

**FRANKLIN  
UNCOLLECTIBLE ACCOUNTS RECEIVABLE  
WRITE-OFF POLICY**

**I. PURPOSE**

The purpose of this policy is to ensure that all reasonable diligence has been used to collect accounts receivable, improve measurement of the City of Franklin's accounts receivable, and ensure the most efficient use of City's revenue collection resources.

**II. POLICY**

It is the policy of the City of Franklin to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible.

**III. SCOPE**

This policy applies to all City of Franklin departments and funds. Types of receivables covered by this policy include but are not limited to:

1. utility service bills (water, wastewater, reclaimed, stormwater, and sanitation), and
2. fees, fines, and penalties (except those from all courts), and
3. licenses and permits.

**IV. PROCEDURES**

Collection procedures are established by the responsible departments and will vary depending on the nature of the receivable. Accounts receivable should generally be written-off during the fiscal year in which an account is determined to be uncollectible.

**1. Designation of an Account as Uncollectible**

An account will be considered uncollectible after the appropriate collection procedures have been followed if it meets one or more of the following criteria:

- a. the debt is disputed, and the City of Franklin has insufficient documentation to pursue collection efforts,
- b. the cost of further collection efforts will exceed the estimated recovery amount,
- c. the debtor cannot be located, nor any of the debtor's assets,
- d. the debtor has no assets and there is no expectation they will have any in the future,
- e. the debtor has died and there is no known estate or guarantor,
- f. the debtor is a company which is no longer in business,
- g. the debt is discharged through legal action (bankruptcy or court judgment),
- h. the amount is under \$5 and remains unpaid after one year,

- i. the account remains unpaid after 6 years for non-judgments, 10 years for judgments, or the applicable period for commencement of a recovery action (statute of limitations), or after fifteen (15) years.

**2. Request for Write-Offs**

- a. At fiscal year-end, each department will identify any accounts receivable for which it is responsible that meet the criteria for designation as an uncollectible account. A request for write-off of accounts receivable will be prepared by departmental staff and signed by the department head and Assistant City Administrator of the department, if applicable.

The request for write-off of accounts receivable must include an itemized list of the uncollectible accounts to be written off specifying the following:

- i. brief description of receivable type,
  - ii. debtor name,
  - iii. account number of the receivable in the City's financial system(s),
  - iv. account balance,
  - v. due date, and
  - vi. criteria under this policy which the account was deemed uncollectible.
- b. For each uncollectible account, documentation must be attached to the request to support the uncollectible account designation and substantiate that the department has followed its collection procedures and exercised due diligence in its collection efforts. Due diligence documentation could include:
    - i. invoices, reminder letters, or collection letters (and any documentation that are returned as undeliverable, no known forwarding address, etc.),
    - ii. referral to the City of Franklin's collection agency,
    - iii. notice of discontinuation of services,
    - iv. bankruptcy claim and any related plan or discharge, and/or
    - v. judgment awarded by a court or settlement agreement.

**3. Approval for Write-Offs**

Upon receipt of a request for write-off of accounts receivable by the City Comptroller, Finance Department staff will review the request to ensure that it is complete and that all necessary due diligence documentation has been attached. Once Finance Department staff has completed its review of a request, the qualified accounts to be written-off will be presented for approval:

- a. To the Assistant City Administrator/CFO for an account or accounts within a

criterion aggregating up to \$20,000.

- b. To the City Administrator for an account or accounts within a type aggregating within a criterion up to \$50,000.
- c. To the Board of Mayor and Aldermen for an account or accounts within a type aggregating within a criterion more than \$50,000.

**4. Reporting of Write-Offs**

Approved write-offs in a fiscal year will be reported at least annually to the Board of Mayor and Aldermen.

**5. Subsequent Collection After Write-Off**

This policy does not bar the City from accepting a payment on a written off account. This may occur if a customer with a written-off account returns to the City or if a customer makes it known they had a written-off balance.