

VILLAGE OF WINFIELD

**CREDIT CONTROL AND DEBT
COLLECTION POLICY**



Revised May 6, 2021

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

A. Objective

The Credit Control and Debt Collection Policy is established to provide a common set of guidelines for the most cost effective and efficient method to collect outstanding debt owed to the Village. The Village benefits through improved revenue flow, more accurate cash forecasting, improved cash management, and greater budgetary control. These guidelines are primarily focused on managing revenue streams from sources such as ordinance violations, red light camera violations and utility billing. The Village also receives significant revenue from other sources, but due to the specialized nature of the receipt process, those are addressed in separate Village Policies.

In following these procedures, the Village shall pursue the following specific goals:

1. Optimize the Village's revenue and collection process.
2. Provide for consistent and equal treatment of debtors.
3. Establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for payment and the Village
4. Utilize innovative, cost effective and efficient methods to collect as much debt in the shortest time possible.
5. Enhance departmental accounts receivable systems to provide adequate aging and tracking information.
6. Recognize that policies and procedures may differ within departments due to administrative and/or municipal rules that govern their specific revenue stream.
7. Ensure that the debts of the Village are not over stated in the books of the Village.

B. Village Utility Billing Receivables

The Village maintains accounts receivable for water and sewer services. The Village invoices every month.

1. All initiated bills are dated the 12th day of the month (unless the 12th falls on a weekend), covering usage for a one month period ended the day prior to the billing date. Bills have a due date on the 5th day of the following month.
2. An accounts receivable aging for all water and sewer billings is maintained by the Utility Billing Clerk. The Finance Director maintains the General Ledger Accounts Receivable Balance. The Finance Director reconciles the general ledger to the subsidiary accounts receivable balance on a monthly basis.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

3. Bills shall be generated using the accounting system software utility billing module. The meter readings are automatically transmitted to the ACLARA server via remote MTU transmitters. The ACLARA server collects the meter reads and transmits the ending meter reads to the accounting system software utility billing module which computes monthly usage based on the prior month billed meter reading and the current month transmitted reading. The usage is then uploaded to the accounting software system utility billing module. The utility billing module automatically updates the general ledger.
4. Past Due Accounts: For those accounts that become 30 days past due and \$50, proper delinquent notice shall be provided to the payee through the issuance of a “red tag” notice which is delivered to the residence by the Public Works Department. The “red tag” notifies customers that they have 7 days to pay the amount due or water service will be disconnected (this procedure does not apply to accounts that have been closed and billed “final”). See additional procedures related to tenant delinquencies in #5 below.
5. Landlord Responsibility: Village code section 8-2-3-2 Liability for Payment identifies the owner of the property and the occupant thereof and the user of the service are jointly and severally liable for the account balance. When a tenant registers for utility service, they are required to provide the landlord name, address and phone on the Water Billing Application and provide a copy of their lease.
 - a. *Past Due Accounts*: The service is billed to the tenant and Village procedures for past due accounts applies to the tenants. However, when a tenant fails to resolve a “red tag” (see #4 above), the Village then attempts to notify the Landlord of the delinquency by mail and phone and allows an additional 3 business days before service is discontinued. If attempts to contact by phone are unsuccessful and the account remains unpaid 10 days after the original “red tag” notification, service will be discontinued.
 - b. *Payment Plan Notification*: If a tenant elects a payment plan option, the Village will notify the landlord of the payment plan.
6. Late Fees: A penalty, such as late fees, encourages prompt payment by customer and, for this reason, should be added to all delinquent accounts. If payment of the entire amount of the bill is not received by the due date, then a late payment of ten percent (10%) of the outstanding balance shall be added and become due and payable. Occasionally, a debtor will request an adjustment of late fees. One late fee reversal per account lifetime is permitted but must be approved by the Finance Director.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

7. Non Sufficient Funds (NSF) Fees: Checks, E-Pays or direct debits that are returned due to insufficient funds shall be subject to a penalty in the amount of \$30. If an account has two NSF checks in a one year period, no further payments shall be accepted for a period of six months from the date of the second return except in the form of cash, certified check, cashier's check or credit card.
8. Delinquent Accounts: Active accounts that have an unpaid balance in an amount that is \$50 or greater from a billing period that is thirty (30) days subsequent to the due date stated on the bill, will be subject to the "red tag" notification. This notice of termination of service will be delivered to the resident and allows the resident 7 days (10 days if tenant provision applies) to pay or challenge termination of service. Upon delivery of this notification, the account is assessed a \$25 administrative fee. If the account remains unpaid after the designated time period service is turned off.
9. Turn-on Fee: Any account that has been turned off is subject to a \$50 Administrative Turn-On Fee to re-establish utility service. This fee increases to \$150 if service is requested after normal Village business hours.
10. Final Accounts: Accounts have been closed (i.e., resident has moved out) are not subject to the above past due account process. The following process flow applies to the accounts that have been closed and billed for the final reading:
 - a. Upon closing of the account, the Utility Billing Clerk will update the status in MSI to reflect the account closing and compute the final bill. The final bill is mailed with a due date of two weeks after the turn off date.
 - b. For those accounts that remain unpaid after 15 days, the Utility Billing Clerk will mail a second notice in an attempt to collect payment.
 - c. For those accounts that remain unpaid after 45 days, the Utility Billing Clerk sends a final notice. This notice informs the debtor that their account will be submitted to collections if payment is not received in 15 days. If unpaid after 15 days, these accounts are submitted to the Illinois Local Debt Recovery Program.
 - d. Assignment to a collection agency shall be considered if the account is unable to be collected through the Illinois Local Debt Recovery Program within a four year time period.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

11. LDRP: On a monthly basis, the Utility Billing Clerk will identify those debts that are to be submitted to the LDRP. Depending on the number to be submitted, this can be done manually or by uploading an excel spreadsheet. For more specific documentation on LDRP procedures, see LDRP User Manual. The Utility Billing Clerk has access to the LDRP system to submit the “pre-add claims”, but does not have authority to submit the file. The Finance Director will review the list of those pre-claims and submit the file on LDRP system to acknowledge approval. The following dates will be used for the LDRP submission:
 - a. Debt incurred from: Date account closed
 - b. Debt incurred to: Date of First Warning Letter
 - c. Debt confirmed: Date of Final Warning Letter

C. Police Ordinance Violations

The Police Department can issue tickets for violations of Village ordinance (see complete listing on Village website). The process flow for these tickets consists of the following:

1. When the patrol officer issues a pre-numbered ticket, they provide a copy to the Police Department Records Clerk. The Records Clerk is responsible for logging this information into an Access database, including:
 - a. Ticket number
 - b. Customer name
 - c. Customer address
 - d. Original ticket amount
 - e. Date issued

The Records Clerk keeps a copy of all tickets issued. The ticket indicates the original due date is 10 days from date of issuance and offers the option of requesting an administrative hearing.

2. Tickets not paid within the 10 day time period are subject to a late fee, in accordance with Village Code. The Records Clerk adds this late fee and mails a “First Warning Letter” to the offender. These notices are mailed one week after the expiration of the 10 day time period to allow for administrative recordkeeping. The notice provides an opportunity to elect an administrative hearing and grants an additional 30 days to pay the fine and assesses a late fee.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

3. Tickets that remain unpaid after the 30 day notice period are no longer eligible for an administrative hearing. The Records Clerk mails a “Final Warning Letter” one week after the 30 day notice period has passed to allow for administrative recordkeeping. This notice advises the customer that their account will be submitted to collections if the payment is not received in 15 days. If unpaid after 15 days, this account is submitted to the Illinois Local Debt Recovery Program (LDRP).
4. On a monthly basis, the Records Clerk will identify those debts that are to be submitted to the LDRP. Depending on the number to be submitted, this can be done manually or by uploading an excel spreadsheet. For more specific documentation on LDRP procedures, see LDRP User Manual. The Records Clerk has access to the LDRP system to submit the “pre-add claims”, but does not have authority to submit the file. The Finance Director will review the list of those pre-claims and submit the file on LDRP system to acknowledge approval.
5. The following dates will be used for the LDRP submission:
 - a. Debt incurred from: Date of violation
 - b. Debt incurred to: Date of First Warning Letter
 - c. Debt confirmed: Date of Final Warning Letter
6. Payments are received by the Village Receptionist after validation by the Police Records Clerk.
7. Non Sufficient Funds (NSF) Fees: Checks or E-Pays that are returned due to insufficient funds shall be subject to a penalty in the amount of \$30. If a payee has two NSF checks in a one year period, no further payments shall be accepted for a period of six months from the date of the second return except in the form of cash, certified check, cashier’s check or credit card. Checks or E-Pays that are returned due to insufficient funds shall be subject to a penalty in the amount of \$30.

** The above procedures apply to all non red light police ordinance violations unless the matter is subject to procedures in accordance with other Village ordinance or if County court procedures are more appropriate for the specific violation. The Police Chief has the authority to approve alternate collection procedures. This will be noted in the excel database and subject to periodic review by the Village Manager and Administration and Finance Committee.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
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D. Red Light Violations

The Village contracts with Red Speed, an independent third party, to provide services related to red light violations. Red Speed maintains the red light camera and works with the Village Police Department to determine which violations meet the criteria to issue a ticket. Red Speed is also responsible for notifying the violator of the ticket and collecting payment. Their process includes 5 separate attempts to collect payment through the first 93 days after the date of the violation. For those accounts that have not been collected as of 93 days, Red Speed sends a file to the Finance Director and Police Records Clerk that includes the ticket number, name, address, ticket amount (plus applicable penalties).

The Finance Department Records mails out a final notice notifying the customer that their ticket will be submitted to collections if payment is not received in 15 days. Those accounts that remain unpaid are sent to the Illinois Local Debt Recovery Program. The following dates are used for the LDRP submission:

- a. Debt incurred from: Date of violation
- b. Debt incurred to: Date of violation
- c. Debt confirmed: Date of Final Warning Letter

Payments for red light violations are received as follows:

1. Vendor Receipts: The vendor remits a monthly ach transaction for any payments received during the period of time that the accounts are maintained by the vendor. The Finance Director records this transaction as a journal entry.
2. Collection Receipts: Once the debt has become eligible for the LDRP submission, the violation is included in an Excel Database that tracks the violation and payment. Payments are received by the Village Receptionist and processed with the daily cash receipts. The front desk records any payments in the Excel Database.
3. Non Sufficient Funds (NSF) Fees: Checks or E-Pays that are returned due to insufficient funds shall be subject to a penalty in the amount of \$30. If a payee has two NSF checks in a one year period, no further payments shall be accepted for a period of six months from the date of the second return except in the form of cash, certified check, cashier's check or credit card. Checks or E-Pays that are returned due to insufficient funds shall be subject to a penalty in the amount of \$30.

E. Local Debt Recovery Program

In October 2013, the Village approved an ordinance establishing the Local Debt Recovery Program (LDRP) and authorizing approval of the Intergovernmental Agreement with the Illinois Office of the Comptroller (IOC). This program will be used as the primary collection process for those Village debts that remain unpaid after the time period designated for each type of debt (see above sections).

As part of the LDRP, the Village is required to submit excel files for the outstanding debt to the IOC. When the IOC is processing state payments including tax refunds and lottery winnings, they match the data against the debtor database and apply any payment to the outstanding debt.

The Village shall maintain the following excel files for submission to the LDRP:

1. Red light fines: The Finance Department will maintain the excel file for those outstanding red light fines that had not been paid.
2. Police Ordinance Fines: The Police Department Records Clerk will maintain the excel file for those outstanding tickets.
3. Utility debts: The Utility Billing Clerk will maintain an excel database for all unpaid utility accounts.

The Police Chief and Finance Director will be responsible for periodic review of the database.

F. Third Party Collection Services

Accounts that do not have a match in the Local Debt Recovery Program will be immediately eligible for submission to a third party collection service. All other debts that remain uncollected after two years in the Local Debt Recovery Program will be sent to the third party collection service.

G. Disputes & Inquiries

A debtor may inquire about the outstanding debt. The Police Department is responsible for all inquiries related to police violation and the Finance Department is responsible for the utility billing inquiries. Occasionally, a debtor may dispute an outstanding debt. These disputes will be directed to the appropriate Department Head.

Village of Winfield
Credit Control and Debt Collection Policy
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H. Payment Plans

Payment plans may be offered to delinquent debtors as a remedy to further collection activities. All new payment plans must be approved by the Department Head. The terms of the payment plans will be as follows:

1. A deposit equal to twenty five percent (25%) of the total amount outstanding on the account.
2. Maximum term of one year. Some plans may be eligible for an expanded duration of up to two years should the monthly payment plan amount exceed \$200. Any terms in excess of one year must be approved by the Department Head and reported to the Village Manager on a quarterly basis.
3. The amount of the payment plan will generally be the total of the outstanding debt less the deposit, divided by the number of payment months. For utility billing accounts, this will be in addition to the current monthly usage amount due. Exceptions to these terms can be approved by the Department Head. All exceptions will be reviewed by the Village Manager on a quarterly basis.
4. Subsequent monthly payments will be equal to the current monthly bill plus the agreed upon payment plan installment.
5. The Payment Plan will be signed by Department Head and Debtor.
6. All properties will be required to remit payment using the Village's direct debit program to be eligible for a payment plan.
7. In the event of a debtor default on the payment plan, the payments will be:
 - a. First Default – current account and monthly payment installment increased by 50%. Payment by direct debit for subsequent installments will be required to continue participating in the payment plan.
 - b. Second Default – current plus all amounts in arrears.

Failure to respond to notices will result in normal credit control procedures. During the payment plan period, no additional late fees will be added to the outstanding debt.

8. On a quarterly basis, the Police Chief and Finance Director will review those accounts on payment plans with the Village Manager.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
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I. Write-off of Uncollectible Debts

When the Village identifies customers whose debt appear to be uncollectible even after all credit control and debt collection processes have been followed in terms of trying to obtain payment, then such accounts shall be regarded as uncollectible. Debt collection procedures may be terminated under the following circumstances:

1. A balance is too small to recover, for economic reasons considering the cost of recovery. All outstanding debts less than \$10.00 will automatically be considered too small and subject to write-off.
2. A deceased estate with no liquid assets to cover the outstanding amount.
3. A debtor provides supporting documentation of financial hardship.
4. A debtor with an inactive account cannot be matched through the LDRP system or traced by collectors.
5. Outstanding debt cannot be documented or verified.
6. All reasonable notifications and legal actions to recover the outstanding amount have been exhausted.
7. Date debt incurred extends beyond legal limitations.

When a debt satisfies one of the above criteria, the debt will be added to the Village Debt Write-off Report. This schedule will identify the particulars of the debt and the reasons for write-off. This schedule must be accompanied by a written request to approve the write-off and presented to the appropriate level for approval as outlined below:

1. A Department Head is delegated to approve write-off of all uncollectible debts up to a value of \$500.
2. The Village Manager is delegated to approve a write-off of all uncollectible debts up to a value of \$1,000.
3. All write-off requests that exceed \$1,000 must be reviewed by the Administration and Finance Committee for approval.

Village of Winfield
Credit Control and Debt Collection Policy
Revised May 6, 2021
Originally dated August 7, 2014

J. Allowance for Uncollectible Debts

On an annual basis, the Finance Director will review the allowance for uncollectible debts and adjust as necessary. The Village will base the allowance on a Percentage of Ending Accounts Receivable Aging.

K. Reporting

The Finance Director shall report monthly to the Village manager including:

1. Cash collection statistics, showing high level debt recovery information.
2. Account adjustments for late-fee removals for utility accounts.
3. Number of red tags issued.
4. Accounts identified for write-off.
5. New accounts submitted to Local Debt Recovery Program.

A summary of the collection activity and write-offs will be provided to the Administration and Finance Committee on a quarterly basis for their review.