

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
October 17, 2017

To: Board of Supervisors

From: Department of Finance

Subject: Relief Of Accountability For Uncollectible Accounts For The Department Of Revenue Recovery In The Amount Of \$1,104,829.42 (Period Covering January 1, 2016 To December 31, 2016)

Supervisory
District(s): All

Contacts: Connie Ahmed, Department of Revenue Recovery, 875-7855
(Questions relating to the request for relief of accountability)

Alan A. Matré, Department of Finance, 874-7259
(Questions relating to the review of the request)

Overview

The Department of Revenue Recovery (DRR) requests relief of accountability for uncollectible accounts (ATT 1). DRR is authorized by Resolution No. 99-0158 to write-off account receivables that meet specific criteria, as outlined in the resolution. The Department of Finance reviewed DRR's relief of accountability for uncollectible accounts and finds the receivables appropriate for write-off. Relief of accountability does not eliminate the debt. DRR may reactivate an account if a debtor is located, receives a new charge, or receives a payment.

Recommendation

Approve the attached request for relief of accountability from DRR for uncollectible account receivables and compromise adjustments totaling \$1,104,829.42 (ATT 2) for the period January 1, 2016 to December 31, 2016.

Measures/Evaluation

Not Applicable.

Fiscal Impact

The net fiscal impact to the County is an uncertain loss of revenue from the receivables that are being written-off or adjusted due to compromise settlements. Due to the fact that the realization of the revenues was always doubtful, they have never been "accrued" in the County's official account receivables. The County's estimated General Fund share of the receivables is approximately 49.12% or \$542,654.65 for the period January 1, 2016 to December 31, 2016. Granting relief of accountability does not eliminate debt for written-off amounts. DRR may reactivate a "bad debt" account if a debtor is located.

BACKGROUND

DRR is authorized by Resolution No. 99-0158 to write-off account receivables that meet specific criteria, as outlined in the resolution. The Department of Finance reviews these accounts for propriety prior to DRR writing them off. Department of Finance staff completed this review and finds the receivables appropriate for write-off. Resolution No. 99-0158 specifies that relief of accountability for any individual account (debt) with outstanding balances shall be approved by the Board of Supervisors. The County Executive shall present debt to be discharged by the Board of Supervisors periodically. The Board last approved DRR accounts receivable losses on June 8, 2016, for the periods January 1, 2015 to June 30, 2015 and July 1, 2015 to December 31, 2015.

DISCUSSION

Attached is the request from DRR for relief of accountability for account receivables and compromise adjustments in the amount of \$1,104,829.42 for the period of January 1, 2016 to December 31, 2016. Of the total requested for relief, \$154,825.90 (approximately 14.01%) involves compromise settlements and/or adjustments. This amount includes \$32,210.81 (2.92%) for medical-lien settlements on Medically Indigent Program cases, where the amount recovered by a patient from a third-party personal injury lawsuit was insufficient to repay medical costs completely. Recoveries on personal injury lawsuits are often insufficient to cover full medical costs due to inadequate or non-existing liability insurance coverage carried by third parties.

The remaining \$950,003.52 (approximately 85.99%) is for bad debts caused by the death of the debtor without the ability to collect from the debtor's estate. Or, the debt is legally uncollectible byway of court ordered discharge (including bankruptcy) or statute of limitations.

Relief of accountability does not eliminate the debt. DRR may reactivate an account if a debtor is located, receives a new charge or receives a payment.

Also attached is the Department of Finance's Internal Audits staff report (ATT 3) for this request. The results of the review confirmed that the circumstances related to the loss have been properly reported and reviewed as required by Volume IV, Chapter VII of the County's Accounting System and Procedure Manual. The results of that review did not indicate evidence of fraud or gross negligence on the part of County management.

FINANCIAL ANALYSIS

The net fiscal impact to the County is an uncertain loss of revenue from the receivables that are being written-off or adjusted due to compromise settlements. Due to the fact that the realization of the revenues from these receivables was always doubtful, they have never been "accrued" in the County's official account receivables. The County's estimated General Fund share of the receivables is approximately 49.12% or \$542,654.65. Granting relief of accountability does not eliminate debt for written-off amounts. DRR may reactivate a "bad debt" account if a debtor is located.

Relief Of Accountability For Uncollectible Accounts For The Department Of Revenue Recovery In The Amount Of \$1,104,829.42 (Period Covering January 1, 2016 To December 31, 2016)

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Respectfully submitted,

BEN LAMERA, Director
Department of Finance

APPROVED:
NAVDEEP S. GILL
County Executive

By: _____
DAVID VILLANUEVA,
Deputy County Executive

Attachments:

- ATT 1 - Department of Revenue Recovery's Request for Relief of Accountability Memorandum – January 1, 2016 to December 31, 2016
- ATT 2 - Department of Revenue Recovery's Request for Relief of Accountability – January 1, 2016 to December 31, 2016 in the amount of \$1,104,829.42
- ATT 3 - Department of Finance, Auditor-Controller Division, Internal Audit's Staff Report – January 1, 2016 to December 31, 2016

COUNTY OF SACRAMENTO

Inter-Department Correspondence

Date: February 08, 2017

To: Ben Lamera
Director of Finance

From: Connie Ahmed
Director of Revenue Recovery

Subject: REQUEST FOR RELIEF OF ACCOUNTABILITY:
Department of Revenue Recovery's Uncollectible Accounts
(January 1, 2016 to December 31, 2016)

Recommendation

That you submit to the Board of Supervisors for approval, the request for relief of accountability from the Department of Revenue Recovery (DRR) for uncollectible accounts receivable and compromise adjustments totaling \$1,104,829.42 for the following period:

January 1, 2016 to December 31, 2016

Background

The last request for relief of accountability submitted for DRR covered the period July 1, 2015 to December 31, 2015. This request covers the period from January 1, 2016 to December 31, 2016 and includes the anticipated write-off of old uncollected revenue from Code Enforcement.

As part of the transfer of responsibility for the billing of Code Enforcement fees to DRR in July 2015, the closeout of roughly \$3.8 million in uncollected revenue was transferred to DRR. In the March 22, 2016 Second Quarter Budget Status Report to the Board of Supervisors, the County's Chief Financial Officer advised the Board that these amounts would need to be written off as part of the Code Enforcement effort to more realistically account for citation and other revenue. Of the \$3.8 million, DRR has collected \$1.1 million, wrote-off \$1.1 million (including over \$500,000 in this submittal), and the remaining \$1.6 million is currently deemed collectable over time, or may become uncollectable due to bankruptcy, death, or other reasons. Those amounts will be submitted for Relief of Accountability in accordance with established criteria.

Discussion

The Board of supervisors has established the following general criteria for relief of accountability:

1. Deceased, No Estate. There is no way to collect on these accounts.
2. Legally Uncollectible. This includes debts discharged by court order including bankruptcy discharge, debts where statute of limitations to

enforce collection has expired or where the corporation is suspended by the Secretary of State or otherwise defunct.

3. Compromise Adjustment. Factors that support compromise adjustment include the financial condition of the debtor, his/her estate or responsible relative; or, in such circumstances where the material facts surrounding the occurrence of the debt indicate inappropriate or inequitable charges for services rendered; or, when such compromise is in the best interest of the County.
4. Uneconomical to Pursue. Several factors influence this determination including: the balance owed, if court action is required and/or residency outside of California. In some cases the write-off is done at the request of a customer department.

This request for relief of accountability covers the period beginning January 1, 2016 to December 31, 2016.

Of the \$1,104,829.42 write off total:

- 16.37% (\$180,812.78) were removed due to debtor being deceased
- 9.42% (\$104,069.83) were due to Legally Uncollectible
- 14.01% (\$154,825.90) due to Compromise Adjustment
- 60.20% (\$665,120.91) in the category Uneconomical to Pursue.

Of the \$1,104,829.42 write off total:

- 50.88% (\$562,174.77) is Non-General Fund
- 49.12% (\$542,654.65) is General Fund

Conclusion

At this time, these uncollectible charges and compromise adjustments for the period January 1, 2016 to December 31, 2016 reported above require relief of accountability.

Questions

Any questions regarding this relief of accountability request, please contact Melina Turpin, Assistant Director DRR, at 875-0022.

Respectfully submitted,



Connie Ahmed

Director of Revenue Recovery

COUNTY OF SACRAMENTO
Department of Finance
Request for Relief of Accountability

1	To: Ben Lamera Director of Finance		
2	From: Connie Ahmed - Director Department of Revenue Recovery	CA	Date: February 8, 2017
3	Subject: REQUEST FOR RELIEF OF ACCOUNTABILITY		
4	We are requesting Relief of Accountability for the assets listed below: <input type="checkbox"/> Cash (ignore Items 6a and 6c) <input type="checkbox"/> Fixed Asset - Equipment (book value is \$10,000 and under) <input type="checkbox"/> Controlled Equipment (Inventoriable non-fixed asset)		
5	in the amount of: \$1,104,829.42		

6 Background Information		
6a County identification tag number: N/A	6b Date the asset was lost, stolen, or discovered missing: N/A	6c Cost and net book value of asset: N/A
6d Detailed description of missing asset(s): Uncollectible Accounts Receivable – from 01/01/2016 to 12/31/2016		
6e Unit or location where asset was assigned when discovered missing: N/A		

COUNTY OF SACRAMENTO
Department of Finance
Request for Relief of Accountability

7 Circumstances Surrounding the Loss	
7a Name, title, and department of person reporting the loss: <p style="text-align: center;">Connie Ahmed Director Department of Revenue Recovery</p>	7b Name(s) and telephone numbers of person(s) responsible for control of the asset(s) missing: <p style="text-align: center;">Connie Ahmed 875 - 7855</p>
7c Detailed description of the loss: <p style="text-align: center;">See Attached</p>	
7d How was the loss discovered? <p style="text-align: center;">Loss occurred in the normal course of events in the business environment</p>	
7e Specify agencies contacted and dates: <p style="text-align: center;">N/A</p>	
8 Detail the existing security measures that should prevent asset losses: <p style="text-align: center;">N/A</p>	
9 Detail security changes set in place after the loss to prevent future losses: <p style="text-align: center;">N/A</p>	
10 Contact person(s) and telephone number(s) <p style="text-align: center;">Connie Ahmed - Director Department of Revenue Recovery Phone: 875-7855</p>	

We understand that the approval of this request for relief of accountability by the Director of Finance does not address the department's appropriations if the item(s) need to be replaced.

REQUEST FOR RELIEF OF ACCOUNTABILITY
Department of Revenue Recovery
January - December 2016

Facility		Deceased		Legally Uncollectible		Compromise Adjustment		Uneconomical to Pursue		Facility Total		GF
Code	Description	Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount	
ACR1	ANIMAL CARE CITATIONS	19	836.00	-	-	-	-	-	-	19	836.00	YES
ACR2	ANIMAL CARE FEES	18	10,050.00	-	-	4	550.00	-	-	22	10,600.00	YES
APT1	AIRPORT RECOVERY - METRO	2	1,655.23	-	-	-	-	-	-	2	1,655.23	NO
CED2	HOUSING CODE ENFORCEMENT	-	-	-	-	-	-	2	920.00	2	920.00	SPLIT
CED3	ZONING ENFORCEMENT	-	-	-	-	-	-	10	5,905.00	10	5,905.00	SPLIT
CED4	VEHICLE ABATEMENT	-	-	-	-	-	-	10	1,883.49	10	1,883.49	SPLIT
CEDA	HOUSING CODE ADMIN FEES	1	62,616.48	-	-	1	18,920.81	12	12,088.40	14	93,625.69	SPLIT
CEDB	ZONING ENFORCEMENT ADMIN FEES	-	-	-	-	1	1,500.00	5	20,816.40	6	22,316.40	SPLIT
CEDJ	IT RECOVERY FEE - CED2	-	-	-	-	-	-	10	313.00	10	313.00	SPLIT
CEDK	IT RECOVERY FEE - CED3	-	-	-	-	-	-	19	854.35	19	854.35	SPLIT
CUB1	CONSOLIDATED UTILITY BILLING RECOVERY	17	6,325.62	36	10,716.39	4	455.75	-	-	57	17,497.76	NO
DCD2	CODE - HOUSING CODE	43	8,460.84	-	-	-	-	43	12,763.95	86	21,224.79	SPLIT
DCD3	CODE - ZONING CODE	36	11,179.34	3	(714.20)	5	1,718.00	155	42,651.38	199	54,834.52	SPLIT
DCD4	CODE - NEIGHBORHOOD LIVABILITY INITIATIVE	2	940.00	-	-	-	-	4	1,475.00	6	2,415.00	SPLIT
DCD5	CODE - RENTAL HOUSING INSPECTION	-	-	-	-	1	119.00	117	26,323.72	118	26,442.72	SPLIT
DCD6	CODE - VEHICLE ABATEMENT	1	335.00	-	-	-	-	10	3,123.55	11	3,458.55	SPLIT
DCDI	CODE - IT RECOVERY FEE	80	993.99	-	-	13	839.91	91	1,665.48	184	3,499.38	SPLIT
DCDN	CODE - NOPEA FEE	10	1,305.00	-	-	-	-	4	1,044.00	14	2,349.00	SPLIT
DCDP	CODE - ADM PENALTY	5	2,800.00	-	-	15	43,789.59	17	109,000.00	37	155,589.59	SPLIT
DCP1	DAMAGE TO COUNTY PROPERTY	2	4,711.48	-	-	-	-	-	-	2	4,711.48	NO
EST1	PENDING GENERAL ASSISTANCE	-	-	1	900.00	-	-	-	-	1	900.00	YES
HAC4	MEDICALLY INDIGENT-SHARE OF COST	63	12,612.01	75	12,200.89	39	3,241.65	2	304.41	179	28,358.96	SPLIT
HAC6	SACRAMENTO COUNTY HEALTH-PRIVATE PAY	13	1,022.96	9	1,022.60	1	21.24	-	-	23	2,066.80	SPLIT
HAC9	IN HOME SOCIAL SERVICE	1	1,785.05	-	-	-	-	-	-	1	1,785.05	SPLIT
JADM	JUVENILE RESTITUTION ADMIN FEE	1	0.80	-	-	-	-	-	-	1	0.80	SPLIT
JDC1	JUVENILE HALL CARE & MAINTENANCE	28	9,187.20	25	6,831.87	-	-	-	-	53	16,019.07	SPLIT
JDC2	BOYS RANCH CARE & MAINTENANCE	2	868.98	8	9,693.09	-	-	-	-	10	10,562.07	SPLIT
JDC8	WETYC (YOUTH CENTER) CARE & MAINTENANCE	-	-	1	3,337.20	-	-	-	-	1	3,337.20	SPLIT
JPD1	JUVENILE PUBLIC DEFENDER-CRIMINAL CASE	17	1,654.00	13	3,230.30	-	-	-	-	30	4,884.30	SPLIT
JPD2	JUVENILE CT APPTD ATTORNEY-CRIMINAL CASE	10	5,525.28	11	4,839.43	-	-	-	-	21	10,364.71	SPLIT
JPF1	JUVENILE PROBATION FEES	13	1,683.61	13	2,495.17	-	-	-	-	26	4,178.78	SPLIT
JPF2	JUVENILE ELECTRONIC MONITORING	13	5,393.00	17	4,430.38	-	-	-	-	30	9,823.38	SPLIT
JPF3	JUVNILE DRUG TESTING FEE	1	20.00	-	-	-	-	-	-	1	20.00	SPLIT
ORR3	PROCESS SERVICE FEES	-	-	1	3.21	-	-	-	-	1	3.21	NO
ORR6	INTEREST	-	-	1	597.36	1	7.00	-	-	2	604.36	NO
ORR7	RESTITUTION ADMINISTRATIVE FEE	70	4,056.84	-	-	5	22.80	-	-	75	4,079.64	NO
ORR8	INSTALLMENT FINE ADM FEE-MUNI COURT	107	4,393.87	-	-	1	(1.34)	1	(35.00)	109	4,357.53	NO
ORRN	NOTARY FEES	-	-	1	8.61	-	-	-	-	1	8.61	NO
ORRP	INSTALLMENT FINE ADM FEE-FORM PROB	35	1,375.77	-	-	3	4.76	3	(20.00)	41	1,360.53	NO
ORRZ	RETURNED CHECK FEE	-	-	2	90.00	1	200.00	4	224.22	7	514.22	NO
PDR1	PUBLIC DEFENDER REIMB(MUNI CT)	18	2,346.23	1	64.00	4	350.21	-	-	23	2,760.44	SPLIT
PDR7	COURT-APPOINTED ATTY (MUNI CT)	1	50.00	1	50.00	1	25.00	-	-	3	125.00	SPLIT
PSR1	PROBATION SUPERVISION FEES	-	-	13	20,023.10	11	4,770.92	1	2,214.00	25	27,008.02	SPLIT
PSR2	PRE-SENTENCE REPORT FEES	-	-	8	4,311.32	5	276.75	-	-	13	4,588.07	SPLIT
PSR3	DIVERSION PROGRAM FEES	2	600.00	-	-	1	(10.32)	-	-	3	589.68	SPLIT
PSR5	PROP 36 PROGRAM FEES	-	-	2	131.95	-	-	-	-	2	131.95	SPLIT
PSR6	COURTESY SUPERVISION	-	-	-	-	1	15.00	-	-	1	15.00	SPLIT
PSR9	PROBATION ADULT DRUG TEST FEES	1	25.00	-	-	-	-	-	-	1	25.00	SPLIT
PWX4	PUBLIC WORKS-BUILDING INSPECTION FEES	3	855.97	5	1,164.33	2	58,567.50	-	-	10	60,587.80	SPLIT
SBFA	BOOKING FEE - UNINCORP. AREA - M.J.	-	-	-	-	11	605.79	-	-	11	605.79	SPLIT
SCH1	RENTAL CODE COMPLIANCE FEE	-	-	-	-	-	-	126	49,121.57	126	49,121.57	SPLIT
SCH2	HOUSING CODE ENFORCEMENT	1	484.10	-	-	-	-	44	45,522.20	45	46,006.30	SPLIT
SCH3	ZONING ENFORCEMENT	6	4,634.13	13	(9,289.89)	3	3,317.97	417	326,640.25	439	325,302.46	SPLIT
WGA1	GENERAL ASSISTANCE REPAYMENT	-	-	-	-	-	-	1	2,936.45	1	2,936.45	YES
WKD0	SHERIFF'S WORK-PROJECT ADMIN FEE	-	-	2	50.00	-	-	1	(25.00)	3	25.00	SPLIT
WKD1	SHERIFF'S WORK-PROGRAM CHARGE	-	-	1	194.73	-	-	1	(36.42)	2	158.31	SPLIT
WKD3	CONFINEMENT COSTS-PROBATIONARY SENTENCE	-	-	3	1,657.81	11	1,805.91	-	-	14	3,463.72	SPLIT
WLX1	CAL-WORKS OVERPAYMENT - 1 Parent	7	4,341.00	9	5,171.00	-	-	1	(2,553.49)	17	6,958.51	SPLIT
WLX7	CAL-WORKS OVERPAYMENT - 1 Parent	18	5,688.00	29	20,859.18	-	-	-	-	47	26,547.18	SPLIT
WLZ5	FOSTER CARE O/P FEDERAL (CAL-WORKS-F/C) - FC 42	-	-	-	-	4	13,712.00	-	-	4	13,712.00	SPLIT
Total		667	180,812.78	304	104,069.83	149	154,825.90	1111	665,120.91	2231	1,104,829.42	

16.37%

9.42%

14.01%

60.20%

		GF
562,174.77	50.88%	NO
542,654.65	49.12%	YES
1,104,829.42		

**COUNTY OF SACRAMENTO
ADMINISTRATIVE SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER**

Intra-Departmental Correspondence

August 21, 2017

To: Ben Lamera
Director of Finance

From: Alan A. Matré, C.P.A.
Chief of Audits



Subject: **RELIEF OF ACCOUNTABILITY FOR UNCOLLECTIBLE
ACCOUNTS RECEIVABLE IN ACCORDANCE WITH BOARD
APPROVED POLICY FOR THE PERIOD JANUARY 1, 2016 TO
DECEMBER 31, 2016**

On February 9, 2017, we were requested by the Department of Revenue Recovery to perform a review of their write-off of uncollectible accounts and compromise adjustments in the amount of \$1,104,829.42 for the period of January 1, 2016 to December 31, 2016. The relief request is summarized as follows:

<u>Relief Period</u>	<u>Fiscal Years</u>	<u>Amount</u>
January 1, 2016 to December 31, 2016	2016 and 2017	\$ 1,104,829.42

Our review was limited to assessing the propriety of these write-offs and compromises by interviewing departmental management concerning the accounting system used, evaluating the criteria used by the department to determine if the unpaid account should be written off, analyzing and documenting internal controls relating to the accounts written-off, and testing on a limited basis, individual write-offs and compromise reports. This review does not constitute an audit of the department.

There were issues noted during our review of DRR's submitted write-offs and compromise adjustments as it relates to supporting documentation and write-off authorization, see Comments and Recommendations in the Attachment on the following page.

Based upon our review, we recommend that relief of accountability be granted for \$1,104,829.42.

COUNTY OF SACRAMENTO
DEPARTMENT OF REVENUE RECOVERY
RELIEF OF ACCOUNTABILITY
COMMENTS AND RECOMMENDATIONS
FOR THE PERIOD OF JANUARY 1, 2016 TO DECEMBER 31, 2016

Write-Off Authorization

Comment

44 of the 88 debtor accounts selected for testing were written-off by non-Department of Revenue Recovery (DRR) employees. DRR requested the Department of Technology (D-Tech) write-off debtor accounts associated with incident request authorization number 176253. Authorized DRR personnel should be performing the task of writing-off debtor accounts. The cause is due to DRR not having the necessary internal controls in place to have its own authorized staff write-off debtor accounts. By not writing off its own debtor accounts, DRR is exposing itself to the risk that accounts could be written-off by non-DRR personnel without knowledge of DRR management.

Recommendation

We recommend only authorized DRR staff write-off debtor amounts.

Write-Off Accounts Lacking Supporting Documentation

Comment

The Department of Revenue Recovery (DRR) was unable to provide supporting documentation for 4 of the 88 debtor accounts selected for write-off testing. DRR should maintain supporting documentation for its debtor accounts. Supporting documentation maintained should be sufficient and consistent with Board Resolution #99-0158 that outlines approved reasons for account write-off and DRR's responsibility for maintaining records. By not maintaining supporting documentation, DRR is unable to substantiate debtor accounts submitted to the Board of Supervisors for write-off approval. DRR is citing the age of the debtor accounts as the contributing cause for not having supporting documentation.

Recommendation

We recommend DRR maintain supporting documentation for all of the debtor accounts that it is responsible for tracking.

COUNTY OF SACRAMENTO
DEPARTMENT OF REVENUE RECOVERY
RELIEF OF ACCOUNTABILITY
COMMENTS AND RECOMMENDATIONS
FOR THE PERIOD OF JANUARY 1, 2016 TO DECEMBER 31, 2016

Supporting Documentation Retention

Comment

DRR was unable to provide supporting documentation for 33 of the 88 debtor accounts selected for testing. Supporting documentation for debtor accounts was obtained from sources external of DRR. DRR should maintain supporting documentation for its debtor accounts that is sufficient and consistent with Board Resolution #99-0158 that outlines approved reasons for account write-off and DRR's responsibilities for maintaining its records. DRR is citing incident request authorization number 176253 and Board resolution numbers 2016-0193 and 2016-0194 (FY 2015-16 Appropriation Budget Request) approved on March 22, 2016 as support for the accounts that were submitted for write-off.

Recommendation

We recommend DRR maintain supporting documentation for all of the debtor accounts that it maintains and adhere to Board Resolution #99-0158.