

City of Saratoga Springs

**XIV. ACCOUNTS RECEIVABLE AND
ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Office of Finance

Adopted November 1, 2010
Updated August 7, 2012
Updated June 18, 2013

XIV. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Purpose:

The purpose of this policy is to ensure all taxpayers are served equitably and to establish guidelines for invoicing, control and collection of accounts receivable. The City's goal is to take all appropriate and cost effective means to collect accounts receivable. The objective is to improve management, coordination and accounting for all accounts receivable owed the City for all departments and for manual and automated systems. All receivables shall be recorded in accordance with generally accepted accounting principles. Property tax and utility bill invoicing, control and collection will follow the policies outlined in the City Charter and in accordance with the applicable New York State laws.

Background:

The City may provide goods and services on a credit basis, resulting in accounts receivable and the need to control and collect in an appropriate and cost effective manner.

Definitions:

Refund – A reimbursement as a result of a credit balance.

Accounts Receivable – Any amount owed the City for providing a good or service prior to payment. A receivable can also be for a grant from another entity or in the form of a loan to various parties.

Past Due (Delinquent) Receivable – Any account for which a payment has not been received by the payment due date.

Allowance for Doubtful Accounts – Management's estimate of the amount of the gross receivable which will be or will prove to be uncollectible.

Write-Off – A transaction that removed an account which management has determined to be uncollectible from the City's financial accounting records. Writing off the debt for accounting purposes does not discharge the debt. The debt is still owed the City, but it is no longer on the City's books as a receivable.

Invoicing:

All accounts receivables must be billed at regular intervals, with a frequency of no less than one month.

Invoices will clearly indicate the following:

1. Customer name, address, etc.
2. Description and price of item or service
3. Address to which payment is to be sent
4. The amount is due upon receipt
5. The applicable charge code

A copy of all invoices shall be remitted to the Office of the Commissioner of Finance. For invoices not processed in MUNIS, the Office of the Commissioner of Finance will make the appropriate entry to the general ledger when required.

An aging schedule should be prepared and reviewed monthly by all departments having accounts receivable. An aging schedule should distinguish between current and past due accounts receivables. When the invoices are created in MUNIS an aging report can be printed from the system.

If it is determined an invoice was generated in error, the department shall inform the Office of the Commissioner of Finance of the reversal or refund being performed, after approval has been documented by the department supervisor.

Loan Receivables:

Amounts owed to the City on loans from individuals or organizations other than State or Federal agencies or institutions. The most common loans for the City are economic development and residential rehabilitation loans awarded by the Office of Community Development.

1. An application is submitted, reviewed and approved in accordance with City, State and Federal requirements.
2. The terms and conditions of the loan are outlined in a loan agreement, which is signed by both parties at closing.
3. For economic development and residential rehabilitation loans the bank provides a payment booklet and accepts monthly payments for the loan according to the terms and conditions of the agreement. Late fees are assessed by the bank as described in the agreement. The City records the loan payment, allocating principal and interest, on a monthly basis based on documentation provided by the bank. In other instances collection may be made by the City through periodic invoicing as outline din the loan agreement.
4. Monthly analysis is done by the City to determine past due accounts.
5. Mailings are sent by the Community Development Office to attempt collection upon first failure to pay, stating payment is due upon receipt. (See attachment A.)
6. Following second consecutive failure to pay, a letter is mailed informing that the account will be turned over to the City Attorney for collection if payment is not made in 30 days. (See attachment B.)

7. If an account remains past due, the City Attorney's office will pursue collection through small claims court and/or by adding the amount of the outstanding loan to the property tax bill.

Grant Receivables Recognition:

Grants that are susceptible to accrual, that is, both measurable and available, and expenditures/expenses have been incurred but have not been reimbursed. Certain grants should be recorded at the time of receipt or earlier if they are both measurable and available, and expenditures/expenses have been incurred but have not been reimbursed. Other receivables, such as reimbursement type grants, are recognized when the expenditure is made. Questioned costs or expenditures made in excess of grant or contract provisions should not be considered receivables of the City unless authorized by the grantor.

Past Due Accounts:

1. If an accounts receivable is unpaid for 30 days after original due date, a second request shall be sent.
2. If an accounts receivable is unpaid for 60 days after original due date, a third request shall be sent.
3. Attempts to collect by telephone or in person shall be documented.
4. If an accounts receivable is unpaid for 90 days after original due date, the department may request assistance from the Office of the Commissioner of Finance. After notice is sent by the Commissioner of Finance, if the account continues to be past due, the department shall contact Office of the City Attorney for assistance in pursuing the past due amount. At this time the City may decide to assess a one time collection fee on gross accounts receivable in the amount allowable by law. (See attachment C.)
5. Only the Office of the Commissioner of Finance is authorized to approve write-offs on accounts.

Returned Checks:

All returned checks are given to the Office of the Commissioner of Finance by the applicable bank. The Office of the Commissioner of Finance will contact the appropriate department for assistance in requesting and collecting the replacement and applicable bad check fee as approved annually by the City Council. The Office of the Commissioner of Finance will determine the appropriate action when a bad check is uncollectible.

Allowance for Doubtful Accounts:

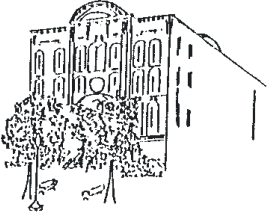
Allowance for doubtful accounts shall be calculated annually at the end of the fiscal year by the Office of the Commissioner of Finance. Allowances shall be based on past documented figures, a percentage of total sales, or a percentage of total accounts receivable.

Write-Offs:

A receivable past due for 24 months will be written off by the City but attempts can still be made to collect. Receivables past due for more than 90 days will be reviewed annually by Office of the Commissioner of Finance, and in consultation with the independent auditor, to ensure the accounts receivable and allowance balances are not overstated.

Budgetary Review:

All departments should monitor revenue and account receivable balances timely. Any variances from budgeted revenues should be investigated thoroughly and significant variances reported to the Commissioner of Finance to determine the proper action, i.e., budget amendment.



CITY OF SARATOGA SPRINGS

OFFICE OF COMMUNITY DEVELOPMENT



City Hall - 474 Broadway
Saratoga Springs, New York 12866-2296

Tel: 518-587-3550 x.2575 fax: 518-580-9480

<http://www.cd.saratoga-springs.org>



FIRST NOTICE – ATTACHMENT A

DATE

Business Name
Street Address
Saratoga Springs, NY 12866

Dear _____:

In my review of the records for those who have received economic development revolving loans from the City of Saratoga Springs, I find that you are not abiding by the repayment terms agreed upon in your contract with the City and that you are delinquent in repaying your loan. The current overdue balance on your loan is \$_____. Your last payment in the amount of \$_____ was received on _____. Payment is due upon receipt of this letter in order to bring your loan current.

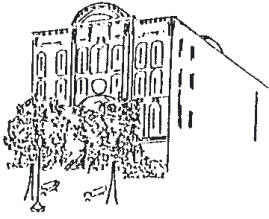
If the loan still remains delinquent it will be turned over to the City Attorney's Office for collection through small claims court, adding the outstanding loan to the property tax bill, or other available means.

Given the nature of this revolving loan fund, your repayments are critical as they provide the ability for other City businesses to receive this type of assistance to stimulate job creation for residents of low-moderate income.

If you have any questions about your loan records, or would like to speak to someone about your repayment options, please feel free to contact this office at 587-3550, extension 2575.

Sincerely yours,

Community Development Office



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FIRST NOTICE

Date

Loan Recipient
Street Address
Saratoga Springs, NY 12866

Dear _____:

In my review of the records for those who have received housing rehabilitation loans from the City of Saratoga Springs, I find that you are not abiding by the repayment terms agreed upon in your contract with the City and that you are delinquent in repaying your loan. The current overdue balance on your loan is \$_____. Your last payment in the amount of \$_____ was received on _____. Payment is due upon receipt of this letter in order to bring your loan current.

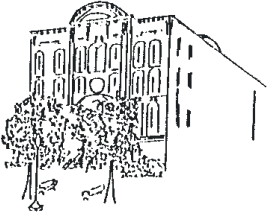
If the loan continues to remain delinquent a second notice will be sent. If the loan still remains delinquent it will be turned over to the City Attorney's Office for collection through small claims court and/or by adding the outstanding loan to the property tax bill.

Given the nature of this revolving loan fund, your repayments directly affect the ability for other income-eligible persons to receive this type of assistance. If you do not repay your loan, others in need of housing rehabilitation may be unable to receive a similar loan.

If you have any questions about your loan records, or would like to speak to someone about your repayment options, please feel free to contact this office at 587-3550, extension 2575.

Sincerely yours,

Community Development Office



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SECOND NOTICE – ATTACHMENT B

DATE

Business Name
Street Address
Saratoga Springs, NY 12866

Dear _____:

In a letter dated _____, you were informed that your economic development loan was delinquent. The City has not received payment and your loan continues to remain in arrears.

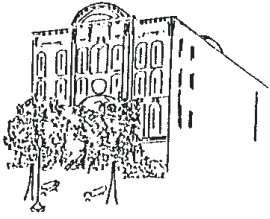
If the loan still remains delinquent it will be turned over to the City Attorney's Office for collection through small claims court, adding the outstanding loan to the property tax bill, or other available means.

Given the nature of this revolving loan fund, your repayments are critical as they provide the ability for other City businesses to receive this type of assistance to stimulate job creation for residents of low-moderate income.

If you have any questions about your loan records, or would like to speak to someone about your repayment options, please feel free to contact this office at 587-3550, extension 2575.

Sincerely yours,

Community Development Office



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SECOND NOTICE

Date

Loan Recipient
Street Address
Saratoga Springs, NY 12866

Dear _____:

In a letter dated _____, you were informed that your economic development loan was delinquent. The City has not received payment and your loan continues to remain in arrears.

If the loan continues to be delinquent for thirty days from the date of this letter, it will be turned over to the City Attorney's Office for collection through small claims court and/or by adding the outstanding loan to the property tax bill.

Given the nature of this revolving loan fund, your repayments directly affect the ability for other income-eligible persons to receive this type of assistance. If you do not repay your loan, others in need of housing rehabilitation may be unable to receive a similar loan.

If you have any questions about your loan records, or would like to speak to someone about your repayment options, please feel free to contact this office at 587-3550, extension 2575.

Sincerely yours,

Community Development Office

COMMISSIONER OF FINANCE LETTER – ATTACHMENT C

Date

Name
Company Name
Street Address
City State Zip

Re:

Dear:

On the last invoice dated _____, you were informed that your balance of \$_____ is due. As of the date of this letter the City has not received payment and your account continues to remain in arrears.

If the balance remains delinquent, it will be turned over to the City Attorney’s office for collection. You are hereby granted 30 days to rectify the situation and remit payment in full. Payment can be sent to: Department of _____, City of Saratoga Springs, 474 Broadway, Saratoga Springs, NY 12866. It can be made payable to “Commissioner of Finance”. A copy of the invoice is enclosed for your reference.

We would appreciate your help in this matter. Any questions and/or comments can be directed to _____ 587-3550 ext. _____.

Sincerely,

Commissioner of Finance

Enc.

Cc: City Attorney
Director of Finance