

CITY OF SAN ANTONIO



Administrative Directive	AD 8.4 Financial Management of Accounts Receivable
Procedural Guidelines	Guidelines to ensure consistent processing and formatting of Accounts Receivable.
Department/Division	Finance, Disbursements and Accounts Receivable
Effective Date	July 1, 2010
Project Manager	Juanita Carabajal, Disbursements & Accounts Receivable Administrator Jose D. Martinez, Billings & Accounts Receivable Manager

Purpose

The City of San Antonio ("City") bills and collects certain taxes, fees, and charges for goods and services provided to citizens and the public. This administrative directive outlines citywide guidelines and related internal controls for management of accounts receivable and collection of City revenue.

Policy

It is not the policy of the City to extend credit. However, when goods and/or services are provided to customers before receipt of payment, such goods and/or services shall be invoiced and a customer receivable established.

Each Department is responsible for managing outstanding amounts owed the City in order to maximize the conversion of accounts receivable into cash and minimize losses of revenue from uncollected funds. The Finance Department shall provide the policy direction, guidance and oversight with respect to the invoicing, collection, aging, and adjustment of all uncollectible account receivables.

Individual department procedures shall be established, documented, and executed to ensure compliance with this Administrative Directive. The Finance Director must approve any deviation from this directive in writing.

Policy Applies To

This Administrative Directive applies to all employees who are responsible for performing fiscal operations described herein. This may include, but is not limited to, staff who initiate, process and manage Accounts Receivable transactions for the City; lead departmental fiscal staff; management of the Finance Department; and other departmental staff deemed necessary by the lead fiscal staff.

Definitions

Account Receivable	Money owed to the City by customers who purchased goods or received services in advance of payment.
	Removal of an account receivable from the active accounting records because it is uncollectible and/or obsolete or uneconomical to collect and

Account Receivable Adjustment	is no longer regarded as an asset for financial reporting purposes. All appropriate recovery actions have been exhausted, the receivable is considered non-recoverable, and collection procedures are no longer performed by city personnel. The receivable is still an obligation of the customer since the City is not permitted to forgive debts by regulation. An adjustment can also include correcting funds and reversing transactions.
Aging Of Accounts Receivable Report	Schedule that categorizes each account receivable by the number of days it is outstanding. The aging report is broken down into ranges for allowance of bad debt calculations.
Allowance For Doubtful Accounts	An estimated amount of receivables determined to be uncollectible. This amount is a contra asset and reduces net accounts receivables and revenues for financial reporting purposes.
Customer	Legal entity or individual who owes the City money because of fees assessed, goods or services provided, and/or tax liabilities accrued.
Customer 1	One time customers with the City that purchase and pay for products or services the same day.
Default	Failure of a customer to pay money when due or when lawfully demanded.
Dunning Letter	Process of notifying customers that a payment is due on an overdue account.
Fund 99	A fund in SAP that accounts for payments received on accounts that have not been matched against sales invoices.
Goods Or Services	Items, commodities or services that are sold or provided to the public such as cemetery lots, trash bags, building permits, emergency medical services, and vacant lot cleaning.
Master Customer Record	A single record centrally established for each City customer containing all the information necessary for conducting business with the customer.
Recovery Of Accounts Receivable	Collection of an account previously determined to be uncollectible and adjusted out of net accounts receivable. Recovery increases revenues for financial reporting purposes.
Sales Order	A document representing a customer request for goods or services that captures detailed information about the sale such as the material sold, unit of measure, quantity, amount, general ledger number and internal order number that derives the fund and department.
Invoice	A billing document that is generated from the Sales Order to post directly into the customer subsidiary ledger and the General Ledger.
No Fund	Transactions posted here are in error without any indication of the proper fund. This is a quasi-fund in SAP that does not relate to any operation of the City.
Non Sufficient Funds (NSF)	A check that the drawer does not have sufficient funds to cover when it is presented for payment, and which is dishonored by the drawee, usually a bank, credit union, or similar banking establishment.
Uncollectible Account	Receivable that is unlikely to be repaid based on failed collection efforts, bankruptcy or death.
Unclaimed Property	Tangible and intangible property that has not been claimed by the rightful owner within a specified period of time, which varies from state to state and is determined by state statute.
Payment Card Industry (PCI)	The payment card industry (PCI) denotes the debit, credit, prepaid, e-purse, ATM, and POS cards and associated businesses.

Data Security Standards (DSS)	The PCI DSS is a set of comprehensive requirements for enhancing payment account data security. It is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. This comprehensive standard is intended to help organizations proactively protect customer account data.
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Policy Guidelines

<u>Administrative Directive Development:</u>	<p>A. The City will comply with all applicable federal, state and local laws; the authoritative standards and practices as set forth by federal, state, and local oversight agencies for activities related to accounts receivable.</p> <p>B. All accounts receivables records, including reversals and those providing proof of outstanding receivables, shall be retained according to the City’s record retention requirements, which can be found in Administrative Directive 1.34 and the Local Government Records Retention Schedules.</p> <p>C. The Finance Department Billings and Accounts Receivable Section is responsible for the oversight and management of the billing and collection process related to accounts receivable. While the City has multiple accounts receivable systems, SAP is the system of record. As such, the City’s goal is to maintain one centrally managed accounts receivable system and master customer database in order to have a single view of the City customers and the goods and services provided.</p> <p>D. Certain City departments may require the use of specialized systems to capture and store unique operational data to generate/record an accounts receivable transaction. Such systems will require the prior written approval from the Finance Director and the Chief Information Officer prior to acquisition. Billing systems and/or point of sale systems must be certified to process credit card transactions through the City’s current Merchant Banking Services Provider’s platform and, the vendor must comply with Payment Card Industry (PCI) Data Security Standards (DSS). Departments shall coordinate with the Finance Department for additional information regarding the requirements. Third party or commercial off the shelf systems are required to utilize the SAP account structure for passing information into SAP. The system will interface directly with SAP and provide SAP with detail at the transaction level. All customer balances, transaction details and master data will reside in SAP. All financial reporting and recurring billing will be generated from SAP. At a minimum, the interface will capture and transfer between systems the following transaction types:</p> <ul style="list-style-type: none"> ▪ Creation and validation of new SAP Master Data such as Customer and Material master data. ▪ Payment Receipts (cash, check, and credit) at a detail level for revenue classification. ▪ Customer billings, refunds and balances. <p>E. Departments shall have documented procedures that clearly</p>
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define steps necessary to record routine and non-routine accounts receivable related transactions into SAP. Departments will create procedures if they are not currently in place. In addition, the Departments will review the procedures on a yearly basis. The Finance Department will approve all procedures. All additions, deletions, and changes posted to SAP shall require authorized departmental approval. Established approvals will not obstruct the daily and timely processing of accounts receivable activities. All manual journal entries (SA type) shall follow requirements established in AD 8.12 General Accounting Requirements and Timelines.

- F. Primary billing responsibility and entry of the necessary sales orders/invoices into SAP will reside with each City Department. The Billings and Accounts Receivable Section of Finance will process a daily collective billing of all SAP outstanding open sales orders not captured by departments and print and bin-mail to applicable departments. Departments not using SAP will be responsible for printing, mailing invoices, collecting, and posting financial information into SAP.

The Billings and Accounts Receivable Section will generate an accounts receivables aging report on a weekly basis, which will be reviewed by the various departments. City Departments can also run the aging report utilizing the ZINVAGE or ZAR_GRANTS transactions in SAP. The accounts receivable aging report will depict receivables open at 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days and over 151 days. City Departments will review and process adjustments to the customer accounts to ensure the completion of the collection cycle (match invoices to payments).

Departments shall have documented end of day, month-end and year-end period close procedures. Procedures will include review, analysis, and corrections of the accounts receivables reflected on the Aging of Accounts Receivable Report, Customer 1 account, Fund 99 and No Fund transactions.

Except in instances which conflict with City Ordinance, contracts or compliance with regulatory directives, City Departments will impute and post interest/late penalties on past due accounts receivables at a rate of 10% compounded annually. Receivables become past due on the 31st day.

In the event customer refunds returned to the City of San Antonio due to being undeliverable, City Departments should perform the necessary due diligence to contact and obtain the necessary remittance information in writing from the customer in order to process the refund. If the remittance information is unavailable the information associated with the customer refund should be forwarded to Finance General Ledger Section for inclusion in the Unclaimed Property Account so that a city wide Unclaimed Property Report can be filed with the State Comptroller's Office in accordance with applicable state and local laws.

Customer overpayments should be refunded within 30 days of receipt of payment. Additionally, remaining balances with a specified amount less than the original invoice amount will be

reviewed by the Department and a determination made regarding collectibility.

The Billings and ACCOUNTS RECEIVABLE Section of Finance will process NSF transactions. Each department will receive a courtesy copy of the sales order when NSF's are processed for subsequent processing of the receivable into non-SAP systems if necessary. NSF invoices are due and payable in ten business days. If the invoice is not paid by the due date, the account will be turned over to the District Attorney for collections and legal action. Whenever possible, departments will be informed of persons that are repeat NSF offenders, requiring the customer to pay by money order, cash or certified check for future services.

- G. Collections will be a collaborative effort by City departments, the Finance Department and the City Attorney's Office. The SAP sales invoice is the first document in the collection process and is generated by City departments. Collections efforts including phone calls and/or dunning letters will be performed by the departments on delinquent customers at 30, 60 and 90 days past due. Complete documentation depicting a good faith effort to collect monies due to the City is necessary. All documentation (phone logs, copies of correspondence, etc.) are to be maintained at the department location for further review when requested. Detailed collection efforts will be documented and recorded in the "text" field of each customer transaction at the customer level in SAP. Departments not using SAP will maintain this information in the department's files.

The department will coordinate collection efforts with the City Attorney's Office for accounts receivable over \$5,000.00 and 120 days past due. Payment of all costs (courts costs, discovery costs, etc.) related to any litigation initiated as part of the collection efforts shall be the responsibility of the customer along with all of the fees that are due.

- H. The Finance Department shall maintain an allowance for doubtful accounts. The allowance for doubtful accounts will be that portion of accounts receivable estimated to be uncollectible and based on aging and other factors considered bad debt for financial reporting purposes. The Billing and Accounts Receivable Section will assess the quarterly allowance on outstanding accounts receivables

Accounts determined to be uncollectible will be subtracted from the reported accounts receivable financial balances and no longer included in the accounts receivable aging report. These accounts will continue to be monitored by the department in SAP in a separate general ledger account, along with a 100% contra asset balance, for the possibility of future recovery since debts cannot be forgiven by the City. These separate general ledger accounts will not affect the financial statement accounts receivable balances or aging report.

Roles & Responsibilities

Finance Department Billing and Accounts Receivable Section

1. Oversee the City's invoicing, collections, and accounts receivable systems in accordance with the goals of the City Council, City Manager and in compliance with applicable laws and generally accepted accounting and financial principals.
2. Maintain and recommend changes to accounts receivable directives, policies, procedures, and guidelines, which include providing assistance for departments writing and implementing policies and procedures.
3. Analyze the citywide Aging of Accounts Receivable Report and coordinate with departments to maintain and manage current accounts receivable data. Periodically, but at least monthly, monitor the activity of Fund 99, No Fund and Customer 1 accounts to ensure that departments are processing the corrections necessary for proper fund financial reporting.
4. Provide technical assistance and facilitate training to City departments regarding the management of receivables.
5. Establish standardized customer information requirements for receivables in all accounts receivable systems including physical address, bill to address, phone number and contact information.
6. Process a citywide SAP billing run.
7. Manage the City's returned check process, which could include NSF, refer to maker, stopped payment, and drawn against uncollected funds. Coordinate with City departments regarding the handling of the receivable for which checks have been returned. Initiate and coordinate the collection efforts by producing and mailing notice of returned check letters and other legal actions to customers and employees.
8. Calculate the quarterly allocation for doubtful accounts based on departmental data accounts receivable collection history and process an entry into the City's accounting records.
9. Impute and post interest and/or late fees on accounts receivables and ensure consistent application of rates and/or compliance to regulatory directives, guidelines and City Ordinances via an SAP transaction.

General Ledger/Financial Reporting

1. Review fund accounts receivable general ledger accounts to ensure integrity of the financial statements.
2. Post any and all accounts receivable and allowance for doubtful accounts transactions into SAP that are obtained from Billing & Accounts Receivable section or individual departments once authorization for the entry has been obtained.
3. Record unclaimed personal property transactions and report transactions to the State Comptrollers Office.

	<ol style="list-style-type: none"> 4. Maintain the SAP customer master records database; process requests for additions, deletions, and changes to the customer master database within one business day. 5. On a monthly basis review SAP Customer Master Data for duplicate customer accounts and coordinate the consolidation of multiple customer accounts with the impacted Departments and Finance Department Billings and Accounts Receivable Section.
<p><u>Finance Department Treasury</u></p>	<ol style="list-style-type: none"> 1. Process customer payments received by the City. 2. Forward customer returned checks to the Bexar County District Attorney's Office for prosecution if not redeemed within ten (10) business days. 3. Monitor and submit accounts receivable over \$5,000.00 to the City Attorney's office for collection.
<p><u>City Departments</u></p>	<ol style="list-style-type: none"> 1. Monitor contractor terms on accounts receivable for City revenue contracts and leases. 2. Initiate customer accounts receivable by creating a sales order for goods and/or services provided. Run end of the day process each day. 3. Submit departmental credit card reconciliation sheets including audit slips to the Billings and Accounts Receivable section by the close of the next business day. 4. Resolve billing disputes that affect department financial statements. 5. Validate monthly and annual subsidiary ledger balances (fiscal year end) tie back to SAP general ledger. 6. Forward any payments received for SAP generated invoices to Finance's Treasury Section for processing daily according to Administrative Directive 8.2 "Cash Handling" unless prior approval from the Director of Finance has been obtained. 7. Forward a list of customer accounts that are 120 days past due with account balance of \$5,000 or more to the Treasury Section of Finance for subsequent processing by the City Attorney's Office. 8. Notify the Billing & Accounts Receivable Manager upon notice that a customer has died or filed a bankruptcy petition. Obtain bankruptcy case information such as case number, lawyer name, address, telephone number, and county and state where bankruptcy was filed. 9. Invoice/bill customers within one business day of the establishment of the receivable or no later than the end of the month when goods or services are provided.

	<ol style="list-style-type: none"> 10. Provide Finance with access to specialized systems data to monitor recording of receivables for goods and/or services provided in advance of payment. 11. Review, analyze and update accounts receivable customer accounts for outstanding items found in the accounts receivable aging report. Initiate accounts receivable collection efforts immediately for past due accounts by mailing a “2nd Notice Invoice” at 30 days past due. Accounts still outstanding after 60 days past due will receive a “3rd Notice Invoice. A “Final Notice Invoice” will be sent out at 90 days past due. The Billings and Accounts Receivables Section will coordinate the Dunning process for the City Departments. The departments will have to designate which customers will receive Dunning letters. 12. Items deemed uncollectible after all collection efforts have been fully exhausted should be recommended to be adjusted to General Ledger Accounts Number 1130399 – Accounts Receivable Write Off. (See Attachment A) This will require Finance Director approval. 13. The Finance Billings & Accounts Receivable Section will process cancellations, reversals or adjustments of sales orders. An email will be sent to the Finance AR Support email box and the Billings and Accounts Receivable Section staff will process the request. The email will include supporting documentation and the reason(s) for the request. (See Attachment A)
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<p><u>City Attorney’s Office</u></p>	<ol style="list-style-type: none"> 1. Advise Finance and City departments on billing, collections, and accounts receivable legal matters. 2. Review and file claims on behalf of the City. 3. Prepare Dunning demand letters for past due customer accounts over 120 days old and in excess of \$5,000.
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Accounts Receivables Controls

	<p>A. Automated System SAP shall be used as the City’s “System of Record” for all Accounts Receivable activities. All revenue-related activities processed outside of SAP shall be entered into the system of record either manually or through computer interfaces.</p> <p>B. Invoicing and Payment Terms Unless otherwise stated per ordinance, resolution, or contract, City departments shall produce an invoice within one business day but no later than the end of the month of providing goods and/or services with terms payable within 30 days from the invoice day.</p> <p>C. Review and Reconciliation All individual customer accounts and subsidiary records shall be reviewed and reconciled on a monthly basis to the financial records of the City no later than the fifth business day of the following month. Match open items with payments and clear Fund 99/No Fund. This reconciliation process shall be reviewed and signed off by a supervisor.</p>
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D. Collections

Collections shall be the responsibility of City Departments and overseen by Fiscal Managers. Outstanding receivables shall be collected as expeditiously as possible but the cost of collection should not exceed the expected revenue.

E. Allowance for Doubtful Accounts Computation

When an account is determined uncollectible, an allowance for doubtful account transaction will be recorded. The Billings & Accounts Receivable Section in Finance will record this transaction quarterly. These receivables will stay on the financial reports until determined uncollectible and all attempts, including any collection agency, are unsuccessful. These receivables will be moved to GL #1130399 – “Accounts Receivable – Write Off” along with a 100% contra asset account, for monitoring purpose and will not impact the financial statement accounts receivable balances or the aging report.

F. Segregation of Duties

Effort shall be made for the physical and electronic separation of duties and responsibilities between: 1) entering contracts and sales orders 2) approving transactions, 3) invoicing customers, 4) receiving payments, 5) approval of adjustments, and 6) accounting oversight. Where the separation of responsibility is precluded due to limited available personnel, departments will contact the Finance Department to assist in establishing, performing, documenting & retaining support of mitigating controls regularly.

G. Management Monitoring

Fiscal Managers will minimize opportunities for loss and/or bad debt by adopting appropriate strategies aimed at monitoring and managing Accounts Receivable functions for basis and/or risk areas annually.

H. Disciplinary Action

1. Civilian Employees:

Failure to comply with this Administrative Directive may result in disciplinary action in accordance with the Municipal Civil Service Rules of the City of San Antonio, Rule XVII, Section 2. Discipline will be evaluated and based upon the number of violations and severity of the incident. A department when assessing the appropriate level of disciplinary action must consult the Human Resources Department.

2. Uniformed Employees:

Failure to comply with this Administrative Directive may result in disciplinary action in accordance with Collective Bargaining Agreements between the City and uniformed personnel. Internal procedures adopted for uniformed personnel of the Police and Fire Departments must conform to the provisions of this Directive.

3. Individuals engaged in fraud (i.e. theft) will be subject to immediate dismissal.

Attachments

Administrative Directive Template

Attachment A

Referenced Forms

Not Applicable

Attachment A



CITY OF SAN ANTONIO

INTERDEPARTMENTAL MEMORANDUM

<INSERT DEPARTMENT NAME>

To: Ben Gorzell, Jr., CPA – Chief Financial Officer
From: <Insert Director's Name> – Director, <Insert Department Name>
Copies: File
Subject: Request for Accounts Receivable Adjustment
Date: <Insert Date>

1. Adjust the attached Accounts Receivable activity off the City's accounting records. Collection efforts, to include invoicing, phone calls, and demand letters, were unsuccessful. Additional collection attempts will not be cost beneficial.
2. An electronic version of the attached documentation was emailed to Billings and Accounts Receivable Supervisor on <insert date>. A summary of the total adjustments by fund follows:

General Fund (11001000)	\$
Fund Name (Fund Number)	
Fund Name (Fund Number)	
Total Recommended Adjustment	\$

3. Please contact <insert your name> at <insert your phone number> if there are any questions.

<Insert Director's Name>

<Insert Director's Title>

Attachment(s): 1) General Fund details.
2) Fund Name details.
3) Company Name contract.



CITY OF SAN ANTONIO

EMPLOYEE ACKNOWLEDGMENT FORM FOR

ADMINISTRATIVE DIRECTIVE 8.4 Financial Management of Accounts Receivable

Employee:

I acknowledge that on _____, 20____, I received a copy of Administrative Directive 8.4 Financial Management of Accounts Receivable. I understand if I should have any questions I should contact my Human Resources Generalist.

Employee Name (Print)

Department

Employee Signature

SAP ID #