Section ??? – Write-Off of Uncollectible Accounts Receivable

Definitions

Accounts Receivable – All non-tax debt owed to Davis County by the private sector, individuals, and by other governments.
Aged Trial Balance of Accounts Receivable – A schedule classifying the balances of all accounts receivables according to varying lengths of time the accounts are past due.

Introduction to Policy

Various Davis County departments have non-property tax accounts receivable resulting from their operations. Some of these receivables become uncollectible after a period of time, or an event. When the County determines that a receivable is uncollectible, the receivable is written off for accounting purposes, which does not constitute a forgiveness of debt.

Some situations which may result in writing-off uncollectible receivables include:

1. Unable to make contact with the owing party after an extended period of time, based on departmental recommendations and Utah State statute of limitations.

2. Accounts receivable submitted to a collection agency are returned to the county as uncollectible.

2. Litigation losses by the Attorney's Office involving accounts receivable.

3. Receiving notification from the bankruptcy court that a debtor has filed for bankruptcy and that collection of the debt is remote.

4. Advised by the Attorney's Office that it would not be productive to sue a debtor.

Purpose

To establish uniform guidelines for determining which delinquent accounts receivable should be considered a bad debt and written off. Also, to provide a fair representation of accounts receivable in Davis County's financial statements.

Policies

1. County departments with non-tax receivables shall comply with these policies and procedures in order to ensure accounts receivable balances are stated in accordance with Generally Accepted Accounting Principles for presentation in the Davis County's financial statements. County departments shall prepare and review an Aged Trial Balance of their accounts receivable monthly and at year-end to determine if any delinquent receivables

should be written off as bad debt. This review shall be completed and recorded at least annually, but prior to the year-end closing.

2. County departments shall send their requests to write-off receivables as bad debt to the Auditor's Office. The request shall be signed by the department's Administrative Officer and supported by sufficient evidence of uncollectibility, described below.

3. For write-off requests up to $5.00, a written request from the Administrative Officer explaining the request is sufficient.

4. For write-off requests over $5.00 but less than $100, sufficient evidence of uncollectibility shall include records of telephone calls, copies of correspondence between the agency and the debtor, other record of a collection agency's inability to collect the debt, or any other records showing the uncollectibility of the debt.

5. For accounts over $100 but less than $1,000, sufficient evidence would include copies of documents indicating court action (whether small claims or district court) initiated by the Attorney's Office, or justification for an absence of court action, or attempts by a collection agency to collect on the debt.

6. For accounts $1,000 and more, evidence of concurring opinion from the Attorney's Office must exist indicating that all available and lawful means by which the debt may be collected have been pursued. A statement to this effect from the Attorney's will suffice.

7. A write-off of uncollectible accounts receivable from the County's accounting records does not constitute forgiveness of the debt. The debt is owed to the County.

8. County departments shall maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

Procedures

1. Prepare and review, monthly, and at least annually at year-end, an aged trial balance of accounts receivable in accordance with Write-Off Policy/Procedure.

2. Monthly, and at least annually evaluate the delinquent accounts receivables to determine if any of them should be written off as bad debt.

3. Determine if appropriate and adequate attempts have been made to collect the receivables.

4. Account receivable balances of $1,000 or more - Write a request to the Auditor's Office to request approval for the write-off of uncollectable accounts receivable. At the very minimum, the request should contain the following information:

4A. Account description such as name, service date, amount, invoice number (where applicable), length of delinquency and so on.

4B. Justification for the write-off request and evidence of collection efforts made as outlined in "Policies" Section.

4C. Origination of the debt or type of service rendered.

4D. Attach supporting documentation as applicable in accordance with "Policies" Section.

4E. The Administrative Officer of the department signs the request and forwards it along with the documentation to the Auditor's Office.

5. Account receivable balances less than $1,000-Write a request to the Auditor's Office to request the write-off of uncollectable accounts receivable. At the very minimum, the request should contain the following information:

5A. Account description such as name, service date, amount, invoice number (where applicable), length of delinquency and so on.

5B. Justification for the write-off request and evidence of collection efforts made as outlined in "Policies" Section.

5C. Origination of the debt or type of service rendered.

5D. Attach supporting documentation as applicable in accordance with "Policies" Section.

5E. The Administrative Officer of the department signs the request and forwards it along with the documentation to the Auditor's Office.

6. Maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

Action By: Attorney's Office

Action:

1. Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.

2. Prepare a statement indicating that all available and lawful means by which the debt may be collected have been pursued.

3. Sign the statement and forward along with the Agency request to the Auditor's Office.

Action By: Auditor's Office

Action:

1. Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation.

2. Return the request for additional supporting documentation if needed.

3. Process the appropriate general journal entries.

4. Forward a copy of the Attorney's statement to the requesting agency.

Responsibilities

1. Administrative Officers are responsible for ensuring that all the provisions of this policy/procedure are met.

2. Departments are responsible for reviewing delinquent accounts receivable, determining items to be written-off, preparing and submitting the necessary documentation to the Auditor's Office and maintaining records of all accounts written-off in accordance with Federal and/or State records retention rules.

3. Auditor's Office is responsible for reviewing the requests from departments, evaluating the reasonableness of the write-offs less than $1,000, and approving/processing those deemed appropriate. The Auditor's Office will also advise county departments of the Attorney's authorization of write-offs in excess of $1,000.

4. Attorney's Office is responsible for reviewing the requests from departments, evaluating and approving write-offs of $1,000 or more and notifying Auditor's Office for appropriate action.