

## General Guidelines for Accounts Receivable-/ ~~Revenue Collection~~ Policy

5.3.6

### PURPOSE

To ensure sound financial management practices, the proper controls over ~~revenues the plan assets of the Federated City Employees Retirement Plan and the Police & Fire Department Retirement Plan~~, and general oversight over ~~the various revenues-monies collected for deposit into plan assets~~. To ensure ~~revenues-monies collected for deposit into plan assets~~ are collected fairly, equitably, and timely. To provide best practices in developing efficient ~~revenue-plan asset~~ management programs.

### AUTHORITIES

#### 26 U.S.C. § 401(a) – Tax Qualified Status of Retirement Plans

Requirements for qualification. A trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall constitute a qualified trust under this section—

(1) if contributions are made to the trust by such employer, or employees, or both. . . for the purpose of distributing to such employees or their beneficiaries the corpus and income of the fund accumulated by the trust in accordance with such plan[.]

#### Cal. Const., Art. XVI § 17(a) ) – Retirement Boards' Independent Control over Plan Assets

The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

#### San José Municipal Code Chapter 2.04.2020(A)

~~The Director of Finance shall administer and enforce all ordinances and regulations of the City relating to the imposition and collection of City taxes.~~

#### San José Municipal Code Chapter 4.24.030(A)

~~The Director of Finance is authorized to write off as uncollectible any account or claim not exceeding five thousand dollars in amount, which the City may have against any person when the Director of Finance determines the amount uncollectible, collection not reasonably cost effective, or not a valid enforceable claim of the city.~~

#### San José City Charter Section 806

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~~The functions of the Finance Department and the powers and duties of the Director of Finance shall be, except as otherwise provided in Article XII of the Charter, to receive or collect all monies or revenues due the City.~~

## SCOPE

~~Generally, the Office of Retirement Services (ORS) does not record or collect accounts receivable, except in the rare exception when a member is overpaid and must pay back the Plans over a period of time when the amount is too large to pay back as a lump sum. This policy applies to all City employees.~~ Office of Retirement Services (ORS) staff –who are responsible for recording and collecting these types of accounts receivable.

## POLICY

~~The collection and maintenance of accounts receivable records must be handled through the Financial Management System (FMS) and directly in the Plan's pension administration system. centralized in the Finance Department's Revenue Management Division with daily recording controls provided by the Finance Department's Accounting Division.~~

~~By using the City's online accounts receivable system, which provides real time information, collection efforts can focus on reducing the average age of outstanding accounts.~~

## Systems

~~To ensure billing systems have the capability of interfacing with the Finance Department's existing collection software, the applicable Department, the Information Technology Department, and Finance Purchasing staff must inform the Director of Finance when a purchase of new billing systems and/or the implementation of such systems are being considered. ORS uses the pension administration system and FMS to record accounts receivable. After the Boards have approved the payment terms, an accounts receivable is recorded in FMS and a deduction is created in their monthly pension amount for the entire term of the installment plan. The payment is recorded in FMS during the monthly general ledger recording of pension payments.~~

## Deposits

~~Collections should be recorded in an accounts receivable system and deposited timely.~~

## Billing

~~Unless otherwise required per ordinance, resolution, or other authority, all bills should have established terms (e.g., due 30 days from the invoice date). Departments should include timelines~~

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~~in their Departmental billing procedures. Departmental billing procedures should be approved by the Department Director and sent to the Director of Finance or designee for review and approval.~~

~~In order to identify the correct billable party, Departments should utilize the property ownership tables which are updated weekly by the Information Technology Department. These are based on the file(s) received from the Santa Clara County Clerk Recorder's Office. In addition, a United States Postal Service "Address Correction Requested" endorsement should be included on all outgoing envelopes for mailed invoices.~~

~~Where feasible, Departments should include language on invoices to explicitly state the penalties and interest to be charged and the timeframe for which they will be charged. In addition, Departments should develop or update existing written policies and procedures to ensure timely customer notification of past due accounts.~~

### **Internal Controls**

~~All aspects of revenue recording and accounts receivable monitoring shall be subject to proper internal controls established by the Finance Department's management staff. ORS Accounting Division Manager. Departmental ORS internal control procedures should be approved by the Department Director ORS CEO and sent to the Finance Director or designee for review and approval Accounting Division Manager. Additionally, departments can refer to the City of San José: Finance Department Accounts Receivable / Revenue Collection Procedures.~~

### **Accounts Receivable Collection**

- ~~1. All accounts receivable should be recorded in a manner to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.). on a monthly basis during the recording of the regular monthly pension payments.~~
- ~~2. The Finance Department will review accounts, by Department, periodically for revenue collection rates and performance, and will share this information with each Department to better manage collection of invoices.~~
- ~~3. The Finance Department will work with the Information Technology Department to review the penalty and interest tables uploaded into the online accounts receivable system and, if applicable, update the collection fee assessed to match the Council approved Fees and Charges Report.~~
- ~~4. For those accounts that become past due, the initiating Department and/or the Finance Department should have specified practices that ensure proper delinquent notice is provided to the customer and continued service is restricted, unless continuation of service is required by law or resolution, until such accounts are current.~~
- ~~5. Receivables aged over one hundred and eighty (180) days may be sent to the City's outside collection agency with management approval, unless they are subject to legal action, lien,~~

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~~or determined by management that they should be sent at an earlier time to improve collection efforts.~~

- ~~6. Delinquent accounts subject to legal remedies should be brought to Small Claims Court, or referred to the City Attorney's Office or the City's outside collection agency, with management approval.~~
- ~~7. Delinquent accounts where real property may be liened for non-payment should be included in lien cycles established by Departments in coordination with the Finance Department, with management approval.~~

8.2. Departments/The Boards should develop or update existing written policies to:

- Identify the circumstances for when it is appropriate to waive, adjust, or write-off amounts owed to the City/Plans;
- Establish approval levels or limits for waivers and cancellations; and
- Track total adjustments and write-offs for management review.

### Allowance for Doubtful Accounts / Bad Debt Reserves

~~An allowance for doubtful accounts should be established to reflect the amount of the City's receivables that the Finance Department estimates will be uncollectible. The establishment of an allowance account ensures that the City's receivables are not overstated and that accounts deemed uncollectible are timely and accurately recorded in the correct period for financial reporting purposes.~~

### Write- Offs and Adjustments

~~Because the payments are deducted automatically from the monthly pension payments, there will rarely be any write-offs or adjustments. In the case where a member passes away before the receivable is fully collected, Efforts should be made to pursue the timely collection of delinquent accounts. Write-offs should be performed annually to ensure accounts receivables are fairly stated. Collection efforts should be exhausted prior to any write-offs; the CEO will have discretion on the next course of action. All accounts referred for write-off should be reviewed and approved by management prior to submission to City Council or the Director of Finance/ORS CEO for final write-off approval. San José Municipal Code, Chapter 4.24.030, requires the express consent of the City Council to write-off uncollectible debts that exceed \$5,000. Amounts under \$5,000 may be written-off with the approval of the Director of Finance/ORS CEO. Any amount over \$5,000 must come before the relevant Board of Administration for the Plan for approval to write-off the amount.~~