

Outstanding Debt Work Group  
June 30, 2016

**Prior Report - Comptroller's Office Recommendations**

2. That the City Comptroller and City Treasurer develop a revenue collection policy for miscellaneous accounts receivable.

**Status:** City departments use the FMIS billing system for miscellaneous accounts receivables with a standard due date of 30 days after the invoice date. Dunning letters are generated by FMIS (see attached examples). The first dunning letter is sent out by the Treasurer when the invoices reaches 30 days past due. The second dunning letter is sent out 30 days after the first collection letter. After 90 days, an electronic copy of past-due account information is sent to the collection agency.

3. That the City Comptroller and City Treasurer work to implement late payment fines, if appropriate.

**Status:** Currently, fines are not charged on overdue invoices. In 2008, a task force reviewed overdue invoice collection policies and recommended that a 1.5% interest per month fine should be charged on all invoices processed through FMIS. A Council resolution is required to institute such a policy.

4. That the Comptroller's Office provide reports analyzing delinquent outstanding debt annually to the Common Council.

**Status:** The 2015 Outstanding Receivables Report (discussed during the June 16<sup>th</sup> ODWG meeting) was presented to the Council in September 14, 2015 (CC file no. 150426). A draft 2016 Outstanding Receivables Report, to be discussed at the June 30<sup>th</sup> ODWG (see attached), will be presented to the Council in July.

5. That the Comptroller's Office and the City Attorney work together to develop a policy in regards to writing off the debt that does not fall within the statute of limitations. These write-offs should be disclosed in the report cited in recommendation #4 once this policy is ratified by the Common Council.

**Status:** The cancellation process is defined by Ordinance 304-3, Adjustment of City Claims (see attached) and is summarized below.

- Department certifies to Comptroller that account is uncollectible
- Certification must be approved by City Attorney
- After City Attorney's approval, Comptroller writes off account
- If the cancellation amount is greater than \$5,000, Common Council approval is needed to write off the account.

Regarding the second part of the recommendation, write-offs are reported on page 6 of the Comptroller's 2016 Outstanding Receivables Report (attached).

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6. That the Comptroller's Office work with other departments to investigate the increased use of standard costs.

**Status:** Currently, DPW uses standard costs for tree damage and signage replacement. Other DPW billings for accident damage are billed using actual labor and materials.

**Aldermanic Requests**

- Alderman Kovac requested that the Comptroller's Office add prior year ALS data to the Outstanding Receivables report. The 2015 report only shows ALS data for 2013 and 2014.

**Status:** The 2016 report includes ALS data for 2011 – 2015 (see page 3 of attached report).

**Other**

- Chief Riegg discussed the potential certification and submittal of overdue accounts to the TRIP program. He stated that the Comptroller's Office performed an analysis that the City's cost to certify debt was higher than the cost to have H&H certify.

**Status:** File 151498 would authorize the City to create TRIP accounts for third-party ambulance providers (e.g. Bell, Paratech, etc.). The analysis referred to by Chief Riegg relates to the cost of submitting unpaid BLS, not ALS, invoices to TRIP for collection. Third-party BLS services are not a receivable of the City.

**CHAPTER 304  
FINANCE**

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**304-1. Duties of Comptroller. 1.** It shall be the duty of the comptroller to exercise control over the financial concerns of the city and to prescribe the forms for the methods of keeping and rendering all city accounts.

**2.** The city comptroller shall, on January 25th of each year, adjust and close all the city's accounts for the year ending on the 31st day of December of the preceding calendar year, and submit to the common council with his annual report a copy of the trial balance of his books at said date.

**3.** He shall, on or before January 24th of each year, audit and charge the proper funds with all bills of the previous calendar year which may be submitted to him and it is made the duty of

### 304-3 Finance

each and every officer, clerk and employe of the city to procure and present to the city comptroller all claims of any nature for the previous calendar year appertaining to his department or office, and also all credits which may be due any of the funds of the city.

4. He shall keep separate and distinct accounts of all funds held in trust and certificates issued by the city, and separate and distinct accounts for the purposes for which bonds are issued, and distinct and properly classified accounts of all the city's business.

5. The city comptroller shall submit a written annual report to the common council analyzing delinquent outstanding debt.

**304-3. Adjustment of City Claims. 1. CANCELLATION, ETC.** a. Any department which is required to demand or obtain payment of a claim or an account in favor of the city and against any person, firm, corporation or association, upon receipt of advice of the city attorney that such claim or account cannot be collected in whole or in part, or that the enforcement of the collection of such claim or account would be reasonably improbable, or may lead to expense to the city in excess of that which the city may recover through litigation, the head of such department or duly authorized representative may certify to the comptroller on forms which he or she shall provide as to the noncollectibility of such claim or account, or part of such claim or account, said certification to be approved by the city attorney prior to the submission to the city comptroller, and the comptroller shall thereupon issue a written order either cancelling or adjusting such claim or account, as the case may be, on the books or records of the comptroller's department; provided, however, that the amount of the cancellation or adjustment shall not exceed the sum of \$5,000. On all cancellations or adjustments in excess of \$5,000, except as otherwise provided herein, common council action approving the cancellation or adjustment is required before they may be recorded on the books or records of the comptroller's office.

b. Notwithstanding the provisions of par. a, the city attorney, with the advice of the city comptroller, may, from time to time, establish a de minimus amount whereby the balance remaining on an invoice after payment, or an amount received on an invoice greater than the amount due, or amounts remaining uncollected as a result of an approved settlement, may be automatically adjusted without further approval or review through either an automated or manual process. The related short or over adjustment will

be applied to a city account as deemed appropriate by the city comptroller.

c. The head of a department may certify to the comptroller that a claim or account has been issued in error or improperly billed for purpose of cancellation or adjustment of the claim, provided the comptroller is advised that where the claim or account was improperly billed it has been rebilled properly with the further proviso that it is unnecessary to secure the approval of the city attorney. This cancellation or adjustment shall have no limitation as to amount.

2. **COMPTROLLER TO PREPARE FORMS.** The comptroller shall prepare all forms used by departments in complying with sub. 1 and shall prepare and order the cancellation or adjustment of such claim or account. He shall furnish to the city attorney and the head of the department seeking the cancellation or adjustment of such claim or account, a copy of said order.

3. **REPORT TO COUNCIL.** The comptroller shall submit to the common council, on or before March 31, an annual report listing all cancellations or adjustments as certified to the office of the comptroller by any department of the city

**304-5. Liability Insurance. 1. ADMINISTERED BY COMPTROLLER.** The office of comptroller is charged with the responsibility of supervising and controlling the purchase of insurance to cover the city's liability for acts growing out of municipal operations and also such coverage which shall generally apply to the insurance of city property. The authority vested in the office of comptroller with respect to such supervision and control over the insurance program shall not include health or hospital insurance, social security insurance, workmen's compensation insurance, group life insurance, title insurance or temporary insurance on property purchased by the city and being managed by the department of city development, it being the intention that all other fields of insurance purchased by the city shall come under the supervision and control of the office of comptroller.

2. **COMMON COUNCIL CONTROL.** All insurance purchased under the provisions of this section, with the exception of insurance available from the state insurance fund, as provided for in chs. 604 and 605, Wis. Stats., shall be purchased through the central board of purchases on specifications furnished by the office of the city comptroller, and the insurance consultant if necessary, unless the common council authorizes by resolution another procedure for a specific purchase; provided that the following types of purchases of insurance shall be the only types of



Dept of Public Works, City of Milwaukee Invoice  
 Miscellaneous Accounts Receivable  
 Goods, Services or Damages

FORM CT-215

Page: 1  
 Invoice No: 5140000312  
 Invoice Date: 05/08/2008  
 Customer Number: 000577  
 Payment Terms: 30 Days  
 Due Date: 06/07/2008

Bill To:

WAYNE A BERGMANN  
 3835 S 75 ST  
 MILWAUKEE WI 53220

For billing questions, please call 414-286-8282 DPW Call Center Invoice No: 5140000312

| Line | Adj | Identifier | Description | Quantity | UOM | Unit Amt | Net Amount |
|------|-----|------------|-------------|----------|-----|----------|------------|
|------|-----|------------|-------------|----------|-----|----------|------------|

This duplicate invoice requires your immediate attention.

This City of Milwaukee Accounts Receivable Invoice has yet to be paid.  
 Please remit your payment to the City Treasurer within the next thirty days to  
 avoid further collection action.  
 If you have any questions about the invoice, please call the billing authority  
 at the number above.

|   |  |          |                  |      |    |        |          |
|---|--|----------|------------------|------|----|--------|----------|
| 1 |  | LABOR    | Labor            | 1.00 |    |        | 426.11   |
| 2 |  | LABOR2   | Additional Labor | 1.00 |    | 308.13 | 308.13   |
| 3 |  | MATERIAL | Material         | 1.00 |    |        | 1,467.31 |
| 4 |  | P EQUIP  | EQUIPMENT        | 1.00 | EA | 30.00  | 30.00    |

**DETACH HERE AND RETURN BOTTOM COUPON WITH YOUR PAYMENT IN THE ENVELOPE PROVIDED**

Please Remit To:  
 City Treasurer  
 City of Milwaukee  
 Box 514062  
 Milwaukee, WI 53203-3462

Invoice No: 5140000312  
 Invoice Date: 05/08/2008  
 Customer Number: 000577  
 Payment Terms: 30 Days  
 Due Date: 06/07/2008

Bill To:

AMOUNT DUE: \$ 2,231.55 USD

WAYNE A BERGMANN  
 3835 S 75 ST  
 MILWAUKEE WI 53220

Please return this coupon with payment

TEST

Dept of Public Works, City of Milwaukee Invoice  
 Miscellaneous Accounts Receivable  
 Goods, Services or Damages

FORM CT-215



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| Line | Adj | Identifier | Description | Quantity | UOM | Unit Amt | Net Amount |
|------|-----|------------|-------------|----------|-----|----------|------------|
|------|-----|------------|-------------|----------|-----|----------|------------|

This City of Milwaukee Accounts Receivable Invoice is past due and must be paid!

**FAILURE TO REMIT YOUR PAYMENT TO THE CITY TREASURER WITHIN THE NEXT THIRTY DAYS WILL RESULT IN YOUR PAST DUE ACCOUNTS BEING REFERRED TO THE CITY OF MILWAUKEE COLLECTION AGENT, THE KOHN LAW FIRM, FOR FURTHER COLLECTION ACTION, WHICH MAY INCLUDE LEGAL ACTION.**

If you have any questions about the invoice, please call the Billing Authority at the phone number above.

|   |  |          |                  |      |    |        |          |
|---|--|----------|------------------|------|----|--------|----------|
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Bill To:

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WAYNE A BERGMANN  
 3835 S 75 ST  
 MILWAUKEE WI 53220

Please return this coupon with payment

TEST

**City of Milwaukee**  
**Outstanding Receivables Report**

**DRAFT**



**Martin Matson**  
**Comptroller**

**June 2016**

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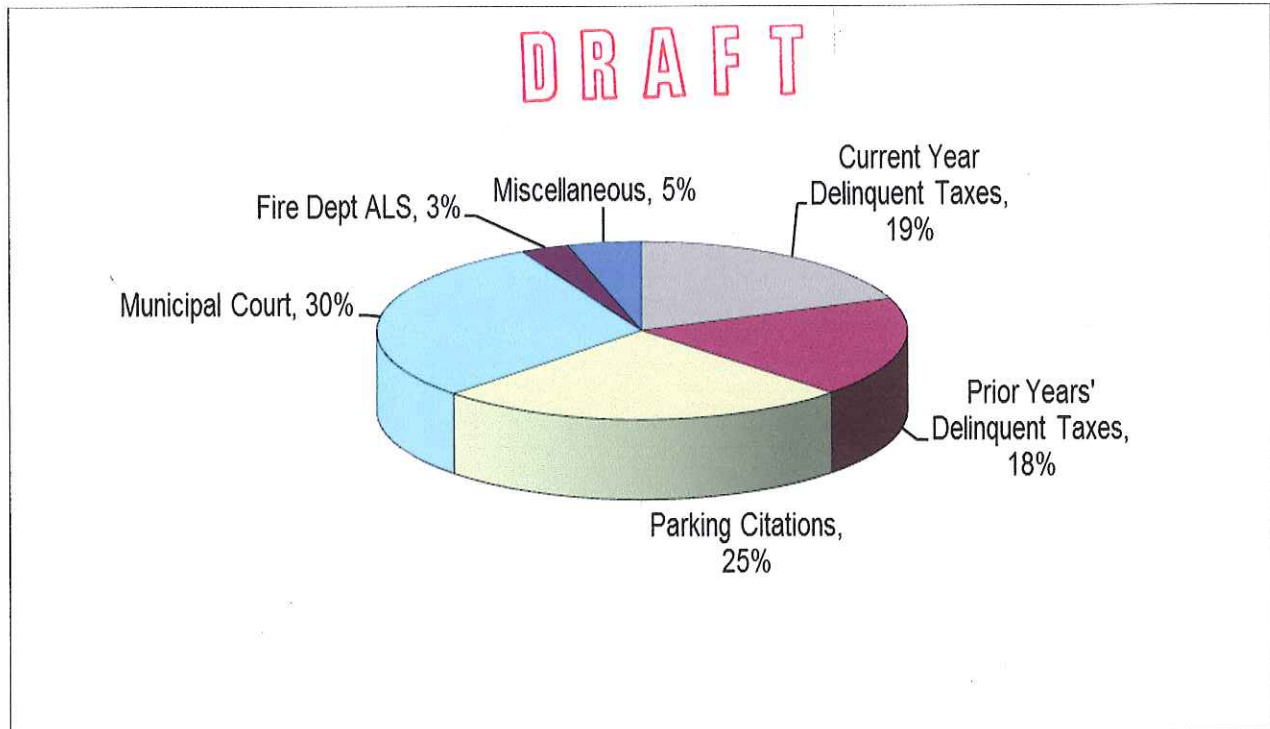
## **Introduction**

The Comptroller's 2016 Report on Outstanding Receivables as of December 31, 2015, (unaudited) is being issued as required by Ordinances 304-3-3 and 304-1-5. Ordinance 304-1-5 requires the Comptroller to submit an annual report analyzing delinquent outstanding debt. Sections II through V of this report provide summary information on City outstanding receivables including Delinquent Taxes, Parking Fund Citations, Municipal Court Judgments, Miscellaneous Accounts Receivable, and the Fire Department Advanced Life Support (ALS) Billings.

Ordinance 304-3-3 requires the Comptroller to submit an annual report listing all cancellations and adjustments of City claims. Section VI of this report presents account cancellations and adjustments for 2015.

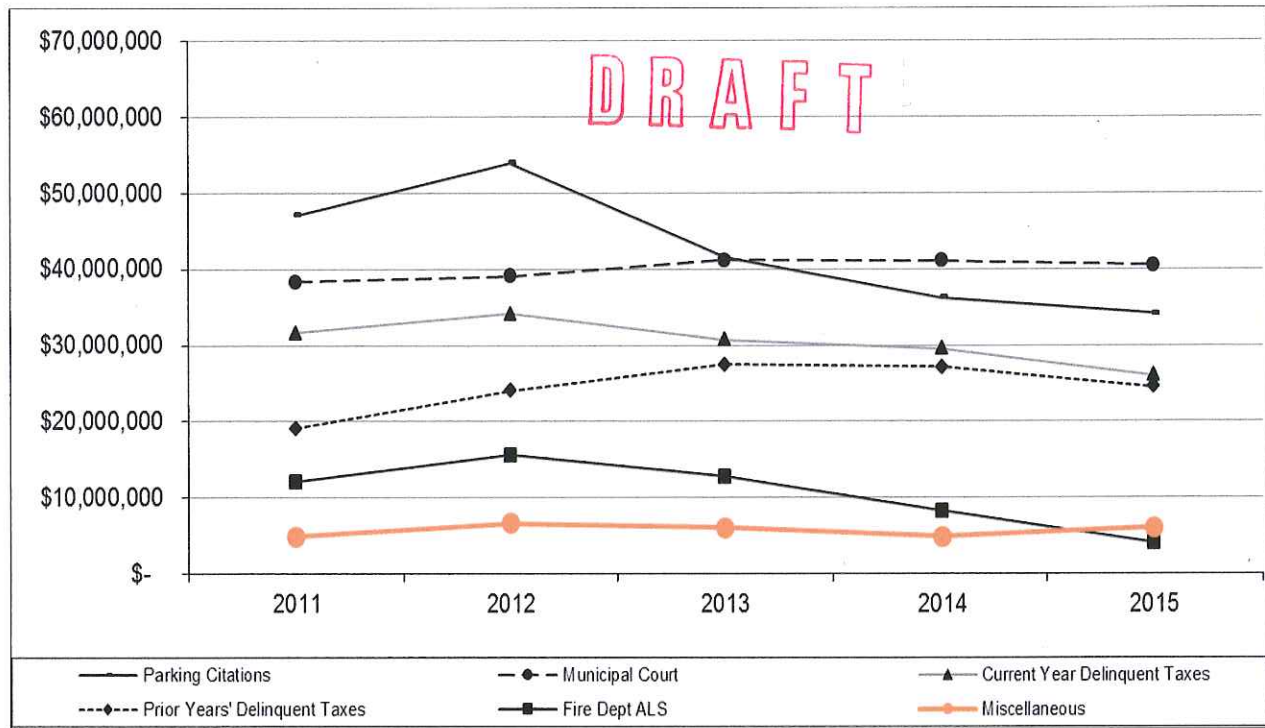
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## Outstanding Receivables as of December 31, 2015



Outstanding receivables for the City of Milwaukee as of December 31, 2015, total \$135.5 million. The largest category of outstanding receivables is Delinquent Taxes, totaling 37%. Current Year Delinquent Taxes (2014 taxes for 2015 purposes) account for 19% of this total, while Prior Years' Delinquent Taxes (2013 taxes and prior) total 18%. Municipal Court outstanding judgments and Parking Citations are the next largest categories, 30% and 25% respectively. Miscellaneous Accounts Receivable totals 5% while Fire Department Advanced Life Support (ALS) Billings is the smallest category totalling 3%.

## Outstanding Receivables at Year End 2011 – 2015



|                                      | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Parking Citations</b>             | <b>\$ 47,150,000</b>  | <b>\$ 53,965,000</b>  | <b>\$ 41,537,000</b>  | <b>\$ 36,252,000</b>  | <b>\$ 34,139,000</b>  |
| <b>Municipal Court</b>               | <b>38,319,000</b>     | <b>39,101,000</b>     | <b>41,186,000</b>     | <b>41,131,000</b>     | <b>40,556,000</b>     |
| <b>Current Year Delinquent Taxes</b> | <b>31,590,000</b>     | <b>34,146,000</b>     | <b>30,717,000</b>     | <b>29,548,000</b>     | <b>26,096,000</b>     |
| <b>Prior Years' Delinquent Taxes</b> | <b>19,080,000</b>     | <b>24,081,000</b>     | <b>27,489,000</b>     | <b>27,156,000</b>     | <b>24,588,000</b>     |
| <b>Fire Department ALS Billings</b>  | <b>12,114,000</b>     | <b>15,584,000</b>     | <b>12,766,000</b>     | <b>8,267,000</b>      | <b>4,054,000</b>      |
| <b>Miscellaneous</b>                 | <b>4,878,000</b>      | <b>6,622,000</b>      | <b>6,058,000</b>      | <b>4,909,000</b>      | <b>6,115,000</b>      |
| <b>Total</b>                         | <b>\$ 153,131,000</b> | <b>\$ 173,499,000</b> | <b>\$ 159,753,000</b> | <b>\$ 147,263,000</b> | <b>\$ 135,548,000</b> |

Outstanding receivables, by category from 2011 through 2015, are shown in the chart and table above. Total 2015 receivables decreased \$11.7 million compared to 2014.

Prior years' delinquent taxes decreased \$2.6 million from 2014 to 2015 and this category has been on a continual decline since 2012. Current year delinquent taxes also continues to decline, decreasing \$3.5 million in 2015 compared to 2014.

Municipal Court receivables decreased \$575,000 from 2014 to 2015.

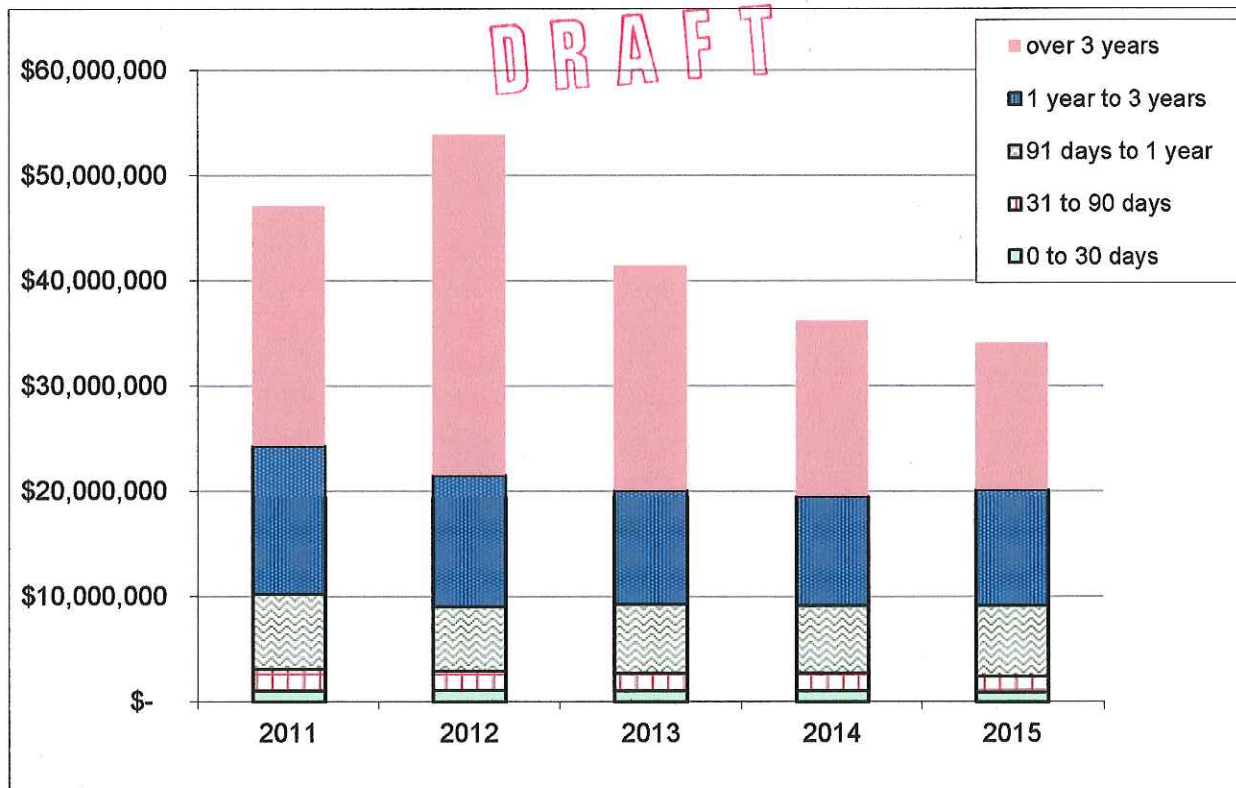
Parking citations decreased from \$47.1 million in 2011 to \$34.1 million in 2015, a \$13 million drop. This reduction is due mostly to the write-off of uncollectible receivables along with the use of the State Tax Refund Intercept Program (TRIP). Outstanding 2015 parking citations, decreased \$2.1 million compared to 2014.

The balance of Fire Department ALS billings decreased \$4.2 million, from \$8.3 million in 2014 to \$4.1 million in 2015.

Miscellaneous accounts receivable, which includes billings from various general city departments, increased 24.5% from \$4.9 million in 2014 to \$6.1 million in 2015. This \$1.2 million increase is comprised mainly of increases of \$1.9 million and \$704,000 in DPW and Port receivables, respectively, along with a decrease of \$1.6 million in Police receivables.

The Parking Fund writes off delinquencies that are six years or older, due to the statute of limitations rendering these uncollectible. Miscellaneous receivables and tax delinquencies of \$5,000 or more may be cancelled or adjusted through Common Council action. An interdepartmental process is followed for delinquencies less than \$5,000. Municipal Court judgments are settled either through cash fines, jail time or community service. Judgments that are at least seven years old, and meet City Attorney criteria, may be written off pursuant to Common Council resolution authorizing such write-offs.

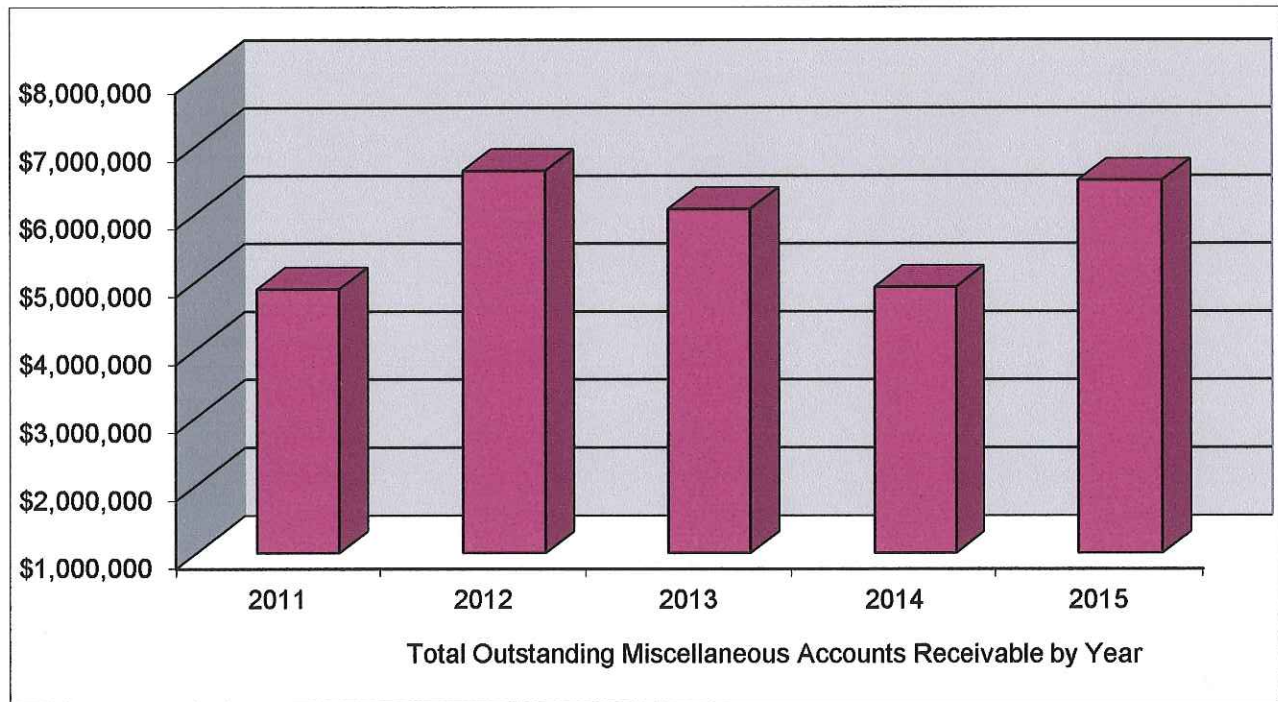
### Parking Citation Receivables Aging



The chart above shows the aging of parking citation outstanding receivables from 2011 to 2015. Of the current outstanding balance, \$24.6 million or 74%, has been outstanding for one year or longer.

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## Outstanding Miscellaneous Accounts Receivable



|                        | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         |
|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| City Clerk             | \$ 1,000            | \$ 28,000           | \$ 66,000           | \$ 28,000           | \$ 27,000           |
| City Attorney          | -                   | -                   | 137,000             | 48,000              | 124,000             |
| City Development       | 297,000             | 297,000             | 29,000              | 30,000              | 8,000               |
| Comptroller            | 255,000             | 268,000             | 311,000             | 270,000             | 269,000             |
| Employee Relations     | 443,000             | 1,835,000           | 565,000             | 261,000             | 535,000             |
| Dept of Administration | 23,000              | 23,000              | 218,000             | 159,000             | 123,000             |
| Fire Department        | 48,000              | 112,000             | 73,000              | 196,000             | 223,000             |
| Health Department      | 89,000              | 60,000              | 45,000              | 53,000              | 32,000              |
| Police Department*     | 1,641,000           | 1,641,000           | 1,641,000           | 1,641,000           | 5,000               |
| Port of Milwaukee      | 929,000             | 838,000             | 800,000             | 709,000             | 1,413,000           |
| Public Works           | 1,152,000           | 1,508,000           | 2,166,000           | 1,498,000           | 3,353,000           |
| Treasurer              | -                   | 12,000              | 7,000               | 16,000              | 3,000               |
| <b>TOTAL</b>           | <b>\$ 4,878,000</b> | <b>\$ 6,622,000</b> | <b>\$ 6,058,000</b> | <b>\$ 4,909,000</b> | <b>\$ 6,115,000</b> |

\* \$1.636 million of the Police Department receivable was written off through Council resolution #141792 adopted 3-31-15.

The above chart and table show the change in outstanding miscellaneous accounts receivable by year for various City departments. Miscellaneous accounts receivable includes a variety of billings, such as damages to City property, leasing of City property, and employee health care costs to non-City agencies such as the Wisconsin Center District. In total, the year-end balance for outstanding miscellaneous receivables increased \$1.2 million, or 25%, from 2011 to 2015.

## Cancellations and Adjustments for 2015

|                  | <u>Uncollectible</u> | <u>Billing Error</u> | <u>Rebilled</u>   | <u>Total</u>        |
|------------------|----------------------|----------------------|-------------------|---------------------|
| <b>DPW</b>       | \$ 269,835           | \$ 7,979             | \$ 289,148        | \$ 566,962          |
| <b>Fire</b>      | 2,544                | -                    | -                 | 2,544               |
| <b>Health</b>    | 7,895                | 41                   | 10,345            | 18,281              |
| <b>Parking</b>   | -                    | 210                  | -                 | 210                 |
| <b>Police</b>    | 1,636,278            | -                    | -                 | 1,636,278           |
| <b>Port</b>      | 30,959               | 20,829               | 13,645            | 65,433              |
| <b>Treasurer</b> | -                    | 12,454               | -                 | 12,454              |
| <b>Totals</b>    | <u>\$ 1,947,511</u>  | <u>\$ 41,513</u>     | <u>\$ 313,138</u> | <u>\$ 2,302,162</u> |

Cancellations can be grouped into three categories; uncollectible, billing errors and rebilled. Accounts deemed uncollectible are due to bankruptcy, the cost of litigation exceeding the balance, attainment of a judgment, settlements and the account is over 7 years old. Billing errors include wrong amount billed, incorrect responsible party and payment made in full prior to issuance of invoice. Rebilled invoices are due to incorrect amount charged, wrong customer billed, incorrect project number on invoice and charges placed on the tax roll.

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