



Coachella Valley Water District
Accounts Receivable Collection
And Debt Write-Off Policy

September 26, 2017

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POLICY FOR WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE

Purpose

It is the intent of the Coachella Valley Water District to establish a policy to reflect the accurate value of its accounts receivable. All outstanding accounts receivable are reviewed on a monthly basis (with the exception of Replenishment Assessment Charges billed by Customer billing) to ensure that resources are used efficiently and not solely devoted to the recovery of uncollectible receivables. Collection efforts should be made to pursue the timely collection of all accounts receivable.

Government Finance Officers Association “Best Practices” provides that management of accounts receivable should include periodic write-offs to ensure that accounts receivable balances are not overstated. In accordance with generally accepted accounting principles, CVWD has established an allowance for doubtful accounts to reflect those outstanding accounts receivable which are not expected to be collected. The following initial entries to the General Ledger are recorded as follows:

Dr. Bad Debt Expense

Cr. Allowance for Doubtful Accounts

After the collection efforts are made to all accounts receivable, they can then be written off on the General Ledger and recorded as follows:

Dr. Allowance for Doubtful Accounts

Cr. Accounts Receivable

In the event collection efforts are successful, the following entry is made to the General Ledger:

Dr. Cash

Cr. Recoveries

Provisions

If it is determined that accounts receivable is unrecoverable, and after an allowance is created on the books, then a receivable may be written off after due diligence under any one of the following circumstances:

1. CVWD’s collection procedures have been followed, as well as all reasonable means of securing payment have been exhausted and the account remains unpaid.
2. The debtor cannot be located, nor any of the debtor's assets.
3. The debtor has no assets and there is no expectation they will have any in the future.
4. The debt is disputed and CVWD has insufficient documentation to pursue collection efforts.
5. The debt is discharged in bankruptcy.
6. The debtor has died and there is no known estate or guarantor.
7. It is determined that it is not cost effective to continue collection efforts.
8. A court judgement is established.
9. Accounts receivable under \$25 and delinquent or inactive for over 1-year.

10. Accounts receivable over 4 years old that have been billed regularly and subjected to a diligent collection effort.
11. Accounts receivable returned by a collection agency as uncollectible (if the District chooses to use an agency), and for which no other collection remedy is possible or prudent.
12. Exceeded the California Statue of Limitations subject to a 4-year statute of limitations which applies to a breach of contract. Contractual relationships are established between the customer and the District simply by virtue of the District providing service and the customer being contractually obligated to pay for that service.
13. Other reasons to be determined on a case-by-case basis.

Authority Levels of Write-Off

The Finance Department shall promptly review all miscellaneous accounts receivable recommended for write off in accordance with the following guidelines:

1. For accounts to be written off, the Department's Accounts Receivable staff, or designee, will complete a Bad-Debt Write-Off Request (attached-see page 15) describing the debt, collection procedures followed, and action taken to support the write off.
2. The Controller may approve write-off of amounts up to \$10,000 per account.
3. The Director of Finance may approve write-off of amounts up to \$25,000 per account.
4. The General Manager, or Assistant General Manager, may approve amounts up to \$50,000 per account. The General Manager may, at his or her discretion, refer amounts to be written off to the Board of Directors.
5. The Board of Directors will approve amounts to be written off greater than \$50,000 per account.

Due Diligence

Written documentation must be notated on the miscellaneous receivables customer account identifying the type of collection efforts made.

1. At least (3) three separate collection letters for all past due accounts receivable.
 - a. Initial invoice
 - b. Courtesy letter <30 days
 - c. >31 days statement with 1st delinquency notice letter
 - d. >60 days statement with 2nd delinquency notice letter
 - a. (1) Phone call
 - e. >90 days statement with Final notice letter
 - a. If a customer: Send a notice of intent to transfer to utility account and write off MR.
 - b. If not a customer: Write off balance and transfer to Intercept program, whenever possible.
2. Coordination with Customer Billing for customers who have water, sewer or construction accounts to place the customer on the tax roll.
3. Placing a Certificate of Lien on property through Customer Billing.
4. If deemed necessary, recommendation acquired from legal counsel.
5. Legal notices sent to customer.

Once it is decided that an accounts receivable shall be written off, accounting staff will remove the amounts from the General Ledger via journal entry with proper documentation as backup.

Denial of Requests

Should an accounts receivable write-off request be denied it will then become the responsibility of the requesting department to make the necessary corrective actions.

1. Insufficient collection efforts have been made or demonstrated
2. Lack of proper approval
3. Knowledge that the debt will be collected in the future

ACCOUNTS RECEIVABLE COLLECTION PROCEDURES

Purpose

To specify the steps that must be taken to ensure accounts receivable are collected in a timely, fair and cost-effective manner.

To ensure that there are no accounts reflected as 'Receivable' which are more than 30 days overdue without valid, documented reasons.

Applies to: All accounts receivable at Coachella Valley Water District (CVWD)

Types of Receivables:

- Claims
- Development Services Charges
- Employees/Former Employees
- Leases, Rents and Royalties
- Notes Receivable
- Customer Receivables for:
 - Domestic Water Service
 - Canal Water Service
 - Replenishment Assessment Charges
 - Non-Potable Water Services

General

The Finance Department will be responsible for monitoring all receivables, with the exception of customer receivables for utility services.

Receivables will be reviewed and reconciled on the following schedule:

- Receivables greater than \$10,000 will be reviewed monthly.
- Receivables less than \$10,000 will be reviewed quarterly.

If the debtor is unable to make payment in full, payment agreements may be made with the approval of the Controller. If a customer is unable to make payment in full, payment agreements may be made as per the Service Department's procedures, approved by the Director of Service.

If no response is received from the debtor after three written attempts (see due diligence procedures), the debt will be reviewed to determine if legal action is appropriate, under the circumstances, or if continued attempts should be made to contact the debtor, but not to exceed 1-year of inactivity on the debtor or customer account.

Procedures

Risk Management Claims:

Claims arise when third parties damage district property and are liable for the cost of repairs. The Claims Manager is responsible for review and collection efforts on claims.

If charges are not paid by the due date specified in the Promise letter (and are at least 90 days overdue), the account will be turned over to a collection agency, or small claims court, as appropriate in the circumstances.

The following time frame will apply to the preparation of invoices to the third parties:

Invoice Guidelines	
Day 1	Claims will provide Finance with collection data and cc: Controller after claim investigation
≤30 Days	Finance will create a draft invoice within 30 days of above and send to Ops/Facilities & Maintenance and cc: Claims (90 days if vendor purchases made by Ops/Facilities & Maintenance)
≤ 7 Days	Ops/Facilities & Maintenance will review and return invoice to Finance
@8 th Day	If Ops/Facilities & Maintenance does not return the invoice, Finance will resend including cc: to Department Head and Claims
@30Days	If Claims does not receive a copy of the invoice from Finance, Claims will resend to Finance cc: Risk Manager and Controller
@90Days	Within 90 days of initial incident, if no Invoice, Finance will email Directors, Risk Manager, Claims, & Controller. Finance will assist in resolving outstanding claims.

Claims will make all reasonable efforts to collect on the debt, including when applicable:

1. Corresponding with Debtor;
2. Corresponding with Debtor's insurance;
3. Commencement of judicial action;
 - a. Suspension of licenses;
 - b. Levying bank accounts;
 - c. Wage garnishment
4. Utilization of Franchise Tax Board's Intercept program

Once all reasonable efforts have been exhausted and payment cannot be collected, Claims will request that the debt be written off in accordance with Finance's debt write off policy.

Employees and Former Employees:

Receivables from employees and former employees occur when employees do not meet their obligations due to the district for travel advances, employee computer purchases, employee benefit arrearages and other charges.

Obligations from active employees may be met thru payroll deductions. If any employee has not met their obligations prior to leaving employment, the obligation will be deducted from the

employee's final pay, if possible. If the entire obligation cannot be met thru deduction from the employee's final pay, Human Resources will notify the employee of their obligation and arrange a payment plan (See procedure for payment plan).

Development Services Charges:

Development Service Charges arise when developers are responsible for fees, charges and improvements resulting from development activities.

If the charges are not paid within 30 days of the invoice date, Development Services will be contacted to determine if there are extenuating circumstances that warrant an extension of payment terms.

1. The validity of the billing address will be confirmed with Development Services to ensure Finance is billing the correct address.
2. Finance will contact the customer by email or phone to establish invoices have been received at the address on file. After speaking with Development Services, if the charges are not paid within 30 days of the invoice date (and there are no extenuating circumstances) or 30 days after the end of any extension period, the Finance Department will send a past due notice to the developer in accordance with the due diligence procedures. If the charges are not paid within 30 days of the past due letter, Finance and will send a "Promise" letter notifying the developer that no further services will be provided, their bonding company will be notified and legal action will be commenced, if necessary.

Finance will provide a list of all the outstanding balances for planning and engineering projects on a bi-weekly basis in order to assist in collection efforts.

Leases, Rents and Royalties:

Leases and rents occur when the district enters into a lease or rental agreement with a third party for the use of district property.

The Finance Department is responsible to generate invoices for base rental or lease amounts 15 days prior to the due date. The terms of payment and penalties are determined by the applicable agreement. Late payment fees and interest will be calculated in accordance with the applicable lease terms. If payment is not made within 30 days of the due date, a notice will be sent to the lessee or renter requesting payment under the terms of the agreement.

If payment has not been received within 30 days of the notice, the lessee will be notified by mail or email of the intention to terminate the agreement.

Notes Receivable:

Notes receivable are created from various sources including, developer fees, water and sewer capacity charges, claims, delinquent RAC charges, etc.

Accounts receivable is responsible for providing the debtor with a monthly statement with payment due, any interest charges and/or penalties for late payment under the terms of the note.

If payment is not made within 30 days of the due date, a notice will be sent to the debtor requesting payment under the terms of the note.

If payment has not been received within 30 days of the notice, the debtor will be notified of the intention to require payment of the note, in full, along with any penalties and interest accrued. If allowed, unpaid amounts will be transferred to the property tax roll.

Customer Billing Receivables:

Customer receivables consist of amounts due for services provided by the District to its customers in the normal course of business. These include charges for Domestic Water Service, Canal Charges, Replenishment Assessment Charges and Non-Potable Water Charges. Customer Billing is responsible for the assessment, administration and collection of these charges.

Domestic Water:

Day 1 – First bill is mailed

Day 15 – Bill due date

Day 25- 1.5% late charge assessed

Day 30 – Second bill is mailed with previous balance, plus late charge

Day 40 – Past due notice is mailed; \$25 delinquency fee assessed* (Applies to balances over \$20).

Day 50 – Turn-off notice mailed

Day 60 – Service terminated; meter locked; \$100 same day turn-on fee due to restore service

The Director of Service may authorize the establishment of payment plans for delinquent amounts on a case-by-case basis. Payment plans apply only to delinquent charges and all current charges must remain current on the amounts due under the payment plan become due immediately.

Replenishment Assessment Charges (“RAC”):

Unpaid RAC balances will incur interest at the rate of 1.0% per month on the delinquent amount. Should any producer, subject to a replenishment assessment, fail to file the water-production statement, they become liable for a penalty of one hundred fifty dollars.

BAD DEBT WRITE-OFF PROCEDURES

Purpose

The Bad Debt Write-off procedures specify steps that must be taken to designate an account as uncollectible and to remove such accounts from the general ledger account fund balance (e.g. write it off).

Applies to: All accounts receivable at Coachella Valley Water District except utility receivables.

The Finance Department has primary responsibility for ensuring compliance with these procedures. Once an account receivable has been created, it becomes subject to CVWD "Accounts Receivable Collection and Debt Write-Off Procedures".

Accounts Receivable

Miscellaneous receivables are non-utility receivables. Miscellaneous receivables include invoices submitted for grant billings, billable work orders, cost reimbursements, capacity fees, property leases, developer inspection fees, planning and engineering, and development review letters, and all others types of invoices not related to customer water or sewer billings.

An aging report of accounts receivable are run at the end of the month. Invoices are due 30 days after the invoice date:

1. <30 days
 - Courtesy letter sent to customers advising them of upcoming payment deadline as well as how to make payment.
2. >31 days after the invoice date –
 - 1st delinquency notice with a statement copy stamped “past due” is sent for invoices not paid.
3. >60 days after the invoice date –
 - 2nd delinquency notice with a statement copy stamped “past-due” is sent for invoices not paid.
 - Phone call is made to customer and notated on account.
4. >90 days after the invoice date –
 - Final delinquency notice with a statement copy stamped “past-due” with a 15 day deadline to remit payment is sent for invoices not paid.
 - Customers with an active utility account – a Notice of Intent to transfer balance to utility account is sent. Customer Billing is contacted and informed of the transfer.
 - If the unpaid balance is related to capacity fees, the amount due will be placed on the property tax roll and the account is removed from accounts receivable.
 - All other non-governmental or other agency receivables - the unpaid balance will be forwarded to the Franchise Tax Board Intercept Program for a fee. The account is written off and charged to Bad Debt Expense. If the unpaid balance is related to capacity fees, the amount due will be placed on the property tax roll.

Any time during the collection process, if the customer elects to proceed with a payment plan,

the process is to create a signed payment plan.

When an account becomes delinquent on the payment plan, the A/R debt collection process picks up where it left off.

Only the Finance Department is authorized to determine if an account is uncollectible and to write-off the associated charges.

The Finance Department shall review and approve the write-off of all customer receivables prior to their being written off.

For accounting and financial reporting purposes, write-offs of uncollectible receivables are to be made against the appropriate allowance or revenue accounts.

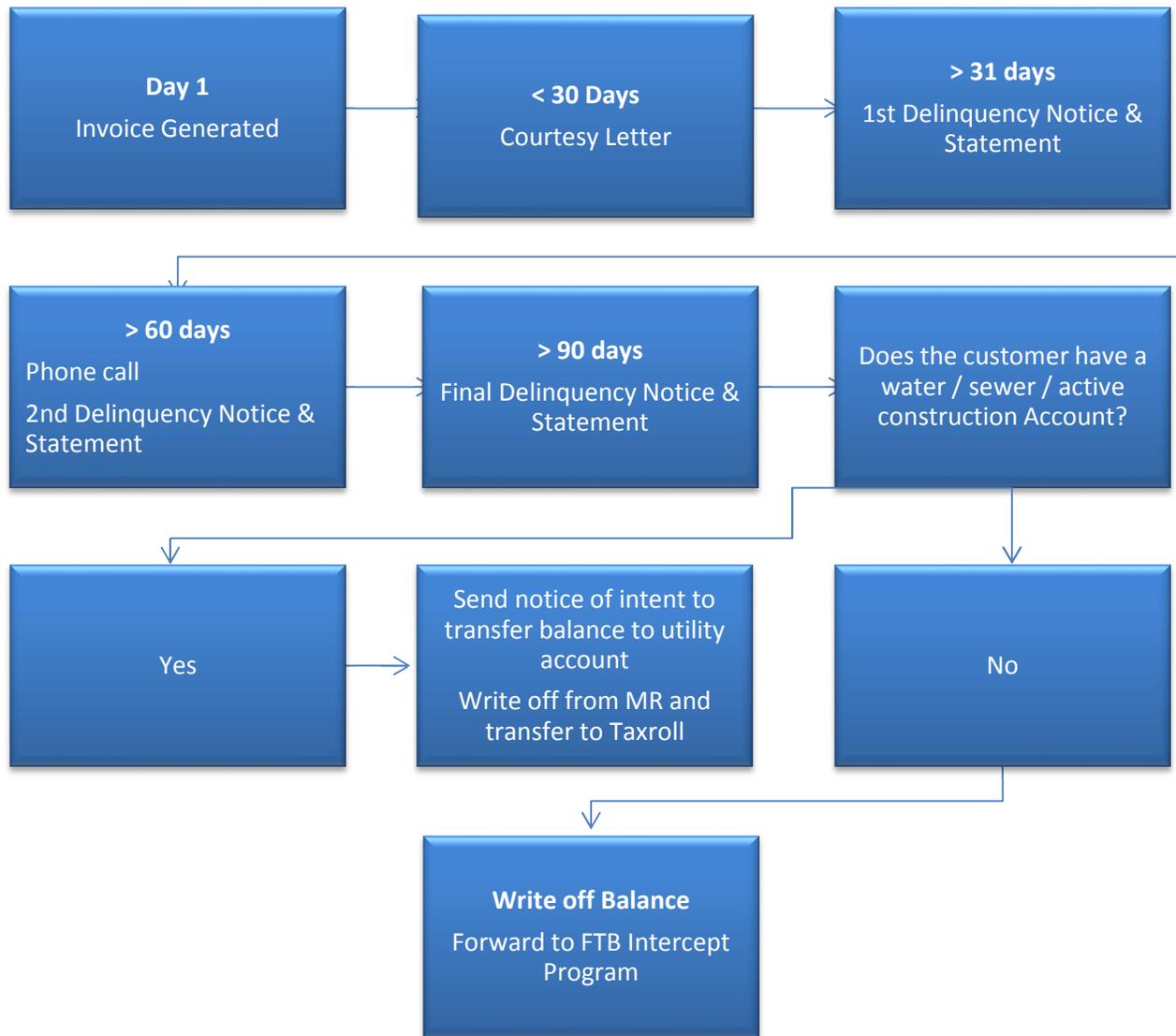
Supporting documentation for a write-off will at a minimum include a listing of each name, description of charge, original charge amount, the balance being written off and the reason for the write off.

The Finance Department will notify all affected departments that a customer has had a write-off of an uncollectible balance.

Any future requests for services for those account holders will be denied until the uncollectible balance is paid in full.

However, this provision will not apply if the debt is fully discharged in bankruptcy or if the account was disputed and CVWD has insufficient documentation to pursue collections.

Flowchart A/R Debt Collection Process



Domestic Water Service, Canal, and Non-Potable Charges:

Customer billing will review outstanding receivables monthly.

Customer billing will determine which accounts are considered uncollectible and recommend write offs quarterly, if not monthly.

Immaterial amounts on closed accounts of \$5.00 or less may be written off without approval.

Amounts greater than \$5.00 that have been delinquent for 60 days, as of April 1, of each year will be rolled to the tax rolls by August 1 provided that:

- a. Ownership of the property has not changed since the delinquent amount was incurred.
- b. There is no bankruptcy proceeding ongoing.
- c. There is not a current payment plan in place.

If ownership of the property has changed since the delinquent amount was incurred, Customer billing will attempt to locate the former owner and collect the amounts due. If the former owner cannot be located or reasonable collection procedures are unsuccessful, the Management Analyst for Service may recommend writing off the amount due.

PAYMENT PLANS PROCEDURE

Purpose

This procedure clarifies and establishes the requirements for initiating a payment plan. Payment plans differ from promissory notes in that they are usually for a shorter period of time, are unsecured, and are faster and easier to initiate.

Payment plans are a less formal agreement that permits a customer to pay a balance over a period of time. Payment plan form CVWD-966 must be signed by the customer before agreeing to payment plan. (See page 16)

Procedure

Payment plans can be signed for up to 12 months in duration.

Payment plan amount is in addition to the current invoice.

Email the customer CVWD form 966. If the customer does not have email, a printed form may be sent to the customer. This form must document the agreement, contain a place for the customer to sign, must be returned to the District and is to be in the customer file. Enter a note into SunGard that the customer has elected a payment plan after you have received the signed payment plan from the customer.

When an account becomes delinquent on the payment plan and on the regular account, the customer will receive 2 delinquent letters with differing amounts shown as delinquent.

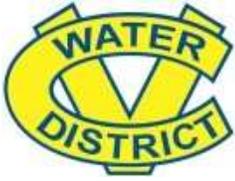
Definitions

Accounts Receivable: Money owed to CVWD for goods or services provided.

Past Due: Any debt that has not been paid by the specified due date.

CONTACT

Questions or comments may be directed to the Accounts Receivable Staff at 760-398-2651.



Coachella Valley Water District

Bad Debt Write Off Request

Customer Name: _____ MR Customer ID: _____

Description of charges (include any details needed for understanding):

Original Amount: \$ _____ Amount of Write-Off requested: \$ _____

Collection procedures used:

Reason for Write-off:

Prepared by – Name & Title: _____ Date: _____

APPROVALS:

If the amount is up to \$10,000:

Controller: _____ Date: _____

If the amount is up to \$25,000:

Finance Director: _____ Date: _____

If the amount is up to \$50,000: (or current level of authorization)

General Manager: _____ Date: _____

If the amount is greater than \$50,000: (the GM's current level of authorization)

Board Approval (Clerk of the Board): _____ Date: _____



Coachella Valley Water District Payment Plan

Account No. _____

Customer Name _____

Address _____

Email _____

Phone Number _____

I, _____ have requested a payment plan from *Coachella Valley Water District* in the total amount of \$_____. This amount is to be paid in equal installments in the amount of \$_____ for _____ months. The first payment of \$_____ is due on _____.

I hereby agree to pay the above installment payments in addition to my monthly charges and will keep my account current during the time period listed above. Failure to make payments as agreed upon in this document may render this payment plan void and the total amount will become immediately due.

Signature

Date

CVWD-966
(10/14)