



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: November 10, 2015

Title: Remove Board of Supervisor Policy C 3.6 Office of Revenue and Collections

Introduction/Background:

Board Policy C 3.6 no longer reflects the County's processes and is no longer needed. The revenue and collections functions are set forth in detail within Pima County Administrative Procedure 22-75, Accounts Receivable.

Discussion:

The Board of Supervisors adopted Policy C 3.6, Office of Revenue and Collections, more than 25 years ago and last updated the Policy in 1999. The Policy established the Office of Revenue and Collections as a component of the County Administrator's Office and included revenue collections and internal audit. In the years since the Policy was originally adopted, the County has reorganized the process and the responsibility for revenue and collections and for internal audit, both of which have been handled by the Finance and Risk Management Department since 2004.

The revenue and collections functions are set forth in detail within Pima County Administrative Procedure 22-75, Accounts Receivable. The internal audit function is covered by Board Policy C 2.6, Internal Audit Function, adopted in 1996 and amended in 2007. Staff has reviewed the Policy for internal audit and recommends no changes to it.

Conclusion:

Recommendation:

Staff recommends elimination of Board Policy C 3.6 which no longer reflects the County's processes and is no longer needed.

Fiscal Impact:

N/A

Board of Supervisor District:

1 2 3 4 5 All

Department: Finance & Risk Management Telephone: 724-8496

Department Director Signature/Date: *[Signature]* 11/4/15

Deputy County Administrator Signature/Date: *[Signature]* 11-4-15

County Administrator Signature/Date: *[Signature]* 11/4/15



**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS POLICY**

Subject: OFFICE OF REVENUE AND COLLECTIONS

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Purpose

The purpose of this policy is to establish the Pima County Office of Revenue and Collections, state the County's policy regarding revenue and collections, prescribe the structure of the office, and direct the County Administrator to carry out this policy.

Policy

The Board of Supervisors establishes the Office of Revenue and Collections which is responsible for audit, reporting and collection functions in accordance with this policy and the administrative procedures and directives issued by the County Administrator.

The primary purpose of the Office of Revenue and Collections is to increase County revenues through improved efficiency and collections. The first priority of the Office is to improve the collection of court ordered fees and fines in Justice Court and Superior Court.

Consistent with this policy and sound government practices, the Office of Revenue and Collections will perform the following functions:

Review each source of County revenue and report on the appropriateness of the amounts charged by the County and the collection efforts in place, and make recommendations for enhancing County revenue.

Conduct operations/management audits of County Departments, Elected Officials' Offices, and the Courts as directed by the Board of Supervisors or the County Administrator on the Board's behalf, report on the efficiency of the operations, and recommend measures for reducing costs and/or increasing revenues.

Create a central database of all County delinquent accounts. Track all payments and write-offs and report to the County Administrator and the Board. The central database will be set up to include a resource for all departments to use for credit reporting and skip tracing.

Organizational Structure

The Office of Revenue and Collections will be part of the County Administrator's Office. The Office will include the County's Internal Auditors and support for clerical and information services. The County Administrator will direct the work to be performed. The Office will work directly with the departments, elected offices and outside consultants as appropriate.

Responsible Department

County Administrator

OCT 05 1999

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-75

Effective Date: 04/01/1997

Revision Date: 01/05/2015

C. D. [Signature]
County Administrator

SUBJECT: ACCOUNTS RECEIVABLE

DEPARTMENT RESPONSIBLE: Department of Finance and Risk Management

1. PURPOSE

The purposes of this Administrative Procedure are to:

- Define the receivable accounts and delinquent accounts.
- Describe the receivable document types in the Advantage Financial system.
- Set forth procedures for the collections process.
- List criteria for requesting approval to write-off delinquent accounts.
- Establish levels for approving write-off requests.
- Set forth procedures for reporting requirements.

2. DEFINITIONS

2.1. Accounts Receivable (RE) are amounts owed on open accounts for goods or services that the County has furnished to individuals or organizations. An accounts receivable arises if full payment has not been received within the accounting period when the transaction occurred. Accounts receivables would include, but not be limited to, the following:

- Fines
- Taxes of various kinds
- Permit and license fees
- Claims for damage to County property
- Payments due under an intergovernmental agreement
- Forfeited bonds
- Attorney fees
- NSF checks and returned check fees
- User fees
- Rent payments
- Lease payments
- Right-of-way payments
- Health fees (including animal control)

Although property taxes (real and personal) and special assessments are forms of accounts receivable, they are recorded and reported separately according to Arizona Revised Statute and are not subject to this Administrative Procedure.

- 2.2. Write-Off (WO) – this document allows Revenue Management or an outside collection agency to write off a receivable that meets the write-off criteria and has been approved for write-off in accordance with Section 4. of this Procedure.
- 2.3. Past-due Accounts are accounts receivables for which payment for the amount billed is not received within 30 days of the billing due date.
- 2.4. Delinquent Accounts are accounts receivables for which payment for the amount billed is not received within 90 days of the billing due date.

3. COLLECTIONS

- 3.1. The Revenue Management Division of the Finance & Risk Management Department (Revenue Management) is responsible for establishing a collections process consistent with this Procedure for accounts receivables that Revenue Management bills, maintains and/or tracks for other departments.
- 3.2. Departments that maintain their own accounts receivable records are responsible for establishing a collections process consistent with this Procedure. The process shall provide for billing; maintaining and tracking accounts receivable; and collection efforts. Departments will maintain and track their accounts receivable in either Advantage Financial or their own software, which interfaces with Advantage Financial.
 - 3.2.1. Each department shall pursue collection efforts on outstanding receivable balances. Each month, the effort shall include, at a minimum, one of the following:
 - A Statement or Invoice showing the past-due amount.
 - Written notice.
 - Phone call. The date of the call, name of the person contacted, and results of the call shall be documented.
 - 3.2.2. After the balance has been outstanding for 90 days, these receivables shall be transferred to the Collections Section of Revenue Management for further action. Two exceptions to the rule for transferring accounts after 90 days, are for accounts that have a higher probability of being collected if they remain with the department; and pending restitution cases. The department should retain these accounts until the court has ordered or dismissed restitution.
 - 3.2.3. Bad Check Program

Each department that accepts checks for payment shall participate in the Pima County Attorney's Bad Check Program. Any collection effort for checks returned to the departments due to insufficient funds shall be coordinated through that Program.

3.3. Interest Penalty

All delinquent accounts are subject to an interest penalty as allowed by A.R.S. §44-1201.

3.4. Additional Revenue Management Responsibilities:

3.4.1. Delinquent accounts that have been referred to the Revenue & Collections Section will be contacted to notify the customer that the account is in Collections.

3.4.2. If payment-in-full is not obtained, Revenue Management may, at its discretion, arrange a payment plan; negotiate settlement; seek a court judgment; or request write-off if one of the write-off criteria listed in Section 4.1 is applicable.

3.4.3. Payment plans will be setup in Advantage Financial using the payment plan table.

3.4.4. In certain circumstances when it has been determined that payment will only be received if the account balance is reduced, such as when a customer is going out of business, an offer of a negotiated settlement of the balance of the delinquent account will be made.

3.4.4.1. The Revenue Management Supervisors are authorized to negotiate a settlement for account balances of \$1,000 or less.

3.4.4.2. The Revenue Management Division Manager is authorized to negotiate a settlement for account balances greater than \$1,000 and less than \$10,000.

3.4.4.3. The Director, or Deputy Director, of Finance is authorized to negotiate a settlement for account balances greater than \$10,000.

Note: Negotiated settlements with any insurance company require the review and approval by the Director, Department of Finance and Risk Management if the reduction is more than \$1,000.

4. WRITE-OFF PROCEDURES

4.1. Write-Off Criteria

The Revenue & Collections Section shall be responsible for making recommendations for write-off (WO) of delinquent accounts deemed uncollectible using the following criteria:

- Debt discharged in bankruptcy
- The company is no longer in business

- Wrong responsible party
- Unable to locate
- Deceased responsible party
- Account more than three years old
- Court has refused/reduced judgment against responsible party
- Remaining balance after a negotiated settlement
- Incarcerated, absconded, or failed to appear at court hearing
- Deported illegal immigrant
- The party is on disability, SSI or other benefits that would exempt them from collection actions

4.2. Write-off Approvals

Based on write-off criteria in 4.1, individual uncollectible accounts may be approved for write-off at the following levels:

- 4.2.1. Write-offs less than \$100 may be approved by the Revenue Management Supervisor
- 4.2.2. Write-offs of \$100 to \$1,000 may be approved by the Revenue Management Division Manager
- 4.2.3. Write-offs of \$1,000 to \$5,000 may be approved by the Director of Finance & Risk Management
- 4.2.4. Write-offs greater than \$5,000 up to \$10,000 may be approved by the County Administrator
- 4.2.5. Write-offs greater than \$10,000 require the approval of the Board of Supervisors
- 4.2.6. All non-Board of Supervisors approved write-offs shall be presented in the Quarterly Reports to the Board of Supervisors on a regular basis.

5. REPORTING REQUIREMENTS FOR DEPARTMENTS

- 5.1. Each department shall send a Quarterly Department Report on Receivable Collections (Quarterly Report) to Revenue Management within 30 days from the end of each calendar quarter. The quarterly collections report shall include:
 - Beginning Balance
 - Amounts billed for the period
 - Amounts collected during the period
 - Corrections/Restatements
 - Delinquent accounts transferred to the Revenue & Collections Section of Revenue Management
 - Ending Balance
 - Delinquent Balance
 - The collection rate

- The number of active accounts
 - The number of delinquent accounts
- 5.2. Amounts billed in the month after the quarter ends should be included in the quarterly report if the goods or services were provided during the previous quarter. For example, if March fees are billed in April, that amount should be included in the March 31st report.
- 5.3. Supporting documentation must accompany the Quarterly Report and include updated balances for each account. The total of all individual account balances must equal the Accounts Receivable Ending Balance on the report.

6. REPORTING REQUIREMENTS BY REVENUE MANAGEMENT

- 6.1. Revenue Management will prepare the Quarterly Report for the departments whose receivables are billed and tracked by Revenue Management.
- 6.2. Revenue Management shall:
- 6.2.1. Summarize the Quarterly Reports for all departments.
 - 6.2.2. Submit the summary report to the County Administrator within 30 days following the departments' submission due dates (e.g., a department's March 31st Quarterly Report would be due to Revenue Management by April 30th and Revenue Management would submit the summary report for all departments, on or before May 31st.) Therefore, the Summary due dates would be March 1st, June 1st, September 1st, and December 1st, of each year.
 - 6.2.3. The summary report shall include the total amount of requested write-offs.
 - 6.2.4. The summary report shall include the total amount of negotiated settlements.
- 6.3. County Administration will provide a transmittal report to the Board of Supervisors that accompanies the summary report from the Collections Section.

7. EXEMPTIONS

This Administrative Procedure does not apply to collection of Public Fiduciary accounts, real and personal property taxes, grant receivables, Justice Court accounts, Superior Court accounts, Library accounts, and Regional Wastewater Reclamation Department sewer user fees.



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

Subject: Internal Audit Function

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Purpose

To establish and support the internal audit function to examine and evaluate County activities for the Board of Supervisors and County management. In carrying out their duties and responsibilities, members of Internal Audit will have full, free, and unrestricted access to all County activities, records, property, and personnel.

Background

The primary objective of Internal Audit is to assist the Board of Supervisors and County management in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analysis, recommendations, and information concerning the activities reviewed.

Policy

The major functions of Internal Audit are as follows:

1. Review selected activities of departments within the County at planned intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with Board of Supervisors' and County management's instructions, policies, and procedures, and in a manner consistent with both County objectives and high standards of administrative practice.
2. Determine the adequacy and effectiveness of the County's systems of internal accounting, administrative, and operating controls.
3. Review the reliability and integrity of financial information and the means used to identify, measure, classify, and report such information.
4. Review the County's established systems to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports and determine whether the department is in compliance.
5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
6. Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

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<p>7. Participate in the planning, design, development, implementation, and operation of major computer-based systems to determine whether:</p> <ul style="list-style-type: none"> a. Adequate controls are incorporated in the systems. b. Thorough system testing is performed at appropriate stages. c. System documentation is complete and accurate. d. The needs of the user departments are met. <p>8. Conduct periodic audits of computer service centers and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purpose and objectives.</p> <p>9. Simultaneously report to the County Board of Supervisors, County Administrator and those members of management who should be informed or who should take corrective action, the results of audit examinations, the audit opinions formed, the audit recommendations made, and the departmental responses to the audit, if applicable.</p> <p>10. Evaluate any plans or actions taken to correct reported conditions for satisfactory disposition of audit findings. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.</p> <p>11. Provide adequate follow-up to ensure that adequate corrective action is taken and that it is effective.</p>		
<p><u>Responsible Department</u></p>		
<p>County Administrator and Finance and Risk Management</p>		
<p style="text-align: right;">Amended: 10/16/07 Adopted: 4/9/96</p>		