COUNTY OF HENRICO

ACCOUNTS RECEIVABLE POLICY

Issued by the Department of Finance
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OVERVIEW AND DEFINITIONS

Purpose:

This document outlines the Policies that the County of Henrico (County) utilizes to invoice, control and collect accounts receivable. The goal of the County is to take all appropriate and cost effective means to aggressively collect accounts receivable. The objective is to improve the management, recordation and accounting for accounts receivable owed to the County's various Departments, whether their systems are manual or automated.

Background:

Many times, governments levy taxes or provide goods and services on a credit basis, which result in accounts receivable and the need for processes to control and collect these receivables in an appropriate and cost-effective manner.

Definitions:

Levy - A tax assessment or tariff creating taxes due as taxes receivable.

RBS – Tax Billing System (Real Estate as-of 2010 / Personal Property as-of 2012)

Exoneration - The abatement or removal of a levy, penalty or interest improperly imposed on a taxpayer.

Refund - A reimbursement to a taxpayer having a credit balance. A credit balance may be caused by exoneration, after payment or by an overpayment.

Tax Relief for the Elderly - Allows a percentage exemption of tax levy for qualified elderly taxpayers.

Accounts Receivable (A/R) - Any amount owed to an agency of the County of Henrico, including, but not limited to, taxes, loans, and notes, as well as amounts due for goods and services provided, for licenses and fees, from employees, from other agencies and from the state and federal government for grants and contracts. Receivables also include judgments, fines and costs and penalties imposed. This policy does not include Petty Cash, Change Funds or Advances, which are not considered receivables for accounting and reporting purposes.

Past Due (Delinquent) Receivable – Any account for which a payment has not been received by the payment due date.

Allowance for Doubtful Accounts - Management's estimate of the amount of the gross receivable which will be or will prove to be uncollectible.

Write-Off - A transaction that removes an account which management has determined to be uncollectible from an Agency's financial accounting records. Writing off the debt for accounting purposes does not

discharge the debt. The debt is still owed to the County but is no longer reported on the Agency's books as a receivable.

Grant and Contract Receivables - Grants, entitlements and shared revenues that are susceptible to accrual, that is, both measurable and available, and expenditures / expenses that have been incurred but have not been reimbursed. Entitlements, certain grants and shared revenues, should be recorded at the time of receipt or earlier if they are both measurable and available, and expenditures / expenses have been incurred but have not been reimbursed. Other receivables, such as reimbursement type grants, are recognized when the expenditure is made. Questioned costs or expenditures incurred in excess of grant and contract provisions should not be considered receivables of the County unless authorized by the grantor.

Loans / Notes Receivable - Amounts owed to agencies and institutions on loans or other notes from individuals or organizations other than state or federal agencies and institutions.

Miscellaneous Receivables - Receivables that include amounts owed to an agency or institution for which a category has not been provided.

Accounting Division – The Accounting Division of the Department of Finance.

Treasury Division – The Treasury Division of the Department of Finance.

Real Estate Assessment Division – The Real Estate Assessment Division of the Department of Finance.

Revenue Division – The Revenue Division of the Department of Finance.

RESPONSIBILITIES

The Director of Finance is responsible for ensuring that all accounts receivable is recorded, recognized and reported in accordance with generally accepted accounting principles as prescribed for governments by the Governmental Accounting Standards Board (GASB).

Each Agency Head whose department creates an account receivable is responsible for all actions necessary to account for and collect the receivable. Examples of Departmental accounts receivable subject to the following general responsibilities include, but are not limited to, water & sewer services, wastewater discharge, landfill usage, false alarms, state and federal grants and NSF checks.

In General:

- All receivables must be billed on a timely basis, whether the receivables are due from private entities, the federal government, localities or state agencies. Accounts should be billed when goods are provided, or services rendered, unless contractual requirements specify other billing terms or billing terms used are in accordance with industry standards.

- If no subsystem is currently used to bill and control receivables, a miscellaneous invoice will be generated within the Oracle Accounts Receivable system, by the appropriate department, accurately identifying the customer and the customer's billing address, containing the amount of the receivable, the terms for its payment and a description of the activity that resulted in the receivable.

- Maintain an accurate record of receivables transactions.

- Maintain a control record that summarizes and ages the receivables transactions.

- Each Department having an outstanding receivable will be responsible for all collection efforts.

- Each Department having outstanding receivables will be responsible for identifying uncollectible accounts and for sending timely notification to the Director of Finance of the doubtful accounts.

- Provide for the accrual of interest and penalties as allowed or as required by law.

- Agencies shall obtain the following minimum prescribed information on prospective debtors:

  -Full name
  -Home and office address
  -Telephone numbers for home and place of employment
  -Federal Employer Identification Number (FEIN) for businesses
      -Social Security Number (SSN) for individuals or sole proprietorships

- The County of Henrico shall employ all collection tools at its disposal in the pursuit of delinquent balances.

The Treasury Division is available to provide debt collection guidance.

PROCESSES AND PROCEDURES

Invoice Entry

Departmental accounts receivable invoices are keyed directly into the Oracle A/R module by authorized county personnel within each department. The Accounting Division (Accounting) prints and reviews the "Incomplete Invoices Report" daily and makes corrections to incomplete invoices as necessary.

Invoice Printing and Mailing

Accounting prints accounts receivable invoices weekly through the Oracle A/R module and as requested by specific departments. Accounting mails all accounts receivable invoices when printed unless directed otherwise by a specific department. Departments that need to attach additional backup to the accounts receivable invoice may request Accounting hold the invoice for the department to pick up and mail.

Unapplied Receipts

Accounting runs the "Unapplied Receipts Register" report weekly and identifies unapplied cash receipts received within the Oracle A/R module. Unapplied receipts are monies processed through the Treasury Division that have not been properly applied to a specific customer's account. The unapplied receipts are investigated as needed and applied to the appropriate customer account within the Oracle A/R module.

General Ledger Interface

The Oracle A/R to G/L transaction interface is run daily for all open A/R accounting periods.

A/R Reconciliations

Accounting runs the Oracle A/R Aging Report monthly and at year end. The A/R Aging Reports are compared to the Oracle G/L balances and variances are investigated and corrected as deemed necessary.

Payment Terms:

Payment terms shall be net thirty days after the billing date unless otherwise established by law or contract.

Detailed Oracle Procedures:

Detailed procedures for the processing of accounts receivable in Oracle can be located on the Finance Department's Intranet site under Oracle Help / Help by Module or at the following link:
http://wfin773.govt.hcg.local/FinHome/PDF/acctsrecv.pdf

TAXES RECEIVABLE
General Information

Personal Property Tax:

This tax is imposed on motor vehicles, boats, trailers, mobile homes and business personal property. The Revenue Division calculates the fair market value of tangible personal property as of January 1st each year. The tax rate is set in April of each tax year by the Board of Supervisors. Prior to the tax rate being set, there is a careful review of the County's budgetary needs and public hearings are held. Personal property taxes are billed in May and November and are due on the 5th day of June and December, annually. Personal property bills also reflect a charge for the County's Vehicle License Tax. All tax transactions from the personal property tax system are interfaced to the Oracle General Ledger (G/L).

Personal property taxes receivable (summarized balances) are maintained in Oracle for six years (current year plus five delinquent years). The detail and aging of each personal property tax receivable is maintained in the personal property tax system. Payments received subsequently are coded to delinquent revenue. Interest income is recorded in Oracle only when collected.

Real Estate Tax:

All real property in the County is subject to taxation except those properties that are specifically exempted by law. The Real Estate Assessment Division assesses property as of January 1st each year. The tax rate is set in April of each year by the Board of Supervisors. Prior to the tax rate being set, there is a careful review of the County's budgetary needs and public hearings are held. Real Estate taxes are billed in May and November and are due on the 5th day of June and December, annually.

If land has improvements added after the original billing, there are additional early and late prorate billings on the improvements. The early prorate is due December 5th and the late prorate is due February 5th of the following year. The collections of real estate taxes receivable are interfaced to Oracle. The Taxes Receivable Accountant prepares a monthly journal entry for changes in tax relief generated by the real estate tax system.

Real estate taxes receivable (summarized balances) are maintained in Oracle for four years (current year plus three delinquent years). The detail and aging of each real estate tax receivable is maintained in the real estate tax system. Real estate taxes remain due and payable to the County for the current year, plus twenty (20) prior tax years. Payments received subsequently are coded to land redemption. Interest income is recorded in Oracle only when collected.

Oracle Account Structure for Taxes Receivable

Taxes receivable for personal property and real estate are coded to a five-digit series number beginning with 14xxy for personal property and 13xxy for real estate. The third digit and the fourth digit ("xx") for both personal property and real estate indicates the tax year. The fifth digit ("y") indicates the half ("1" = first half and "2" = second half.)

A personal property example for the 2018 tax year would be as follows:

14181 – 2018 1st Half
14182 – 2018 2nd Half

A real estate example for the 2018 tax year would be as follows:

13181 – 2018 1st Half
13182 – 2018 2nd Half

Oracle Update Procedures for Personal Property Tax Transactions

All personal property tax transactions (i.e. levies, penalties, interest, exonerations, adjustments, etc.) generated by the personal property tax system are interfaced to Oracle. Personal property public service corporation levies are not generated via the personal property tax system but are put in Oracle as taxes receivable via journal entries to the general ledger. The procedures for recording the personal property public service corporation levies in Oracle are similar to the procedures outlined in the real estate public service corporation section except that personal property is only billed in the second half of each tax year.

Oracle Update Procedures for Real Estate Tax Transactions

Annual Levy
The new calendar year real estate tax levy amounts for the first and second halves are interfaced directly from the tax billing system (RBS) to the general ledger in Oracle.

Supplements and Prorata Levies

 Supplemental and prorata levy copies are keyed into the real estate system by the Real Estate Assessment Division.
> Occasionally supplemental levies are done to reestablish accounts. These supplements are done by the Real Estate Adjustment Clerk in the Treasury Division. The procedures for these supplements are the same as those listed above except no batch sheet is received.

Public Service Corporation Levies

Public service corporation bills are sent out by the Management Specialist in the Revenue Division twice a year for first and second half. Once the bills are mailed, the Management Specialist sends the Taxes Receivable Accountant a copy of the spreadsheet via email used to bill the public service corporations. The Taxes Receivable Accountant records the levies and payments via journal entries. The spreadsheet obtained from the Management Specialist is modified by the Taxes Receivable Accountant and used to track the taxes receivable balance as payments are made. The payment amount and month received is keyed into the public service corporation spreadsheet by the Taxes Receivable Accountant. Payments that are not made yet for the levy will be a reconciling item.

Exonerations

Exonerations are keyed to the real estate tax billing system by the Real Estate Assessment Division. Exonerations are interfaced directly from the real estate tax billing system to Oracle.

Exonerations, transfers and refunds are approved based on

the limits as set forth in exhibit #1. **Tax Relief for the**

Elderly

Changes in tax relief for the elderly are taken from the RBS report titled, "Real Estate AR Adjustments." The RET 810 report shows the total tax relief exemption awarded by tax year and half. A monthly journal entry is made by the Taxes Receivable Accountant to update Oracle when the amount of tax relief exemption awarded changes. The journal entry to post an increase in tax relief records an increase in revenue and expenditures. The journal entry to post a decrease in tax relief records a decrease in revenue and expenditures.

Refunds
The refund process is started by the Real Estate Adjustment Clerk who submits properly approved direct pay invoices (DPI's) to the Accounting Division. The DPI clerk in the Accounting Division processes the DPI's in Oracle in order to issue refunds to the appropriate taxpayers. The Real Estate Adjustment Clerk also does adjustments to taxpayer accounts on the real estate system to reflect the refunds. Unless the refunds are improperly coded on the DPI's, no manual journal entries need to be done in Oracle by the Taxes Receivable Accountant.

Adjustments

Adjustments are made to the real estate system by the Real Estate Adjustment Clerk.

Taxes Receivable Reconciliation

The personal property and real estate tax systems are reconciled to Oracle by the Taxes Receivable Accountant.

Personal Property Accounts Receivable Reconciliation

The reconciliation is performed on a spreadsheet. The balances per the personal property system are taken from the month-end RBS report titled, "Aged Receivables by Tax Year." This report shows accounts receivable balances by tax year and half. The balance used for the reconciliation is the "Tax Due Amount" balance. The G/L balances are taken from a monthly trial balance generated from Oracle. This trial balance shows personal property taxes receivable balances by tax year and half. All the above-mentioned amounts are then keyed to a spreadsheet.

Differences are shown by tax year and half. A grand total for all tax years with an overall difference is also computed. Differences are researched as deemed necessary by the Taxes Receivable Accountant.

Real Estate Accounts Receivable Reconciliation
This reconciliation is performed on a spreadsheet. The balances per the real estate system are taken from the month end RBS report titled, "Aged Receivables by Tax Year." This report shows real estate accounts receivable balances by tax year and half. The G/L balances are taken from a monthly trial balance generated from Oracle. This trial balance also shows accounts receivable balances by tax year and half. All the above-mentioned amounts are then keyed to a spreadsheet.

Differences are shown by tax year and half. A grand total for all tax years with an overall difference is also computed. Differences are researched as deemed necessary by the Taxes Receivable Accountant.

Any differences between the two systems are usually due to, but not limited to the following:

- Levy, exoneration, adjustment, tax relief, etc., transactions posted to the real estate system in a different month than on Oracle (timing difference).

- Lockbox revenue recorded on the real estate system in a different month than on Oracle (timing difference).
- Outstanding refunds that have not hit Oracle or the real estate system (timing difference).
- Invalid payments to hit the real estate system. This occurs when payments do not post to a taxpayer's real estate account due to an incorrect account number, etc. Unless the invalid payments are corrected by the Real Estate Adjustment Clerk by the end of each month, differences may result since the revenue has already been recorded in Oracle.
- Transactions coded to the wrong account (i.e., refunds, pay-in-vouchers, etc.). In this case, manual journal entries may need to be done by the Taxes Receivable Accountant.
- Public service corporation levies not paid in the same month as recorded in Oracle. Since public service corporation levies are not posted to the real estate system, they will be a reconciling item if not paid in the same month as billed and recorded in Oracle.

Allowance for Doubtful Accounts (Tax)

An allowance for doubtful accounts is maintained for personal property and real estate taxes receivable. The Accounting Division computes the allowance in accordance with the methodology established by the Auditor of Public Accounts in Chapter 8, Appendix 1 of the Specifications for Audits of Counties, Cities and Towns manual. Use of the Auditor of Public Accounts methodology is strictly optional.

The allowance is analyzed by the Taxes Receivable Accountant at the end of each fiscal year and adjusted as deemed appropriate based on the allowance calculation for the fiscal year end compared to the allowance calculation for the previous fiscal year The allowance for uncollectible taxes is increased or decreased (10116) based on the calculation with an offsetting entry made to the reserve for taxes receivable (30340).

VEHICLE LICENSE TAXES RECEIVABLE

General Information

The license tax is imposed on every motor vehicle; trailer and semi-trailer operated on the streets, highways or roads within the county in business

or for the private use or benefit of the owner. The license tax shall apply to all vehicles normally garaged, stored or parked within the county. The license tax year shall commence on February 16th of each year and shall expire on February 15th of each year. The license tax is included on the first half personal property tax bill each year that is mailed to taxpayers.

Motor vehicles, trailers and semi-trailers moving into the County from out of state or from a Virginia locality to which no license tax or fee has been paid or from which no license decal purchased shall first become assessable upon moving into the County.

Only one-half of the license tax shall be assessed and collected whenever any such license tax first becomes assessable during the period beginning on July 1st in any year and ending on December 31st in the same license tax year. No license tax shall be assessed and collected whenever any such license tax first becomes assessable after December 31st in the same license tax year.

Motor vehicles, trailers and semi-trailers moving into the County from a Virginia locality to which a license tax or fee has been paid or from which a license decal purchased shall first become assessable only after the tax, fee or decal expires, as follows:

During the period February 16th through June 30th, the license tax shall become assessable July 1st.

During the period July 1st through February 15th, no license tax shall be assessable for that same license tax year.

All vehicle license tax transactions generated by the personal property tax system are interfaced to Oracle.

Oracle Accounts Structure for Vehicle License Tax Receivable

Vehicle license taxes receivable are coded to a five digit Oracle account number beginning with 1020x. The fifth digit (x) indicates the tax year. For example, the 2018 tax year is 10218.

Vehicle License Taxes Receivable Reconciliation

Vehicle license taxes receivable per the personal property tax system are reconciled to Oracle by the Taxes Receivable Accountant.
The reconciliation is performed on a spreadsheet. The balances per the personal property system are taken from the month-end RBS report titled, "Aged Receivables by Tax Year." This report shows vehicle license taxes receivable balances by tax year and half. The balances
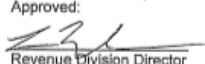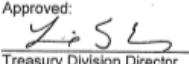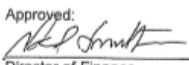
used for the reconciliation are taken from the "Fee Due Amount" column. The balances per Oracle are taken from a monthly trial balance generated from Oracle. This trial balance shows accounts receivable balances by tax year and half. All the above-mentioned amounts are then keyed to a spreadsheet.

Differences are shown for each tax year. A grand total for all tax years with an overall difference is also computed. Differences are researched as deemed necessary by the Taxes Receivable Accountant.

Exhibit #1: Approval limits for exonerations, transfers and refunds

DEPARTMENT OF FINANCE
Exonerations, Transfers, and Refunds

APPROVAL LIMITS

A. **Treasury Division**

	Exonerations, Refunds, Transfers*
Staff	up to $50
Treasury Supervisor	up to $1,000
Treasury Manager	up to $5,000
Assistant Treasury Division Director	up to $10,000
Treasury Division Director	up to $25,000
Director of Finance	$25,000 & above

B. **Revenue Division**

Staff	up to $50
Supervisor	up to $1,000
Business and Vehicle Manager	up to $5,000
Revenue Division Director	up to $25,000
Director of Finance	$25,000 and above

C. **Real Estate Division**

Real Estate Section Manager	up to $5,000
Real Estate Division Director	up to $25,000
Director of Finance	$25,000 & above

*Based on the actual tax impact (i.e., levy plus penalties and interest) to the business or citizen.

D. **Miscellaneous**

Each Division will be responsible for obtaining all of the required dated signatures for any transfer, refund, or exoneration originated in that Division in accordance with Sections B and C above prior to forwarding to the Treasury Division for processing.

Exonerations and refunds received in the Treasury Division for processing must be reviewed and initialed by the Treasury Division Director or designee before being processed to insure compliance with the approval limits outlined above.

If a higher level of approval is substituted for a lower level of approval, approval signatures at each lower level are not required. A minimum of two dated signatures should appear on every transaction above the minimum threshold established for the staff, the dated signature of the originator of the transaction and the dated signature of at least one approver.

Approved: _____ Approved: _____ Approved: _____
Real Estate Division Director Revenue Division Director Treasury Division Director

Approved: _____   7/3/17
Director of Finance   Date

Footnote: Regarding an adjustment precipitated by a bankruptcy, board of equalization decision, ruling in a court case or settlement of an appeal supported by the County Attorney's Office, then only the signature of the Division Director is needed.

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