



MEMORANDUM

IMFR
Agenda Item No. 3(A)

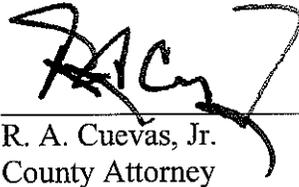
TO: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

DATE: July 12, 2011

FROM: R. A. Cuevas, Jr.
County Attorney

SUBJECT: Resolution rescinding Administrative Order 3-9, Write Off Accounts Receivable arising from user charges and replacing it with Implementing Order 3-9 accounts receivable adjustments; updating specific language related to actions taken before adjustments and increasing authorized amounts for adjustments

The accompanying resolution was prepared by the Finance Department and placed on the agenda at the request of Prime Sponsor Commissioner Lynda Bell.



R. A. Cuevas, Jr.
County Attorney

RAC/cp

Memorandum



Date: July 7, 2011

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Alina T. Hudak
County Manager

A handwritten signature in black ink, appearing to read "Alina T. Hudak". The signature is written in a cursive style and is positioned to the right of the printed name.

Subject: Implementing Order on Adjustments to Accounts Receivables

Recommendation

It is recommended that the Board adopt the attached resolution rescinding Administrative Order 3-9 relating to the write-off of accounts receivable and replace it with the attached Implementing Order (IO) that revises the content of Administrative Order 3-9 to clarify departmental responsibilities and actions required before adjustments to accounts receivable are made. The IO delineates the County's general policies for identifying and handling uncollectible receivables. The revised IO authorizes, under specific conditions, department directors to approve adjustments up to \$2,500 per customer, the Finance Director to approve adjustments up to \$5,000 per customer; and the County Mayor or his/her designee to approve adjustments up to \$10,000.

Scope

The scope of the agenda item is countywide in nature.

Fiscal Impact/Funding Source

The fiscal impact of the proposed agenda item is countywide in nature. County departments with high volumes of accounts receivable regularly reserve a percentage of the receivables for doubtful accounts/bad debt expense. The adjustments to accounts receivable items for various departments presented along with this item have been charged to bad debt expense in order to properly and fairly match revenues and related expenditures to the appropriate accounting period. Fund balances have already been adjusted to reflect the bad debt expense. There is no fiscal impact to any of the County funds, and this revised IO does not impair the County's ability to continue collection efforts.

Track Record/Monitor

County departments are responsible for tracking and monitoring accounts receivable. The County uses a number of mechanisms to collect current and past due outstanding balances. Most balances are collected through normal billing and collection activities, including invoicing on a scheduled basis and department/customer contact activities. Additionally, for balances that have been delinquent for longer periods of time and collection efforts unsuccessful, County departments often engage the Finance Department's Credit and Collections Section or outside collection agencies to pursue further collection efforts. All accounts referred to the Credit and Collection Unit are maintained in a database for future collections. Uncollected debts are only considered for adjustment when staff has exhausted all reasonable measures and believes that further actions – whether by County staff or private debt-collection contractors – would not be successful. Such an action does not reduce or limit the County's legal right to pursue and recover the debt.

This IO requires monthly departmental reconciliements of accounts receivable to the County's general ledger. The aging of these amounts will be monitored through a measure that will be added as a component of each departmental scorecard used in monitoring the performance in strategic initiatives.

Background

From time to time, in the normal course of business, amounts owed to the County become past due (30+ days late). In some cases, these amounts become delinquent (90+ days late), which greatly reduces the probability that the debts will be collected in full. These accounts receivable include: customer billings for services rendered; unpaid fees, fines or penalties from permits, licenses or violations; and receivables from loans, mortgages or long-term contracts. In these cases, the County establishes an allowance for doubtful accounts to appropriately reflect anticipated revenues on its books. This is a standard practice for both public and private entities and reflects responsible and accurate accounting.

The County uses a number of mechanisms to collect current and past-due outstanding balances. Most balances are collected through normal billing and collection activities, including invoicing on a scheduled basis and departmental customer-contact activities. Additionally, for balances that have been delinquent for longer periods of time and collection efforts unsuccessful, County departments often engage the Finance Department's Credit and Collections Section or outside collection agencies to pursue further collection efforts. All accounts referred to the Credit and Collection Unit are maintained in a database for future collections. Despite continuous collection efforts, however, it is generally accepted in both the public and private sectors that a portion of the delinquent balances will not be recuperated and will necessitate an adjustment to the accounts receivable.

Generally Accepted Accounting Principles (GAAP) require that when the value of an asset is impaired, it be removed from the accounting system used in the preparation of financial statements to provide a fair representation of financial position. In the instance of accounts receivable deemed fully uncollectible for financial reporting purposes, the act of adjustment of an account in no way affects the County's legal rights in pursuing and securing delinquent account balances. The County will continue its efforts to collect the amounts due, including legal action where practicable, until an equitable restitution is made or agreed upon where possible. This activity, in other words, does not represent abandonment of debt collection, but a necessary and responsible step to ensure our financial reports accurately represent only anticipated revenues that the County can reasonably expect to collect.

County departments with high volumes of accounts receivable regularly reserve a set percentage of the receivables for bad debt expense. This accounting treatment is customarily performed to properly and fairly match revenues and related expenditures to the appropriate accounting period.

Ordinance 99-162 established a "Registry of Delinquent Contractors," which departments are required to review prior to entering into a contract. Individuals or entities in arrears under any individual contract, final appealable judgment, or lien with the County that exceeds \$25,000 and delinquent for more than 180 days, must first pay the amounts owed to the County or make suitable arrangements to pay.

The accompanying IO is the result of a professional review performed by an executive management team of existing internal accounting and administrative procedures. The review identified areas for improvement, and steps were immediately taken to determine the status of the County's receivables, clean up the accounts and standardize the accounts-receivable process for all departments. Cleaning up the County's unadjusted accounts receivable is a necessary first step. The agenda item being submitted with this IO addresses this issue by recommending the Board's approval of necessary adjustments to outstanding accounts receivable. The aging of receivables

will be monitored through a measure that will be added as a component of each departmental scorecard used in monitoring the performance of strategic initiatives.

Accounts Receivable Process Improvements

Improvements to enhance the accounts receivable process include:

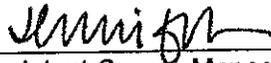
- Adding language in all contracts allowing the ability to offset amounts due from one contract to another. When a vendor becomes delinquent and payment is due for goods or services provided to the County, payment will be offset.
- Require reconciliation and ending balances to be posted to the County's general ledger system. Several County departments bill customers for goods or services provided and a few departments coordinate mortgage loans or grants that must be monitored and serviced. In each case, the department maintains principal balance and payment records in a system that does not necessarily interact with the County's general ledger.
- Aging and monitoring of accounts receivable will be tied to departmental performance through a measure that will be added as a component of each departmental scorecard used in monitoring the performance in strategic initiatives.

Account Receivable Adjustment Process Improvements

To enable the County to accurately reflect the value of its receivables and ensure that scarce resources are not devoted to the recovery of uncollectible receivables, the timely identification of probable losses and the adjustment to accounts receivable process are essential to effective financial management and responsible accounting.

Improvements to the process include:

- Assessing delinquent accounts annually and timely adjusting balances deemed uncollectible.
- Exhaustive collection efforts must be undertaken and documented before a customer account is to be considered for adjustment, including but not limited to:
 - Consulting with the County Attorney's Office regarding the feasibility of legal action;
 - Coordinating with the Accounts Payable Section of the Finance Department to determine if the County currently has any amounts due to the customer; and,
 - Requiring referral of all delinquent accounts in excess of 90 days to the Credit and Collections Section of the Finance Department.
- Department directors will have the ability to offset amounts due to vendor/supplier/grantee funds if they owe money to the County.



Assistant County Manager



MEMORANDUM

(Revised)

TO: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

DATE: July 7, 2010

FROM: R. A. Cuevas, Jr.
County Attorney

SUBJECT: Agenda Item No.

Please note any items checked.

- "3-Day Rule" for committees applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- No committee review
- Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous ____) to approve
- Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

Approved _____ Mayor

Agenda Item No.

Veto _____

Override _____

RESOLUTION NO. _____

RESOLUTION RESCINDING ADMINISTRATIVE ORDER 3-9, WRITE OFF ACCOUNTS RECEIVABLE ARISING FROM USER CHARGES AND REPLACING IT WITH IMPLEMENTING ORDER 3-9 ACCOUNTS RECEIVABLE ADJUSTMENTS; UPDATING SPECIFIC LANGUAGE RELATED TO ACTIONS TAKEN BEFORE ADJUSTMENTS AND INCREASING AUTHORIZED AMOUNTS FOR ADJUSTMENTS

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanied memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board rescinds the Administrative Order 3-9: Write Off Accounts Receivable Arising From User Charges and replacing it with Implementing Order 3-9: Accounts Receivables Adjustments.

The foregoing resolution was offered by Commissioner _____ who moved its adoption. The motion was seconded by Commissioner _____ and upon being put to a vote, the vote was as follows:

- | | |
|----------------------|-------------------------------------|
| | Joe A. Martinez, Chairman |
| | Audrey M. Edmonson, Vice Chairwoman |
| Bruno A. Barreiro | Lynda Bell |
| Esteban L. Bovo, Jr. | Jose "Pepe" Diaz |
| Sally A. Heyman | Barbara J. Jordan |
| Jean Monestime | Dennis C. Moss |
| Rebeca Sosa | Sen. Javier D. Souto |
| Xavier L. Suarez | |

The Chairperson thereupon declared the resolution duly passed and adopted this 7th day of July, 2011. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

JRA

Juliette R. Antoine

~~[[A.O]]>>I.O.<<No.: 3-9~~

Ordered:

Effective:

MIAMI-DADE COUNTY
~~[[ADMINISTRATIVE]] >>IMPLEMENTING<< ORDER~~

~~WRITE-OFF ACCOUNTS RECEIVABLE >>ADJUSTMENTS <<[[ARISING FROM
USER CHARGES]]~~

AUTHORITY:

Section >>1.01<<[[4.03]] of the ~~[[Metropolitan]]~~ >>Miami<<Dade County Home Rule Charter, as amended.

>>SUPERSEDES:<<

>>This Implementing Order supersedes previous Administrative Order 3-9, ordered April 19, 1983, effective April 19, 1983. <<

[[PURPOSE]] POLICY:

>>In order to provide for<< [[For the purpose of promoting]] efficient financial administration, this ~~[[Administrative]]~~ >>Implementing<< Order ~~[[provides department managers added flexibility]]~~ >>specifies departmental responsibilities<< over the administration of customer accounts receivable ~~[[arising from user charges]]~~ >>and the actions required to adjust uncollectible accounts receivable. Further, it provides for enhanced collection efforts to ensure uniform, consistent efforts to recover receivables<<.

[[RULES:]]

[[Accounts \$500 and Under]]

~~[[Department Directors are hereby given the authority to write off accounts receivable deemed uncollectible, for amounts not to exceed five hundred dollars (\$500.00) per customer within a given fiscal year, under the following conditions:]]~~

[[4.]]EXISTENCE OF ADEQUATE CONTROLS:

>>Primary responsibility for collection of accounts receivable rests with the department or agency under which the receivable or claim originated. This responsibility includes the development and updating of departmental policies and procedures to ensure the timely collection of debt, and the ongoing analysis of the collectability of associated accounts receivable pursuant to this Implementing Order.<<

>>In general, an account receivable becomes delinquent when payment is not received in accordance with conditions giving rise to the receivable. Thus, if payment is not received in an amount at least equal to that required or within the time specified for the account, such account is delinquent. Notwithstanding this generality, a department shall declare an account "past due" if not paid within thirty (30) days of the due date. If not paid within ninety (90) days of the due date, the account shall be considered "delinquent." In all cases, the exercise of due diligence in collecting an account requires prompt notification of the account's "past due" status to the obligee and request for payment. Every effort shall be made to collect a debt prior to it falling into the "delinquent" category.<<

>>Corrections that reduce a fee by reason of error in the assessment or recording of the fee shall not be regarded as a settlement or default. However, any such adjustments to the accounts shall be supported by documentation explaining the reason for the adjustment signed by the department director.<<

>>Contract language shall be included in all County contracts providing the County with the ability to offset amounts due to a vendor/supplier/grantee if money is owed to the County.<<

>>Department directors shall record all accounts receivable in the official County's general ledger.<< Each department director must ascertain that their respective internal accounting control system can accommodate a subsidiary accounts receivable ledger that is reconcilable to the ~~[[FAMIS]]~~ >>County's<< General Ledger System, and which can monitor changes in customer accounts on a monthly basis, including an aging thereof.

[[2.]] ACTIONS TAKEN >>BEFORE ADJUSTMENT TO ACCOUNTS RECEIVABLE<< ~~[[WRITE-OFF]]~~:

Before a customer account is to be considered for >>accounts receivable adjustment<< ~~[[write-off]]~~ due to uncollectibility, exhaustive collection efforts, including, but not limited to, consultation with the County Attorney's Office regarding the feasibility of taking legal action, >>shall<< ~~[[must]]~~ be >>taken and<< documented.

>>Department directors shall forward any "delinquent" accounts receivable to the Credit and Collection Section of the Finance Department. The mechanism for

data transfer shall be electronic format based on established procedure. The Credit and Collection Section of the Finance Department will continue the collection efforts as specified in Finance Department's policies and procedures.<<

Efforts shall ~~[[also]]~~ be made, in coordination with the Accounts Payable ~~[[Division]]~~ >>Section<< of the Finance Department, to >>determine whether or not<< ~~[[ascertain that]]~~ the County ~~[[does not currently have]]~~ >>has<< any amounts due to the customer, ~~[[whether]]~~ arising from a vendor/supplier relationship or otherwise>>, that shall be withheld<<. >>As stipulated in County contracts, Department directors shall offset amounts due to a vendor/supplier/grantee if money is owed to the County. This shall be accomplished through issuance of credit memo in accordance with County procedures.<<

[[3.WRITE-OFF PROCEDURES:]]

~~[[A detailed listing of customer accounts to be written off shall be maintained, along with appropriate supporting documentation, and department director written approval. This listing is to be incorporated with the fiscal year end post closing audit working papers. The actual write off procedure may be a part of the year end audit adjustment process, or may be performed throughout the year, at management's discretion.]]~~

Accounts Over \$500

~~For customer accounts in excess of five hundred dollars (\$500) which are deemed fully uncollectible, all of the foregoing conditions shall apply. In addition, the Finance Director shall approve all such accounts to be written off. On a quarterly basis, a listing of all accounts in excess \$500 that have been proposed for write off during the quarter will be compiled by the Finance Department and submitted to the Board of County Commissioners for write off authorization.]]~~

>>SETTLEMENTS<<

>>Settlement of accounts receivable means the department accepts less than the full amount of a debt as recorded in an accounts receivable account. The County cannot "settle" a debt by agreeing to accept \$0. However, a debt may be settled for less than the full amount under the following conditions:<<

- >>a disputed debt (e.g., one over which there is a genuine question as to the validity of the debt or as to the amount) may be settled if the settlement is beneficial to the County's interest;

- an undisputed debt may be settled only if some benefit to the County is obtained. <<

>>Notwithstanding the above settlement conditions, settlement of a debt for less than the full amount may be appropriate provided one or more of the following criteria are present:<<

- >>a relatively small dollar amount (\$25 or less) is involved;
- the debt is very old (three years or more);
- the County will incur additional costs associated with the debt which will exceed any potential recovery;
- the estimated cost of recovery exceeds the amount of the debt; or
- the County Attorney agrees that it is unlikely that the County would recover the full amount of the debt if the case were litigated.<<

>>Appropriate accounting entries, prepared in accordance with Generally Accepted Accounting Principles (GAAP), must be made to adjust the affected accounts receivable to reflect the results of the settlement process. A report and any other detailed documentation of the settlement agreement, including the department director's written approval, shall be forwarded to the directors of the Finance Department, Office of Strategic Business Management, and Audit and Management Services Department.<<

>>AUTHORIZATION LEVELS FOR ADJUSTMENTS OF ACCOUNTS RECEIVABLE:<<

>>Department directors are hereby given the authority to adjust accounts receivable deemed uncollectible, for amounts not to exceed the lesser of one percent of the department's total annual revenues or two thousand five hundred dollars (\$2,500) per customer within a given fiscal year.<<

>>The Finance Director (CFO) is hereby given the authority to adjust accounts receivable deemed uncollectible, for amounts not to exceed the lesser of three percent of the department's total annual revenues or five thousand dollars (\$5,000) per customer within a given fiscal.<<

>>The County Mayor is hereby given the authority to adjust accounts receivable deemed uncollectible, for amounts not to exceed the lesser of five percent of the department's total annual revenues or ten thousand dollars (\$10,000) per customer within a given fiscal year.<<

>>Accounts receivable for County vendors/suppliers that exceed twenty-five thousand dollars (\$25,000) and have been delinquent for greater than 180 days shall be listed on the County's Registry of Delinquent Contractors in accordance with Ordinance 99-162, Registry of Delinquent Contractors, or any other County

