

## Implementing Order



**Implementing Order No.:** IO 3-9

**Title:** ACCOUNTS RECEIVABLE ADJUSTMENTS

**Ordered:** 9/1/2011

**Effective:** 9/14/2011

### **AUTHORITY:**

Section 1.01 of the 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.

### **POLICY:**

In order to provide for efficient financial administration, this Implementing Order specifies departmental responsibilities over the administration of customer accounts receivable and the actions required to adjust uncollectible accounts receivable. Further, it provides for enhanced collection efforts to ensure uniform, consistent efforts to recover receivables.

### **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.

Each department director or designee must ascertain that their respective internal accounting control system can accommodate a subsidiary accounts receivable ledger that is reconcilable to the County's General Ledger System, and which can monitor changes in customer accounts on a monthly basis, including an aging thereof.

#### **ACTIONS TAKEN BEFORE ADJUSTMENT TO ACCOUNTS RECEIVABLE:**

Before a customer account is to be considered for accounts receivable adjustment 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 be taken and documented.

Department directors shall forward "delinquent" accounts receivable to the Credit and Collection Section of the Finance Department. The account referral mechanism for data and 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 be made, in coordination with the Accounts Payable Section of the Finance, Aviation, Water and Sewer Departments, and Public Housing Agency to determine whether or not the County has any amounts due to the customer, 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.

#### **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 established policies and procedures, Implementing Orders or Administrative Orders.

**CONTINUING COLLECTIONS EFFORTS:**

The adjustments of accounts receivables of a customer account from the accounting records does not preclude continuing collection efforts, to the extent deemed practicable under the circumstances and considering the nature and value of services provided by the County.

The adjustments of an uncollectible account receivable is not considered a total forgiveness of debt; customers for whom accounts have been declared uncollectible in excess of twenty-five thousand dollars or as stipulated by contractual agreement shall not be considered for future business relationships with the County until restitution has been made or agreed to. Actions to the contrary shall be fully documented by the department and submitted to the Finance Director for review and concurrence.

This Implementing Order is hereby submitted to the Board of County Commissioners of Miami-Dade County, Florida adopted this 1st day of September 2011.