



# Agenda Cover Memorandum

Meeting Date: March 2, 2015

Meeting Type:  COW (Committee of the Whole)  City Council  Budget Workshop

Item Title: Approve new Council Policy Statement 50, Revenue Collection and Write-off Policy

Action Requested:  Approval  For Discussion  Feedback Requested  For Your Information

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## **Background:**

The City has never had a policy in place to guide the collection of certain revenues, or the potential write-off of uncollectible accounts. The City, or its designated vendor, issues Parking Citations, Municipal Citations, and General Reimbursement notices as appropriate. These items effectively create receivables that are owed to the City. In the absence of a clear collection policy, when these amounts are not paid when initially due, the City's ability to collect is hampered. Further as receivables age and the probability of collection diminishes, there is no set process for writing-off the outstanding balances. Ultimately the lack of a Revenue Collection & Write-off Policy has led to large receivable balances due the City, which have varying probabilities of collection.

The lack of a formal policy has been raised as a significant deficiency comment by our auditors, Wolf & Company, for several audit cycles. This new policy statement should remove this deficiency.

## **Current Status:**

This new Council Policy Statement and an internal procedure were presented at the 1/26/2015 COW for discussion and feedback.

At the 2/23/15 COW, responses were presented to questions that had been raised regarding the examples used to formulate the policy and the extent of the potential write-off. The City Council approved (6-0, Ald. Knight absent) placing new Council Policy Statement 50 on the 3/2/15 City Council Agenda.

## **Recommendation:**

Approve new Council Policy Statement 50, Revenue Collection and Write-off Policy

Does Action Require an Expenditure of Funds:  Yes  No

## **Attachments:**

- Council Policy Statement 50: Revenue Collection and Write-off Policy

## **COUNCIL POLICY STATEMENT**

Policy No. 50  
General Subject: Finance  
Specific Subject: Revenue Collection and Write-off Policy  
Date Approved: February XX, 2015

### **PURPOSE**

To establish guidelines for the processes of revenue collection and for the write-off of uncollectable amounts.

### **RATIONALE**

The City is involved in numerous transactions which result in revenue being collected by the City. It is essential that the City make every effort possible to collect all amounts that it is owed. However, over the normal course of business, certain amounts due to the City are deemed to be uncollectable (bad debts). Having a policy for handling these uncollectable amounts will provide the City Council and senior staff with more accurate financial data. Adherence to an appropriate policy will also help the City improve its collection abilities and overall financial position.

### **POLICY STATEMENT**

1. The City is statutorily required to follow certain collection procedures before outstanding debts are eligible to be sent to a collection agency or to the State of Illinois Local Debt Recovery Program.
2. To ensure that the City fulfills its duty to collect all of the amounts that it is owed, the City will adhere to the steps as outlined in the Finance Department Revenue Collection and Write-off Procedure.
3. As noted in the Finance Department Revenue Collection and Write-off Procedure, on an annual basis eligible amounts that have been sent to collections for a period of up to 24 months and have still not been collected upon will be identified as uncollectable. Amounts that have been identified as uncollectable will be sent to the Illinois Local Debt Recovery Program.
4. Effective January 1, 2012, Public Act 97-0632 established the “Local Debt Recovery Program” to allow units of local government to collect outstanding debt in coordination with the Illinois Comptroller’s Office. The City will utilize the Illinois Local Debt Recovery Program as a final debt collection method.
5. As uncollectable amounts are identified, the City will update its financial records accordingly. The City will follow the allowance method for recognizing bad debts. This method includes regularly assessing uncollectable amounts and correspondingly adjusting accounts receivable, the allowance for doubtful accounts, bad debt expense, and the recovery of bad debts.