

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

POLICIES

ARTICLE 4 - FINANCE AND ACCOUNTING

PART 4.1 - ACCOUNTING

SECTION 4.10 - PAST DUE AND UNCOLLECTIBLE ACCOUNTS RECEIVABLE

PURPOSE: To establish a policy governing the procedures to be followed when past due accounts receivables are deemed delinquent and uncollectible by the San Diego County Regional Airport Authority (“**Authority**”).

POLICY STATEMENT:

As a government entity, the Authority is obligated to make every effort to collect all monies to which it is rightfully entitled. The Authority shall take all appropriate and cost-effective actions to aggressively collect Accounts Receivable and minimize the need to write off debt owed the Authority. The Authority recognizes that in certain circumstances beyond the Authority’s control, debt due to the Authority may be uncollectible. Timely identification of past due Accounts Receivable and close coordination between cognizant departments is essential to minimize the need to write off uncollectible accounts.

DEFINITIONS:

- Account Receivable: A debt owed to the Authority that arises in the normal course of business dealings and may or may not be supported by negotiable paper; a claim against a debtor usually arising from sales or services rendered. Accounts Receivable include, but are not limited to, rent, concession fees, permit fees, license fees, landing fees as well as monies due for services and goods.
- Allowance of Doubtful Account: A valuation account (i.e., contra asset) that is subtracted from the trade receivable on the balance sheet.
- Bad Debt: A Past Due Account Receivable that despite best efforts by the Authority remains unsatisfied and for which there is no reasonable expectation that the underlying debt will be satisfied in whole or in part. The expense for a Bad Debt is recognized when the Account Receivable becomes doubtful which typically occurs prior to write off of the Account Receivable.
- Cognizant Department: The Department of the Authority that negotiated the agreement or contract giving rise to a particular Account Receivable.

- Debt: In the context of this procedure, debt refers to a sum of money due by certain and express agreement between the Authority and another party or parties. Debt may be owed the Authority by an individual or by a business entity.
- Past Due: Refers to an Account Receivable for which payment has not been received for more than thirty (30) days after the date on which payment is due.
- Treasurer: The Vice President/Chief Financial Officer of the Authority.
- Write-Off: An accounting transaction that removes an Account Receivable from the accounting books and records. Writing off the Account Receivable is for accounting purposes only and this action does not discharge the Debt. The Debt is still owed to the Authority, however, the amount has been removed from the Authority's books as a receivable.

ROLES AND RESPONSIBILITIES REGARDING OVERDUE AND UNCOLLECTIBLE ACCOUNTS:

A. Cognizant Department. The Cognizant Department is responsible for:

1. Routine management of the Authority agreement or contract which gives rise to an Account Receivable;
2. Monitoring payment schedule of Accounts Receivable;
3. When necessary, and with the advice and consent of the Authority Treasurer, negotiating settlements of Past Due Accounts Receivable; and
4. When appropriate, recommending the certain Past Due Accounts Receivable for designation as Bad Debt.
5. Consulting with General Counsel to make sure all legal issues are addressed.

B. Treasurer. The Treasurer is responsible for:

1. Timely identification of Doubtful Accounts and making the appropriate accounting entries;
2. Monitoring negotiations involving Past Due Accounts Receivable;
3. The application of security deposits against the Account Receivable amount; and
4. Seeking approval from the Board to write off Bad Debt when the individual Bad Debt Account Receivable is \$30,000 or more.

C. General Counsel. The General Counsel is responsible for:

1. Providing advice and counsel to the Cognizant Department, Treasurer, President/Chief Executive Officer (“**President/CEO**”), and Board regarding the feasibility of legal action to collect Bad Debts; and
2. Providing recommendations to the Board regarding the initiation of litigation to collect Bad Debts.

PROCEDURES:

D. Past Due Accounts Receivable

1. Monthly Review. The Treasurer shall review all Accounts Receivable on a monthly basis in order to identify all Past Due Accounts Receivable.
2. Collection Efforts with Cognizant Department. When a Past Due Account Receivable is identified, the Treasurer shall work with the Cognizant Department charged with negotiating or managing the debtor’s agreement for the purpose of collecting the Past Due Accounts Receivable.
3. Collection Efforts. The Cognizant Department charged with negotiating the original Authority agreement with the debtor shall make all efforts to collect the Past Due Account Receivable. Such efforts shall include, but not be limited to, phone calls and/or letters to the debtor, collecting any security deposit, drawing on any Letter of Credit, or filing a claim on any surety bond(s) posted as security.
4. Assessment of Collectability. The Treasurer, in consultation with the Cognizant Department, the President/CEO, and the General Counsel shall determine what, if any, further steps shall be taken to collect the Past Due Account Receivable. An assessment and determination shall be made as to whether or not the debt can be collected through reasonable legal means.
5. Treasurer Determination. The Treasurer shall determine whether or not it is in the best interest of the Authority to write off each Bad Debt and, thereafter, shall take the following actions:
 - a. For Amounts under \$30,000. Recommend to the Authority’s President/CEO, or his or her designee, that the account be transferred to the Authority’s Bad Debts Account and, after approval, provide a list of all written off Accounts Receivable to the Authority’s Board of Directors as an information item.

- b. For Amounts of \$30,000 or more. The Treasurer shall first seek formal approval of the Board to Write Off any Account Receivable or Bad Debt when the amount is valued at \$30,000 or more. The request to the Board for approval to Write Off the debt shall include at a minimum the following: the name of the debtor, a description of the agreement, the amount of the debt, the date of the debt, and the reasons why the debt is uncollectible or why it is not in the best interest of the Authority to attempt to collection.
6. Accounting Entries. Once the Board has approved the Write Off of Bad Debt, the Treasurer shall prepare the appropriate accounting entries to remove the Account Receivable from the Authority's books and records.

E. REPORTS.

1. Quarterly Report to Board. Each quarter the Treasurer shall report to the Budget and Finance Committee and to the Board regarding the Treasurer's actions and recommendations to Write Off Bad Debt.

[Amended by Resolution No. 2018-0133 dated December 6, 2018.]

[Amended by Resolution No. 2005-0007 dated February 7, 2005.]

[Adopted by Resolution No. 2002-02 dated September 20, 2002.]