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<tr><td rowspan="3">City of Delray Beach</td><td colspan="2">ADMINISTRATIVE POLICIES AND PROCEDURES MANUAL</td><td colspan="2">SUBJECT:
Accounts Receivable</td></tr>
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<u>BF-25.1. 0 Purpose:</u>

To establish uniform guidelines and principles for the internal control, collection and write-off of accounts receivable. This policy will be administered by the Finance department. Policies contained herein are designed to comply with applicable state laws, rules and regulations.

<u>BF-25.1.1 Policy:</u>

This procedure provides a general description of the structure of the Finance department's accounts receivable function. The Finance department is responsible for supervising all accounts receivable, Citywide. When an account receivable is known to be delinquent, the Finance Director or designee will make a diligent effort to collect the account in compliance with these procedures. If such efforts fail to achieve collection, the Finance department will promptly lien the property (if applicable and greater than $500) or refer the account to the City Attorney (if greater than $2,500) for evaluation and further action(s) to protect the financial interest of the City.

<u>BF-25.1.2 Definitions:</u>

Accounts Receivable: A record reflecting amounts due from applicants, vendors, contractors, employees, customers, citizens, businesses, or other responsible parties for goods and services furnished by the city as well as, amounts assessed and due for utility services. These amounts include fines, penalties, damages and reimbursement of cost for enforcement actions brought on behalf of the city or as a result of an accident involving city owned property.

Cashier's Office: The office within the Finance department designated by the City responsible for the receivable systems and the receipting of monies due.

Debt: An obligation to pay.

BF-25.1.2 Definitions (continued):

Finance and Accounting Policies: Procedures established to ensure proper controls, consistency, and accountability of funds collected for the city.

Fiscal Year: The 12 month period from October I through September 30.

Internal Controls: A system of checks and balances established to provide reasonable assurance that specific objectives are achieved.

Write-Off: An accounting adjustment reflecting the portion of an account receivable determined not collectible.

BF-25.1. 3 General Description of the City's Accounts Receivable

The City of Delray Beach has several different accounts receivable systems. The first system and the largest, accounts for the billing and collecting for water utilities, monthly garbage/recycling, and storm water fees. The second system accounts for utility assessments, user agreements, grants, utility fees related to builders renting temporary meters, code enforcement, and other miscellaneous receipts. The City also operates a Fire Department emergency transport fee receivable system as well as a Police Department parking citation system. There is a Business License Tax receivables system, an alarm receivable system, cemetery plot receivable system, parks program receivable system, and building permit system of receivables. This policy covers all receivables systems mentioned here as well as any not currently listed.

BF-25.1.4 Roles and Responsibilities:

The Finance department is responsible for establishing, maintaining, and monitoring an internal control system over the accounts receivable function. This will include adequate segregation of duties, cash handling procedures, restrictive endorsements, accounts receivable aging report analysis, application of penalties, proper documentation for receivable adjustments, and all other functions required to meet state law and government accounting standards.

BF-25.1.5 Requirements for Detailed Records:

The Finance department must maintain a record detailing the amount due from customers, pilots, contractors, renters, employees or other responsible parties. Because of the number of accounts involved, it is important that procedures be implemented that maintain accounts efficiently and accurately. Although the form for the detailed accounts will vary by type of obligation, at a minimum, the following data are necessary:

a. Responsible Party's Name
b. Billing Address

c. Driver's License Number or Federal Employer Identification Number (if available)
d. City account number or similar property identifier
e. Type of receivable
f. Date of Transaction
g. Explanation of Transaction
    1. Amount Due
    2. Amount Assessed
    3. Adjustment Amounts
    4. Paid Amounts
    5. Write-Off Amounts
    6. Balance Due

All billing adjustments (late fees, penalties, tum-on/off fees, billing errors, etc.) will be authorized by the Chief Financial Officer and/or designee as a normal course of business.

BF-25.1.6 Legal Considerations:

a. *Delinquent Accounts:* An account receivable becomes delinquent when payment is not received in accordance with conditions giving rise to the receivable. Thus, if payment is not made in an amount at least equal to that required or within the time specified for the account, such account is delinquent. The finance department, however, declares an account"past due" if not paid within 30 days of the due date. If not paid within 90 days following its due date, the account is considered "delinquent". In all cases, the exercise of due diligence in collecting an account requires prompt notification of the account's overdue status to the holder of the debt and request for payment.

b. *Statute of Limitations:* Because of changes in applicable statutes and the complexity of applying the statutes to specific cases, the finance department will not attempt to settle or forgive any account receivable without specific authorization from city commission or as may be specifically authorized by a law or rule relating to the debt giving rise to the receivable.

c. *Write-Off Authority:* Except as otherwise provided by the city charter, the authority to adjust, forgive, and/or settle accounts or debts owed to the city rests with City Commission. Accounts receivable under ten (10) dollars or overpayments on closed accounts of less than ten (10) dollars will be summarily dismissed, administratively by the Chief Financial Officer and/or designee. Corrections that reduce a fee by reason of error in the assessment or recording must not be regarded as a compromise, write-off or default. However, any such adjustments to the accounts must be supported by documents fully explaining the reason for the adjustment.

BF-25.1.7 Collections Efforts:

Responsibility for collecting accounts receivable rests with the Finance department, supported by the pertinent department. The cashier's office will pursue returned checks.

Before declaring an account uncollectible, diligent effort must be made to collect the amount outstanding. The collection effort may be shared by the Finance department and the City Attorney, but must include at least the following:

a. If payment is not received within 30 days after its due date, the Finance department will notify the responsible party in writing of the amount that is past due. The account shall have the appropriate penalties applied. Past due utility payments will result in the city locking the water meter until an extended payment agreement is negotiated or prompt payment is made of the entire balance due, including penalties. Additionally, if the meter is locked on these accounts, the cashier's office shall require a security deposit equal to three month's average utility billing to protect the city's interests.

b. The Finance department may negotiate an extended payment agreement for the past due payment with the responsible party for a period not to exceed one year. If this is done, it is the Finance department's responsibility to keep track of payments and a running balance of the amount due. The Finance Director shall approve extended payment agreements that exceed one year.

c. If payment is not received, and an extended payment agreement is not reached within 60 days from the due date on receivables (other than utilities), the Finance department will notify the responsible party in writing that the account is overdue. The letter will include the statement that if payment is not received or an extended payment agreement reached within two weeks of notification, the account may be referred to legal counsel; the account may be turned over to a collection agency, further collections efforts may be completed by the treasurer and/or, services may be terminated. A lien will be levied when the amount reaches $500 or more as may be specifically authorized by a law or rule relating to the debt giving rise to the receivable.

d. If an adequate resolution of the past due account is not reached within 90 days of the due date, the Finance department may refer the account to a collection agency, the city attorney or retain the account for further collection efforts. Before referring the account, the Finance department will assemble available documents to assist the collection agency or city attorney in determining an appropriate action. Such documents should include relevant documentation of the debt and efforts made to collect or contact the debtor. Accounts of $2,500 and less will either be referred directly to the collection agency or retained for further collection efforts as it is not deemed to be cost effective to send to the city attorney. When the delinquent account becomes 90 days past the due date an accounting entry to bad debt and the allowance for uncollectible will be made.

e. Annually for the September 30 year end reporting period, the Finance department shall prepare a report of all pending collection items that have not been written-off including accounts referred to the collection agency; those accounts that have been retained and those referred to the city attorney for enforcement and currently due and owing the City. Detailed records will be maintained of all accounts in the formal collection process.

BF-25.1.8 Request for Write-Off Authority:

After all the above procedures have been completed and the account is determined to be uncollectible, a list of the receivables will be prepared and except as otherwise provided by statute, the Finance Director will be asked to authorize the write-off of the accounts receivable. Accounts receivable due under ten (10) dollars or over payments on closed accounts of less than ten (10) dollars will be summarily dismissed/discharged, administratively by the Finance Director and/or designee.

BF-25.1.9 Recording the Write-Off or Collection of Written-Off Accounts:

Upon Finance Director's authorization, the write-off in the accounting system will be made by reducing accounts receivable and making the appropriate adjustment to the allowance account.

If the account is collected through the Finance department's collection agency, the cashier's office will deposit the check into the appropriate fund. The account will be reestablished by a debit to accounts receivable and a credit to the allowance account. The payment will be recorded as a credit to accounts receivable and a debit to cash. The collection fee withheld by the collection agency is recorded as a debit to a non-operating expenditure and a credit to accounts receivable.