

**SUBMITTAL TO THE FLOOD CONTROL AND
WATER CONSERVATION DISTRICT BOARD
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

804B



SUBMITTAL DATE:
March 26, 2013

FROM: General Manager-Chief Engineer

SUBJECT: FISCAL POLICY F1, *Accounts Receivable Management*

RECOMMENDED MOTION:

Approve the addition of FISCAL POLICY F1, *Accounts Receivable Management*, to the Fiscal Section of the District's Fiscal Policy Manual.

BACKGROUND:

It is the responsibility of District management and all District employees to carefully manage accounts receivable and project costs with related deposits (DBFs) to ensure efficient and effective collection of all debts owed to the District.

Continued on Page 2.

JR:mc

WARREN D. WILLIAMS
General Manager-Chief Engineer

FINANCIAL DATA	Current F.Y. District Cost:	N/A	In Current Year Budget:	N/A
	Current F.Y. County Cost:	N/A	Budget Adjustment:	N/A
	Annual Net District Cost:	N/A	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE
BY:
Steven C. Horn, MPA

County Executive Office Signature

- Dept't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.:

District: All

Agenda Number:

11-3

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

FISCAL PROCEDURES APPROVED
JEANINE J. REY, FINANCE DIRECTOR
BY:
JEANINE J. REY

Departmental Concurrently

**FLOOD CONTROL AND WATER CONSERVATION DISTRICT BOARD SUBMITTAL
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BACKGROUND: Continued

It is the responsibility of the District to promote prudent project management of Deposit Based Fees (DBFs), to ensure the accuracy of accounts receivable records, and to discourage fraudulent manipulation of the accounting records.

In order to promote prudent management of District assets, the District is updating its written policies and procedures, and system of internal controls for managing the accounts receivable process.

Current and updated *Accounts Receivable Management* policies and procedures include among others:

- A requirement for ceasing work when developer/governmental deposits are exhausted.
- Stated billing terms.
- A periodic review of past due accounts.
- Financial and management reporting.

Current and updated Internal control measures for accounts receivable and District projects include among others:

- DBF projects should be reviewed monthly.
- Regular billings should be made to all customers on account.
- Invoices and counter receipts should be pre-numbered.
- An aging and review of all accounts should be performed periodically.



POLICY

RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

NUMBER: FISCAL POLICY F1

SUBJECT: ACCOUNTS RECEIVABLE MANAGEMENT

POLICY:

It is the Policy of the Riverside County Flood Control and Water Conservation District that accounts receivable and project costs with related deposits must be carefully managed to ensure efficient and effective collection of all debts owed to the District. Strict management of project deposits, costs, and debts is the responsibility of all District employees.

PROCEDURE:

Internal Controls

It is the responsibility of the District to promote prudent project management of Deposit Based Fees (DBFs), to ensure the accuracy of accounts receivable records, and to discourage fraudulent manipulation of the accounting records by incorporating the following internal control measures for District projects and accounts receivable:

- Deposit Based Fee (DBF) projects should be reviewed monthly by District management to assure actual project costs do not exceed project deposits, thereby creating a customer debt or receivable.
- Regular billings should be made to all customers on account including when 20% or less of a customer's advance deposit remains and additional costs are expected or, in those unusual cases, when project costs exceed a customer's advance deposit.
- An aging of all accounts and a review of past due accounts should be performed periodically.
- Invoices and counter receipts should be pre-numbered and all numbers accounted for periodically.
- A diligent effort should be made to collect all outstanding accounts.
- Accounts receivable write-offs should be approved by management and/or the District's Board of Supervisors.

Management of Receivables

The District must have written policies and procedures, and a system of internal controls for managing the accounts receivable process. Written policies and procedures should include at a minimum:

- A requirement for ceasing work when developer/governmental deposits are exhausted.
- A requirement for establishing a billable customer account.
- Stated billing terms.
- Approvals for adjustments to open accounts.
- A periodic review of past due accounts.
- Financial and management reporting.
- Collection actions and a timeline for the collection process.
- Criteria for writing off accounts including needed approvals.
- A process for restoring the previously written-off account.

GUIDELINES:

Managing the Deposit Based Fee Project Process

It is the responsibility of all District project managers. to assure that District costs, particularly for construction inspection fees, plan check fees, and encroachment permit fees, including both actual District costs as well as subcontracted costs, do not exceed project deposits from developers and/or other government agencies. Projects should be reviewed monthly and regular billings sent to developers/agencies when actual costs, including related administrative expenses, approach 80% of the amounts on deposit and additional costs are expected. In the unusual event that actual costs exceed a deposit, the customer should be invoiced immediately for the debt and service efforts should cease. Service efforts may continue once additional deposits are received. Exceptions to work stoppage may be approved by the General Manager-Chief Engineer; however, on-going District costs should be invoiced on a monthly basis. Diligent collection efforts should be a management priority in these cases.

Establishing an Account

It is the responsibility of the District to obtain a Credit Application prior to the establishment of a new account that is not a DBF account. The Application includes a statement regarding financial responsibility. When signed, the customer hereby acknowledges that they "agree to financial responsibility for any services provided". An account can only be created in the system once the credit-worthiness of the customer is determined and a credit limit is established and approved by the Finance Director or his/her designee.

Billing

Accounts should be billed by the Finance Division at the end of the month in which goods are provided or services are rendered, unless contractual requirements or other agreements, approved by the General Manager-Chief Engineer or Finance Director, specify other billing terms or billing terms used in accordance with industry standards. Payment terms will be thirty days after billing unless contractual requirements specify otherwise.

Billings will be based on actual hours rendered at standard labor and overhead rates in addition to other charges from internal and external service providers, e.g., IT charges, Board charges, and charges for legal services. A Project Detail Summary will be generated and provided along with the invoice for billing support.

Account Adjustments

Account adjustments greater than \$50.00 must be approved by the Finance Director.

Review of Past Due Accounts/Establishing an Allowance for Doubtful Accounts

It is the responsibility of the Finance Director to review past due accounts on a quarterly basis and communicate findings to District management. The District should on a quarterly basis:

- Age all Account Receivable accounts.
- Review all accounts that are more than 180 days past due for collectability or write-off.
- Calculate an estimate of uncollectible amounts that management estimates will be uncollectible, excluding amounts due from other governments.
- Record the required adjustment to the Allowance for Doubtful Accounts on an annual basis to ensure that the District receivables are not overstated for financial reporting purposes.

Reporting

The District will recognize and report receivables in accordance with generally accepted accounting principles (GAAP) as required. The District will also provide an aged trial balance of receivables; a realistic estimate of doubtful accounts and documentation to support the allowance method; provide information relative to specific collection efforts on each past due account; and provide District management with the collection status of past-due accounts on a monthly basis.

Collection Process

The District must make every reasonable effort to collect an account before a write-off. In most cases, the collection effort should include written notices, attempted phone contact, and a referral to an independent debt collection agency when the account total is more than \$1,000, is past due for more than six months, and District efforts have been exhausted. Before selecting a debt collection agency, it is the responsibility of the Finance Director to verify the agency's credentials and reputation and review their letters and methods.

Writing Off Uncollectible Accounts

Accounts should be written off the District's financial accounting records when all collection efforts have been conducted without results and management deems the accounts uncollectible.

Note: Uncollectible accounts may be written off of the District's financial accounting records and no longer recognized as collectible receivables for financial reporting purposes, but the customer's legal obligation to pay the debt still remains.

Account balances older than 180 days and less than \$1,000 may be written off with the approval of the Finance Director; account balances greater than \$1,000 but less than \$5,000 may be written off with the approval of the General Manager-Chief Engineer, and account balances greater than \$5,000

may be written off only after approval by the District's Board of Supervisors through the District's submission of a Discharge of Accountability Form 11.

California Government Code Sections 25257-25259 describes the Board's discharge of accountability (write off) process to remove uncollectible accounts from active status. The District's process is to submit to the Board a Form 11 and Resolution indicating the amount to be written off.

Restoring the Previously Written Off Receivable

Upon receipt of the previously written-off receivable, the District will first reestablish the receivable to record the payment and deposit funds to the "Bad Debt Recovery" account.

REVISION HISTORY – March 2013