

POLICY 12.24 - ACCOUNTS RECEIVABLE MANAGEMENT

<p align="center"><b>POLICY OF STATE OF DELAWARE DEPARTMENT OF CORRECTION</b></p>	<p align="center"><b>POLICY NUMBER</b> 12.24</p>	<p align="center"><b>TOTAL PAGES</b> 4  (Plus 3 additional attachment pages)</p>
	<p><b>RELATED ACA STANDARDS:</b></p>	
<p><b>CHAPTER:</b> 12 CENTRAL BUSINESS OFFICE</p>	<p><b>SUBJECT:</b> ACCOUNTS RECEIVABLE MANAGEMENT</p>	
<p><b>APPROVED BY THE COMMISSIONER AND EFFECTIVE THIS DATE:</b></p>		
<p><b>APPROVED FOR PUBLIC RELEASE</b></p>		

**I. AUTHORITY:** 11 *Del. C.* §6502, 6517; 29 *Del. C.* §8903 (4)(5)(7); State of Delaware Budget and Accounting Policy Manual; Bureau of Community Corrections Policy 7.6 Supervision Fees and Interstate Compact Fees.

**II. PURPOSE:** To establish a policy and procedure for the efficient management, collection and write-off of accounts receivables.

**III. APPLICABILITY:** All Department employees.

**IV. DEFINITIONS:**

**Accounts Receivable:** Represents amounts billed or billable to clients for goods and services.

**Allowance for Doubtful Accounts:** Realistic value of receivables that the Department determines doubtful for collection. The value is determined by using either the Percentage of Outstanding Receivable method or the Aging of Receivables method.

**Doubtful Accounts:** Estimate of receivable amounts the Department does not expect to collect in the near future.

**Interstate Compact Fees:** Fee charged to offenders applying to transfer their supervision outside the state of Delaware.

**Permanent Inactive File:** File maintaining accounts receivables that have been written off after approval by the Departments Deputy Attorney General and the Secretary of Finance. Receivables maintained in the Permanent Inactive File are still subject to review and collection.

**Supervision Fee:** Fee charged to offenders to defray the costs incurred by the State for supervision as required by Delaware Code.

**Write-offs:** Accounts determined to be uncollectable and placed in an inactive status, but does not eliminate the legal obligation to pay.

POLICY 12.24 - ACCOUNTS RECEIVABLE MANAGEMENT

- V. **POLICY:** It is the policy of the Department of Correction (DOC) to develop, maintain and enforce procedures for the positive collection, reporting and write-off of accounts receivable.
- VI. **PROCEDURES:** The DOC has established the following general procedures for its collection, allowance for doubtful accounts and write-off processes for the management of pending receivables. These receivables are revenue generated from the sale of goods and services, as well as fees assessed by the Department and/or the Courts.

A. Sales and Service Accounts Receivable

1. Collection Process

Reasonable effort as defined in this policy shall be made to collect all receivables. Written notices of past due debt should include the amount of debt, date debt incurred, copy of original invoice if applicable, due date and remit to information. All collection efforts documentation must be recorded and maintained for audit and potential write-off.

30 Days Past Due

A collection call should be made to the debtor and details such as date, time, name of person and any verbal payment arrangements agreed upon should be recorded.

60 Days Past Due

Send Written Notice #1 of past due debt; include clear details surrounding the debt and provide firm due date for payment. The subject line of the memo shall include "60 Day Past Due Notice". (Attachment A)

90 Days Past Due

Send Written Notice #2 of past due debt; include clear details surrounding the debt and provide firm due date for payment. The subject line of the memo shall include "90 Day Past Due Notice". (Attachment B)

120 Days Past Due

Send Final Notice #3 of past due debt; include clear details surrounding the debt, provide the customer a final payment due date and statement that their account may be forwarded to the Attorney General's Office for legal action if payment not received by specific date. (Attachment C)

2. Doubtful Accounts Process

Allowance for Doubtful Accounts is required to calculate a realistic net value of expected receivables. The method of Aging of Receivables should be utilized to calculate the Allowance for Doubtful Accounts. Once a receivable reaches 366 days with no activity, the pending receivable shall be considered a doubtful account. The Allowance for Doubtful Accounts calculation is prepared by the budget unit and submitted to the Central Business Office (CBO) to include in the

POLICY 12.24 - ACCOUNTS RECEIVABLE MANAGEMENT

Department's annual GAAP report.

*Note: The amount determined as the Allowance for Doubtful Accounts is not a write-off of accounts receivable. This amount is still active, but doubtful.*

3. Write-Off Process

- a. Once a receivable reaches three (3) years in age and reasonable collection efforts defined in this policy have been completed, the budget unit shall submit to the DOC Controller a list of debt(s) recommended for write-off, along with documentation of all collection efforts. The Controller will prepare a cover letter and submit the official request to the Attorney General's Office for approval.
- b. Upon receipt of approval from the Attorney General's Office, the DOC Controller shall submit a request to the Secretary of the Department of Finance to request removal of the account(s) from the active file.
- c. Upon the receipt of an approval from the Secretary of the Department of Finance, the account(s) will be removed from the active file and placed in the permanent inactive file for reporting purposes.
- d. In the event that there are collections after an account has been written off, the collections shall be recorded as General Fund Revenue (account 49159 Bad Debt Recovery) in the year they are collected.
- e. The permanent inactive file must be updated and noted with any collections after write-off, and the total account balance of the permanent file adjusted accordingly.

B. Supervision and Interstate Compact Fees

1. Collection Process

Supervision fees and Interstate Compact fees are assessed by the Bureau of Community Corrections. The Office of State Court Collections and Enforcement (OSCCE) collect these fees on behalf of the DOC via online payment and kiosks located in various OSCCE locations. In addition, OSCCE utilizes the Delaware Division of Revenue state tax refund and Delaware Lottery intercept programs to collect both Supervision and Interstate Compact fees. As an additional collection effort, OSCCE sends the debtor an initial letter informing his or her of the payment options to avoid tax or lottery intercept which include: cash, money order, credit card or voluntary wage withholdings.

2. Doubtful Accounts Process

Allowance for Doubtful Accounts is required to calculate a realistic net value of expected receivables. The method of determining the Allowance for Doubtful Accounts for this receivable is calculated using a combination of the "Percent of

POLICY 12.24 - ACCOUNTS RECEIVABLE MANAGEMENT

Outstanding Receivables” and “Aging of Receivables” methods. The Accounts Receivable Aging Report is provided by OSCCE and the data retrieved from this report is utilized to calculate the doubtful account value. The doubtful account value is determined by taking the total of the amount listed in the “Past Due Inactive 3-10 YRS” column, plus the sum of the remaining columns multiplied by the annual percentage of uncollectable fees, for the GAAP reporting year. The Allowance for Doubtful Accounts calculation is prepared by the Bureau of Community Corrections and submitted to CBO to include in the Department’s annual GAAP report.

*Note: The amount determined as the Allowance for Doubtful Accounts is not a write-off of accounts receivable. This amount is still active, but doubtful.*

3. Write-Off Process

- a. Once a receivable reaches three (3) years in age and reasonable collection efforts defined in this policy have been completed, the Bureau of Community Corrections shall submit to the DOC Controller a list of debt(s) recommended for write-off along with documentation of all collection efforts. The Controller will prepare a cover letter and submit the official request to the Attorney General’s Office for approval.
- b. Upon receipt of approval from the Attorney General’s Office, the DOC Controller shall submit a request to the Secretary of the Department of Finance to request removal of the account(s) from the active file.
- c. Upon the receipt of an approval from the Secretary of the Department of Finance, DOC shall submit a request to the Criminal Justice Information System (CJIS) to remove the said debt(s) from the active account status and place in an inactive permanent “Write Off” file, for reporting purposes.
- d. In the event that there are collections after an account has been written off, the collections shall be recorded as General Fund Revenue (account 49159 Bad Debt Recovery) in the year they are collected.
- e. The permanent inactive file must be updated and noted with any collections after write-off, and the total account balance of the permanent file adjusted accordingly.



**ATTACHMENT A**

STATE OF DELAWARE  
DEPARTMENT OF CORRECTION  
[INSERT BUREAU]  
[INSERT BUDGET UNIT]  
245 MCKEE ROAD  
DOVER, DELAWARE 19904

Telephone: (302) 000-0000  
Fax: (302) 000-0000

[Insert Current Date]

[Insert Customer Name]  
[Address]  
[Address 2]  
[City / State /Zip]

Re: 60 Day Past Due Notice

Dear [Insert Contact Name]

Our records indicate that your account is now 60 days past due. A statement of outstanding invoices is attached for your records. To keep your account in good standing, payment must be made within 10 days from the date of this letter. If you have any questions or wish to make special arrangements for payment, please contact me at [Insert Number].

[Describe how payments should be made]

Sincerely,

[Insert Name]

Enclosures





**ATTACHMENT B**

STATE OF DELAWARE  
DEPARTMENT OF CORRECTION  
[INSERT BUREAU]  
[INSERT BUDGET UNIT]  
245 MCKEE ROAD  
DOVER, DELAWARE 19904

Telephone: (302) 000-0000  
Fax: (302) 000-0000

[Insert Current Date]

[Insert Customer Name]  
[Address]  
[Address 2]  
[City / State /Zip]

Re: 90 Day Past Due Notice

Dear [Insert Contact Name]

Our records indicate that your account is now 90 days past due. A statement of outstanding invoices is attached for your records. To keep your account in good standing, payment must be made within 10 days from the date of this letter. If you have any questions or wish to make special arrangements for payment, please contact me at [Insert Number].

[Describe how payments should be made]

Sincerely,

[Insert Name]

Enclosures





**ATTACHMENT C**

STATE OF DELAWARE  
DEPARTMENT OF CORRECTION  
[INSERT BUREAU]  
[INSERT BUDGET UNIT]  
245 MCKEE ROAD  
DOVER, DELAWARE 19904

Telephone: (302) 000-0000  
Fax: (302) 000-0000

[Insert Current Date]

[Insert Customer Name]

[Address]

[Address 2]

[City / State / Zip]

Re: 120 Day Past Due Notice (Final Notice)

Dear [Insert Contact Name]

Our records indicate that your account is now 120 days past due. We have made several attempts to reach you, with no response. A final statement of outstanding invoice(s) is attached for your immediate attention. If your payment is not received within five (5) days from the date of this letter, your account may be submitted to the Attorney's General's Office for legal action and/or submitted to a collection agency. Please fulfill your financial obligation immediately.

[Describe how payments should be made]

Sincerely,

[Insert Name]

Enclosures

