

SANTA FE COUNTY

Resolution No. 2014- 45

A Resolution Adopting Accounts Receivable Allowance for Doubtful Accounts and Write-Off Policy and Procedures

WHEREAS, the Santa Fe County Finance Division has requested approval to implement a policy and procedures regarding the establishment of an allowance for doubtful accounts for and the ultimate write-off of uncollectable accounts receivable;

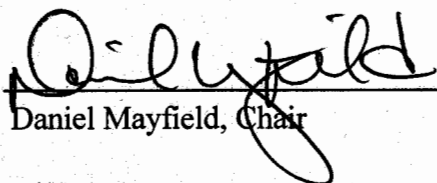
WHEREAS, the attached policy and procedures describe an account receivable and details the criteria that should be considered when establishing an allowance for doubtful accounts and when writing-off uncollectable accounts receivable; and

WHEREAS, the attached policy and procedures describe additional financial reporting requirements in accordance with Generally Accepted Accounting Principles of the United States of America and Government Finance Officers Association, the goal of which are to more accurately reflect Santa Fe County's financial position with respect to accounts receivable.

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners of Santa Fe County hereby adopts the attached Accounts Receivable Allowance for Doubtful Accounts and Write-Off Policy and Procedures.

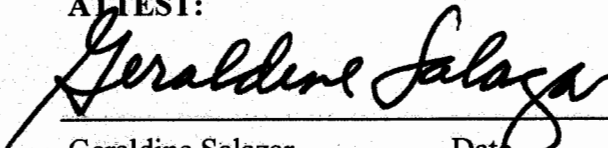
APPROVED, ADOPTED AND PASSED THIS 10TH DAY OF JUNE, 2014.

THE BOARD OF COUNTY COMMISSIONERS OF SANTA FE COUNTY

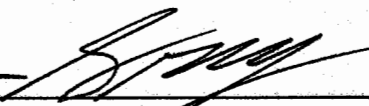

Daniel Mayfield, Chair



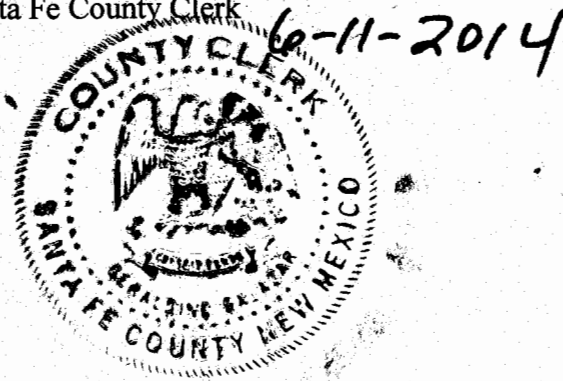
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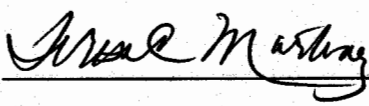

Geraldine Salazar
Santa Fe County Clerk

APPROVED AS TO FORM


Gregory S. Shaffer
County Attorney

6/2/14
Date




Teresa C. Martinez
Finance Director

6/11/14
Date

REC'D CLERK RECORDED 06/12/2014

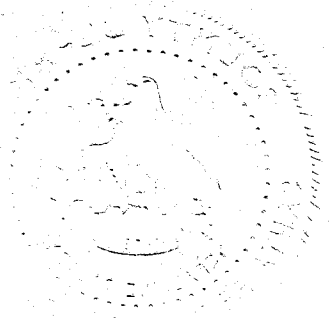


COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

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PAGES: 6

I Hereby Certify That This Instrument Was Filed for
Record On The 12TH Day Of June, 2014 at 02:35:27 PM
And Was Duly Recorded as Instrument # 1738967
Of The Records Of Santa Fe County

Deputy Marcelle Salazar Witness By Hand And Seal Of Office
Geraldine Salazar
County Clerk, Santa Fe, NM



SANTA FE COUNTY FINANCE DIVISION

Accounts Receivable Allowance for Doubtful Accounts and Write-Off Policy and Procedures

I. PURPOSE

Accounts receivable is a balance sheet account that records as an asset unpaid charges for services rendered by Santa Fe County to its customers. The Utility Division, the Corrections Division, Fire Operations Division, and Housing Authority are current functions that deal with accounts receivable. The Housing Authority, however, is governed by a separate policy, Santa Fe County Housing Board Resolution 2011-07, "A Resolution Adopting an Uncollectable Tenant Accounts Receivables Write-Off Policy and Procedure."

Santa Fe County records accounts receivable on its June 30th financial statements annually. The statements are audited by an independent auditor every year. An amount of uncollectable accounts receivable is determined and recognized in each related fund by establishing an allowance for doubtful accounts. The balance of uncollectable accounts has remained on Santa Fe County's books from inception to the current time, thus, resulting in overstated accounts receivable amounts.

II. SCOPE

This policy applies to all staff responsible for working with transactions that create a receivable due to Santa Fe County for services rendered by Santa Fe County to its customers, other than the Housing Authority.

III. DEFINITIONS

Accounts Receivable: A balance sheet account that records as an asset unpaid charges for services rendered by Santa Fe County to its customers.

Allowance for Doubtful Accounts: A balance sheet account that reduces the reported amount of accounts receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the accounts receivable will be turning to cash in the future.

Corrections Services: Incarceration services provided by the Santa Fe County corrections division to other governmental entities pursuant to signed contracts, including memoranda of understanding or agreements (MOUs or MOAs) and joint powers agreements (JPAs).

Customer: A person or entity that engages in business with Santa Fe County for which charges for services provided by Santa Fe County are accrued and billed.

Delinquent Accounts: Accounts that are past due by a predetermined number of days.

Fire Services: Emergency medical services provided by the Santa Fe County Fire Division.

GAAP: Generally Accepted Accounting Principles (GAAP) are a combination of authoritative standards (set by policy boards) and the commonly accepted ways of reporting and recording accounting information.

GASB: The Governmental Accounting Standards Board (GASB) is the independent organization serving as the authoritative body that establishes and improves standards of accounting and financial reporting regulations for U.S. state and local bodies.

GFOA: Government Finance Officers Association represents public finance officials through the United States and Canada. The GFOA's mission is to enhance and promote the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit.

NMAC: The New Mexico Administrative Code.

NMSA 1978: The New Mexico Statutes Annotated, 1978 Compilation.

Statement/billing: A hard copy or computer generated charge listing amount due from a customer to Santa Fe County for services provided by Santa Fe County.

Utilities Services: Water and waste water (sewer) utilities provided by the Santa Fe County Utilities Division.

Uncollectable Accounts Receivable: An amount in an accounts receivable account that has been determined not collectable by Santa Fe County finance staff.

Write-off: The accounting process used to adjust the accounting system by removing uncollectible accounts from accounts receivable, which will be reflected on the financial statements.

IV. GENERAL

- A. GFOA establishes best practices for implementing and documenting accounting policies and procedures.
- B. 2.2.2 NMAC establishes the State of New Mexico Audit Rule which regulates financial reporting requirements for state and local government bodies (agencies). 2.2.2.10 NMAC requires agencies to follow GASB standards which define reporting requirements under GAAP for fund accounting.
- C. NMSA 1978, Section 3-37-7, which authorizes the governing body of a municipality to remove, by resolution, uncollectible accounts from the list of accounts receivable of the municipality.
- D. NMSA 1978, Section 4-37-1, which generally grants counties the same powers that are granted municipalities.

V. **POLICY AND PROCEDURES**

A. Santa Fe County Fire Division

- 1) Monthly, the Accountant Senior in the Fire Division will reconcile the billing system to the accounting system. The reconciliation will record the Charges for Services/Emergency Services Accounts Receivable balance and the Charges for Services-A/R Uncollectable balance.
- 2) On a monthly basis, a bill is generated and sent to the customer who received ambulance services. The system will generate a bill monthly but will stop after 120 days of non-collection. After the 120 day system cut off, every reasonable effort will be made to collect any balance owed to Santa Fe County by customers for the outstanding balance that insurance will not cover and self-pay customers by contacting the customer via letter to the last known address and document its efforts and responses.
- 3) At fiscal year end, the accountant will complete a six month look back to calculate the uncollectable accounts receivable. The uncollectable accounts receivable amount will be based on the percentage of subsequent collection of charges. After that, on a quarterly basis the accountant will perform the same analysis to calculate the uncollectable accounts receivable amount.
- 4) For Self-Pay customers, 100% of the balance that is older than 365 days will be deemed uncollectable accounts receivable.
- 5) At fiscal year end, the Finance Division will establish an allowance for doubtful accounts on Santa Fe County's financial statements using the information and documentation provided by the Fire Division.

B. Utility Division

- 1) The Division must bill the debtor for a minimum of three (3) consecutive billing cycles. After 2 months of non-collection, the account is deemed delinquent.
- 2) Monthly, the Accountant Senior in the Utilities Division will reconcile the billing system to accounting system. The reconciliation will record the Charges for Services/Utility Accounts Receivable balance and the Charges for Services-A/R Uncollectable balance.
- 3) The Division should review all accounts to determine those that become past due or delinquent. These accounts should be reviewed each billing cycle to determine their collectability. The Division shall maintain an Accounts Receivable Aging report to monitor/track collection activities. The report will then be used to record the current accounts receivable balance and calculate the uncollectable accounts receivable amount.
- 4) The following schedule will be followed when monitoring collections before determining that an account is uncollectable:
 - i. Delinquent after 2 consecutive billing cycles plus 2 months of late notices.
 - ii. 15-day notice to pay.
 - iii. 3-day notice to pay.
 - iv. Shut off utility services.
- 5) Upon determination that an account is inactive and collection has not occurred after 365 days, the account will be deemed uncollectable. In the event the account is deemed

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uncollectible, the division shall prepare and attach all supporting documentation to demonstrate collection activities. After receiving internal division and department approval, the Utilities Division shall forward these documents to the Finance Division to establish an allowance for doubtful accounts.

- 6) At fiscal year end, the Finance Division will establish an "Allowance for Doubtful Accounts" on Santa Fe County's financial statements using the information and documentation provided by the Utilities Division.

C. Corrections Division

- 1) The Corrections Division must bill the debtor for services related to the housing of inmates based on terms and conditions of signed contracts, including MOAs, MOUs, and JPAs. The Division should review all accounts to determine those that become past due and/or uncollectable. An account will be deemed uncollectable after 2 years of non-collection.
- 2) The Finance Division is responsible for monitoring accounts receivable for the Corrections Division. At fiscal year end, the Finance Division will establish an "Allowance for Doubtful Accounts" on Santa Fe County's financial statements based upon the standard set forth in the preceding paragraph.

D. Write-Offs

- 1) Per NMSA 1978, Section 3-37-7(C), the Board of County Commissioners may, by resolution, write-off an account once it has been uncollectable for a period of more than four years.
- 2) Each June, a separate resolution will be brought forward to the Board of County Commissioners requesting permission to write-off accounts for a specific division. The resolution and/or supporting documentation shall:
 - a. identify each account proposed to be written-off;
 - b. state the manner in which the account has been incurred;
 - c. state the efforts made to collect the account and to locate the debtor;
 - d. state that the account has been uncollectable for a period of more than four years; and
 - e. include the Finance Division Director's opinion that the accounts are uncollectable.
- 3) After a resolution approving write-off of uncollectable accounts receivable is adopted by the Board of County Commissioners, the effected division shall provide to the Finance Division a copy of the resolution and supporting documentation. The Finance Division will make the appropriate adjustments to accounting records to perform the write-off, which will be reflected in the financial statements as of fiscal year end.

VI. UNDERLYING DEBT NOT FORGIVEN

The fact that an account is included within an allowance for doubtful accounts or written-off in accordance with this policy in no way forgives the underlying charge or relieves the customer of the obligation to pay the charge.