

**Document Code No.:** FIN-11-5-EP

**Title:** Accounts Receivable Collection Practices

**Affected Agencies:** Offices and Agencies reporting to the Executive

**Authorities:** Revised Code of Washington (RCW) 19.16.500

**Keywords:** Accounts Receivable, Collections

**Sponsoring Agency:** DES / Finance and Business Operations Division



**King County**

**Executive signature:** \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Shannon Braddock", written over a horizontal line.

**Date signed and effective:** April 16, 2025

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**I. Purpose**

This policy provides guidance to Executive Branch offices and agencies on the factors to consider while establishing procedures for the collection of balances due from customers for goods and services.

**Applicability and Audience** This policy applies to the administrative offices and agencies supervised by the King County Executive. The audience may include other offices and agencies adopting this policy.

**II. Definitions**

"Accounts Receivable" means an amount owed to the County by a customer for a good or service provided by the County regardless of what the transaction is called. For example, licenses, permits, and fines recover the cost of a service provided by the County. Taxes are not covered by this policy.

"Aged Trial Balance" means a schedule classifying the balances of all accounts receivable according to varying lengths of time the accounts are past due.

"Collection Activities" mean the more intensive activities that an office or agency will undertake to get payment from its customers when invoices fall past due. Such activities may include phone calls, emails, letters, statements generated from billing or collection software, suspension of services, or other tools suited to the office or agency line of business.

"Customer" means a person or organization that buys goods or services from the County or that provides grant resources to the County under a contract that requires billing. Organizations may include businesses; corporations; or federal, state, and local government agencies.

"Dunning Letter" means a notification sent to a customer, stating that it is overdue in paying an account receivable to King County.

**III. Policy**

**A. Advancing of Credit Is Limited**

The County collects payment on amounts owed to it as expeditiously as possible.

1. Any amount of money owed to the County is due and payable when services are rendered; credit may be granted to the public in cases where facilities for cash collection do not exist or when advancing credit is in the best interest of the County.

2. Credit for governmental units, foundations, and medical financial payers is automatically extended to those agencies during the time claims for reimbursement are outstanding.
3. Credit, when advanced, must conform to the requirements of the Washington State Constitution Article 8 Section 7.

**B. Billing**

1. Invoices are issued either at the time the charges are incurred or if bills are prepared monthly, within the current monthly billing cycle.
2. When the total amount due is less than \$5.00, the department may defer billing until additional invoices occur and make billing economically viable.

**C. Aging**

1. Adequate information concerning the age of outstanding bills and claims is required for proper overall control of accounts receivable.
  - a. Minimum standards require that reference copies of invoices be maintained in a manner that provides information as to which bills are current, which are 30 days old or less, 31-60 days old, 61-90 days old, 91-180 days old, 181-360 days old, and over 360 days old.
  - b. Aging is based on the due date for the invoice, which may not precede the date of the billing.
2. The accounts receivable aged trial balance must be compared to the general ledger accounts receivable balance at least quarterly. Differences and/or reconciling items must be explained if pertaining to timing differences or corrected if persistent or unexpected.

**D. Nonpayment of Invoices**

1. An invoice is considered overdue if it remains unpaid 30 days after its due date.
2. Each office or agency advancing credit must have procedures in place describing the activities they will undertake to collect invoices not paid timely. The collection activities themselves may be customized to each line of business in the office or agency, but overall impart an increasing level of urgency in the demand for payment the longer the invoice remains past due.
3. Agency procedures should optimize the chances that all outstanding amounts are collected without disproportionate impact on priority customer groups.
  - a. Periodically, at least every three budgets / six years, agencies analyze the Customer population that fall 91 or more days past due to understand the demographics of this group and if collection practices are having a disproportionate impact on any groups of customers.
  - b. Periodically, at least every three budgets / six years, agencies analyze amounts written off to understand the impact of the collection practices on agency revenues.
4. Finance and Business Operations Division (FBOD) shall continuously maintain at least one contract with a professional collection agency capable of accepting past due County invoices.
5. Agencies desiring to use FBOD's contract(s) for professional collection services must ensure a minimum level of effort has occurred before referring the invoice to FBOD for collection.

- a. A pre-collection letter disclosing the impending assignment of the debt to a professional collection agency must occur to comply with RCW 19.16.500 instructing the customer that failure to pay the invoice in full within 30 days of the notice will result in assignment to a collection agency, potential derogatory credit reporting, and additional fees.
- b. FBOD will maintain a sample Dunning Letter on its website suitable for agency customization that meets these minimum requirements.

#### **IV. Implementation Plan**

- A. This policy becomes effective for Executive Branch administrative offices and agencies on the date that it is signed by the Executive. FBOD is responsible for implementation of this policy.
- B. FBOD is responsible for communicating this policy to executive branch agencies and other appropriate parties.

#### **V. Maintenance**

- A. This policy will be maintained by FBOD, or its successor agency.
- B. This policy will automatically expire five (5) years after its effective date. A new, revised, or renewed policy will be initiated by FBOD, or its successor agency prior to the expiration date.

#### **VI. Consequences for Noncompliance**

- A. Inconsistent collection of invoices may result in lost revenue to support County operations.
- B. Collections administration that is haphazard, arbitrary, and/or capricious may not be enforceable and may damage the County's relationships with customers and the public.