19

**2.1.09 DELINQUENT ACCOUNTS RECEIVABLE AND
WRITE-DOWN / WRITE-OFF POLICY**

INTRODUCTION & PURPOSE

The purpose of this policy is to set authorization levels and standard guidelines to administer delinquent accounts receivable and to either write-down or write-off uncollectible accounts receivables.

POLICY OBJECTIVES

It is the District's policy to minimize the District's loss exposure by:

1. limiting the creation of accounts receivables to necessary and essential items or services;
2. requiring payment for District services at or before services are rendered whenever practical and feasible;
3. regularly identifying, reviewing and acting on all past-due accounts;
4. actively pursuing collection of delinquent accounts receivable; and
5. regularly writing-down or writing-off uncollectible accounts receivable.

POLICY APPLICABILITY

Types of accounts receivable covered by this policy include, but are not limited to:

1. Solid Waste fees;
2. Water and Wastewater Service charges;
3. Fees for other services;
4. Fines and penalties;
5. Recovery for damage to District property in lieu of insurance;
6. Legal judgments; and
7. Reimbursement charges.

POLICY DEFINITIONS

“Accounts receivable” = an account reflecting a balance owed by a debtor; a debt owed by a customer to an enterprise for goods or services.

“Write off” = to transfer the entire balance of an asset or account to an expense or loss account to reflect the asset or account’s total loss of value.

“Write down” = to transfer part of the balance of an asset or account to an expense or loss account to reflect the asset or account’s diminished value.

“Delinquent Account Receivable” = an account with an outstanding balance due that exceeds the 30 days when standard payment is expected.

POLICY PRINCIPLES

- A. To either write-down or write-off uncollectible and delinquent accounts receivable from the District’s accounting records as formal acknowledgement that debt collection is no longer perceived as a viable option.
- B. To make write-down or write-off decisions during the fiscal year in which an account is deemed delinquent and uncollectible.
- C. To treat any collection of a previously written-off account as new revenue in the appropriate fund and fiscal year when received.

POLICY PROCEDURES

A. Delinquent Accounts Receivable Prevention:

1. The District shall not pay for or advance District funds for any contractual obligations, unless the District expressly agrees to be contractually obligated to do so.
2. Whenever feasible and consistent with customary business practices, the District shall require advance payment of all fees and costs due to the District in accordance with the District’s Rates and Fees Schedule.

B. Collection Procedures for Past Due Accounts Receivables

For purposes of collecting delinquent accounts receivable, the District shall follow a four (4) step process as set forth below.

1. Upon an account receivable becoming delinquent, the Finance Division will send a minimum of two (2) written reminders/notices of the balance due to the account holder or delinquent payor before proceeding to the second (2nd) step of the process. Notices shall be sent once an account becomes 40 and 70 days past due, as necessary.

2. Once an account receivable is more than 90 days past due, the Finance Division will attempt to collect the past due amount by calling the delinquent payor's telephone number provided to the District. Each call will be logged by date and time. A maximum of ten (10) telephone calls will be made to resolve this delinquency.
3. When an account becomes 120 days past due, a letter will be sent by District Legal Counsel advising the accountholder of the amount past due (including all accrued interest, fees and costs), and of the legal remedies available to the District for collecting this debt. The accountholder shall be responsible for all fees and costs charged for the preparation and issuance of the letter by District Legal Counsel. This amount shall be added to the total amount past due.
4. If a delinquent account receivable becomes more than one hundred eighty (180) days past due and the balance due exceeds \$5,000, Finance Division staff, working with District Legal Counsel, shall prepare a memorandum to be discussed with the Board of Directors in closed session.

For any case where an account receivable is less than 180 days past due, the Finance Division is authorized to enter into a written payment plan with the delinquent accountholder or payor that ensures full payment of all delinquent amounts within six (6) months of the date the plan is approved. Board approval is required for any payment plan extending the payment of the delinquent amounts beyond nine (9) months.

C. Appeal Process:

Absent any contractual provisions for dispute resolution in the event of a delinquent account receivable, a delinquent accountholder or payor who is unable or unwilling to reach an agreement on the amount owed or payment terms with Finance Division staff, may request a hearing with the District General Manager within 30 days of the first delinquency notice / payment reminder. The District General manager is authorized to enter into a written payment plan, to provide a write-down for the lesser of no more than 25% of the total amount owed or \$5,000 and to provide payment terms of up to nine (9) months to pay off the amount owed. Any determinations made by the District General Manager must be in writing.

D. Write-Off or Write-Down Procedures:

1. Designation of a Delinquent Account Receivable as Uncollectible and Subject to Either Write-Down or Write-Off:

If after the appropriate collection procedures (Policy Procedures, Section C above) have been followed and there is no resolution, an account receivable will be considered uncollectible and subject to either write-down or write-off if it meets one or more of the following criteria:

- a) The balance due amount is disputed and the District has insufficient documentation to pursue legal collection efforts;
- b) The cost of further legal collection efforts is greater than the estimated recovery of the balance due amount;

- c) The balance due amount is less than or equal to \$50 and remains unpaid after one year;
- d) The delinquent account receivable remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- e) Neither the delinquent accountholder or payor nor any of his or her assets can be located by the Finance Division through reasonable, diligent means;
- f) The delinquent accountholder or payor has filed for a Chapter 7 bankruptcy and there is no expectation that he or she will have sufficient assets to pay off the District;
- g) The delinquent accountholder or payor has died and there is no known estate or guarantor;
- h) The delinquent account receivable is discharged through legal action (bankruptcy or court judgment); or
- i) The balance due amount is written-off by the District Board or as outlined under Policy Procedures, Section E.3 below.

2. Preparation of Write-off or Write down of Accounts Receivable List:

- (a) Annually or quarterly, the Director of Finance or his/her designee will identify any accounts receivable that meet the criteria for designation as an uncollectible account.
- (b) An itemized list of uncollectible accounts to be written-off or written-down will be compiled specifying the following:
 - ▶ Debtor name;
 - ▶ Account balance;
 - ▶ Due date;
 - ▶ Brief description of receivable type;
 - ▶ Criteria under which the account was deemed uncollectible; and
 - ▶ Account number of the receivable in the District's financial system if applicable.
- (c) For each uncollectible account, documentation should be attached supporting the uncollectible account designation and substantiating that collection procedures have been followed and due diligence has been exercised in collection efforts. Due diligence documentation should, at a minimum, include:
 - ▶ Invoices, reminder letters, returned checks and/or collection letters (and any documentation that is returned as undeliverable, no known forwarding address, etc.);
 - ▶ Bankruptcy claims and any documents supporting a claims court or other judgment rendered by proper authority;
 - ▶ Judgment awarded by a court or settlement agreement; and

- ▶ Notice of discontinuation of services.

3. Approval Authority for Write-off or Write-down Requests:

The Director of Finance will review the list of uncollectible accounts to ensure that it is complete and that all necessary due diligence documentation has been attached. Once the review is complete, the qualified accounts will be written-off after approval from the corresponding authority is received. Subsequent to the write-off or write-down step, the write-off/down list will be presented to the appropriate reporting party according to the following approved authority levels:

Transaction Amount:	Write-Off Authority:	Reported to:
Up to \$100	Director of Finance	General Manager
\$101 up to \$5,000	General Manager	P&F Committee
Excess of \$5,000	District Board	N/A

If new developments arise suggesting that a possibility exists for collection of an account previously written-off, the collections process will be resumed.

E. Criteria for Maintaining Accounts Receivable:

Accounts receivable write-off or write-down will not be performed under the following conditions:

1. Insufficient collection efforts have been made or demonstrated;
2. Existence of a lien and future collection is likely possible;
3. Knowledge that the debt will be collected in the future; and
4. Lack of proper approval as outlined in Section D.3.

SUMMARY

While the above policy guidance and directions cannot anticipate or cover every unpaid balance amount issue, exception, or contingency that may arise in operating the District, District Finance Division staff, working with the General Manager and District Legal Counsel, shall exercise their discretion in such a way as to fulfill the purposes and goals of this policy to the maximum extent feasible.

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