



13.1

SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS
Auditor

December 7, 2006

Salt Lake County
Elected Officials
Department Heads
Agency Heads
Salt Lake County Government Center


Re: New Countywide Policy and Procedure – Management of Accounts Receivable and Collection of Bad Debt

This new policy was developed by the Auditor's Office in close collaboration with the District Attorney's Office, and with valuable input from the Directors of Administrative Services and Human Services in the Mayor's Office.

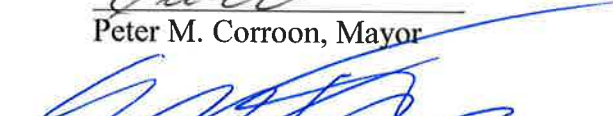
The purpose of this policy is to give practical, operation-level guidance to County agencies to help them manage accounts receivable more efficiently and effectively. This policy provides information to enable County agencies to establish procedures to follow when granting credit to patrons and helps ensure that receivables are continuously monitored and collection of accounts is diligently pursued.

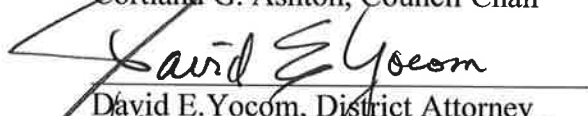
Although granting credit is not a primary function of most County agencies, credit is extended and accounts receivables are generated by the various activities within certain agencies. To effectively convert receivables to cash and minimize bad debt write-offs, agencies should follow certain proven "best practices" and procedures for managing receivables. This process consists of granting credit, billing accounts, collecting monies due, analyzing outstanding accounts, and providing for referral of bad debts for further collection efforts. This policy outlines procedures designed to standardize and facilitate this process in all County agencies.


Following the practices and procedures in this policy will minimize the effort and frustration and maximize the end result of this process. Specific questions regarding this policy should be referred to Cherylann Johnson in the Auditor's Office, 468-3788, or Melanie Mitchell in the District Attorney's Office, 468-2669.

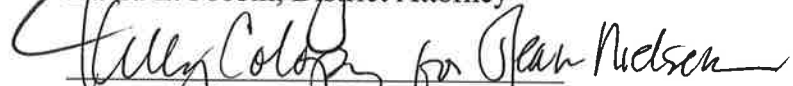

Peter M. Corroon, Mayor


Cortland G. Ashton, Council Chair


Sean Thomas, Auditor


David E. Yocom, District Attorney


April Townsend, Dir. Administrative Services


Jean L. Nielsen, Dir. Human Services

SALT LAKE COUNTY
COUNTYWIDE POLICY
ON
MANAGEMENT OF ACCOUNTS RECEIVABLE AND BAD DEBT COLLECTION

Purpose –

To establish Salt Lake County policy on management of accounts receivable and set forth proper procedures regarding the collection of debt due any County department/agency. Varying, day-to-day operational demands will dictate management's decision to provide goods or services without immediate payment. It is not the intent of the County to encourage the withholding of delivery of goods or services based merely on the inability to make immediate payment, nor to be unduly intrusive in gathering information to aid in collection. The intent of this policy is to establish fair and consistently applied procedures and practices for extending credit and collecting the monies owed to the County.

Whenever possible, County departments and agencies should require payment at or before the time goods or services are provided. In cases where this is not possible or practical, County departments and agencies may grant credit to patrons by relying on contracts, applications, or other similar forms which provide sufficient identifying information to enable the establishment of an accounts receivable record and information necessary for subsequent collection procedures. By extending credit, the County is assuming the risk that the patron will not pay and the County will ultimately be liable for any uncollected revenues, out of pocket costs, or bad debt expense. When an agency requests that patrons complete contracts, applications, or other similar forms, the agency is extending credit if the patron fails to pay or subsequently incurs fees or fines.

Nothing in this policy shall be construed as discouragement of preliminary collection efforts by departments/agencies. Collection of receivables is most effective within the first thirty days of a billing. This policy does not apply to collections of current or delinquent property taxes and statutory fees-in-lieu-of-taxes billed and collected by the Assessor or Treasurer pursuant to UCA Title 59. The purpose of this policy is to:

- Establish a policy and procedures for management of accounts receivable, including proper filing, record keeping, and follow-up with individuals or companies that owe money to Salt Lake County.
- Establish guidelines for the approval, control, and accounting for amounts due Salt Lake County.
- Provide written instructions relating to the collection of amounts due, including procedures to be followed in the event of non-payment.
- Achieve timely collection of accounts receivable and maximize collection of all amounts due, bearing in mind that the older an account becomes, the less likely it is to be collected.

Consistent and focused collection efforts close to the time of product or service delivery will result in higher collection rates. In most instances, payment for County services or goods is required upon delivery of those services or goods. The amount of payment not received at that time automatically creates an account receivable for Salt Lake County. Persons authorizing the granting of credit or accounts receivable should assure that such transactions are necessary, reasonable, and directly related to the goals and missions of Salt Lake County.

References –

Utah Code Ann. § 17-18-1.5 (5)(b)
 Countywide Policy #1306, Collection of Bad Checks
 Fair Debt Collections Practices Act

1.0 Definitions

- 1.1 Accounts Receivable or Receivables. Any amount due the County from a business entity, individual, or other organization for which payment has not been received by the County, or entity that is servicing the debt, for the provision of goods or services for which payment was not rendered at time of delivery.
- 1.1.1 Examples of accounts receivable include, but are not limited to: unpaid fees, licenses, loans, overpayments, fines, forfeitures, surcharges, costs, contracts, interest, penalties, third-party claims, sale of goods, sale of services, claims, rent, and damages.
- 1.2 Accounts Receivable Aging Schedule. A table of accounts receivable ledger balances that shows the range of time each account has been outstanding (i.e., unpaid). The table of accounts receivable is broken down into age categories according to the length of time they have been outstanding (e.g., 0-30 days, 31-60 days, 61-90 days, 91-120 days, and over 120 days).
- 1.3 Collection Activity Data. Data required, if available, when the account receivable is transferred to the District Attorney's Office for collection, including:
- 1.3.1 Agency/Department account reference number
- 1.3.2 Description of event creating the receivable
- 1.3.3 Date receivable was created
- 1.3.4 Name of responsible party
- 1.3.5 Address of responsible party
- 1.3.6 Telephone number of responsible party
- 1.3.7 Date of birth of responsible person
- 1.3.8 Driver's license number of responsible person
- 1.3.9 Amount owing
- 1.3.10 All documentation for the account and any contracts. Include collection activity prior to transferring the account to the Attorney's Office. List special circumstances considered, payments made, and any special payment agreements, whether verbal or written.
- 1.3.11 The cause of the problem, if the amount owed is in dispute.
- 1.3.12 Any interest charges imposed and the related percentage rate.
- 1.3.13 Specification of how the collected funds should be allocated, listing the percent and to whom or in what fund the allocation should be deposited.
- 1.3.14 Other important information which would be helpful in collecting the account.

- 1.4 Collection of Bad Debt. The recovery of funds due Salt Lake County, together with applicable fees and costs, from the person(s) or company who created the receivable.
- 1.5 Credit Terms. Specification of the date when invoiced amounts are due. The time allowed for payment of the billed amount and applicable interest rate.
- 1.6 Current Accounts. Accounts that are not past due and typically outstanding less than 30 days following the invoice date.
- 1.7 Debtor. Individual, business entity, or other organization that owes money to Salt Lake County.
- 1.8 Due Date. The date on which payment is expected from the individual, business entity, or other organization that owes money to Salt Lake County.
- 1.9 Dunning Letter. A collection letter or past due notice sent to a debtor wherein payment is demanded. The word "dun" means to make repeated and insistent demands for payment. Collections letters are used to persuade a debtor to promptly pay receivables. **See examples at Exhibit 1.**
- 1.10 Net 30 Days from Invoice. Invoice term which requires payment in 30 days from the invoice date.
- 1.11 Past Due. Receivables which remain unpaid from 1 to 90 days beyond the initial due date.
- 1.12 Delinquent Receivables. Receivables that are past due 91 days and beyond.
- 1.13 Write-off of Receivables. Removal of an amount from the accounts receivable record after a Division Administrator and/or Department Director has determined the amount to be uncollectible. Further collection efforts are not anticipated, but could be made in the future if collecting on the account is later determined to be viable.

2.0 General Policy

Recovery of debts due Salt Lake County, including accounts receivable, is the responsibility of the District Attorney (UCA § 17-18-1.5 (5)(b)), who may, by mutual agreement delegate certain responsibilities to other offices, agencies, or contractors.

- 2.1 While initial collection procedures will vary from agency to agency, general guidelines must assure the following:
 - 2.1.1 Revenue collection procedures are carried out promptly, professionally, and equitably.
 - 2.1.2 Revenue collection procedures do not cause individuals undue hardships, with special considerations given when appropriate.
 - 2.1.3 Penalties, interest charges, and other sanctions for nonpayment of debt owed to the County serve the interest of the County and encourage

citizens to pay promptly. Penalties and interest charges should match the County's actual cost to date to collect the amount due.

- 2.1.4 Collection efforts are cost effective, i.e., the effort expended to collect a debt is in proportion to the amount of revenue due.
 - 2.1.5 Collection policies and procedures adopted by an office or agency of the County must be reasonable and ensure fairness to all debtors. The provisions of the Fair Debt Collections Practices Act, while not applicable to the County as a governmental entity, may be used as an appropriate guideline in determining reasonable and fair collection practices. This Act prohibits abusive debt collection practices, limits communications with debtors, and prohibits harassment or abuse. The Act also prohibits use of false or misleading representations, unfair practices, and other unprofessional conduct.
- 2.2 After all collection efforts are completed at the agency level, uncollected amounts are transferred to the District Attorney's Office.
- 2.3 Exemptions
- 2.3.1 Due to the unique character of receivables in some County divisions and offices, it is appropriate to grant exemptions to this policy. This does not mean that pursuit of delinquent accounts is not ultimately handled by the District Attorney, but rather that special circumstances are recognized and honored.
 - 2.3.1.1 This policy does not apply to collection of current or delinquent property or privilege taxes or fees-in-lieu-of-taxes billed and collected by the Assessor or Treasurer pursuant to UCA Title 59.
 - 2.3.1.2 Additional transactions and accounts not covered by this policy include: interlocal agreements, special assessments, warrants and outstanding debts owed to the Criminal Justice Services Division, and mortgage payments paid to the Community Resources and Development Division.
 - 2.3.2 Bad check collection continues to be covered by Countywide Policy #1306.
- 2.4 The information in Sections 3.0, 4.0, and 5.0 are basic accounts receivable procedures. Agencies may develop their own accounts receivable procedures as long as they follow the basic guidelines as detailed above and are consistent with the procedures listed below. The procedures in this policy must be followed unless an agency has developed its own written procedures.

3.0 Application and Contract Procedures

- 3.1 County agencies who grant credit to patrons by relying on contracts, applications, or other similar forms must collect sufficient identifying information to enable the establishment of an accounts receivable record and information necessary for subsequent collection procedures. The contract, application, or other similar form which an agency uses must request identifying information from a patron and must allow for the assessment of collection fees.
- 3.2 Because granting credit is not a primary function of Salt Lake County, it should be understood that when credit is extended by County departments or agencies, it is with the intention that payments will be made in full upon receipt of a bill.
- 3.3 Before granting credit, the County department or agency must obtain basic information from a patron. Therefore, the County department or agency must develop a credit application, contract form, or other similar form which requests basic patron information.
 - 3.3.1 The credit application, contract form, or other similar form should include the following:
 - 3.3.1.1 Basic information about the debtor such as name, address, telephone number, date of birth, and driver license number.
 - 3.3.1.2 The debtor's agreement to pay interest, at a stated percentage, on any account not paid within 30 days.
 - 3.3.1.3 The debtor's agreement to pay the costs of collection, such as court costs and attorney's fees, if legal action is necessary to enforce collection of a delinquent account.
 - 3.3.1.4 The terms of payment of the receivable (e.g., Net 30 days from the invoice date).
 - 3.3.1.5 A personal guarantee from an officer or shareholder of the association, not-for-profit organization, entity, or corporation.

See example at Exhibit 2.
 - 3.3.2 The debtor's signature is required on the credit application.
- 3.4 Completed and signed credit application forms must be stored in a secure, locked location. If they are electronic or scanned copies, they must be stored in a password protected, encrypted folder in the electronic medium and should never be transferred on portable electronic media or laptops.
- 3.5 County departments and agencies must provide accurate and timely billings to patrons, and ensure that payments and credits are received and properly applied to each patron's account in a timely manner.
- 3.6 Adequate physical security must be maintained over accounts receivable records to protect them against loss, manipulation, or identity theft.

- 3.7 Unless the Mayor issues a written determination that it would create an undue hardship, County departments and agencies shall withhold services, goods, or monies, where legal, to those individuals, business entities, or other organizations that refuse to pay their debt.

4.0 Agency/Department Billing and Collection Efforts

- 4.1 County departments and agencies are required to take all appropriate and cost effective actions to aggressively collect accounts receivable, including assessing related collection costs, interest, penalties, or fees.
- 4.2 A written invoice and statement of account must be sent at least 30 days before the first payment is due. **See example at Exhibit 3.**
- 4.2.1 Invoices shall include the date on which the invoice was prepared, and shall be mailed, or delivered, on the same date stated on the invoice.
- 4.2.2 Terms for payment of debts to the County shall be net 30 from invoice date (i.e., all payments are due to the County no later than 30 days after the date of the invoice). Because normal County business is conducted Monday through Friday, due dates that occur on a Saturday or Sunday, shall be advanced to the following Monday. Due dates that occur on a holiday shall be advanced to the next business day.
- 4.2.3 Follow-up statements should be sent once a month to all patrons with an account balance. The statement should show the following:

Beginning balance
 Amounts charged during the month
 Payments on account during the month
 Ending balance
 Due date
 Invoice date

See example at Exhibit 4.

- 4.3 Interest will be charged on accounts receivable not paid within 30 days of the date of the invoice. Interest charges are imposed to offset the County's cost of financing accounts receivable and to provide an incentive for timely payment of accounts receivable. Additional service charges should be applied to cover the County's full cost of collecting past due amounts owed to the County.
- 4.4 Payments received after the due date shall be allowed a two-day grace period, following which interest will be charged at 1½ percent per month (18 percent per annum) on the unpaid balance of the account. The interest charged shall be assessed until the account is deemed uncollectible, or until it is referred to the District Attorney's Office.
- 4.5 When an account becomes past due, the debtor shall be mailed a *Dunning Letter* in which immediate payment is demanded and the assessment of interest charges is explained. The first *Dunning Letter* should be sent ten days following the account becoming past due. **See examples of *Dunning Letters* at Exhibit 1.**

- 4.5.1 All *Dunning Letters* and communications with debtors shall follow the provisions of the Fair Debt Collections Practices Act which prohibits abusive debt collection practices, limits communications with debtors, and prohibits harassment or abuse. The Fair Debt Collections Practices Act also prohibits use of false or misleading representations, unfair practices, and other unprofessional conduct.
- 4.5.2 Accurate records of correspondence, telephone calls, and personal contacts with debtors shall be maintained. **See example at Exhibit 7.**

Except as authorized by Sec. 2.3, the following are the minimum actions and time schedules to follow in the billing and collection of accounts receivable.

4.6 Initial Account Receivable Creation and Follow-up Actions

- 4.6.1 Payment Demand Date. Within ten days of the creation of an account receivable or the next billing cycle if recurring billing, the division or office will create and send an invoice and establish a payment demand date, no later than 30 days from the date of service or delivery of a product.
- 4.6.2 Invoice Returned. If the invoice is returned, within two days, the employee having the responsibility over accounts receivable should verify the billing address and make telephone contact if necessary. Correct address and re-mail invoice. If not correctable, send to the District Attorney's Office.
- 4.6.3 Billing Disputes. Review billing questions received from debtor. Resolve any issues raised, make adjustments as necessary and re-mail invoice if required.

4.7 Payment or Partial Payment Received on Demand Date

- 4.7.1 Payment Received In Full. Credit the account receivable that day or no later than the next business day. Deposit the money daily whenever possible, but not later than three days after receipt.
- 4.7.2 Partial Payment Received. Credit the account receivable for amount received. The employee having the responsibility over accounts receivable should contact the debtor by phone and make arrangements for payment of balance. Send confirming letter of arrangements that day or no later than the next business day. Deposit the money daily whenever possible, but not later than three days after receipt.

4.8 10 Days Past Demand Date

- 4.8.1 Payment Due Is \$200 or Greater. Make telephone contact and get promise to pay. Mail the first *Dunning Letter* and attach a copy of the original invoice or billing document.

4.8.2 Payment Due Is Less Than \$200. Mail the first *Dunning Letter* and attach a copy of the original invoice or billing document.

4.9 30 Days Past Demand Date

4.9.1 Payment Received In Full. Credit the account receivable and deposit the money on the day of receipt whenever possible, but not later than three days after receipt.

4.9.2 Partial Payment Received. Credit the account receivable and deposit the money on the day of receipt whenever possible, but not later than three days after receipt. The employee having the responsibility over accounts receivable should contact the debtor by telephone and arrange for payment of balance. Send a letter confirming arrangements. If unable to contact by phone or phone number is unavailable, mail the second *Dunning Letter*.

4.9.3 Payment of Only Invoice Amount Is Received, But Accrued Interest is Not Received. The employee having the responsibility over accounts receivable should contact the debtor by phone to negotiate/renegotiate payment arrangements and send a letter confirming negotiated payment agreement. If unable to reach by phone, mail the second *Dunning Letter*.

4.9.4 No Payment Is Received. The employee having the responsibility over accounts receivable should contact the debtor by phone to negotiate/renegotiate payment arrangements and send a letter confirming negotiated payment agreement. If unable to reach by phone, mail the second *Dunning Letter*.

4.10 60 Days Past Demand Date

4.10.1 Payment Received In Full. Credit the account receivable and deposit the money on the day of receipt whenever possible, but not later than three days after receipt.

4.10.2 Partial Payment Received. Credit the account receivable and deposit the money on the day of receipt whenever possible, but not later than three days after receipt. Mail the final *Dunning Letter*, including notice of referral to the District Attorney's Office or Collection Agency if payment is not received in full within thirty days.

4.10.3 Payment of Only Invoice Amount Is Received, But Accrued Interest is Not Received. The employee having the responsibility over accounts receivable should contact the debtor by phone to negotiate/renegotiate payment arrangements and send a letter confirming negotiated payment agreement. If unable to reach by phone, mail the final *Dunning Letter*.

4.10.4 No Payment Received. The employee having the responsibility over accounts receivable should contact the debtor by phone and negotiate/renegotiate payment arrangements. Mail the final *Dunning Letter*, stating that if payment is not received within 30 days the account will be turned over to the District Attorney's Office or Collection

Agency. Send a confirming letter regarding payment arrangements and action if payment is not received.

- 4.10.5 No Payment Received And Debtor Is Unreachable By Phone. Mail the final *Dunning Letter*, including notice of referral to the District Attorney's Office or Collection Agency with additional penalties if payment in full is not received within 10 days.
- 4.11 90 Days Past Demand Date
- 4.11.1 Payment Received In Full. Credit the account receivable and deposit the money on the day of receipt whenever possible, but not later than three days after receipt.
- 4.11.2 Partial Payment Received. Credit the account receivable for the amount received and deposit the money on the day of receipt whenever possible, but not later than three days after receipt. Transfer the account receivable and all collection activity data to the District Attorney's Office unless payment agreement is negotiated.
- 4.11.3 Payment of Only Invoice Amount Is Received, But Accrued Interest is Not Received. The employee having the responsibility over accounts receivable should contact the debtor by phone to negotiate/renege payment arrangements for payment of interest amount.
- 4.11.4 No Payment Received. Refer and transfer account receivable and all collection activity data to the District Attorney's Office.
- 4.12 Death of a Debtor
- 4.12.1 A claim against the estate of a Utah resident must be prepared in accordance with specific regulations and filed within four months after first publication of notice to creditors. To assure that Salt Lake County's interests are fully protected, the assistance of the District Attorney's Office must be sought whenever a division or office receives notification that a person owing money to the County has died.
- 4.13 Amounts not collected through routine follow-up may be referred to the District Attorney's Office for further collection effort. The elected official, division head, or designee shall have the option of deferring referral to the District Attorney's Office, as circumstances warrant, or where the division or office has been granted an exemption from making such referrals.
- 4.14 All administrative collection efforts must be completed and documented before referral of an account to the District Attorney's Office.

5.0 Accounting For and Monitoring Accounts Receivable

- 5.1 The Salt Lake County Auditor is ultimately responsible for accounting for accounts receivable (A/R) on the County general ledger. If there are questions with respect to how accounts receivable should be accounted for under GAAP, contact the Accounting and Operations Division in the Auditor's Office.

- 5.1.1 The General Accounting Section of Accounting and Operations uses an accounts receivable module of Advantage Financial (AFIN) to provide accounts receivable billing and collection services for County organizations whose operations require only a low volume of accounts receivable transactions. To be cost effective, County organizations with the need to maintain a large volume of accounts receivable accounts do not use the Auditor's centralized accounts receivable system. When organizations establish new programs which require the use of accounts receivable, they should contact the General Accounting Section to determine if it is cost effective for the Salt Lake County Auditor's Office to perform accounts receivable services for them.
- 5.2 Copies of accounts receivable support documents (e.g., credit applications, contract forms, other similar forms, or invoice copies) shall be kept on file at the County department or agency. The format of invoice copies may be either hard copy or electronic.
- 5.3 An accounts receivable ledger shall be used to record accounts receivable. The accounts receivable ledger is an account of each debtor's charges and payments. **See example at Exhibit 5.**
- 5.3.1 The ledger of accounts receivable shall include, at a minimum, the name of the debtor, the amount owed, the invoice date, the amount of any interest charges assessed, a listing of payments and the dates those payments were received, and a running total of individual account balances.
- 5.3.2 The ledger of accounts receivable shall be reconciled to invoices and payments at least monthly, and the reconciliation shall be documented and signed by the employee who performed this step.
- 5.3.3 The total of individual accounts receivable ledger account balances should always agree with the balance shown on the general ledger (generally, account 1309 is used for miscellaneous accounts receivable).
- 5.4 The employee who maintains the accounts receivable ledger shall be separate from the employee who prepares invoices and the employee who collects payments. In the event that staffing levels prevent such a segregation of duties, a supervisor, or second responsible employee, shall review and sign the monthly reconciliation, as a control on the process.
- 5.5 Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. An aged analysis of accounts receivable ledger balances (aging schedule) shall be prepared each month. The aging schedule shall be maintained in a manner that provides information as to which amounts are 30 days old or less at the beginning of a month, which are 31 to 60 days old, 61 to 90 days old, 91 to 120 days old, and over 120 days old. The aging will be based on the date of the invoice. Depending on the adaptability of the software being used, individual accounts shall be listed on the aging schedule. Columns and rows shall be totaled. **See example at Exhibit 6.**

- 5.6 The aged listing of individual receivable balances will reflect the results of billing and collection follow-up activity. Management above the level responsible for supervising the billing and collection follow-up function will review old dated balances.
- 5.7 For the majority of accounts receivable amounts, no bad debt expense will be recorded. Allowances will generally not be established for bad debts.
- 5.8 Under certain circumstances (e.g., jail billings), Salt Lake County has established and maintained an allowance for bad debts. Contact the Accounting and Operations Division of the Auditor's Office if you have any questions.

6.0 Transfer and Reclassification of Delinquent Accounts Receivable

- 6.1 While the goal is to reduce accounts receivable by collecting the revenues due, circumstances may dictate reducing accounts receivable by writing-off certain debts that are deemed uncollectible. After all collection efforts are completed at the agency level, uncollected accounts are considered problem accounts and are transferred to the District Attorney's Office. Departments and agencies may transfer problem accounts, but no sooner than 90 days after the account becomes past due unless legal circumstances require more immediate action. For accounting purposes, accounts receivable should be written-off at the point the accounts are transferred to the District Attorney's Office.
 - 6.1.1 In determining whether to transfer an account, consideration should be given to whether collection costs are greater than the amount to be collected. **Therefore, amounts of less than \$50 should be written-off at the agency level.** Once uncollected accounts are turned over to the District Attorney's Office, the agency shall write-off the account by reducing the accounts receivable balance (the balance sheet account), and reducing the revenue source originally used to record the revenue. If the amount is subsequently collected, the accounting entry is to re-recognize revenue.
- 6.2 Debts Not Transferable to the District Attorney's Office for collection.
 - 6.2.1 Discharge in Bankruptcy. A discharge in bankruptcy means the receivable may no longer be pursued. A copy of the discharge notice from the bankruptcy court is filed with the written-off account.
 - 6.2.1.1 Automatic Stay. When a debtor files bankruptcy, the County is prohibited by law from taking certain collection actions against the debtor. Common examples of prohibited actions include: contacting the debtor by telephone, mail, or otherwise to demand repayment, taking actions to collect money or obtain property from the debtor, repossessing the debtor's property, starting or continuing lawsuits or foreclosures, and garnishing or deducting from the debtor's wages.
 - 6.2.2 Death of debtor without sufficient assets to pay the County. The following is filed with the written-off account: 1) a copy of the death certificate, 2) a statement that either a) no estate was opened, or b) the estate's assets are insufficient to pay the claim(s) of the County.

- 6.2.3 A Dissolved Corporation or LLC with no assets to pay the County. The following is filed with the written-off account: Documentation from the Division of Corporations showing the date of dissolution.
- 6.3 Control of Writing-off Delinquent Accounts Receivable at the Department or Agency Level
- 6.3.1 Write-offs by departments or agencies. When a County department or agency writes-off an accounts receivable amount, the elected official, division head, or designee shall approve the write-off. The official who approves the write-off must not be directly involved in recording and collection of accounts receivable. Sufficient collection efforts shall take place before writing-off an account. Approval for the write-off shall be evidenced by a letter from the elected official, division head, or designee. The letter shall be placed in the debtor's file.
- 6.3.2 Exemptions from write-off by the District Attorney's Office. County agencies and departments exempt from transferring their accounts receivable to the District Attorney's Office are under the same obligation to write-off uncollectible accounts according to the conditions described in Section 6.2.
- 6.3.3 Writing-off the receivable for accounting purposes does not discharge the debt owed to the County.
- 6.4 Control of Writing-off Delinquent Accounts Receivable by the District Attorney's Office
- 6.4.1 Write-offs are centralized in the District Attorney's Office to create uniformity, minimize confusion, and ensure success. The District Attorney's Office will utilize accounts receivable aging analysis, completion of established processes, and other criteria to identify delinquent accounts for possible write-off.
- 6.5 Criteria Considered By the District Attorney's Office
- 6.5.1 Expired statute of limitations. In general, the statute of limitations is six years with a signed contract and four years without a contract.
- 6.5.2 The debtor's reasonable prospects for future payment. Factors to consider would be age, health, education and/or job training, current sources and amount of income, or whether an inheritance is anticipated.
- 6.5.3 Proof of debt. Possible problems with proof of debt that would weaken the County's case in court. Proof that debt is owed by the debtor.
- 6.5.4 Locating debtor. Determine whether the debtor can be located after reasonable search, including diligent search by County employees and skip tracing firms. This, together with other factors, may support a write-off as uncollectible.

- 6.5.5 The amount owed. Although generally not the only factor considered, the amount owed is relevant in determining whether a receivable is considered uncollectible. If the cost of collection is greater than the amount owed, and no laws prohibit write-off, the account should be written-off.
- 6.5.6 Effort required to collect the receivable. This is closely tied to the amount of the receivable, since larger receivables obviously merit greater efforts by the County to collect.
- 6.5.7 Knowledge that the department has regarding the debtor.
 - 6.5.7.1 Debtor is physically or mentally incapacitated.
 - 6.5.7.2 Debtor is sentenced to long-term incarceration.
 - 6.5.7.3 Debtor is living out of state.

6.6 Pursuit of Collection After Write-off by the District Attorney's Office

There are instances when an account is written-off and subsequent events create assets to pay the claim(s) of the County. The District Attorney will establish a periodic review of written-off accounts to ensure that all assets are exhausted and that no further efforts should be expended by the County in pursuit of the debt.

- 6.6.1 In the event of payment on an account which was written-off, the agency's account will be credited as receiving new money.

7.0 District Attorney Office Procedures

- 7.1 The Collection Unit of the District Attorney's Office will maintain a database of all accounts receivable transferred to it. Transferred accounts will be aged at the District Attorney's Office from the date of transfer.
- 7.2 When an account is transferred to the Collection Unit with valid contact information, the Collection Unit will send a demand letter as final notice of future legal action.
 - 7.2.1 Payment Received In Full. The Collection Unit will deposit the money within three days of receipt and disburse it to appropriate agencies through the Auditor's Office.
 - 7.2.2 Partial Payment Received. The Collection Unit will deposit the money within three days of receipt and disburse it to appropriate agencies through the Auditor's Office. The Collection Unit will formalize payment arrangements with the debtor by sending a confirming letter of arrangements.
 - 7.2.3 No Payment Received. If no payment or dispute letter is received from the debtor, the Collection Unit will review the account for write-off or legal action.

7.2.3.1 If the debtor sends in a written dispute of the debt, the Collection Unit will contact the transferring agency to evaluate the validity of the dispute. When the Collection Unit receives the agency's response, it will send a response letter to the debtor of the agency's response and its decision to continue with debt collection including future legal action, its decision to write-off the debt, or other appropriate action.

7.3 When an account is transferred to the Collection Unit with no valid contact information, the Collection Unit will make reasonable efforts to find valid address information. If skip tracing fails, the Collection Unit will review the account for write-off or legal action. If a valid address is found, the Collection Unit will send a demand letter as detailed in Sec. 7.2.

7.4 All unpaid transferred accounts will be evaluated by the Collection Unit for write-off, transfer to a collection agency, or legal action. When a lawsuit is filed, the District Attorney's Office will seek a judgment against the debtor. If a judgment is obtained, the District Attorney's Office may proceed with all available legal remedies for collection on that judgment.

7.4.1 Judgments granted to the County remain in effect for eight (8) years.

APPROVED and PASSED this 12th day of December, 2006.

SALT LAKE COUNTY COUNCIL

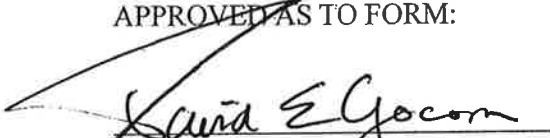


Cortland G. Ashton, Council Chair

ATTEST:


Sherrie Swensen, County Clerk

APPROVED AS TO FORM:


Deputy District Attorney
Date 12-14-06

DUNNING MESSAGES AND COLLECTION LETTERS

Dunning Letter 1

Payment Reminder

(Date)

(Name)
(Address)

Our records show that your present balance of \$_____ is past due. Please make arrangements for payment on or before (date). Interest will be added at 1½ percent per month (18 percent per annum) on the unpaid balance.

If you are unable to send your remittance by return mail, please write or call us immediately to make arrangements necessary to clear this balance. Your prompt attention will be greatly appreciated. Our office is open 8:00 a.m. - 5:00 p.m. weekdays.

Very truly yours,

(Name)

Dunning Letter 2

Second Notice

(Date)

(Name)
(Address)

According to our records, your current balance due is \$_____. Of this amount, \$_____ is more than 30 days past due. As you know, our normal terms require payment within 30 days after the invoice is sent to you. Please pay the amount due by (date). Interest will be added at 1½ percent per month (18 percent per annum) on the unpaid balance.

If there is some error, or you are unable to pay the amount due immediately, please contact us so that we can correct the situation or make suitable arrangements for prompt payment of this

obligation. Immediate payment or payment arrangement is required to avoid costly collection or legal action. Our office is open 8:00 a.m. - 5:00 p.m. weekdays. The County may take legal action to clear the debt.

Thank you for your attention to this request.

Very truly yours,

(Name)

Final Dunning Letter

Final Notice

(Date)

(Name)

(Address)

This notice is in reference to your delinquent account balance of \$_____ representing charges billed through (date). Our records show that payment for the above invoice is 90 days past due. Failure to respond to collection efforts leaves us with no alternative other than to refer your account to the District Attorney's Office for collection. County ordinance, chapter 3.42.050, state law and legislative intent allow collection costs to be charged to the debtor, and added to the balance owed including penalty, interest, collection and legal fees. Interest is added at 1½ percent per month (18 percent per annum) on the unpaid balance.

As all ordinary means used for collection of your account in a normal manner have failed to bring the desired results, we are notifying you that unless this balance is paid in full or suitable arrangements are made by (date), we will suspend further credit and take legal steps to effect a collection. No response will result in immediate referral of your account to the District Attorney's Office for collection with no further notice from us. Our office is open 8:00 a.m. - 5:00 p.m. weekdays.

Thank you for your attention to this request.

Very truly yours,

(Name)

SAMPLE CREDIT APPLICATION

Salt Lake County
(Department or Agency Name)
(Address)
(Telephone Number)

CREDIT APPLICATION

Please fill out the information below and return it as soon as possible in order for us to have complete and accurate information in your file. Thank you for taking the time to help us serve you better.

CUSTOMER INFORMATION

Customer Name:
Address 1:
Address 2:
City: State: Zip:
Phone Number: Fax Number: Mobile Number:
Contact Person (If Corporation or Group):
Date of Birth: Driver License Number:

BANK REFERENCE

Banking Institution: City: State:
Contact Person: Phone #:

CREDIT REFERENCES

1) Company: 2) Company:
Contact Person: Contact Person:
Address: Address:
Phone # Phone #
Comments: Comments:

TERMS OF SALE

All credit purchases are due no later than 30 days following the receipt of a statement. All credit purchases shall be subject to interest charges on past due amounts. Payments received after the due date will be charged interest at 1 1/2 percent per month (18 percent per annum) on the unpaid balance of the account. The interest charged will be applied to your previous statement balance after deducting current payments and/or credits. Collection costs, including reasonable attorney's fees, shall be payable by the purchaser if the need arises to use outside collection services or if the account is referred to the District Attorney's Office.

AUTHORIZING STATEMENT

The undersigned:

- 1) certifies that all information provided is true and correct
- 2) agrees to abide by the terms of sale specified above

I (we) hereby apply for credit and affirm financial responsibility and willingness to pay invoices in accordance with published terms. The above information is warranted to be true and complete. We hereby authorize you to verify and collect information on us, including but not limited to bank references, credit references, consumer and/or commercial credit reports. We agree to pay a monthly finance charge of the maximum applicable state rate on all past due balances. We agree to pay all costs of collection and litigation on this account in accordance with Utah State laws and Salt Lake County ordinances. We agree that all decisions with respect to the extension or continuation of credit shall be in the sole discretion of Salt Lake County

Signature: _____ Date: _____

Officer Signature (If Corporation or Group): _____ Date: _____

I AGREE TO PERSONALLY GUARANTEE PAYMENT OF ANY UNPAID BALANCE UNDER THIS AGREEMENT.

By: _____ Date: _____
 Signature of Individual

SAMPLE INVOICE

INVOICE
Salt Lake County
 (Department or Agency Name)
 (Address)
 (Telephone Number)

INVOICE NO: _____
 INVOICE DATE: _____

Bill To:

Customer Name
 Customer Address

CONTACT PERSON	P.O. NUMBER	DATE GOODS OR SERVICES RECEIVED

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
TOTAL DUE			
PAYMENT DUE DATE			

Payment Terms: Payment should be made within 30 days from the invoice date. All credit purchases shall be subject to interest charges on past due amounts. Payments received after the due date will be charged interest at 1½ percent per month (18 percent per annum) on the unpaid balance of the account. The interest charged will be applied to your previous statement balance after deducting current payments and/or credits. Collection costs, including reasonable attorney's fees, shall be payable by the purchaser if the need arises to use outside collection services or if the account is referred to the District Attorney's Office.

SAMPLE STATEMENT OF ACCOUNT

Salt Lake County Agency Name
Address
City, State, and ZIP Code

Statement Date
Business Phone

Statement of Account

Customer's Name
Customer's Address

Customer's City, State, and ZIP Code

Date	Description	Charges	Credits	Account Balance
	Previous Balance			\$0.00
		\$0.00		
		\$0.00		
		\$0.00		
		\$0.00		
		\$0.00		
Ending Balance:				\$0.00
Balance Due:		Due Date:		

SAMPLE LEDGER OF ACCOUNTS RECEIVABLE

Salt Lake County Agency Name
Address
City, State, and ZIP Code

Statement Date
Business Phone

Accounts Receivable Ledger

Customer's Name
Customer's Address
Customer's City, State, and ZIP Code

Date	Description	Charges	Credits	Account Balance
	Previous Balance			\$0.00
		\$0.00		
		\$0.00		
		\$0.00		
		\$0.00		
		\$0.00		
				\$0.00

SAMPLE ACCOUNTS RECEIVABLE AGING SCHEDULE

Accounts Receivable Aging Schedule Salt Lake County Agency Name January 31, 2006						
<i>Customer Name</i>	<i>Total Accounts Receivable</i>	<i>Current</i>	<i>1 to 30 Days Past Due</i>	<i>31 to 60 Days Past Due</i>	<i>61 to 90 Days Past Due</i>	<i>Over 90 Days Past Due</i>
TOTAL						

SAMPLE PHONE CALL LOG FORM

Phone Call Log Form					
Name of Person/Company Called	Phone Number	Date	Total Amount Past Due	Details of Call	Follow-Up Needed?