

RESOLUTION NO. 2016-22

**A RESOLUTION OF THE CITY OF COVINGTON,
WASHINGTON, ESTABLISHING ACCOUNTS
RECEIVABLE POLICIES AND PROCEDURES FOR
UNCOLLECTIBLE DEBT**

WHEREAS, the City Council of the City of Covington (“Council”) has determined that it is in the best interest of the city to adopt a policy for administering uncollectible accounts receivable;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, AS FOLLOWS:

Section 1. Accounts Receivable Policies and Procedures for Uncollectible Debt. The City Council of the City of Covington hereby adopts the Accounts Receivable Policies and Procedures for Uncollectible Debt as set forth in Exhibit A attached to this resolution and incorporated by this reference herein.

Section 2. Effective Date. This resolution shall take effect immediately upon adoption by the council.

ADOPTED in open and regular session of the City Council of the City of Covington, Washington on this 9th day of November, 2016, and signed in authentication thereof.



Mayor Jeff Wagner

ATTEST:



Sharon Scott, City Clerk

APPROVED AS TO FORM:



Sara Springer, City Attorney

CITY OF COVINGTON **EXHIBIT A**
Accounts Receivable Policy & Procedures for Uncollectible Debt
(Collections)

1. Purpose:
To establish a policy for handling uncollectible accounts receivable.
2. References:
RCW 19.16.500, RCW 62A.3-515
3. Policy:
 - 3.1. The finance department is responsible for formulating, implementing, and conducting the city's collection efforts.
 - 3.2. It is a policy of the city that when accounts are determined to be uncollectible by the finance department, these accounts will be referred to the city's designated collection agent.
 - 3.3. This policy does not apply to property taxes and surface water management fees collected through King County or court ordered judgements.
4. Definitions:
 - 4.1 Debt: For the purpose of this policy, debt is defined as money owed to the city for any reason.
 - 4.2 Customer: Any person, organization, or business receiving any service, doing business within the city, or incurring a debt to the city for any reason.
 - 4.3 Uncollectible Debt: Debt which the city, or its collection agent, has attempted to collect, but has been unsuccessful at collecting for a period of at least three (3) years.
 - 4.4 Collection Agent: A collection agent is a licensed and bonded collection authority that has been retained to collect funds for the city.
5. Policy:
 - 5.1 All monies due the city will be considered a fair and owing debt to the city.
 - 5.2 All customers that have not paid a debt to the city in full within thirty (30) days of the original due date will be sent a statement of the past due amount.
 - 5.3 All customers that have not paid a debt to the city in full within sixty (60) days of the original due date will be sent a statement of the past due amount.
 - 5.4 All customers that have not paid a debt to the city in full within ninety (90) days of the original due date will be sent a final notice with a fifteen (15) day response deadline from the date of the final notice. If the customer fails to respond by the response deadline, a finance department employee will send the information on the debt to the city's collection agent.

- 5.5 All debt sent to the city's collection agent is subject to collection fees and interest as prescribed in RCW 19.16.500 and RCW 62A.3-515.
- 5.6 Any portion of a customer's debt that is not collected by the city's collection agent after three (3) years from the date sent to the collection agent will be declared as uncollectible debt and processed by the city as a debt write-off pursuant to Section 6 herein.

6. Procedure

- 6.1 The finance department is responsible for notifying customers of past due amounts owed the city. The finance department shall send notifications as outlined in Section 5.
- 6.2 When the city has followed each step outlined in Section 5 to collect past due debts and has failed, a finance department employee will organize all documentation on the debt (i.e. original invoice/backup, uncollectible negotiable items, etc.) and send the documentation to the city's collection agent.
- 6.3 The city's collection agent will attempt to collect the monies due the city for a period of three (3) years. If the collection agent fails to collect the full amount of the debt during this time, a finance department employee will prepare a list (see subsections 6.4 and 6.5) of the customers with uncollectible debts and submit that list to the finance director.
- 6.4 All customers with uncollectible debt of \$7,500.00 or more will be compiled into one list (as outlined in subsection 6.3). Uncollectible debts over \$7,500.00 may only be written-off through a resolution adopted by city council by majority vote. The city council may or may not write-off uncollectible debts at their discretion.
- 6.5 All customers with uncollectible debt under \$7,500.00 will be compiled into one list (as outlined in subsection 6.3) and may or may not be written-off by the finance director in his/her discretion.
- 6.6 Any uncollectible debt that is not written-off by either the city council or finance director pursuant to Subsections 6.4 and 6.5 herein shall remain included in the outstanding accounts receivables for the relevant fund to which the debt is owed.
- 6.7 Finance department employees shall follow all additional and applicable finance department procedures, accounting practices, and records retention policies when processing uncollectible debt written-off by either the city council or finance director.