


Town of Needham Board of Selectmen

Policy Number:	BOS-FIN-011
Policy:	Abatement and Write-Off of Committed Departmental Receivables
Date Approved:	June 24, 2003
Date Revised:	June 26, 2012
Approved:	 Chairman, Board of Selectman

Introduction:

An effective asset management program includes activities that enable the Finance Department to accurately reflect the value of Town receivables and other assets and ensure that limited resources are not devoted to the recovery of uncollectible receivables. The timely identification of probable and estimable losses is an essential element in appropriately measuring the value of the Town's assets. Therefore, the write-off process is a critical component of the Town's financial management activities.

Policy:

The policy of the Town of Needham is that the collection of committed departmental charges may be written-off with advance approval of the Board of Selectmen and in accordance with the procedures established by the Finance Department of the Town. The department responsible for the collection of such charges shall provide a written request to the Assistant Town Manager/Director of Finance with an explanation as to why collection of the charge should be written-off. The Assistant Town Manager/Director of Finance shall make the determination as to whether the request should be considered by the Board of Selectmen, unless authority for such action is vested with another board, committee, department, or other authority. Charges written-off will be charged against the appropriate fund balance.

This policy also allows for administrative abatement of certain departmental receivables. Committed ambulance and emergency medical service charges that are uncollectible due to contractual allowances or restrictions will be deemed abated by administrative action. Committed departmental charges billed in error may be abated by administrative action. Administrative abatements, other than contractual allowances/restrictions, must be approved by the Town Manager in writing before the abatement is approved.

Guidelines:

A write-off of a charge does not cancel the debt. The Town may continue to attempt to collect the charge. Although a write-off disposes of the asset from an accounting perspective, it does not necessarily dispose of the receivable from a management perspective. The Town can concurrently write-off and close-out a receivable, or it can write off and retain a written-off (i.e.,

inactive) receivable for possible recovery action. Any amounts subsequently collected will be credited to the proper fund.

Any charge that has been abated shall be considered a final disposition of the charge.

For the purposes of this policy, the word "charge" or "charges" shall also include assessments, charges, fees, rates, and any applicable interest and /or penalties thereon.

The Finance Department establishes requirements for the periodic review and identification of department receivables deemed to be uncollectible. Such receivables may include ambulance services, service details, other custodial details, items outstanding for an extended period of time, delinquent balances held in suspense accounts, or un-reconciled items in the Town's general ledger.

Procedures:

In accordance with this policy, the Assistant Town Manager/Director of Finance is authorized to establish, revise and update procedures for the submission of write-off or abatement of a charge. The Board of Selectmen will not act on any write-off or abatement request that has not been submitted in accordance with such procedures.

At least annually, departments must review and provide, if applicable an estimate of write-offs in a format as determined by the Finance Department, which is subject to review by the Assistant Town Manager/Director of Finance for consistency with the Policy and procedures.

Write-off recommendations must be made by the department manager in writing with the reason(s) for the recommendation to the Assistant Town Manager/Director of Finance upon the determination that the department and/or the treasurer/collector office, despite its best collection efforts, cannot collect the receivable. Such circumstances occur when:

- The receivable is legally without merit;
- The receivable cannot be substantiated by evidence;
- The cost of collection actions will exceed anticipated collection amounts;
- The debtor cannot be located;
- It is not possible to collect any substantial amount; or
- Statutory requirement(s) exists to terminate collection actions.

Write-offs may also be appropriate when:

- The general ledger and/or subsidiary record account balances are insupportable;
or
- The auditors have identified the need to adjust the records (e.g., audit findings) and management has agreed with the auditors.

Write-offs occur after the Board of Selectmen has approved the write-off, and the Finance Department removes the corresponding amount of an uncollectible, un-reconciled, or unsubstantiated receivable from the Town's general ledger.

Abatements occur after the abatement has been approved and posted by the Finance Department against the accounts.