



CITY PROCEDURE

SUBJECT: Procedure for Annual Write-Off
of Delinquent Accounts Receivable Accounts

NO: F-1.9

Effective: June 4, 2013

Revised: September 1, 2015

APPROVED: Constance P. Sanchez
Constance P. Sanchez
Director of Financial Services

PURPOSE:

To provide standard operating procedures regarding the writing-off of delinquent accounts receivable accounts at fiscal year-end.

BACKGROUND:

The Accounts Receivable division of the Financial Services Department bills customers on a monthly basis for a variety of account types – such as retiree health insurance, paving assessments, etc. Other City departments, such as the Airport, Marina, Development Services, Police, etc. also bill customers monthly for their specific receivables and should follow this procedure.

An aging report of the accounts receivable balances is run at the end of every month and is reviewed by the Collections Manager. Any account that is deemed uncollectible should be charged off the subsidiary ledger on an annual basis. Then at year-end, all amounts over 120 days delinquent are written off as bad debt expense as part of the year-end closing process.

PROCEDURE:

1. An aging report for accounts receivable accounts is run at the end of every month.
2. The Collections Manager reviews the report monthly to determine the collectability of each account.
3. For any accounts that have been delinquent for over 365 days which have been deemed as uncollectible, the Collections Manager will charge them off the subsidiary ledger by debiting an "uncollectable accounts" balance sheet account and crediting the appropriate accounts receivable account. This will be done annually and can be run up to two weeks prior to the fiscal year-end.

4. On the last day of the fiscal year, an aging report is run by the Collection Manager.
5. The accountant responsible for each respective fund prepares a journal entry to adjust the "uncollectable accounts" balance in each respective fund to the amount of accounts over 120 days delinquent. The offsetting account is "Bad Debts Expense". The journal entry is given to the Chief Accountant for posting.

QUESTIONS ON THE PROCEDURE:

Questions on this procedure may be referred to the Director of Financial Services.