



ADMINISTRATIVE BULLETIN NO. 39

Issued: May 29, 2012

Revised: October 16, 2018

SUBJECT: COLLECTION OF RECEIVABLES

The collection of monies owed to the County is a decentralized process that involves many departments and staff hours. Government Code section 26220 allows the Board of Supervisors, by a four-fifths vote of its members, to assign for purposes of collections, under any terms and conditions that the Board may prescribe, any or all delinquent bills, claims, and accounts, 30 days after the date upon which they are due and payable to the County, and any or all money judgments taken in the name of the County. Although the Government Code only requires that a bill be delinquent for 30 days, the existing practice among departments varies.

To maximize revenues through timely and systematic collection efforts, and to apply cost-benefit principles to the collection of receivables, the minimum receivables collection requirements of receivables shall be as follows:

- **BILL TIMELY.** Invoices are to be prepared as soon as it is determined a receivable is due to the County. Any decision not to bill valid obligations or any decision to cancel valid existing obligations must be justified and requires department head approval and subsequent relief from accountability from the Board of Supervisors. Departments shall ensure that all contracts and other documents requiring payment to the County contain language that allows the County to collect any legal fees and/or collection costs should invoices not be paid timely.
- **COLLECT PROMPTLY.** It is the responsibility of each department to monitor its accounts to assure that timely and appropriate collection procedures are in place. To increase the likelihood of collection, accounts should be collected within 60 days. Any accounts outstanding for more than 60 days shall be evaluated to determine if further credit should be granted or if the account should be turned over to the County's collection agency. Every effort shall be made to collect receivables during the fiscal year of origin, to increase the likelihood of collection.
- **HANDLE IN ACCORDANCE WITH DEPARTMENT COLLECTION PROCEDURES.** Receivables management is an important revenue-producing activity and departments should ensure receivable activities are well defined. Each department should have written collection procedures. Collection efforts are to be regular and coordinated with at least one attempt at collection in each thirty-day period. The County collection agency shall be used when the department's efforts are not successful, the debt is delinquent more than 60 days and the account receivable is at least \$25. Delinquent accounts shall be referred to the collection agency at least 60 days prior to the expiration of the applicable statute of limitation to make it legally collectible through the courts.



- **ASSIGNMENT TO COLLECTION AGENCY.** County departments shall assign past due accounts receivable to the current County collection agency as described above. Costs for collection services, including the collection agency's commission rate, shall be added to each delinquent account. County departments should make every effort to avoid paying for collection costs and document the justification for not recovering such costs.

- County departments shall develop an agreement for cost recovery specifying that debtors are responsible for all costs and expenses incurred by the County in securing performance of their obligation, including but not limited to the cost of the suit, reasonable attorney's fees and the collection agency's commission rate. (Rev. 10/18)

The department shall provide the collection agency with its current collection procedures and all available information regarding each account assigned for collection. Departments shall review disputed amounts and provide information to the collection agency regarding the need for further collection efforts or possible adjustments. Departments shall coordinate the following with the collection agency:

Settlement Authority/Adjustment of Claim: Department heads may adjust or compromise a delinquent account with a balance due of \$20,000 or less for any of the following reasons:

- a. After appropriate investigation by the collection agency if it is determined that the delinquent account holder, his/her estate, or legally responsible relatives are unable to pay all of the charges. The collection agency shall provide a detailed report to the department substantiating inability to pay.
- b. Collection of the charges is barred by the statute of limitations or is otherwise legally uncollectible.
- c. The cost of administering a collection procedure would exceed the amount of revenue that might reasonable be anticipated would be recovered.
- d. In determining whether to adjust a claim, the department head may also consider whether to the adjusted and compromised settlement amount will be paid to the County immediately.
- e. Upon submission by department of delinquent accounts to the collection agency, it shall be the responsibility of the collection agency to investigate and evaluate each delinquent account and make a recommendation to the department of the accounts it determines should be sent to small claims court for collection. The collection agency shall file small claims actions and represent the County in this process. The department will be notified of any judgment and subsequent collection. No upfront costs or fees will be charged to the County, and reimbursement of any costs or fees by the collection agency will be contingent on recovery in the small claims action.

Litigation to Collect and Costs to Collect: Departments shall authorize litigation services to be provided by the collection agency on a case by case basis. All litigation must be approved by the



Department head or his/her authorized Department representative. The County shall not pay any litigation costs or expenses incurred by the collection agency.

- **RELIEF FROM ACCOUNTABILITY.** Departments shall seek relief from accountability as prescribe under Government Code 25257 after all collection efforts have been exhausted by the department and the collection agency. This shall be done at least annually. The report to the Board of Supervisors shall detail any settlements negotiated in order to show what was collected and the remaining dollars not collected on each delinquent account for which relief is being sought by the department. Circumstances under which a department may request relief from accountability shall include, but not be limited to, the following:
 - a. Bankruptcy: Department shall verify status of delinquent accounts/bankruptcy and forward to Court Counsel for further legal review and collection efforts if appropriate.
 - b. Death: Department shall verify death of delinquent account holder prior to requesting relief from accountability.
 - c. Incarceration: Department shall confirm the incarceration of the delinquent account holder. If incarceration is for a short term (less than one year) or the amount owed the County merits litigation efforts, the department head or authorized representative shall approve litigation on a case by case basis. Otherwise the department shall request relief from accountability.
 - d. Cannot Locate: Neither the delinquent account holder nor his/her legally responsible relatives can be located.
 - e. Financial Hardship: Department shall confirm from the collection agency the facts substantiating a 'financial hardship' and the delinquent account holder's inability to pay any portion of the amount due, and shall request relief from accountability.
- **ALTERNATE PROCEDURES.** The Department of Human Services shall follow alternate procedures for collection of overpayment receivables related to assistance payments in accordance with procedures approved by the Board of Supervisors on September 16, 2014.