

SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
POLICIES & PROCEDURES MANUAL

POLICY 54.020 - WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE

Date: July 2021
Revision No.: 1
Supersedes: October 7, 2014
First Adopted: October 7, 2014

PURPOSE:

The purpose of this policy is to ensure that all reasonable diligence has been used to collect accounts receivable, improve measurement of the San Bernardino Municipal Water Department's (Department) accounts receivable, and ensure the most efficient use of Department revenue collection procedures.

POLICY:

It is the policy of the Department to actively pursue collection of past-due accounts, and to write-off amounts determined to be uncollectible. A write-off of uncollectible accounts receivable from the Department's financial records does not constitute forgiveness of debt or a gift of public funds.

PROCEDURE:

Collection procedures are established by the Finance and Administration divisions, based on the nature of the receivable. Types of receivables covered by this policy include but are not limited to: utility charges (water, sewer, and refuse), fees for services, regulatory fees, fines and penalties, recovery for damage to Department property, and legal judgments.

Accounts receivable should generally be written-off during the fiscal year in which an account is determined to be uncollectible. Subsequent collection of an account written-off in a prior fiscal year will be treated as new revenue in the current fiscal year in the appropriate fund.

Designation of an Account as Uncollectible

An account will be considered uncollectible after the appropriate collection procedures have been followed if it meets one or more of the following criteria:

- The debt is disputed and the Department has insufficient documentation to pursue collection efforts;
- The cost of further collection efforts will exceed the estimated recovery amount;
- If the amount due is under \$20 and remains unpaid after two years, staff may write the balance off at their discretion.
- The account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- The debtor cannot be located, nor any of the debtor's assets;
- The debtor has no assets and there is no expectation they will have any in the future;
- The debtor has died and there is no known estate or guarantor;
- The debtor is a company that is no longer in business;
- The debt is discharged through legal action (bankruptcy or court judgment);
- The debt has been forgiven by action of the Board of Water Commissioners

Preparation of Request for Write-off of Accounts Receivable

At least annually, by the end of each fiscal year, the Finance Division will work with each department to identify any accounts receivable for which it is responsible that meet the criteria for designation as an uncollectible account. All requests for write-off of accounts receivable should be submitted by the appropriate department head to the Finance division.

The request for write-off of accounts receivable must include an itemized list of the uncollectible accounts to be written off 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 Department's financial or billing system.

For each uncollectible account, a summary of collection efforts must be attached as documentation to the request to support the uncollectible account designation and substantiate that collection procedures have been followed and that due diligence has been

exercised in collection efforts.

Approval Authority for Write-off Requests

Upon receipt of a request for write-off of accounts receivable by the Finance Director, or other Department Director, Finance Division staff will review the request to ensure that it is complete and that all necessary due diligence documentation has been attached. Once Finance Division staff has completed its review of a request, the qualified accounts to be written-off will be presented to the appropriate authorizing official for review and approval:

Transaction Amount	Write-off Authority:	Report to:
Up to \$1,000	Finance Director	General Manager
Excess of \$1,000	Water Board	

Policy Review

Board Approved:	<u>10/7/2014</u>
No Changes:	<u>7/2018</u>
No Changes:	<u>7/2019</u>
No Changes:	<u>7/2020</u>
Minor Changes (HR) GM Approved:	<u>7/2021</u>