

# Board of County Commissioners Okaloosa County, Florida

Title: Write-Off of Uncollectible Accounts Receivable Policy  
Date Adopted: September 29, 2020  
Effective Date: September 29, 2020  
Revised: N/A

---

## SECTION 1: AUTHORITY

Okaloosa County Board of County Commissioners (BOCC)

## SECTION 2: PURPOSE

The purpose of this policy is to ensure sound financial management practices and that all reasonable efforts have been pursued to collect all accounts receivable, improve measurement of the BOCC accounts receivable and ensure the most efficient use of County revenue collection resources. As well as outline the procedures that will be used to write off BOCC receivables that are uncollectible.

## SECTION 3: POLICY STATEMENT

It is the policy of Okaloosa County, herein referred to as “County,” to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. A write-off of uncollectible accounts receivable from the BOCC accounting records does not constitute forgiveness of the debt or a gift of public funds.

## SECTION 4: APPLICATION

This policy applies to all BOCC revenue funds.

## SECTION 5: RESPONSIBILITY

The County Administrator and Office of Management and Budget (OMB) Director shall be responsible for the implementation and administration of this policy

## SECTION 6: DEFINITIONS

Delinquent accounts receivable - are monies greater than 30 days past the date the payment, was due and are legally owed to the County at any particular time, and represent assets. Examples may include, but are not limited to, the following:

- Amounts billed by the County for services rendered to another individual, municipality or entity.

- Any claim for funds, moneys, or other property, which would normally be required by the Government Accounting Standards Board (GASB) to be recorded as a receivable in the official records of a governmental unit.

Write-off of Accounts Receivable - is the removal of an amount, or part of an amount, of money owed to the County that has been determined to be a receivable from the accounts receivable subsidiary ledger.

## SECTION 7: PROCEDURES

The following procedures shall govern the write-off of uncollectible account receivables:

### A. Designation of an Account as Uncollectible:

- Bankruptcy - received documentation as proof of court recorded discharge
- Deceased – collection will be exhausted upon deceased, Death Certificate required
- After an account has followed normal departmental billing schedules and has been placed with a collection agency who then returns the bill as an uncollectible or three (3) years from date of last payment or activity whichever comes first
- Department Supervisor or designee recommendation
- For the Water & Sewer Department (“OCWS”), an account is deemed uncollectible if there is no activity as of 1 year prior to the fiscal year currently under audit. (i.e. audit year FY2019 = last activity date 9/30/2018 and prior.

Note: Delinquent accounts where real property may be issued a lien for non-payment should be included in lien cycles established by Departments in coordination with the Finance Department, with management approval.

### B. Collection procedures for receivables:

- An invoice must be prepared, recorded and delivered to the debtor as soon as practical after a receivable is created and the debtor must be given 30 calendar days from the date of the invoice to return payment to the County.
- If payment is not received within 30 days from the date of the invoice and payment arrangements have not been made in writing with the County Administrator, the responsible department shall attempt to collect by notifying the debtor in writing that payment is overdue and payable immediately. At this point, the debt has become an overdue receivable.
- If payment is not received during the next 30 days, i.e. within 60 days from the date of the invoice, the responsible department shall attempt to collect again by notifying the debtor in writing that payment is now 30 days overdue and payable immediately.
- If payment is not received during the next 30 days, i.e., within 90 days from the date of the invoice, the overdue receivable becomes a delinquent account receivable. The responsible department shall:

Attempt to collect again by notifying the debtor in writing that payment is now 60 days overdue and payable immediately; and,

If no payment is made within 10 days from the date of the letter, the delinquent account shall be referred to legal counsel or a collection agency or collections bureau immediately.

Cease to provide services to the debtor until payment is made in full unless doing so risks public or personal safety and health.

- OCWS bills each customer monthly and allows 21 days for payment in full to be made. If payment is not received within 21 days of the original due date service will be cut off. This date is noted on the bill identifying the past due amount to be paid. Arrangements must be made to pay the past due balance prior to service being restored.

C. Referral for collection:

- The account shall be referred to legal counsel or a collection agency on the 11th day that no payment is received once the account is at least 120 days old.
- Once the County has determined the account will be referred to legal counsel or a collection agency, all correspondence and past due statements for that account holder will be maintained in a file in Accounting.
- Accounting will forward all documentation to legal counsel or the collection agency under contract with the County.
- OCWS will refer an account to its collection agency only after the account has reached Final status (i.e., account terminated, customer moved, property sold, etc.) OCWS will continue internal collection attempts for 2 to 3 months prior to referral to the collection agency.

D. Preparation of Request for Write-Off of Uncollectible Accounts Receivable

At a minimum, annually the Clerk of Court's Finance department will review and identify any accounts receivable for which it is responsible that meet the criteria for designation as an uncollectible account. A request for write-off of uncollectible accounts receivable will be prepared by the Department Supervisor and signed by the Department Head for approval by the Clerk of Court's Finance Director.

The request for write-off of accounts receivable must include an itemized list of the uncollectible accounts to be written off specifying the following:

- Debtor name
- Account balance
- Due date
- Brief description of receivable type (i.e., Rescue Revenue, Late Fees, Water Sewer Services)
- Designation under which the account was deemed uncollectible
- Account number of the receivable in the billing system used by the Department

For each uncollectible account, documentation must be attached to the request to support the uncollectible account designation and substantiate that the department has followed its collection procedures and exercised due diligence in its collection efforts. Due diligence documentation could include any one or a combination of the below:

- Invoices, reminder letters, delinquency notices or collection letters (and any documentation that is returned as undeliverable, no known forwarding address, etc.)
- Bankruptcy claim and any related plan or discharge
- Judgment awarded by a court or settlement agreement
- Death Certificate
- Referral to the County's collection agency

The OCWS write off process is handled as part of the Fiscal Year end procedure and consists of preparing a report identifying all accounts that have had no activity in the 12 months prior to the current Fiscal Year end, and will only apply to accounts previously referred to our contracted collection agency. Prior to the subsequent fiscal year end this report is updated to reflect any payments made and a final write off amount is calculated. An Agenda request is prepared as this amount will require BOCC approval. Even though the amount is written off the collection agency will still keep the account and continue to pursue payment.

E. Approval Authority for Write-Off Requests

After a delinquent account has been sent to collections, the County Administrator has the authority to write off any individual uncollectible amounts that are \$50,000 or less. The BOCC must approve any delinquent accounts that are greater than \$50,000.

For write-offs that require BOCC approval, once the Department has completed its review an Agenda Item shall be prepared by the Department. All backup documentation noted in section 7D and the write off journal entry should be listed as attachments with the Agenda Item. The requests for write-off shall go through the following approval process:

- Department Director
- OMB Director
- County Administrator
- BOCC

F. Finance

County Administrator and BOCC approved request for write-off of uncollectible accounts and all supporting documentation shall be submitted electronically via journal entry to the Clerk of Court's Finance Department for review and posting.

G. Department

Upon BOCC approval the Department shall make the adjustment in their billing software. This shall reconcile with the Clerk's Finance Department posted adjustment within the County's Financial Software, e-finance Plus.

## SECTION 8: ALLOWANCES

Allowance for Doubtful Accounts / Bad Debt Reserves - An allowance for doubtful accounts should be established to reflect the amount of the County's receivables that the Clerk's Finance Department estimates will be uncollectible. The establishment of an allowance account ensures that the County's receivables are not overstated and that accounts deemed uncollectible are timely and accurately recorded in the correct period for financial reporting purposes.

The amount of any receipts that may be remitted to the County from the collection agency will be credited to the Allowance for Doubtful Accounts. This will effectively reduce overall bad debt loss expense.

## SECTION 9: PERIODIC REVIEW

The County Administrator/OMB Director shall review this policy and make recommendations for changes as needed.