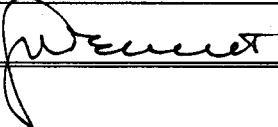




## POLICY AND PROCEDURE

<b>Subject:</b> Accounts Receivable	<b>Index:</b> Finance <b>Number:</b> 201-6
<b>Effective Date:</b> September 1, 2005	<b>Prepared By:</b> Finance & Administrative Services
<b>Supersedes:</b> July 1, 2003	<b>Approved By:</b> 

### 1.0 PURPOSE:

To provide guidelines and procedures for Accounts Receivable Invoices.

### 2.0 ORGANIZATIONS AFFECTED:

All departments/divisions.

### 3.0 REFERENCES:

None applicable.

### 4.0 POLICY:

- 4.1 To ensure the invoicing, monitoring and collection of outstanding obligations owed to the City:
  - 4.1.1 It is the responsibility of the Finance Division to invoice, monitor and collect all monies owed to the City.
  - 4.1.2 All invoicing of monies owed to the City is preformed by the Finance Division.
  - 4.1.3 The Finance Division reviews all Council Agenda Reports for possible financial implications.
  - 4.1.4 It is the responsibility of each department/division that all information relating to financial transactions be communicated to the Finance Division.
- 4.2 Deposit/Invoice Billing System for Multi-Project Application
  - 4.2.1 A good faith deposit will be placed with the City by each developer. Projects will be coded per the City's cost tracking system, so that the cost of each individual project being pursued by a specific developer can be tracked

independently. Cost for all Planning, Engineering and Administrative staff will be tracked by this system. Once a month, the cost of any staff member involved with the project will be assigned to each individual project within the developer's overall account. These costs will be summed and totaled and be made available to the developer upon request. If an additional deposit is required a request for additional deposit will be made and the developer will then have 30 days to pay the invoice. As long as developers keep current on their payments, no further deposits will be required. If a developer falls behind in payments, work will be stopped on any and all projects and past expenses will be paid out of the initial deposit. When the developer reimburses the deposit account and pays invoices, work will be resumed.

- 4.2.2 As a part of the discretionary review process, for larger technical plan checks, EIR's, soils, traffic, geology studies, etc., the entire lump sum for professional service contracts will be paid by the developer at the time a large plan check is initiated, EIR, biologic study, etc. The purpose of this upfront payment is to guarantee payment to the City's consultants on the large technical plan checks and documents routinely handled by outside professional contractors, without creating a financial liability to the City.

## **5.0 PROCEDURE:**

- 5.1 The City of San Clemente Finance Division is responsible for invoicing, monitoring and collecting all City-owned obligations. The Accounts Receivable/Accounting Specialist invoices agencies/persons outside of the City for various services and fees. Items invoiced include repair work performed by City employees, intergovernmental contract services, subscription services, leases, fire alarm permits, weed abatement and any other miscellaneous income.
- 5.2 Invoicing
  - 5.2.1 A request for invoice form and any required documentation, that has to support the invoice, must accompany any request for invoicing submitted to Finance. The request for invoice form is prepared using the Request for Invoice form located in Word on the General Templates tab.
  - 5.2.2 Invoices are computer generated on a continuous basis as needed. The original invoice is mailed to the organization or person being billed. One copy is retained by the Accounts Receivable/Accounting Specialist.
  - 5.2.3 Invoices are due at different intervals depending on the type of revenue being invoiced.

### 5.3 Monitoring and Reporting

5.3.1 The Accounts Receivable/Accounting Specialist monitors on a monthly basis the accounts receivable aging report. The Specialist responds to accounts that are delinquent and reviews their status monthly.

5.3.2 The Accounts Receivable/Accounting Specialist submits a monthly accounts receivable report to the Finance Manager.

### 5.4 Collections

5.4.1 Delinquent notices are processed by the 10<sup>th</sup> of each month for invoices that become delinquent greater than 30 days past their due date. The first delinquent notice states that the account is past due and payment should be made immediately.

5.4.2 The second delinquent notice for invoices is sent out after 60 days delinquency and states that it is the second and final notice. These notices are stamped, "FINAL NOTICE". If not paid by (date) this invoice will be turned over to our collection agency."

5.4.2.1 Certified mail is used for those accounts over \$100

5.4.3 For all delinquent accounts over 60 days past due, a collection agency letter is used to try and collect an account.

5.4.4 If a delinquent account is not collected within 75 days past due, accounts may be sent to a full service collection agency.

5.4.5 If a delinquent account is still uncollected after 90 days, then the option is as follows:

5.4.5.1 Accounts under \$400 are sent to the State Interagency Offset Program and/or a full service collection agency.

5.4.5.2 Accounts over \$400 but under \$5,000 are taken to small claims court for collection depending on a case by case basis.

5.4.5.3 Accounts over \$5,000 are sent to the collection agency or the City Attorney.

### 5.5 Write-off of Bad Debt

5.5.1 Generally Accepted Accounting Principles requires that accounts receivable that have been determined to be uncollectible, be written off.

- 5.5.2 The Accounts Receivable Accounting Specialist, at year end, will provide the Finance Manager with a list of delinquent accounts receivable that is greater than one year old.
- 5.5.3 For accounts under \$1,500 the Finance Manager approves the write-off of delinquent accounts.
- 5.5.4 For accounts from \$1,500 to \$10,000 the Assistant City Manager approves the write-off of delinquent accounts.
- 5.5.5 For accounts over \$10,000 the City Council approves the write-off of delinquent accounts.
- 5.5.6 The City will continue to pursue the collection of delinquent accounts that have been written off.
- 5.5.7 The Finance Division will utilize the Interagency Offset Program to collect monies owed to the City after all other collection efforts have been exhausted.
- 5.5.8 After approval from the Finance Manager, the Accounts Receivable/Accounting Specialist is responsible for the submittal and correspondence with the state agency.

#### 5.6 Requirements of the Interagency Offset Program

- 5.6.1 Authorization to participate must be received from the State Controller's Office before October 15 (September 15, if requesting Franchise Tax Board to acquire Social Security Number).
- 5.6.2 A pre-offset notice must be sent prior to certification to the Franchise Tax Board.
- 5.6.3 On or before December 15 a tape copy or paper listing of the City's Debt files must be forwarded to the Franchise Tax Board.
- 5.6.4 The fee schedule for each amount submitted is based on the annual revision provided by the State. The administrative rates are generally less than \$1 per item.
- 5.6.5 If the City wishes to participate in the program, but is unable to furnish the debtor's social security number (SSN), the City can request FTB to supply the debtor's SSN to their offset request. A minimal charge, which is computed annually (generally less than \$1), per record will be collected for this service. FTB will furnish the SSN only where there is an exact cross match with at least two or more debtor related data items submitted.

- 5.6.6 The Accounts Receivable/Accounting Specialist notifies the Finance Manager when a receivable has been through the collection process described in the accounts receivable policy and procedures.
- 5.6.7 Upon approval by the Finance Manager, the Accounts Receivable Specialist submits all required information to the state agency where the information is monitored and potentially collected by the State against franchise tax refunds and lottery winnings.
- 5.6.8 The State, upon collecting the account, disburses the proceeds to the City with information regarding the account from which collected.

5.7 Deposit/Invoice Billing System for Multi-Project Applicants

- 5.7.1 In setting up deposit accounts, Planning and Engineering staff will work with the Finance Division staff to establish the deposit and invoicing mechanism for a particular developer.
- 5.7.2 If the developer fails to pay their invoices within 30 days, the Finance Division will notify the Planning and Engineering staff. The Planning and Engineering staff will have the option to cease work on those petitions, until accounts are brought current.
- 5.7.3 If late payments become frequent, a larger deposit, to be determined by the Community Development Director, will be required. Expenses will be charged against the larger deposit until that fund is drawn down to the initial deposit amount. Work will cease again until the deposit account is replenished.
- 5.7.4 If a developer does not provide sufficient funds to cover processing expenses, the petition/project will be scheduled for hearings and a recommendation for denial will be made, in order to protect the City from legal time line processing requirements, whenever applicable.