TO: AC Transit Board of Directors  
FROM: Michael A. Hursh, General Manager  
SUBJECT: Board Policy No. 358 – Write-Off Policy

ACTION ITEM

RECOMMENDED ACTION(S):
Consider approving amendments to Board Policy No. 358 – Write-Off Policy.

BACKGROUND/RATIONALE:
Board Policy 358 establishes guidelines regarding the write-off of uncollectible accounts receivable and defines responsibilities for the proper recording and reporting of such transactions. The recommended update is to update the title “Treasury Manager” to “Director of Revenue Management”. Authorization levels were reviewed, and staff is recommending no changes.

BUDGETARY/FISCAL IMPACT:
There is no budgetary or fiscal impact directly related to this report.

ADVANTAGES/DISADVANTAGES:
The advantage is to update the policy to reflect the current title of the responsible staff person.

ALTERNATIVES ANALYSIS:
Staff found no alternatives.

PRIOR RELEVANT BOARD ACTION/POLICIES:
None

ATTACHMENTS:
1. Board Policy 358 – Write-Off Policy with updates

Approved by: Claudia L. Allen, Chief Financial Officer
Reviewed by: Denise C. Standridge, General Counsel
Prepared by: Sue Lee, Director Treasury and Revenue Management
I. PURPOSE

The purpose of this policy is to establish guidelines with regard to the write-off of uncollectible accounts receivable and to define responsibilities for the proper recording and reporting of such transactions.

II. PERSONS AFFECTED

The Finance Department has primary responsibility for the process of write-offs.

III. DEFINITIONS

“General Ledger” means the Chart of Accounts utilized to record the District’s assets and liabilities.

“Journal Voucher” means the physical document prepared to record the write-off transaction into the general ledger.

“Reserve” means defined amount of funds segregated to meet general liabilities.

Write-off means the elimination of an item (debit/credit) from an account that is deemed unrecoverable.

IV. POLICY

A. Review Requirements

On an annual basis, or as often as necessary, accounts receivable, subrogation receivables, obsolete, inventory and fixed assets will be reviewed for determination of items eligible for write-off by the appropriate department head. A detailed report shall be presented to the Chief Financial Officer upon completion of the review. The Chief Financial Officer should continuously review delinquent debt, obsolete inventory and fixed assets, and annually.

B. Appropriate Transactions for Write-off

The following transactions are appropriate for write-off, provided these transactions have been researched, documented per section 6, and reconciled:

- Aged accounts receivable (>180 days) deemed uncollectible.
- Subrogation receivable (>180 days) deemed uncollectible.
• Obsolete inventory where sale proceeds are less than book value. (See Disposition of Surplus District Equipment and Supplies, Policy No. 356)
• Fixed assets no longer in use but not fully depreciated with a current per unit fair market value of $5,000 or less. (Per FTA Circular 5010.1A)

C. Authorization/Approval

1. Items that are determined to be written off with a value of less than or equal to $10,000 shall exhibit the following authorizations:

   • Controller
   • Treasury Manager
   • Chief Financial Officer

2. Items that are determined to be written off with a value greater than $10,000 and less than $25,000 shall exhibit the following authorizations:

   • Controller
   • Treasury Manager
   • Chief Financial Officer
   • General Manager

3. Items that are determined to be written off with a value greater than $25,000 shall exhibit the following authorizations:

   • Controller
   • Treasury Manager
   • Chief Financial Officer
   • General Manager
   • Board of Directors

D. Documentation Requirements

1. All items deemed to be written off must be fully documented and demonstrate that the costs of pursuing a debt outweighs the benefits. Levels of effort in record keeping and collection must be commensurate with collection value.

2. The documentation must include:

   • Report of calls and/or written correspondence supporting collection efforts, and whether the account has been turned over to a collection agency
   • Memo of explanation justifying each write-off and background
   • General ledger detail report
   • Sub-ledger detail report

Questions concerning interpretation of this Policy are to be referred to the General Counsel.
4. Reconciliation report and detail support copies

Questions concerning interpretation of this Policy are to be referred to the General Counsel.