THE CITY OF NEW YORK

OFFICE OF THE COMPTROLLER

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

DIRECTIVE 21 - REVENUE AND RECEIVABLE MONITORING

INTRODUCTION AND SUMMARY

The City of New York (City) management makes representations (or assertions) when presenting revenues and receivables in the financial statements. These assertions include that the revenues and receivables presented have satisfied the revenue recognition criteria, in accordance with generally accepted accounting principles, for governments as presented in this Directive, that all transactions which should be presented have been included, that the City has the rights to the revenues and receivables presented, that all revenues and receivables have been presented at the appropriate amounts and that revenues and receivables are properly classified. In order to assure that these assertions have been satisfied, a system must be in place to assure reliability of financial reporting, the efficiency of operations, and compliance with applicable laws and regulations.

This Directive establishes the minimum requirements for the presentation of revenues and receivables in the City's financial statements. It outlines and differentiates the recognition criteria of revenues and receivables derived from exchange transactions (charges for service) and from nonexchange transactions (exchanges in which one party receives value without directly giving equal value).

This Directive also includes guidance for the billing, collection and control over City revenues and receivables. It includes basic billing or referral agency record-keeping requirements concerning the City's integrated accounting and budgeting system, Financial

Management System (FMS Accounting), reporting and procedures for determining if write-off of receivables is appropriate.

This Directive is issued pursuant to the authority of the Office of the Comptroller as provided in Chapter 5, Section 93 of the Charter.

1.0 GENERAL INFORMATION

1.1 Organization

1.0 General Information
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1.2 Effective Date

This Directive is effective immediately and supersedes the previous version issued April 1983 and the following Comptroller's Memoranda:

CM 86-13 *Integration of Certain Revenues into Accounts Receivable System*
CM 92-4 *Revenue Receivable Procedures*
CM 93-4 *Revisions to Comptroller's Internal Control and Accountability Directive 21- Revenue Monitoring*

1.3 Assistance

Questions or comments concerning this Directive should be addressed to: The Office of the Comptroller, attention:, Directives/Policy Unit, Bureau of Accountancy, Municipal Building, One Centre Street, Room 200 South, New York, NY 10007, (212) 669-8216, e mail directives@comptroller.nyc.gov .

1.4 Internet Availability

An inventory of existing Office of the Comptroller's Internal Control and Accountability Directives, most with download and print capability, are available on the Comptroller's website at www.comptroller.nyc.gov .

2.0 Governmental Funds- Revenue and Asset Recognition

Governmental Funds must use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized only to the extent that they are susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when collectable in the current period or soon enough afterwards to be used to pay liabilities of the current period.

The following section contains the different categories of transactions and events and when it is appropriate to recognize the revenue and resulting asset (cash or receivable).

2.1 Exchange Transactions

In an exchange transaction each party gives and receives equal value. An exchange transaction typically involves charges for services to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided. Examples of revenues resulting from exchange transactions include water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses and building permits; operating special assessments, such as street cleaning or special street-lighting, administrative and processing fees. In certain instances the parties to the exchange may be willing to give and receive similar values but not quite equal. For example a seller may accept service from a third party as partial payment. These arrangements are described as exchange-like transactions.

Accounting and financial reporting for exchange transactions and exchange-like transactions are identical. Agencies must recognize both revenue and an asset (either cash or receivables) when the exchange takes place. If a payment is received prior to the exchange, for example prepaid rent, agencies must set up a corresponding liability for the unearned revenue.

In addition, for governmental funds, revenues must only be recognized to the extent that they are measurable and available, as discussed in section 2.0 of this directive.

2.2 Nonexchange Transactions-Classes

Governmental Accounting Standards Board Statement No. 33, *"Nonexchange Transactions,"* states that nonexchange transactions involve a government either giving value to another party without directly receiving equal value in exchange or receiving value from another party without directly giving equal value in exchange.

The following section discusses the four classes of nonexchange transactions.

2.2.1 *Derived Tax Revenues*:

Derived Tax Revenues result from assessments imposed by governments on exchange transactions. Examples include taxes on personal income, corporate income, and retail sales of goods and services.

The assets received from derived tax revenue transactions must be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first.

Revenues must be recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided the underlying exchange transaction has occurred. Revenues received in advance should be reported as unearned revenues (liabilities) until the period of exchange.

Agencies that use systems that do not automatically calculate interest charges or late fees on unpaid balances may recognize revenues, and the related assets, when the cash is remitted.

2.2.2 *Imposed Nonexchange Transactions:*

Imposed nonexchange revenues result from assessments by governments on non-governmental entities, including individuals, other than assessments on exchange transactions. Examples include property (ad valorem) taxes, fines and penalties, excise taxes (i.e. monies owed that are in judgment) and property forfeitures, such as seizures and escheats.

The assets received from imposed nonexchange revenue transactions must be recognized when an enforceable legal claim to the asset arises or when the resources are received, whichever occurs first. For property taxes this is generally specified in the enabling legislation (lien date).

Revenues from property taxes must be recognized, net of estimated refunds and estimated uncollectible amounts, in the period in which the taxes are levied. As required by GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, assets received or recognized before the period for which the property taxes are levied or the period when assets are required to be used or when use is first permitted, must be reported as deferred inflows of resources.

For all other imposed nonexchange revenue transactions revenues must be recognized in the same period that the assets are recognized (net of estimated refunds and uncollectable amounts) unless the enabling legislation includes time requirements. If this is the case, revenue must be recognized in the period in which the assets are required to be used or when use is first permitted. Assets received or recognized before the period in which the assets are required to be used or when use is first permitted must be reported as deferred inflows of resources.

Agencies that use systems that do not automatically calculate interest charges or late fees on unpaid balances may recognize revenues, and the related assets, when the cash is remitted.

2.2.3 *Government-Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions:*

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose(s). Government-mandated nonexchange transactions include federal or state programs that the City is mandated to perform and state programs that local governments are mandated to perform. The principal characteristics of these transactions are (1) a provider government mandates that a recipient government perform a particular program or facilitate its performance by another government or by a nongovernmental agency and (2) fulfillment of certain requirements is essential for a transaction (other than the provision of cash or other assets in advance) to occur.

Voluntary nonexchange transactions result from legislative or contractual agreements other than exchanges entered into willingly by two or more parties. Examples include certain grants, certain entitlements, and donations by nongovernmental entities including individuals. Frequently the provider establishes purpose restrictions and eligibility requirements. The principal characteristics of these types of transactions are they are not imposed on the provider or recipient and fulfillment of eligibility requirements is essential for a transaction to occur (other than the provision of cash or other assets in advance). See § 4.0 for a further discussion of recording grant revenues in FMS Accounting.

For both government-mandated nonexchange transactions and voluntary nonexchange transactions recipients should recognize assets (or decreases in liabilities) and revenues (net of estimated uncollectable amounts), when all applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met must be reported as unearned revenues. If only time requirements have not been met, deferred inflows of resources must be reported.

In addition, for governmental funds, revenues must only be recognized to the extent that they are measurable and available, as discussed in section 2.0 of this directive.

3.0 Responsibility

The billing agency's[1] Chief Fiscal Officer or his/her designee has the overall responsibility for the management of the agency's accounts receivable system. Included in this responsibility is the establishment of a suitable Agency Receivables and Collections Ledger; the maintenance of a timely and accurate billing and cash collection process; ensuring a disciplined follow up of all overdue payments; the prompt forwarding of overdue receivables to internal law and/or collection units as appropriate and the orderly and timely write-off of all receivables deemed uncollectible.

It is the responsibility of the billing agency's Chief Fiscal Officer to control all their receivables centrally in order to insure that all accounts are properly billed for each billing period and that any non-billed accounts are properly documented and resolved. A record of all receivables, including all new accounts, is to be maintained centrally. Copies of leases, franchises, etc. should be maintained along with a current name and address of the party to

[1] For purposes of this Directive the billing agency may be the agency that refers receivables to other City agencies, such as to the Law Department or Department of Finance, or to an outside legal counsel, for collection.

whom the billings are to be sent. If the originating documents do not establish a specific billing cycle, a suitable cycle is to be established to coincide with the billing agency's operational practices.

A clear and distinct separation of duties must exist between the billing agency's accounts receivable and its billing functions. The person(s) initiating the billings and creating the accounts receivable must be independent from those person(s) collecting the cash and clearing the receivables. In larger agencies, the Chief Fiscal Officer should designate a third person, one who is not involved with either the billing or cash receipt function, to post the billings, cash collections and related activity in the Agency's receivables and collections ledger.

4.0 GRANT REVENUES

Grant revenue is derived from a contribution or gift of cash or other assets, from another government, organization or individual, which is to be used or expended for a specified purpose, activity or facility.

4.1 Record Maintenance

Grants received by the City from other governments or individuals are frequently accompanied by legal or contractual requirements that govern their use, and often include special accounting and reporting requirements. Agencies must maintain copies of the grant award from each funding source. The grant documents should also include payment and claim procedures, reimbursement or fee-for-service formula and grant personnel contacts. For federal grants, documents containing the CFDA number, grant expiration date, and information needed to ascertain whether the grant is a direct federal grant or a pass-through grant; all of which must be entered into FMS Accounting. This information is necessary for timely preparation of claims for reimbursement, monthly agency reconciliation reports and status reports for open FMS Accounting revenue documents.

Additionally, agencies must identify and assure compliance with all applicable grant requirements, including the provisions of applicable US Office of Management and Budget (US OMB) circulars and Federal Funding Accountability and Transparency Act (FFATA) requirements.

4.2 Claims for Reimbursement

Generally, the grant and claim periods are dependent upon the terms of the grant. Claims for reimbursement should be made promptly and, when feasible, no later than 30 days after the close of each period for which reimbursement is sought. Even though a grant may be for a one-year period, grant regulations and/or other laws may permit reimbursement upon filing of monthly or quarterly expenditure reports in advance of expenditures. Copies of the claims for reimbursement and supporting documentation must be on file at the billing agency and readily available upon request by the Revenue Monitoring Unit (RMU) of the Comptroller's Office, Bureau of Accountancy. See Section 5.1.3 for contact information.

Please Note: When submitting a claim for reimbursement to the grantor, agencies are encouraged to include the Billed Receivable (RE) document identification number entered in FMS Accounting, on the claim itself. By doing so, as funding is received via wire transfer or any other payment mechanism, this ensures that the amount is credited to each agency in a timely manner.

Agencies must include a Billing Period Ending Date on the Billed Receivable (RE) entered into FMS Accounting. Agencies must follow the procedures outlined in the *FISA Citywide FMS Training Manual – Revenue Accounting*. The manual may be obtained from the FISA FMS portal website at https://portal.fisa.nycnet. Username- FMS, Password- FMS.

4.3 Status Reports of Open FMS Accounting Documents

The billing agency must record, in FMS Accounting, all grant receivables, revenue accruals, and cash advances by processing documents entitled Billed Receivable (RE), Year End Revenue Accruals/Unbilled Receivable (URE), and Cash Receipts (CRE).

Based on the document date entered on these documents, FMS Infoadvantage generates the following aged open reports: Open Accruals (CWA-AGOURE-001) Open Invoices (CWA-AGORCV-001) and Open Advances (CWA-AGOADV-001). These reports identify aged receivables, revenue accruals and cash advances by comparing the document date to the run date of the report.

The billing agency must identify the reasons for each reported receivable aged in excess of 60 days and the steps being taken to rectify the situation. Specifically, if there are outstanding unbilled receivables, identify when billing is expected to occur. For outstanding revenue invoices, identify what steps the agency has taken to affect collection on these aged receivables. For outstanding cash advances, supply an explanation for carrying this liability, i.e., when will the City "earn" this money. This agency review process must be summarized in either a monthly or quarterly status report and forwarded to the RMU of the Comptroller's Office. This report should include a listing of the delinquent receivables, an explanation for the delayed settlement and the corrective actions being taken. Use Attachment A as a template to record the status.

4.4 Monthly Reconciliation

The billing agencies must reconcile internal grant revenue records (book, ledgers, etc.) to the respective monthly FMS Accounting Reports. A suggested format for the monthly reconciliation of accrual basis revenues is provided in the *Fiscal Year Closing Instructions,* Section E, which is available for download from the Comptroller's website at www.comptroller.nyc.gov . A copy of this monthly reconciliation should also be forwarded each month to the RMU of the Comptroller's Office, Bureau of Accountancy within 30 days of the end of the month being reconciled. The reconciliation should note differences and transactions making up the differences. The RMU will conduct further research and assist to make adjustments if necessary.

4.5 Specific Monitoring Instructions for Capital Revenue

Once expenditures have occurred against a capital project utilizing grant funding and the claim for reimbursement has been submitted, billing agencies are required to create a Billed Receivable (RE) in FMS Accounting to recognize the revenue. Similar to General Fund revenues, if the funds have been spent and not billed for as yet, then agencies are required to enter an Unbilled Receivable (URE) in FMS Accounting at year end. At all times during the year, agencies must ensure that there is consistency between the Reporting Category used on both the Receivable document and the Cash Receipt (CRE) used to realize the monies. On a monthly or quarterly basis, RMU will analyze the total spent by Department and Reporting Category, as recorded in FMS Accounting, and compare this to the Receivable information to ensure that the City is billing for and recouping the costs associated with each grant project. If inconsistencies are found, agencies should be prepared to provide all supporting documentation upon request to justify the reporting in FMS Accounting.

4.6 Federal Single Audit

The Federal Single Audit is based upon Federal guidelines established in the Single Audit Amendments Act of 1996 and OMB Circular A-133. The Audit, done annually, examines the financial records, internal controls and compliance with Federal laws and regulations for all programs in which the City expended Federal funds during the course of that year.

The billing agency must ensure that the Federal catalog numbers (CFDA), pass-through grantor information, and grant expiration date is recorded accurately in FMS Accounting for each revenue source. The CFDA number is equivalent to the Federal agency and the Federal agency suffix on the Revenue Source (RSRC) table in FMS Accounting. Any changes to the CFDA number should be reported immediately to the RMU in order to update the table. Every revenue source for federal aid in FMS Accounting should have only one associated CFDA number.

Further information on federal aid, catalog numbers and grant requirements can be obtained on the CFDA website, www.cfda.gov. For instructions regarding agencies year-end requirement as it relates to the Single Audit process, refer to the Comptroller's Office Annual Closing Instructions booklet for further details.

4.7 Disallowance Procedures

Throughout the year, a billing agency may be informed by the grantor (State, Federal, Other) that an amount originally granted, will be disallowed. This decision usually is made by the grantor as a result of an audit or some other type of in-depth review into the spending and amount received for the grant program. These disallowances either occur due to overpayment during a particular time period or due to spending not in accordance with the grant agreement. It is customary for a billing agency to resolve the matter with the grantor by using the most current reimbursement to reconcile the matter. Rather, it is the policy of this office, that the agency contact their Revenue Monitor to receive adequate instructions on how to correctly resolve the issue of a disallowance.

Billing agencies should report self-funded disallowance to the RMU of the Comptroller's Office as well as to the OMB Taskforce and OMB Grant Unit on a quarterly basis.

After an agency resolves a disallowance matter with the grantor, a list of the following items should be shared with OMB:

- Final audit letter stating disallowed amount ($)
- Terms of payment
- Name of the program(s) and applicable revenue source(s)
- Audit period (i.e. January 1, 2006 through December 31, 2011)
- Grantor type (i.e. State, Federal and/or Other)
- Method of Payment (i.e. use current reimbursement to reconcile, check/EFT, decrease upcoming year's award etc.)
- Proof of payment with date

5.0 **NON-GRANT REVENUES** REPORTED IN FMS

. Non-grant revenues may result from exchange or non-exchange transactions. See Section 2 for a discussion of the different classes of revenues and the reporting requirements associated with each. Revenues such as rentals, fines, inspection fees, renewal of privileges or licenses, franchises, recurring permits, forfeitures, and all real property, income based and other tax revenue receivables which are billed (or could be billed based upon contract language) are included.

Some specific examples of non-grant revenue are:

- Water and Sewer Charges
- Parking and other City Ordinance Violations
- Charges for Leasing City Property
- Charges for Inspection of Equipment, Materials, Appliances, Premises, etc.
- Renewal of Privileges, Licenses, etc.
- Property Tax Assessments
- Property Damage Claims. *See Section 7.0 for the procedures to follow when attempts at collection have failed.*

5.1 Records Maintenance

The timely and accurate maintenance of agency accounting records is crucial for ensuring the billing and recording of all non-grant accounts receivables and the eventual collection and recognition of this cash-basis revenue.

5.1.1 *Invoicing:*

The billing agencies must maintain a centralized billing control function which is segregated from its accounts receivable activities. Agency billing practices must ensure that billings are made in all instances where they are feasible or required and that the invoices are prepared and forwarded to the appropriate parties on a current basis.

Each invoice should contain the following information, as appropriate:

a) Invoice number with unique agency identification
b) Invoice date
c) Payment due date
d) Customer account #
e) Payor name and address/other reference identification
f) Amount billed
g) Period covered by invoice

In order to assist payment identification, the payor's copy of the invoice should also be structured so that it includes a remittance advice that can be easily returned with the customer payment. In addition, all invoices are to be sequentially numbered for easy recording and recognition by the agency. It is suggested that the billing month and year be combined within the invoice number to facilitate a monthly aged analysis of the accounts receivable. For example, an invoice with a number beginning with 0912 would indicate a billing made in September 2012.

Billing agency acceptance and or use of electronic invoicing is acceptable providing internal control mechanisms are in place to prevent misuse. For example, the billing agency must assure, at a minimum, that they have control over the completeness and accuracy of the invoice data, the timeliness of processing, prevention or detection of possible corruption of data during transmission and prevention of duplication of processing.

Copies of all invoices must be provided to the billing agency's accounts receivable department either in hard copy or electronically and must be maintained in a file of invoices pending collection.

5.1.2 *Accounts Receivable Controls:*

Billing agencies are responsible for the proper controls over their accounts receivables. Receivables accounted for in FMS Accounting must follow the FMS Procedures Manual for Revenue Accounting. Receivables that have been referred to another City Agency or outside law offices for collection continue to remain the responsibility of the referring agency and should be included as receivables for all reports required by this directive, as appropriate. An agency receivables and collection ledger should be established to record both the individual accounts receivables and any subsequent cash receipts or other adjustments applied against these open receivable balances. Depending upon the magnitude of the billings, automation of the ledger should be considered.

The following minimum billing information should be recorded in the billing agency's receivables and collections ledger, as appropriate:

a) Invoice number
b) Invoice date
c) Customer account #
d) Amount billed
e) Payment due date

Receivables and collections ledger should also contain the following information on collected revenues, as appropriate:

f) Amount received
g) Date received
h) Remaining outstanding balances due
i) Date of any write-off to or adjustment of receivable

5.1.3 *Monthly Aging of Outstanding Accounts Receivable:*

Billing agencies must maintain their records in such a manner to facilitate the preparation of monthly aged receivables reports. The format of such reports will be left to the discretion of the billing agencies but, must include, at a minimum, aggregate statistics on a monthly basis of total amounts outstanding for periods (a) up to one year, grouped by amounts outstanding for 0-30 days, >30-60 days, >60-90 days and over 90 days – 1 year; (b) > 1 year – 2 years; (c) >2 years – 3 years; (d) > 3 years – 5 years; (e) over 5 years. A copy of this report should be sent, on a quarterly basis, to the Comptroller's:

Revenue Monitoring Unit
1 Centre Street, Room 200South
New York, New York 10007
Attn: Chief, Revenue Monitoring Unit
Email- ACCOMP@comptroller.nyc.gov

Receivables that have been transferred by referring agencies to other City Agencies or outside legal collection firms for collection should be included in all quarterly reports of the transferring agency; not the collection agency .

5.2 Reconciliation of Agency Records

All billing agency cash accounts must be reconciled monthly. Billing agencies should also reconcile internal cash basis revenue records (ledgers, books, other) to monthly FMS Accounting reports. A suggested format for the quarterly reconciliation of cash basis revenues is provided as Attachment B. A copy of this reconciliation should be forwarded to the Comptroller's Revenue Monitoring Unit.

6.0 Recording Collections in FMS Accounting

The billing agencies are responsible for the recording of revenue and other collections into FMS Accounting. Separation of duties in the revenue area, especially for billing agencies handling cash, is mandatory.

The person collecting over-the-counter revenue must not be the same person physically making the deposit, nor shall either one be responsible for preparing or approving the monthly reconciliation's pursuant to this Directive or entering or approving the entry of the deposit into FMS Accounting. The size and/or the physical location of collecting areas of an agency may require modification of the internal control requirements which are discussed with and approved by the RMU; most City agencies have sufficient staff to accomplish the collecting, entering and reconciliation of the revenues. These agencies must enter the cash receipts (CRE) into FMS Accounting as soon as reasonably possible, but no more than 3 business days after the deposit.

Billing agencies having FMS Accounting access without sufficient staffing to approve the CRE must enter the CRE into FMS Accounting and contact their RMU monitor, informing them of the date and amount of their deposit. Once the RMU can verify the credit on the bank statement, they will approve the entry into FMS Accounting. Collection areas within an agency at locations without FMS Accounting access must forward their CRE documents or deposits to a processing area within their agency for entry and approval subject to Agency Fiscal Officer instructions. Agencies without FMS Accounting access must arrange delivery of CRE information with the RMU. Agencies with high volume may set-up an electronic interface with approval from FISA.

6.1 FMS Accounting Entering Requirements

Entering CRE's into FMS Accounting is discussed in detail in the FMS Accounting Policy and Procedures manual. Security for CRE entry is at a high level. Billing agency fiscal officers and security personnel should ensure separation of duties within the cash collection, reconciliation and entry functions. Critical to tracking and having the CRE accepted into FMS Accounting, agencies should pay special attention to the following:

- Deposit Date and Date of Record must be the actual date stamped on the deposit slip.
- The Accounting Period should always be left blank. It will be inferred (by default) from the Deposit Date if the month is still open. Agencies must enter into FMS Accounting all CRE's within 3 business days of deposit.

- The Description field on the document header should contain the name and phone number of the agency person who should be contacted if there were questions about the deposit or entry.
- If a Revenue document (URE, RE, CRE) is being modified, the Description field on the Accounting Line should contain the reason for the adjustment, and agencies should attach any pertinent documentation to the Revenue document to justify the modification.

7.0 Write-Off Policy

Accounts receivable within the City differ greatly from agency to agency for both accrual and cash basis revenue. In some cases, certain laws preclude the City from writing off accounts deemed to be uncollectible for several years. Except for those instances where statutory requirements serve to delay the write-off of bad debts, billing agencies are required to establish and adhere to sound write-off policies appropriate to their individual operations. Billing agencies must make every reasonable effort to collect all debts due the City with effective, vigorous, well-documented procedures. If a billing agency determines that internal collection methods are not appropriate, (which may occur at any time during the collection process depending on the accounts receivable) overdue accounts should be transmitted promptly to an outside collection agency. In a similar fashion, claims that warrant legal review and assertion of the claim by a law office, the activities of that law office (either the Law Department or an authorized outside collection law firm) will determine whether the claim is recoverable. The billing agency must maintain follow-up tracking records for all such accounts referred for collection.

Write-offs should occur if the cost of collection no longer makes it practical or when there is no longer a realistic chance that a receivable or claim will be paid. Generally this means that each debt is subject to procedures commensurate with the size of the debt, and that these procedures are exhausted for the debt type and amount. For example, for debts less than $500, two dunning letters, or a dunning letter and a referral to a collection agency will be sufficient, and debts this small should not be referred to the Law Department. On the other hand, debts larger than $10,000 and not collected by internal dunning methods or an outside collection agency should be referred to the Law Department or other approved law office unless the debtor is deceased, out of the country, cannot be located, or the debt has been discharged in bankruptcy.

As a general rule, accounts receivable should not be outstanding in excess of three years, except for those instances where statutory requirements serve to delay the write-off of bad debts. All accounts receivable outstanding in excess of three years must be reviewed with the Mayor's Office (or possibly other specified City financial official) at least once each year thereafter until resolved.

Approval is needed by NYC Office of Management and Budget for the write-off of non-grant receivables. Whenever accounts receivable are written off pursuant to this policy, the billing agency must send a completed write-off certification to the Comptroller's Office (see Attachment C) to provide the final authorization regarding all write-off requests.

All agency records pertaining to write-offs must be maintained for a period of at least seven years and may be subject to subsequent audit by the Comptroller's Office.

If billing agencies need assistance in regard to unusual circumstances, including any historical accumulation of bad debts not written off, contact the Comptroller's Office, Bureau of Accountancy Division Chief- Accounting Compliance, Municipal Building, One Centre Street, Room 200 South, New York, NY, 10007 or E mail- ACCOMP@comptroller.nyc.gov

8.0 Returned Checks (*informally referred to as NG's No Good checks*):

When a check deposited by an agency is returned by the bank for uncollected funds, insufficient funds, missing signature, or account closed, a debit memo is sent by the bank to the agency and to the Comptroller's Office Banking Unit. The Banking Unit records the no good (NG) check in FMS by creating a CRE document using Event Type "ARNG". The CRE for these types of transactions can be identified by the Document Identification Number used. See example below:

CRE	XXX	B29NGXXXXXX	
Doc Code	Depart.	Bank 29	No Good Check (MM/DD/YY)

Agencies should check FMS Accounting often to monitor their NG check accounts by going to Document Catalog using the wild card with above document I.D., or go to Revenue Inquiry screen (BQ93LV1) to search by Department, the NG Revenue Source code 00845 for transactions posted. If a Department is not set up with this Revenue Source in FMS Accounting, then the following revenue structure should be used: 098-0010-00845 to locate the CRE number. If a Department has a problem determining which CRE corresponds to its agency, then it should contact the Comptroller's Office RMU for assistance.

When reviewing a CRE prepared by the Comptroller's Office for an N.G. check, the accounting line description shows the deposit date of the original check and the deposit total. This can be used to locate the original CRE number in order to reduce the original CRE by the returned check amount and to decrease the CRE for the N.G. check by the same amount. These two entries should be done simultaneously so as not to create a reconciling item as a result of a timing difference.

If the returned check is for a grant and has Department account receivable implications, the receivable (RE) should be modified accordingly. Departments must add a returned check charge to the miscellaneous revenue receivable account and attempt re-collection.

An internal examination must be performed by each Department periodically to determine that returned checks are posted to the customer's account and that the account and fees are collected. An analysis should be performed by Departments for repeat offenders to determine if allowing payment by check is feasible or if the costs associated with these No Good Checks outweigh the convenience of accepting checks from particular vendors/customers.