

**SUBJECT: Account Receivable**

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**I. PURPOSE:** Storey County currently bills and/or invoices for a wide variety of revenue accounts. The purpose of this policy is to ensure that Storey County departments properly value accounts receivable through the regular review and write-off of uncollectible accounts.

**II. POLICY:** The Comptroller is ultimately responsible for accounting for accounts receivable on the County general ledger. If there are questions with respect to how accounts receivable should be accounted for under GAAP, contact the county comptroller.

**A. Definitions:**

1. **Accounts Receivable:** An asset account reflecting amounts due from individuals, organizations, businesses and governmental entities for goods and/or services furnished by the County.
2. **Delinquent Accounts:** Accounts that are past due by a predetermined number of days.
3. **Uncollectible Accounts:** A seriously delinquent account that the County either has no legal basis for collection or for which the resources needed to continue collection efforts far exceed the value of collection.

**B. Accounting For and Monitoring Accounts Receivable**

Copies of accounts receivable support documents (e.g., contract forms, other similar forms, or invoice copies) must be kept on file at the appropriate County department or county comptroller and/or county clerk's office. The format of invoice copies may be either hard copy or electronic.

1. An accounts receivable ledger must be used to record accounts receivable. The accounts receivable ledger is an account of each debtor's charges and payments.
2. The ledger of accounts receivable will include, at a minimum, the name of the debtor, the amount owed, late charges, 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.
3. The ledger of accounts receivable must be reconciled to invoices and payments at least monthly, and the reconciliation must be documented and signed by the employee who performed this step.

4. The employee who maintains the accounts receivable ledger must be different 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. Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. An aged analysis of accounts receivable ledger balances must be prepared each month. The aging schedule is to 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, 91-120 day 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 must be listed on the aging schedule. Columns and rows are be totaled.
6. For the majority of accounts receivable amounts, no bad debt expense will be recorded.
7. All account receivable and back-up documentation will be audited by the Comptroller at his/her discretion.

### **C. Delinquent Accounts Receivables:**

1. **Procedures:** The Department must bill or invoice the debtor for a minimum of three (3) consecutive billing cycles.
  - a. A written invoice and statement of account must be sent at least 30 days before the first payment is due. The invoice will include the date on which the invoice was prepared, and be mailed, or delivered, on the same date stated on the invoice. Terms for payment of debts to the County shall be net 30 from invoice date. Because normal County business is conducted Monday through Friday, due dates that occur on a Saturday or Sunday, will be advanced to the following Monday. Due dates that occur on a holiday will be advanced to the next business day. Additional service charges should be applied to cover the County's full cost of collecting past due amounts owed to the County.
  - b. When an account becomes past due, the debtor must be mailed a past due letter in which immediate payment is demanded and the assessment of interest or service charges are explained. The past due letter should be sent ten (10) days following the account becoming past due.
  - c. When an account become 90 days past due a final notice must be mailed by certified mail. The notice must state that all ordinary means used for collection of this account in a normal manner have failed to bring the desired results. The Department must notify the debtor that unless this balance is paid in full or suitable arrangements are made within thirty (30) day receipt of this notice, they will take legal steps to effect a collection. No response will result in immediate referral of the account to the district attorney's office for collection with no further notice from the department.
  - d. The department shall retain all supporting documentation to the account. Examples of supporting documentation may include: records of all

telephone calls, copies of correspondence between the department and the debtor, and reports indicating their collection attempts.

**D. Partial Payment:** Each department must decide if partial payment may be accepted. However, account must be paid in full to stop the delinquent process.

1. **Partial Payment Received:** Credit the account receivable for the amount received. The employee having the responsibility over accounts receivable should contact the debtor and make arrangement for payment of balance and send confirming letter of arrangements that day or no later than the next business day.
2. If payment of only invoice amount is received, but accrued interest and/or charges is not received the account is still considered delinquent.

**E. Uncollectible Accounts Receivables:**

1. **Authority and Responsibility:** Department directors, managers, appointed officials and elected officials or their designees have the authority to assign an account to the District Attorney for further action. Departments must try to exhaust all avenues of collection. If the account is still owing, the account must be assigned to the District Attorney. This referral of action usually occurs after **all** collection efforts have been exhausted and the account is considered to be uncollectible. It is critical to ensure that adequate documentation is maintained to support the decision to assign the account to the District Attorney.
2. **County District Attorney:** The District Attorney will diligently continue collection activities including establishment of a repayment schedule, filing an action for collection, or recommendation and execution of a settlement of less than the full amount due if it is in the best interest of the County and upon approval of the Board of County Commissioners.
  - a. In the event an account is being assigned to the District Attorney, the following items must be provided to initiate further collection activities:
    - Documentation regarding collection attempts (copies of letters, invoices, etc.).
    - Complete and accurate debtor name, address, and phone number.
    - Amount of the uncollected account.
    - Reason for the account.
  - b. In the event the account is deemed uncollectible, the department must complete the following steps:
    - Attach all supporting documentation to demonstrate collection activities. After receiving “departmental approval” forward these documents to the District Attorney.
    - Forward a copy of the request to the Comptroller to establish an “Allowance for Uncollectible Accounts”.

**Please note: after an account has been assigned to County District Attorney, the Department is not to communicate with the Debtor. All communication is to be conducted by County District Attorney. County District Attorney will notify the debtor of the assignment.**

- c. If the District Attorney collects the funds, the following should be completed:
  - The District Attorney will prepare a cover letter and mail the check to the original department with copies to the Comptroller.
  - The original department will complete a cash receipt and submit the check to the Treasurer for deposit. The Comptroller will receive a copy of all items and adjust the Allowance for Uncollectible Accounts.

**F. Recommend Account for Write-Off**

In the event the account is uncollectible, the District Attorney may request the Board of Commissioners' approval to discontinue collection efforts and write the account off. Upon the Board of Commissioners' approval, the District Attorney should inform the original department and the Comptroller that the Board of Commissioners' has authorized the account to be written off as a bad debt. A copy of the signed approved minutes should be forwarded to the original department and the Comptroller to support the financial transactions.

**G. Exemptions or Debts Not Transferable to District Attorney's Office for Collection**

1. NRS: Nevada Revised Statutes address and outlines the procedure for delinquencies.
2. Bankruptcy. When a debtor files bankruptcy an automatic stay is created. Even if the County is not notified by the Bankruptcy Court, 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 wage. 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.
3. Death of debtor without sufficient assets to pay the County. The following is filed by the department with the written-off account:
  - A copy of the death certificate
  - A statement that either no estate was opened or the estate's assets are insufficient to pay the claim(s) of the County.

4. A Dissolved Corporation or LLC with no assets to pay the County. The following is filed with the written-off account: Documentation from the Secretary of State showing the date of dissolution.
5. Write-off by the department: When a County department or agency request write-off an account receivable amount, the elected official, department head or designee shall submit a written request to the County Comptroller. The official who approves the write-off must not be directly involved in recording and collection of account receivable. Sufficient collection efforts must take place before writing-off an account. The approval letter shall be placed in the debtor's file.

**RESPONSIBILITY FOR REVIEW:** The County Comptroller or his/her designee will review this policy every 5 years or sooner as necessary.