

Category: 200

Number: 216

Subject: **COLLECTION OF DELINQUENT ACCOUNTS RECEIVABLE POLICY**

Purpose: The purpose of this policy is to:

1. Define the parameters for the collection of delinquent accounts receivable for monies owed to the County at any particular time.
2. Define the authority for the write-off of receivables.
3. Communicate to County Elected Officials, Department Heads and Employees the formal policy of the Board of Commissioners regarding the collection of delinquent accounts receivable.

Authority: St. Clair County Board of Commissioners

Application: This policy applies to all Enterprise Funds (excluding tax funds) of St. Clair County that record their accounting activities on the general ledger of the County.

Responsibility: The Administrator/Controller shall be responsible for the implementation and administration of this policy.

Definitions: **Delinquent accounts receivable** are monies greater than 90 days past the date the payment was due that are legally owed to the County at any particular time and represent assets. Examples may include, but are not limited to, the following:

- A. Amounts billed by the County for services rendered by a department to another individual, municipality or entity.
- B. Any claim for funds, moneys, or other property, which would normally be required by the GASB to be recorded as a receivable in the official records of a governmental unit.

Write-off of Accounts Receivable is the removal of an amount, or part of an amount, of money owed to the County that had been determined to be a receivable, from the accounts receivable subsidiary ledger.

Policy: Departments that sell on credit or contract their services out shall collect promptly, efficiently, and in a thoroughly accountable manner all county receivables for which they are responsible.

Administrative

Procedures: Departments that generate receivables shall maintain accurate and current aged accounts of receivables for the purpose of prompt and efficient collection and reporting.

Collection procedures for receivables –

- A. An invoice must be prepared, recorded and delivered to the debtor as soon as practical after a receivable is created and the debtor must be given 30 calendar days from the date of the invoice to return payment to the County.
- B. If payment is not received within 30 days from the date of the invoice and payment arrangements have not been made in writing with the County Administrator, the responsible department shall attempt to collect by notifying the debtor in writing that payment is overdue and payable immediately. At this point, the debt has become an overdue receivable.
- C. If payment is not received during the next 30 days, i.e. within 60 days from the date of the invoice, the responsible department shall attempt to collect again by notifying the debtor in writing that payment is now 30 days overdue and payable immediately.
- D. If payment is not received during the next 30 days, i.e., within 90 days from the date of the invoice, the overdue receivable becomes a delinquent account receivable. The responsible department shall:
 - a. Attempt to collect again by notifying the debtor in writing that payment is now 60 days overdue and payable immediately;
and,
 - b. If no payment is made within 10 days from the date of the letter, the delinquent account shall be referred to legal counsel or a collection agency or collections bureau immediately.
 - c. Cease to provide services to the debtor until payment is made in full.

Referral for collection –

- A. The account shall be referred to legal counsel or a collection agency on the 11th day that no payment is received once the account is at least 120 days old.
- B. Once the County has determined the account will be referred to legal counsel or a collection agency, all correspondence and past due statements for that account holder will be maintained in a file in accounting.

- C. Accounting will forward all documentation to legal counsel or the collection agency the County is contracting with.

Accounting Entries –

- A. Subsequent to transfer to legal counsel or a collection agency the accounting department will remove the amount from accounts receivable and debit the amount to Allowance for Doubtful Accounts for any of the Enterprise funds.
- B. The County Board of Commissioners must approve all write-offs of delinquent or uncollectible accounts.
- C. After a delinquent account has been sent to collections, the County Administrator has the authority to write off any uncollectible amounts that are \$10,000 or less. The County Board of Commissioners must approve any delinquent accounts that are greater than \$10,000.
- D. The amount of any receipts that may be remitted to the County from the collection agency will be credited to the Allowance for Doubtful Accounts. This will effectively reduce overall bad debt loss expense.

Periodic

Review: The Administrator/Controller shall review this policy and make recommendations for changes as needed.

Adopted: July 18, 2007

Amended: November 28, 2007