MUNICIPALITY OF SKAGWAY, ALASKA
RESOLUTION NO. 17-05R

A RESOLUTION OF THE MUNICIPALITY OF SKAGWAY, ALASKA, AMENDING ACCOUNTING POLICIES AND PROCEDURES.

WHEREAS, the Municipality continues to develop policies and procedures for accounting and finance management; and

WHEREAS, accounting policies and procedures will be established and maintained to ensure that funds are being managed appropriately by the Municipality;

NOW, THEREFORE, BE IT RESOLVED by the Borough Assembly of the Municipality of Skagway that the Skagway Borough Assembly amends the accounting policies and procedures by adding the following attached policies:

- REV109 Account Collections

PASSED AND APPROVED this 2nd day of March, 2017, by the Assembly of the Municipality of Skagway, Alaska.

Mark Schaefer, Mayor

ATTEST:

Emily Deach
Municipal Clerk

(SEAL)

RES #＿＿＿＿　**Revision:**＿＿＿＿　　　　　　**Prepared by:** Heather Rodig
Effective Date: March 2, 2017　　　　　　　　**Approved by:**＿＿＿＿＿＿

Title:　　　**REV109 ACCOUNT COLLECTIONS**

Policy:　　　All open accounts receivable with late or delinquent payment activity will be handled in a timely and effective manner to ensure maximum collections and an optimum accounts receivable turnover ratio.

Purpose:　　To provide the actions and methods for processing late or delinquent payments.

Scope:　　　This procedure applies to the Finance Department involved with collection of past due accounts receivable. The Public Works & Harbor Departments may be involved in reference to special arrangements.

Responsibilities:

　　　　　The Accounts Receivable Clerk reviews all records for a customer to determine a possible explanation for non-payment prior to commencing the collection process. The Public Works and Harbor Departments may be included in discussions to verify services have been correctly billed out.

Definition:　Bad Debt consists of unpaid accounts receivable invoices that are considered to be uncollectible.

　　　　　Debt collector is any person who regularly collects debts owed to others. This includes attorneys and collection agencies who collect debts on a regular basis.

Procedure:

1.0　COLLECTION PROCESS

1.1　Slow pay or delinquent accounts will occur from time to time. Once an account becomes past due by even a few days, the collection process should commence immediately. Studies have shown that the sooner the collection process starts then the more likely that the debt will be collected.

1.2　Prior to commencing the collection process, the following should be reviewed by the Accounts Receivable Clerk:

- Verify that the Invoice was sent out timely and to the correct billing address.

- Make certain that the Municipality has not received the customer's payment or applied it to the wrong account.

- Verify with the Public Works and/or Harbor Department that the customer is currently or already has received the service(s).

- Review the customer's past payment activity. Determine if they are chronically late and what their response has been to any other overdue notices to determine payment patterns or trends.

1.3   Upon review of the above, the Accounts Receivable Clerk should then proceed with the collection process by completing an REV109 ACCOUNT COLLECTION CONTROL Form. This form will assist in planning and tracking the collection effort. Depending on the amount and the customer situation, the representative can choose to follow-up with collection letters, telephone calls or both.

Record all actions taken (late payment notice, telephone call, door hang, etc.) with a date on an ACCOUNT COLLECTION CONTROL form filed in the customer folder. All customer agreements and explanations should be noted. If payment has not reached the Municipality by the expected date, immediate follow-up action should be taken with another collection call or letter. The longer an overdue account is ignored, the longer the customer will ignore it, too.

1.4   Telephone communication will often speed up the collection process. Municipal employees, when speaking with a delinquent account, should observe a few tips or principles.

- Identify yourself and the Municipality and state the reason for calling. Be direct and use a controlled, confident voice. Concentrate on listening to the customer and don't rush through the call.

- Get the Facts - The most powerful tool is knowledge. During the phone conversation, try to gain as much insight into the situation as possible. Remember, the goals and objectives are to:

  ❑   Collect the money!

  ❑   Identify reasons for non-payment

  ❑   Settle on an agreement for clearing the debt, including special payment plans and exact dates when a check will be sent.

- Never argue, accuse or be condescending - Verbally fighting or talking down to the customer will only serve to produce negative feelings and may hamper the collection effort. The ultimate purpose is to secure payment, and this is best accomplished without becoming defensive or irritated.

- There are several common objections, complaints and excuses used to elude payment. Study the following examples to learn the most effective responses to the most frequently used ploys.

  "**I didn't get the invoice**." - Respond by verifying the debtor's name and address, and then review the account information with them. Offer to send them an electronic copy via email.

  "**The check is in the mail**." - Extend your thanks, then ask for a check number, amount, date posted and address to which it was mailed.

  "**Your payment is being processed**." - Ask when the payment will be ready for the mail. Determine the process that the payment undergoes after it leaves your contact's desk.

"**The computer is down**." - When do you expect it to be up? Can we get a manual payment?

"**I'll pay you when we get paid**." - Respond calmly, but make a direct request for payment, such as When can I expect payment?"

"**I have no money**" - Create a payment plan. Be flexible and consider alternatives offered by the customer. Work toward making the plan acceptable to both of you.

1.5   Many people find it difficult to confront customers regarding delinquent payments. Just keep in mind that it is the customer who should feel uncomfortable in this situation.

1.6   If customers stop paying, their phone has been disconnected, and you cannot find them, consider using these resources to locate these debtors and their assets:

- City directories
- Post office (for a forwarding address)
- A customer's employer
- Department of motor vehicle license and registration records
- Old files and correspondence
- The Internet (i.e. http://www.isleuth.com/peop.html)
- Credit bureau reports
- Neighbors
- Directory assistance

2.0   SERIOUSLY DELINQUENT OR UNRESPONSIVE ACCOUNTS

2.1   When an account becomes more than 60 days past due, the immediate target of securing prompt payment should take on a greater sense of urgency.

If applicable, the following strategies may be used to collect payment:

- Restrict any further credit until the past due amount is paid in full.

- Withhold delivery of additional services already requested. The harsh reality of having services curtailed often can spur a delinquent account into action.

- Serve the customer with a door hang notifying them of a date and time for utility shut-off.

2.2   If all other avenues for collection of the account have been exhausted, the Borough Treasurer should determine and authorize the use of an outside collection agency.

2.3   All uncollectible accounts will be reviewed by the Borough Treasurer for disposition.

3.0   WORKING WITH COLLECTION AGENCIES

3.1   Collect all material records for the debt in question and send them to the collection agency. The agency will require a copy of the invoice, credit application (if available), proof of service, and/or any other correspondence that may help them collect the debt.

3.2   Record the date the debt was sent to collections in the accounts receivable file.

3.3   If payments are received after the debt has been sent to collections, then notify the collection agency immediately in order to stop any further collection efforts. The agency will take their fee for any debt that has been collected once it has been registered by the agency.

3.4   If all other avenues for collection of the account have been exhausted, the Borough Treasurer should discuss further legal action with the Borough Manager.

4.0   WRITING OFF UNCOLLECTED DEBT

4.1   Write-off any debts remaining uncollected or that are returned from the collection agency and record as a bad debt expense and deduct from accounts receivable.

4.2   If any payments are received after being written-off from accounts receivable, then receive them in as cash and recovery of bad debt.

4.3   If bad debt is a recurring problem then consider setting up a reserve account or allowance for bad debt at the beginning of the year.

References:

A.   FAIR DEBT COLLECTION PRACTICES ACT (FDCP)

The FDCP requires that debt collectors treat consumers fairly and prohibits certain methods of debt collection. Personal, family, and household debts are covered under the Act. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts. Business debt is not included.

Debt collectors may not 1) harass, oppress, or abuse the debtor or any third parties they contact. 2) Use any false or misleading statements when collecting a debt. For example, debt collectors may not:

- Use threats of violence or harm;
- Use obscene or profane language; or
- Repeatedly use the telephone to annoy someone.
- Falsely imply that the debtor may have committed a crime;
- Falsely represent that they operate or work for a credit bureau;
- Misrepresent the amount of the debtor's debt;
- Indicate that papers being sent to the debtor are legal forms when they are not
- Indicate that papers being sent to the debtor are not legal forms when they are.
- Give false credit information about the debtor to anyone, including a credit bureau;
- Send the debtor anything that looks like an official document from a court or government agency when it is not.
- Use a false name.
- Collect any amount greater than the debtor's debt, unless the debtor's state law permits such a charge;
- Deposit a post-dated check prematurely;
- Use deception to make the debtor accept collect calls or pay for telegrams;
- Take or threaten to take the debtor's property unless this can be done legally.
- Contact the debtor by postcard.
- Say the debtor will be arrested if they do not pay the debt;
- Say they will seize, garnish, attach, or sell the debtor's property or wages, unless the collection agency or creditor intends to do so, and it is legal to do so.
- Say they will take actions, such as a lawsuit against the debtor, when such action legally may not be taken, or when they do not intend to take such action.

Revision History:

Revision	Date	Description of changes	Requested By
0	02/02/17	Initial Release	Heather Rodig

REV109 ACCOUNT COLLECTION CONTROL FORM

Customer Name: _____	Date	*Customer Reply or Action Taken*	*Employee Initials*
Customer ID: _____			
Address: _____			
_____			
Contact(s): _____			
Telephone #'s: _____			
Payment Terms: _____			
Comments: _____			

Invoice #	Service	Due Date	Invoice Amount	Payment Date	Payment Amount	Running Balance
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -

DATE ACCOUNT BROUGHT CURRENT _____

DATE ACCOUNT REPORTED TO COLLECTIONS _____

AMOUNT REPORTED TO COLLECTIONS _____

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