

FISCAL ACCOUNTABILITY RULES

RULE 4.1 – ACCOUNTS RECEIVABLE, ALLOWANCE FOR DOUBTFUL ACCOUNTS AND WRITE-OFFS

Purpose

Accounts receivable are an important asset of the City. Control of accounts receivable consists of determining amounts due from others, timely billing, prompt collection and accurate reporting. This rule recognizes that certain accounts receivable, or portions of certain accounts receivable, will be uncollectible.

Definitions

Accounts Receivable – Amounts due to the City for transactions with entities outside the City, excluding “due from” transactions involving inter-agency billings.

Allowance for Doubtful Accounts – An estimate of the accounts receivable, or portions of certain accounts receivable, that will not be collected. The estimate is based on past experiences and an analysis of current accounts receivable.

Uncollectible – The amount due that cannot be collected because the debtor either cannot be located, does not have the ability to pay the amount owed, the statute of limitations has run on the account; or the cost of collection exceeds the amount due.

Write-off – To reduce the value of an asset (e.g. accounts receivable) by the amount of an expense.

Rule

1. Every agency/department with accounts receivable is responsible for managing its own accounts receivable and shall be able to support the total receivable amount.
2. Every agency/department with accounts receivable shall develop policies and procedures that describe how to establish accounts receivable, bill amounts due, determine allowance for doubtful accounts, write-off uncollectible amounts, and collect a receivable. The policies and procedures shall be available for review upon request.
3. Every agency/department with accounts receivable shall review its accounts receivable policies and procedures at least annually to ensure compliance with this rule.

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4. Every agency/department with accounts receivable shall submit to the Controller's Office at fiscal year-end, an entry to record the outstanding accounts receivable amount and an allowance for doubtful accounts in the City's financial system of record. The entry shall include adequate supporting documentation detailing how the allowance was calculated.
5. Every agency/department with accounts receivable shall perform a quarterly review of its accounts receivable to determine the amount, if any, that is uncollectible. If it is determined that an uncollectible amount exists, the following steps shall be followed to write-off the account.
 - a. For write-offs less than \$50,000, a journal entry shall be approved and signed by the agency head/department manager and submitted to the Controller's Office to write-off the account. The entry shall include adequate supporting documentation stating the reason for the write-off.
 - b. For write-offs \$50,000 and above, the agency head/department manager shall submit in writing a request to write-off an account to the Controller's Office. Upon approval a journal entry shall be submitted to the Controller's Office to write-off the account. The entry shall include adequate supporting documentation stating the reason for the write-off.
 - c. If the write-off requires the approval of some other legal entity, the agency head/department manager shall get that approval in writing prior to requesting the Controller's Office approval.

Procedures and Forms

The **Controller's Office** is responsible for any procedures and forms associated with this rule.