



ADMINISTRATIVE DIRECTIVE

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I. PURPOSE

To establish policies and procedures for the collection of funds owed to the City of Tucson as the result of fines, assessments, delivery of goods or services, or contractual obligations which are not contingent upon future events.

II. POLICY

A. **Department Approval** - Any department that wants to directly issue invoices for goods or services rendered must receive approval from the Finance Director prior to invoice issuance. A memo outlining the department's accounts receivable process including the safe guards in place to insure recording of accounts receivable in the City's general ledger should be issued to the Finance Director. If approval is granted, the memo will be signed and a copy returned to the department.

B. **Invoice Issuance** - The department or division that issues an invoice, or that controls the billing system that issues an invoice, assumes responsibility for administration of the accounts receivable process for that invoice. Administration includes, but is not restricted to, the following:

1. **Updates City Records** - The receivable must be recorded in the City's general ledger upon issuance of the invoice. A copy of the invoice and supporting documentation will be attached to the journal voucher (billing systems are exempt from this requirement). When payment is received, the receivable must be cleared and the revenue recorded in the general ledger.
2. **Deposits Payments** - Payments received for invoices issued by the department or division should be deposited within 48 hours of receipt in the Finance Department's Collections Section. Payments received for invoices issued elsewhere should be forwarded to the issuing department.
3. **Maintains the Customer Account** - Payments received must be credited to the customer account. If a balance due remains after application of the payment, a past due invoice or a statement showing the past due balance must be sent to the customer.
4. **Responds to Customer Inquiries** - Customer questions and/or requests for information, an alternate payment schedule, reduction of balance due, or any other inquiry will receive a response from the issuer of the invoice.
5. **Issues Past Due Invoices** - An invoice clearly marked as past due will be issued if payment in full is not received within 30 days of the invoice issuance date.



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6. **Refers Past Due Invoices to Delinquent Accounts** - If payment is not received within 60 days of original invoice issuance, the account shall be referred to Delinquent Accounts for further collection procedures.

C. **Accounting Division** - Departments that have not received approval to issue invoices directly (see Section III. A.) will request the Accounting Division to issue and administer invoices on their behalf. Department requests for the issuance of an invoice shall include the following information.

1. Customer name and address
2. Amount owed
3. A brief description of the goods or services purchased
4. Contract name/number if balance due is related to a contractual obligation
5. The account number for deposit of funds
6. The requesting department and division name
7. The name and employee ID number of a department contact
8. Supporting documentation
9. Any letters or documents to be mailed as attachments to the invoice

D. **Invoice Modifications and Cancellations** - In addition to the administrative tasks outlined in Section II. C. of this directive, the Accounting Division will generate an electronic accounts receivable report monthly for all invoices requested by departments that have an open balance due. It is the department's responsibility to review the report to confirm that the requests sent were processed and that the invoices issued were accurate.

The department will notify the Accounting Division any time an invoice requires modification or should be cancelled. Notification should be in writing and copies of appropriate documentation to support the change included.

On occasion, the amount of an invoice and/or finance charges may be changed through official action by Mayor and Council or other authorized City officials. When this occurs, the responsible department should notify the Accounting Division and include signed copies of documentation authorizing the change. No changes will be made without authoritative documentation.

E. **Invoices Returned in the Mail** - If an invoice is returned as undeliverable by the post office, the Accounting Division will notify the requesting department and will make every effort to obtain a correct address. If the department learns of an address change for a customer with an existing invoice, they will notify the Accounting Division as soon as possible. The invoice will be mailed a second time if a new address is found.



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F. Finance Charges

1. Finance charges will be assessed against accounts receivables which have not been paid within 30 days of the initial billing date unless such finance charges are prohibited by law, by terms of a contractual agreement, or are waived by the Finance Director.
2. When specified by contract, finance charges will be assessed at the contracted rate. For past due accounts where a contracted rate is not specified or prohibited, finance charges will be accrued at a rate determined by the Finance Director.
3. Finance charges shall cease accruing when the account is assigned to the City's collection agency and a flat \$15 processing fee assessed.
4. The enforcement of reclaimed water accounts will be initiated and carried out by the Water Department. Therefore, said accounts will be exempt from the finance charges provided in this administrative directive.

III. DEFINITIONS

- A. **Accounts Receivable** - An account established to record an amount of money owed to the City. An account may be established for an amount due at a future date, but not for estimates of amounts which may become due pending some future event.
- B. **Billing System** - A system that generates invoices for amounts owed to the City for specific goods or services such as the Naviline Water Billing System.
- C. **Delinquent Account** - An account established for accounts receivable that has not been paid within a specified period of time. These accounts are considered past due and eligible for collection procedures.
- D. **Delinquent Accounts Register** - A register detailing each past due account that has been turned over to the Finance Department's Accounting Division for additional collection efforts.
- E. **Finance Charges** - Tucson Code Section 12A-5 authorizes the accrual of finance charges on past due accounts receivable as defined in Section II.F of this directive. Interest shall be billed at a rate determined by the Finance Director in compliance with applicable laws and contract terms. Finance charges commence on the date the account becomes past due.
- F. **Invoice** - The document issued to a customer indicating an amount owed, what goods or services were purchased, the date payment is due, and a remittance address. Invoices may originate from different sources as follows.



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- **Accounting Division** - An invoice is generated by the Finance Department's Accounting Division at the request of a department.
- **Billing System** - An invoice is generated by a billing system for goods or services specific to that system.
- **Department** - An invoice is issued directly to a customer by a department for goods or services purchased from that department. (See Section II. B)

- G. **Past Due Invoice** - An invoice generated for a previous amount billed that was not paid within the specified payment terms and is showing a balance due past the due date.
- H. **Settlement** - An agreement to close an account for a payment of less than the total balance due. An account with a balance due of less than \$2,000 requires approval of the Finance Department and the department owed. An account with a balance due of \$2,000 or greater requires approval of the Finance Department, the City Attorney's Office, and the department owed.
- I. **Uncollectible Account Receivable** - An account on which all delinquent account collection procedures have been performed and for which the Finance Director has determined that further collection procedures on the part of the City are not beneficial and a recommendation for write-off is warranted.
- J. **Write-off** - The removal of an account receivable from the active records of the City. The write-off of a receivable does not imply that the amount is not due to the City or that the City would not collect the account should the opportunity arise. Any City liens in place at the time of the write-off will remain in place.

IV. DELINQUENT ACCOUNTS

A customer will have 30 days from the date of an original invoice to remit the balance due or make arrangements for a payment plan. If payment has not been received or a payment plan has not been established at the end of 30 days, an invoice clearly marked as past due will be issued. If the balance due has not been paid within 60 days of the original invoice date, an account receivable issued by a department will be referred to the Accounting Division for additional collection efforts.

A. General Delinquent Account Collection Procedures

- 1. For receivables not recorded in the City's financial system - The department that generated the original invoice will refer accounts older than 60 days with a balance due to the Finance Department's Accounting Division in a format that can be transferred to the collection agency.



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2. Upon receipt of a past due account, the Accounting Division will enter the account into the delinquent accounts register then refer the account to the City's collection agency.
3. If payment is collected by the City for an account previously referred to the collection agency, the collection agency will be notified that the account is paid and to discontinue their collection efforts. Any collections made (by the City or the collection agency) will be recorded and credited to the proper account.
4. Collection procedures will be performed at the Finance Department's discretion. Methods of collection may include but are not limited to: verbal or written communication, establishment of payment plans, placement of liens on customer property, application of payments due to the customer from the City to the balance due, or referral to a collection agency.

B. Exception to General Delinquent Account Collection Procedures

Per Tucson Code Section 27-50, Water Department customers with an account balance of greater than \$75 outstanding for forty days shall be given written notice that the account is past due. This notice shall indicate that the customer has seven days from the date of the notice to either pay or dispute the balance due.

If the customer is not disputing the balance and payment is not received within the seven days following the written notice, a second notice shall be sent. The second notice shall notify the customer that their account is past due and their water service shall be subject to turn-off if payment is not received within seven days.

If the customer is not disputing the balance and the delinquent balance is not received within the second seven day period, the water supply shall be shut off, the meter locked, and a service charge assessed. The customer's water account shall be terminated if payment is not received within seven days of shut off. To re-establish service the full account balance must be paid.

Per Tucson Code Section 15-31, Environmental Services (ES) shall primarily follow these same procedures as long as charges for ES services are billed through the same system as water services. Further, a penalty fee shall be charged to accounts with monthly charges over the amount triggering a first written notice. Per Tucson Code Section 15-31.6, the amount of the penalty fee shall be 10% of the monthly charges, not to exceed \$500, but at least \$10. Residential and Groundwater Protection Fee charges are exempt from the penalty.

Per Tucson Code Section 15-31.5, the Environmental Services Director may discontinue services by not collecting material, removing containers and/or denying use of disposal facilities.



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C. Settlements for Less than Full Amount of the Delinquent Account Receivable

1. In certain situations the City may agree to take less than the full amount due of a delinquent account receivable as payment in full settlement of the account. If negotiation is required to collect an account, representatives from the Finance Department and the department which requested the billing will determine an equitable settlement for accounts with a balance due of less than \$2,000. Settlement amounts for all accounts with a balance due of over \$2,000 will be determined by representatives from the Finance Department, the City Attorney's Office, and the department that requested the billing.
2. When a settlement agreement includes a payment plan, the standard from which the City will work is payments of not less than \$25 per month and/or payment in full within a 12 month period.
3. The City's Risk Manager is authorized to negotiate settlements of accounts receivable due to subrogation claims against third parties for damage to City property. Settlement of subrogation claims for accounts over \$5,000 will be approved by the Finance Director or an authorized representative.

D. Write-Off Authorization for Uncollectible Accounts Receivable

Periodically the Finance Director or the Director's authorized representative shall review open accounts in the delinquent account register and request that the Mayor and Council authorize the removal of accounts deemed to be uncollectible from the City's general ledger. The write-off of a receivable does not imply that the amount is not due to the City or that the City would not collect the account should the opportunity arise.

1. The Finance Department's Accounting Division will schedule the Consent Agenda for the Mayor and Council write-off request for the council meetings. Six to eight weeks prior to the scheduled Mayor and Council meeting Accounting will contact City departments that hold accounts not actively worked by Delinquent Accounts staff and request information on accounts that the department wants to be included in the Mayor and Council write-off. No requests are sent to departments actively working with the Accounting Division to collect past due accounts.
2. The accounts that are sent to Mayor and Council for write-off have been in a delinquent status for two years in Delinquent Accounts or at the collection agency.
3. Delinquent Accounts staff will prepare the Mayor and Council write-off request. Summary documents for the Council are submitted with the request, however detailed documents are produced and retained by the Accounting Division and can be requested for further review.

