

**STAFF REPORT FOR CALENDAR ITEM NO.: 12**  
**FOR THE MEETING OF: December 10, 2020**

**TRANSBAY JOINT POWERS AUTHORITY**

**BRIEF DESCRIPTION:**

Adoption of Board Policy No. 019, Write-Off Policy.

**EXPLANATION:**

During the period of construction of Phase 1 of the Transbay Program, the TJPA had very few receivables. Now that construction of the transit center is complete and operations are underway, the TJPA may determine from time-to-time that certain accounts or items are prudent to record as write-offs in the TJPA's accounting records. A write-off of uncollectible accounts receivable from the TJPA's accounting records does not constitute forgiveness of the debt or gift of public funds.

The proposed Write-Off Policy (Policy), enclosed herewith, sets forth the guidelines and requirements to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. The Policy defines responsibilities for the proper recording and reporting of such transactions.

The Policy would apply to accounts receivables, including retail rent revenue, license agreement revenue, miscellaneous revenues, advertising revenues, sponsorship and event revenues, subrogation revenues, etc. It would also cover obsolete inventory and certain fixed assets no longer in use, if any.

The establishment of this Policy aligns with generally accepted accounting principles and is a recommended best practice by the Government Finance Officers Association (GFOA) in revenue control and fraud management.

**RECOMMENDATION:**

Staff recommends that the Board adopt Board Policy No. 019: Write-Off Policy.

**ENCLOSURES:**

1. Resolution
2. Board Policy No. 019, Write-Off Policy

**TRANSBAY JOINT POWERS AUTHORITY  
BOARD OF DIRECTORS**

**Resolution No. \_\_\_\_\_**

WHEREAS, The Transbay Joint Powers Authority (the "TJPA") is a joint powers agency organized and existing under the laws of the State of California; and

WHEREAS, Pursuant to the Joint Powers Agreement creating the TJPA, dated April 4, 2001 (the "Agreement"), the TJPA has the authority to, among other things, make and enter into contracts; incur debts, liabilities, and obligations; receive, collect, invest and disburse moneys; and exercise all powers necessary and proper to carry out the provisions of the Agreement; and

WHEREAS, TJPA staff recommends that the TJPA adopt a policy setting forth the guidelines and requirements to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible; now, therefore, be it

RESOLVED, That the TJPA Board of Directors adopts the Write-Off Policy identified as Board Policy No. 019 in the form presented herewith.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of December 10, 2020.

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Interim Secretary, Transbay Joint Powers Authority

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# TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 019

Category: Financial Matters

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## WRITE-OFF POLICY

### 1. Objectives

The objective of this Policy is to establish guidelines with regard to the Write-Off of certain transactions and to define responsibilities for the proper recording and reporting of such transactions.

### 2. Authority

The Finance Department has primary responsibility for the monitoring, processing, and reporting of Write-Offs.

### 3. Definitions

- **General Ledger** means the Chart of Accounts utilized to record the TJPA's assets and liabilities.
- **Journal Voucher** means the physical document prepared to record the Write-Off transaction into the General Ledger.
- **Reserve** means a funds set aside for doubtful accounts based on review of receivables.
- **Write-Off** means the elimination of an item (debit/credit) from an account that is deemed uncollectible.
- **Collection Procedures** means the procedures and practices developed by the Chief Financial Officer, in its discretion and consistent with federal and state law regulating the collection of debts, and employed by the agency to monitor debts and collect from accounts. Such procedures may be updated periodically.

### 4. Terms and Conditions

#### A. Designation of an Account as Uncollectible

An account may be considered uncollectible if, after the appropriate Collection Procedures have been followed, it meets one or more of the following criteria:

- The debt is disputed and cannot be substantiated by evidence or is legally without merit;
- The cost of further collection efforts will exceed the estimated recovery amount;
- The debt is under \$20 and remains delinquent for over two years;
- The debtor cannot be located, nor any of the debtor's assets;
- The debtor has no assets and there is no expectation it will have any in the future;
- The debtor has died and there is no known estate or guarantor;

- The debtor is a company which is no longer in business and for which collection efforts have failed;
- The debt is discharged through legal action (e.g., bankruptcy or court judgment);
- The debt has been forgiven through negotiated compromise approved by the TJPA Board or the Executive Director, to the extent such authority has been delegated to it (e.g., settlement agreement or contract amendment in lieu of litigation).

## **B. Staff Review and Monitoring Requirements**

The Collection Procedures shall describe the procedures and practices for managing agency resources and monitoring delinquent accounts. At a minimum, the Collection Procedures shall require the Finance Department, under the supervision of the Chief Financial Officer, to regularly review accounts receivable, subrogation receivables, obsolete inventory, and fixed assets. On an annual basis, or more often as necessary, accounts receivable, subrogation receivables, obsolete inventory and fixed assets will be reviewed for determination of items qualifying as uncollectible and eligible for Write-Off. A detailed report shall be presented to the Chief Financial Officer upon completion of the review. Items deemed appropriate for Write-Off will be offset with use of Reserves for doubtful accounts and recorded by Journal Voucher.

## **C. Appropriate Transactions for Write-Off**

The following items are appropriate for Write-Off, provided these transactions have been researched, documented per subsection E, and reconciled:

- Aged accounts receivable (>180 days) deemed uncollectible.
- Subrogation receivables (>180 days) deemed uncollectible.
- Obsolete inventory where sale proceeds are less than book value.
- 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 5010.1E).

## **D. Authorization/Approval**

1. Items that are determined to be Written Off with a value of less than or equal to \$10,000 per account shall exhibit the following authorizations:
  - Finance Manager
  - Chief Financial Officer
2. Items that are determined to be Written Off with a value greater than \$10,000 and less than or equal to \$100,000 per account shall exhibit the following authorizations:
  - Finance Manager
  - Chief Financial Officer
  - Executive Director
3. Items that are determined to be Written Off with a value greater than \$100,000 per account shall exhibit the following authorizations:
  - Finance Manager
  - Chief Financial Officer
  - Executive Director
  - Board of Directors

## **E. Documentation Requirements**

1. All items deemed to be Written Off must be fully documented and demonstrate how the item satisfies the Write-Off criteria in subsection C above and the uncollectible determination in subsection A above, as applicable.
2. Levels of effort in record keeping and collection must be commensurate with collection value. In general, however, the documentation would be expected to 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
  - Reconciliation report and detail support copies

## **5. Reporting**

The Chief Financial Officer will provide an annual report accompanying the Annual Financial Statements to the TJPA Board.