



Office of the City Manager

CONSENT CALENDAR  
March 28, 2017

To: Honorable Mayor and Members of the City Council

From:  Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Write-off of Uncollectible Accounts Receivable for Ambulance Billings

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to write off uncollectible outstanding accounts receivable in the amount of \$18,569,309 relating to ambulance billings in the Fire Department dating back to 2000.

FISCAL IMPACTS OF RECOMMENDATION

Based on historical experience and industry standards, a percentage of customer accounts (accounts receivables) are expected to become delinquent despite collection efforts. In keeping with Generally Accepted Accounting Principles, the City establishes a bad debt account allowance. The impact on the City's financial position (i.e. assets minus liabilities) for the write-off recommended in this report is a decrease of \$18,569,309 in accounts receivable due to the Fire Department. Correspondingly, the allowance for doubtful accounts, as contra to accounts receivable, is also reduced by the same amount. As a result, there is no impact on the City's assets.

CURRENT SITUATION AND ITS EFFECTS

The outstanding ambulance billing accounts receivable of \$18,569,309 dating back to 2000 should be removed from the City's financial records. Majority of the write off is due to inactive accounts over 3 years, a basis for writing off uncollectible accounts, as specified in Administrative Regulation 3.15 Write-Offs of Uncollectible Receivables.

BACKGROUND

In 2016, a follow-up audit was conducted by the Office of the City Auditor on Berkeley Fire Department ambulance billing. While most of the prior audit recommendations were implemented with commendable improvements, collection efforts and timely write offs of uncollectible receivables remained a concern. As a result, the ambulance billing accounts receivable balance had grown to \$26.6M as of June 30, 2016, of which \$23.0M was provided for as allowance for doubtful accounts. As one of the audit recommendations in the follow-up audit, the Finance Department has worked with the Fire Department to identify the ambulance billing accounts receivable accounts that are deemed uncollectible for write-off.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

In keeping with Generally Accepted Accounting Principles, the timely writing off of bad debt after a reasonable period of time is important and needs to be done in a consistent and systematic way. The provision for delinquent accounts receivable balances is a critical component in accurately reflecting the City's assets in the financial statements. Subsequently, the write off of such when deemed uncollectible is necessary to remove both the accounts receivable and allowance for doubtful accounts from the City's general ledger.

ALTERNATIVE ACTIONS CONSIDERED

Continue to carry the huge outstanding ambulance billings receivable balances on the accounting books.

CONTACT PERSON

Noel Kan, Acting Accounting Manager, Finance, (510) 981-7332

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

AUTHORIZING THE WRITE-OFF OF THE UNCOLLECTIBLE ACCOUNTS RECEIVABLE FOR AMBULANCE BILLINGS IN THE FIRE DEPARTMENT

WHEREAS, diligent efforts are made to collect on delinquent accounts; and

WHEREAS, the write-off of uncollectible accounts is necessary to provide an accurate measure of the City's financial position; and

WHEREAS, Administrative Regulation 3.15 states that departments shall analyze accounts and make write-off recommendations of bad debt to the City Council; and

WHEREAS, it is fiscally responsible to write-off delinquent accounts that are deemed uncollectible.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley it authorizes the write off of the uncollectible accounts receivable for ambulance billings in the Fire Department as listed below:

<b>Delinquent Accounts Receivable Amount</b>	<b>Responsible Department</b>	<b>Amount</b>
Ambulance Billings	Fire	\$18,569,309
<b>Total</b>		<b>\$18,569,309</b>

