

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY
OAKLAND
2009 SEP 24 PM 3:

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency
DATE: September 29, 2009

RE: **Supplemental Report on the Resolution Authorizing the City Administrator to Make Adjustments to the City's Accounts Receivables By Writing -Off Un-resolvable Accounts with Balances Over \$1,000 For a Total Amount Of \$3,972,331.37 Within Specific Parameters**

SUMMARY

At the September 15th Finance Committee meeting, staff presented a resolution authorizing the City Administrator to make adjustments to the City's accounts receivables by writing-off un-resolvable accounts with balances over \$1,000 for a total amount of \$3,972,331.37 within specific parameters. During the presentation, members of the Finance Committee raised questions, specifically about the accounts in the Community & Economic Development Agency (CEDA) totaling \$605,498.50 and Police Department totaling \$1,370,086.08. The CEDA accounts receivables are largely from utility companies, such as Pacific Gas & Electric, AT & T, and East Bay Municipal Utility District. The Police Department accounts include the United States Immigration & Naturalization Service, United States Marshall Service and the State of California Department of Corrections.

The Finance Committee continued the item on September 29, 2009 and directed staff to provide the following information:

1. Why are the invoices outstanding?
2. How is staff pursuing collection of the outstanding invoices?
3. What procedures are in place now to monitor and prevent future non- payment?
4. What past success has staff had in collected outstanding invoices?

DISCUSSION

Why are the invoices outstanding?

Many of the invoices were created in the Financial Management System and were brought forward to the Oracle Financial System, without supporting documentation. In addition, some invoices have billing discrepancies, and therefore are being disputed by the utility companies. There is approximately \$516,000 in outstanding PG&E invoices that occurred during the company's bankruptcy filing (some are included in the proposed write-off amount). CEDA staff is working with the City Attorney's Office to resolve these outstanding invoices. If and when the invoices are paid they will be treated as new revenue for the City.

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City records indicate the payments were received from various government agencies as follows:

- \$451,548 – U.S. Immigration and Naturalization Service
- \$56,100 – U.S. Marshall Service
- \$110,660 – U.S Treasury
- \$19,892 – U.S. Fish & Wildlife Service
- \$497,790 – State of California (from March 2000 through April 2005)

Thus, payments totaling \$1,135,990 were improperly booked as revenues, instead of being applied against the outstanding invoices. Therefore, most of the valid invoices from these government agencies have been paid, and this “write-off” authorization will allow the correction of the Account Receivable system. The table below provides a few samples of old invoices that were paid, but received as “revenue” instead of being applied as payment against an outstanding invoice.

Customer Name	Invoice No	Due Date	Balance	Payment Date
U.S. Fish & Wildlife Services	223781	2/18/1999	19,892.07	5/7/1999
U.S. Immigration & Naturalization Services	225363	7/14/2001	85,255.00	11/26/2002
U.S. Immigration & Naturalization Services	225399	8/26/2001	70,635.00	9/28/2001
State of CA Dept. of Corrections	405	12/10/1999	15,045.00	3/23/2000
State of CA Dept. of Corrections	463	1/27/2000	28,497.00	3/23/2000
State of CA Dept. of Corrections	488	2/17/2000	14,632.00	3/23/2000
State of CA Dept. of Corrections	225731	7/25/2002	16,284.00	4/4/2003
State of CA Dept. of Corrections	225737	8/9/2002	9,735.00	4/4/2003
State of CA Dept. of Corrections	225743	9/22/2002	11,564.00	4/4/2003
Federal Bureau of Investigation (FBI)	225810	9/29/2002	9,553.58	11/22/2002
Total			\$ 281,092.65	

How is staff pursuing collection of the outstanding invoices?

In January 2005, CEDA assigned staff to take over the management of Right-of-Way functions. This involved a review of the outstanding invoices, what revenues are realized and why some of the inspection fees were not being paid by utility companies. DEC staff set up meetings with the managers of these companies and began discussions on the payment of invoices and other issues.

In January 2008, the Accounts Receivable Section was established with two staff members. Realizing the amount of open invoices in the system, staff immediately launched aggressive collection efforts, including sending monthly statements and following-up with customers.

What procedures are in place now to monitor and prevent future non-payment?

CEDA staff is working with City Attorney's office to resolve the outstanding invoices related to PG&E bankruptcy. In order to prevent future invoice payment backlogs, CEDA has implemented some changes in the department, including the monitoring of invoices, and holding monthly meetings with utility companies to ensure timely invoice payments, in accordance with the Oakland Municipal Code.

Administrative Instruction 1051, Accounts Receivable Billing, Collection and Write-off, approved and implemented on February 2005, set the procedures in place. The Accounts Receivable Section ensures compliance with these procedures by monitoring outstanding invoices and notifying departments to take necessary action. The Accounts Receivable Section works closely with the Revenue Collection Section in pursuing their collection efforts.

What past success has staff had in collected outstanding invoices?

Before 2005, the outstanding balance in CEDA utility accounts was over \$4 million. Due to the efforts of CEDA staff, through monthly meetings and negotiations with utility companies, approximately \$3 million has been recovered to date.


RECOMMENDATION AND RATIONALE

Staff recommends that the City Council accept this report and approve the resolution authorizing to write-off uncollectible accounts in accordance with Generally Accepted Accounting Principles.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept this report and approve the resolution.

Respectfully submitted,

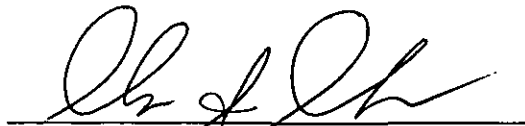


Joseph T. Yew, Jr.
Finance Director/City Treasurer

Reviewed by:
Osborn Solitei, Acting Controller
Finance & Management Agency

Prepared by:
Gregoria Torres, Assistant Controller
Finance & Management Agency

APPROVED AND FORWARDED TO THE
FINANCE COMMITTEE:



Office of the City Administrator

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