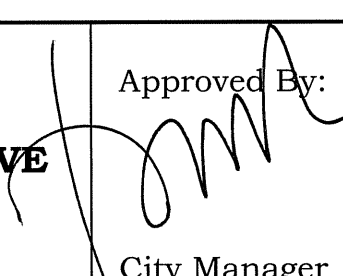
	ADMINISTRATIVE ORDER	Approved By: 	No. 21
		City Manager	Effective Date: 06/16/09
Subject: Accounts Receivable Collections			

A. Purpose.

This Administrative Order establishes policies and procedures for handling debts owed to the City which are invoiced through the Eden Accounts Receivable module, including guidelines for the periodic review of outstanding debts by City departments, criteria for determining an uncollectible debt, and levels of authority for approving the write-off of any uncollectible debt. This policy is necessary due to the decentralized nature of Accounts Receivable invoicing.

B. Definitions.

Accounts Receivable – All debts owed to the City of Highland Park for goods or services invoiced in the Eden Accounts Receivable system.

Settlement – An agreement between the debtor and City of Highland Park to accept less than the original consideration plus collection fees, if applicable, for the goods or services provided.

Collection Agency – A third party agency used by the City to assist in the collection of a debt owed.

Aging Report – A schedule of outstanding Accounts Receivable categorized by the length of time the receivable is past due.

Write-Off – The process of removing a receivable from the City's assets.

C. Policies.

It is critical that all City departments ensure timely collection of receivables and periodically review outstanding accounts to identify uncollectible receivables and to accurately reflect the City's assets. The Finance Department will send any

outstanding receivables over ninety (90) days past due to a collection agency unless otherwise instructed by the originating department in writing. Departments will be provided with an accounts receivable aging report for review at the end of each quarter reporting outstanding invoices initiated by that department. In the event a department directs that an account should be withheld from collections, it becomes the responsibility of the originating department to collect the debt or recommend write-off as provided by City policy. Approval of a recommendation to write-off any debt will be based on specific approval thresholds.

The attached Collections and Write-Off Policy provides detailed procedures associated with the collection and write-off of debts owed to the City. All employees are required to adhere to this policy.

D. Interpretation.

All questions concerning the meaning or applicability of the provisions of this Administrative Order shall be submitted in writing to the office of the City Manager. A written interpretation by that office shall be provided to all departments and serve as a supplement to this Order.

ATTACHMENT: Collections and Write-Off Policy



City of Highland Park Collections and Write-Off Policy

Purpose

This policy is intended to establish guidelines for handling debts owed to the City of Highland Park which are invoiced through the Eden Accounts Receivable module including guidelines for the periodic review of outstanding debts by applicable City departments, criteria for determining an uncollectible debt, and levels of authority for approving the write-off of the uncollectible debt. This policy is necessary due to the decentralized nature of Accounts Receivable invoicing.

Definitions

Accounts Receivable – All debts owed to the City of Highland Park for goods or services invoiced in the Eden A/R system.

Settlement – An agreement between the debtor and the City of Highland Park to accept less than the original consideration plus collection fees, if applicable, for the goods or services provided.

Collection Agency – A third party agency used by the City of Highland Park to assist in the collection of a debt owed to the City.

Aging Report – A schedule of outstanding Accounts Receivable categorized by the length of time the receivable is past due.

Write-Off – To remove a receivable from the City's assets.

Collection Policy

All goods and services provided by the City must be invoiced through the Edens Accounts Receivable (A/R) module, with the exception of those invoiced through a different module in Edens such as Utility Billing, Permitting, Licensing or those billed by an outside contractor (i.e. ambulance billing). It is critical that the City ensure timely collection of receivables and periodically review outstanding accounts to identify uncollectible receivables, and to accurately reflect the City's assets. Therefore the Finance Department will send any outstanding A/R accounts over 90 days past due to a collection agency unless otherwise instructed by the originating department in writing.

Collection Procedure

Departments will be provided with an accounts receivable aging report for review at the end of each quarter reporting outstanding invoices initiated by that department. Accounts which are in collections through the City's collection agency will be identified on the report. This report is intended to assist in identifying any item over 90 days past due that should not be sent to collections or that should be written-off if the debt meets the criteria

described in the write-off policy section of this document. If the receivable is still collectible but the department does not wish for the account to go to collections, the department should include a written explanation to Finance explaining why the receivable should remain on the General Ledger as well as evidence of the collection or settlement efforts being made by the department. Should a department wish to hold an account from collections it becomes the responsibility of the department to collect the debt or recommend that the debt be written-off as described in the write-off procedure section of this document.

Bankruptcy

The City receives notification of Chapter 7 and 11 bankruptcy filing notices. City employees should consult with the Deputy Finance Director and Corporation Counsel before attempting to collect a debt owed by, or enforcing a City ordinance against, a debtor that has filed for bankruptcy. The Deputy Finance Director will research all debts owed to the City by the party named in the bankruptcy and file the appropriate paperwork with the bankruptcy attorney. Chapter 7 bankruptcies may require the write-off of debt and will be processed by the Deputy Finance Director. Appropriate departments will be notified of any debt related to the bankruptcy that originated from their department. Bankruptcy files will be kept by the Deputy Finance Director and retained in accordance with Illinois record retention laws.

Write-Off Policy

Approval of the recommendation to write-off such debts will be based on the dollar amount of the individual invoice and follow appropriate approval thresholds. Approval thresholds are as follows:

Invoices less than \$500 – Department Head
Invoices of \$500 to \$999.99 – Finance Director
Invoices of \$1,000 to \$4,999.99 – City Manager
Invoices greater than or equal to \$5,000 – City Council

A debt may be recommended for write-off when it is deemed to have met one or more of the following criteria:

- The debt cannot be proven or substantiated by evidence
- The debtor cannot be located
- It is not economical for the City to pursue collection of the debt
- The City's collection agency advises write-off of the debt
- The debtor has declared Chapter 7 bankruptcy
- Court Judgments preclude collection efforts or eliminate the debt
- City Council recommends settlement or waiver of fees or debt
- Judgment by the administrative hearing officer

A write-off request may be denied based on the criteria listed below. If a request is denied, the department will be advised and it will be the responsibility of the department to pursue the collection of the debt, or take corrective action and re-submit the request.

- Sufficient collection efforts have not been made or demonstrated
- Possibility of a Lien exists
- Lack of documentation or substantiation

Corporation Counsel should be consulted to determine the extent of the City's lien rights, if any, against the debt in question prior to the write-off.

Write-Off Procedure

In conjunction with the quarterly review of the accounts receivable aging report, Department Heads may submit write-off requests to the Deputy Finance Director by preparing an Accounts Receivable Write-Off Request form for approval. Included with the form should be a memorandum indicating the invoices to be written off, the revenue account numbers to be impacted, the dollar amount of each account, the aggregate amount to be written off, evidence and explanation of the collection efforts that have been made to collect the debt and the reason for the recommendation to write-off the debt.

The Deputy Finance Director will review all requests to ensure accuracy, completeness of documentation, and all possible collection efforts have been made. The Deputy Finance Director will forward the request to the Finance Director for review and approval if the invoice is greater than or equal to \$500.

The Finance Director will review the request and supporting documentation and approve or deny the request and return the request to the Deputy Finance Director or forward the request to the City Manager for approval if the invoice is greater than or equal to \$1,000.

The City Manager may approve or deny the requests and return it to the Deputy Finance Director for further action. If approved and no action by the City Council is needed, the Deputy Finance Director will take the appropriate action to write-off the account and notify the department of the approval and action. If City Council action is required the Deputy Finance Director will return the approved request to the department for preparation of a request for council action on an upcoming agenda. Template Request for Council Action and Resolution is located on hpshare\Dept_fin\Collections on the City's network.

The City Council will approve or deny the request by resolution and if approved the Deputy Finance Director will take the necessary steps to remove the asset from the General Ledger and maintain a file of all requests. The Deputy Finance Director will also communicate with the third party collection agency any action to be taken on the account subsequent to approval at the appropriate level. If the request is denied it is the responsibility of the department to pursue the collection of the debt, or take corrective action and re-submit the request.

Attachments: A - Accounts Receivable Write-Off Request Form
 B – Sample Memo to Department Heads
 C – Sample Request For Council Action
 D – Sample Resolution



**City of Highland Park
Accounts Receivable Write-Off Request**

Department: _____

Date: _____

The attached item has been deemed uncollectible and write-off of the amount is being requested. I verify that due diligence in collection efforts have been made and a copy of any evidence of such efforts is attached along with a memorandum explaining the circumstances surrounding the request.

Below is a summary of the criteria for write-off as outlined in the Collection and Write-Off policy and the dollar amount.

<u>Criteria:</u>	<u>Invoice Amount</u>
() The debt cannot be proven or substantiated by evidence	\$ _____
() The debtor cannot be located	\$ _____
() It is not economical for the City to pursue collection of the debt	\$ _____
() The City's collection agency advises write-off of the debt	\$ _____
() The debtor has declared Chapter 7 bankruptcy	\$ _____
() Court Judgments preclude collection efforts or eliminate the debt	\$ _____
() City Council recommends settlement or waiver of fees or debt	\$ _____
() Other (provide explanation)	\$ _____

Department Head_____
Date_____
Deputy Finance Director_____
Date_____
Finance Director_____
Date

(If invoice exceeds \$500)

City Manager_____
Date

(If invoice exceeds \$1,000)

If amount is greater than or equal to \$5,000, upon City Manager approval a Request for Council Action will be drafted by the originating department for City Council approval.



Memorandum

Date: November 28, 2016

To: Dan Pease, Chief of Fire
Paul Shafer, Chief of Police
Julie Logan, Director of Finance
Rob Sabo, Assistant City Manager
Ramesh Kanapareddy, Director of Public Works
Joel Fontane, Director of Community Development

From: Meriyen Hernandez, Accounts Receivable

Subject: Outstanding Invoices over 90 days

Attached are past due invoices originated by your department which are over 90 days past due. Invoices currently in collections are noted on the report. Pursuant to the City's Collections and Write-off policy, the Finance Department intends to send these invoices (if not currently in collections) to collections unless we are notified by your department by the due date stated below.

The City's Collections and Write-off policy outlines the policy and procedures to be followed for the collection and write-off of an accounts receivable invoice. Per the policy an account may be deemed uncollectible and recommended for write off if:

- The debt cannot be proven or substantiated by evidence
- The debtor cannot be located
- It is not economical for the City to pursue collection of the debt
- The City's collection agency advises write-off of the debt
- The debtor has declared Chapter 7 bankruptcy
- Court Judgments preclude collection efforts or eliminate the debt
- City Council recommends settlement or waiver of fees or debt
- Judgment by the administrative hearing officer

Should any of the accounts listed meet one or more of these criteria and you believe it should be written-off, please refer to the policy for procedures to initiate a write-off request. If other circumstances surround the account and you are requesting it not be sent to collections or be removed from collections, **please provide evidence of collection efforts and a brief memo describing the circumstances.**

Please review the invoices and advise the Finance Department on how to handle these items by March 29, 2016. If you have any questions, please contact Meriyen Hernandez at (847) 926-1014.

Request for Council Action



AGENDA
ITEM NO:
4

Referred to Council:

Subject: Approval of the Write-Off of Uncollectible Accounts Receivable

Staff Contact:

TITLE: *Adoption of a Resolution Authorizing the Write-Off of Uncollectible Accounts Receivable in the Amount of \$.*

Recommendation:

It is recommended the City Council adopt the proposed resolution authorizing the write-off of uncollectible accounts receivable in the amount of \$\$\$,\$\$\$.

Background:

The City's Collections and Write-off Policy outlines the policy and procedures to be followed for the collection and write-off of an accounts receivable invoice. Per the policy, an account may be deemed uncollectible and recommended for write off if it meets certain criteria such as: the debtor cannot be located; declaration of bankruptcy by the debtor; or a recommendation by the City's collection agency. Departments may submit a write-off request and approval of the request to write-off such debts is based on the dollar amount of the individual invoice and follow appropriate approval thresholds. Approval thresholds are as follows:

Invoices less than \$500 – Department Head
Invoices of \$500 to \$999.99 – Finance Director
Invoices of \$1,000 to \$4,999.99 – City Manager
Invoices greater than or equal to \$5,000 – City Council

<<Description of Debt and collection efforts made>>

<<Criteria for basis of write-off>>

Financial Impact:

The Write-Off will reduce current year revenue in account ###.##.###.#### by \$\$\$,\$\$\$.

DOCUMENTS ATTACHED

✓ [Attachment 1 – Proposed Resolution](#)



CITY OF HIGHLAND PARK

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING THE WRITE-OFF OF UNCOLLECTIBLE
ACCOUNTS RECEIVABLE IN THE AMOUNT OF \$\$,,\$\$,,\$\$**

WHEREAS, the City has made diligent efforts to collect on delinquent, uncollectible accounts; and

WHEREAS, the write-off of uncollectible accounts is necessary to accurately reflect the City's assets and financial position; and

WHEREAS, it is fiscally responsible to write-off uncollectible accounts.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
HIGHLAND PARK, LAKE COUNTY, ILLINOIS**, as follows:

SECTION ONE: AUTHORIZATION OF WRITE-OFF. The City Council authorizes the write-off of the accounts as listed in EXHIBIT A.

SECTION TWO: EFFECTIVE DATE. This Resolution shall be in full force and effect upon its passage and approval by a majority of the members of the City Council.

AYES:

NAYS:

ABSENT:

PASSED:

APPROVED:

RESOLUTION NO.

Nancy R. Rotering, Mayor

ATTEST:

Ghida S. Neukirch, City Clerk

EXHIBIT A

Uncollectible Accounts Listing