RALPH M. TERRAZAS

September 17, 2020

BOARD OF FIRE COMMISSIONERS FILE NO. 20-084

TO:

Board of Fire Commissioners

Ralph M. Terrazas, Fire Chief

SUBJECT: WRITE-OFF OF UNCOLLECTIBLE LOS ANGELES FIRE DEPARTMENT

CHARGES FOR BRUSH INITIAL INSPECTION FEES FROM FISCAL

YEARS 2009-10 THROUGH 2016-17 (JUNE 2010 THROUGH

DECEMBER 2016)

FINAL ACTION: Approved Denied	Approved w/Corrections Received & Filed	Withdrawn Other

SUMMARY

Los Angeles Municipal Code Section 11.04 (Ch. 1, Art. 1) provides that any Board, Commission, or Head of a Department may prepare a report setting forth findings regarding the status of unpaid accounts. This report may then be submitted to the Collections Board of Review for appropriate actions. Submitted for this write off request are 7,906 uncollected charges, ranging between \$6 and \$107, for brush initial inspection fees billed in Fiscal Years 2009-10 through 2016-17 (June 2010 through December 2016) amounting to \$423,478.64.

These accounts were billed following Citywide Collection Guidelines. They were referred to the City's contractor, Transworld Systems, Inc., and then for an additional six month secondary collection with Municipal Services Bureau. These accounts were subsequently deemed to be uncollectible and were returned to the Department from March 2016 through October 2018. All of the 7,906 uncollected accounts are now past the statute of limitations.

In line with Citywide Collection Guidelines, the staff of Accounting Services determined that the unpaid accounts amounting to \$423,478.64 should be written off.

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RECOMMENDATIONS

That the Board:

Authorize the Fire Chief to refer to the Collections Board of Review all pertinent documentation regarding \$423,478.64 in uncollectible accounts for write-off authority.

FISCAL IMPACT

With the removal of these uncollectible accounts from the Department's outstanding balance, the Department's resources are more efficiently utilized on more recent outstanding accounts. The write-off of these unpaid accounts shall not preclude the City from collecting any sum that later proves to be collectible. Writing off these accounts would be consistent with Generally Accepted Accounting Principles. This is also consistent with existing City policy to reflect the accurate status of accounts in the City's financial statements so as not to overstate the revenue.

Board report prepared by Carmela Espiritu, Department Chief Accountant, Accounting Services Section, Administrative Services Bureau.

BOARD OF FIRE COMMISSIONERS

CITY OF LOS ANGELES

CALIFORNIA

RALPH M. TERRAZAS FIRE CHIEF

FIRE DEPARTMENT

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ERIC GARCETTI MAYOR

EXECUTIVE ASSISTANT II

September 17, 2020

Shane Min, Chair Collections Board of Review Office of the Controller Room 300, City Hall East 200 North Main Street Los Angeles, CA 90012

Dear Mr. Min:

Write-Off of Uncollectible Los Angeles Fire Department Charges for Brush Initial Inspection Fees Each Valued Less Than \$5,000 for Fiscal Years 2009-10 to 2016-17 (From June 2010 through December 2016)

Los Angeles Administrative Code, Chapter 11, Article 1, Section 5.182, provides that the Fire Chief of the Los Angeles Fire Department (LAFD) shall review the status of unpaid accounts to determine whether they are uncollectible. He shall refer those accounts determined to be uncollectible to the Collections Board of Review in accordance with the Los Angeles Municipal Code, Article 1, Section 11.04, for appropriate action. The write-off of these unpaid accounts shall not preclude the City from collecting any sum that later proves to be collectible.

Submitted for this write-off request are 7,906 accounts, originating from Fiscal Years 2009-10 through 2016-17 (June 2010 through December 2016), each valued less than \$5,000, for uncollected brush initial inspection fees amounting to \$423,478.64.

It is recommended that the Collections Board of Review approve the write-off of \$423,478.64 from 7,906 uncollected Brush Initial Inspection fees for Fiscal Years 2009-10 to 2016-17 (June 2010 through December 2016), each valued less than \$5,000.

- 1. Los Angeles Administrative Code, Chapter 11, Article 1, Section 5.182, provides that the Fire Chief of the LAFD shall review the status of unpaid accounts to determine whether they are collectible. He shall refer those accounts determined to be uncollectible to the Collections Board of Review in accordance with Section 5.182 of the Los Angeles Administrative Code for appropriate action.
- 2. All of these accounts were billed following Citywide Collection Guidelines. They were referred for additional collection efforts to the City's contractor, Transworld Systems, Inc. and then were referred for an additional six months with the City's secondary collection agency, Municipal Services Bureau. The accounts were subsequently deemed to be uncollectible and were returned to the LAFD from March 2016 through October 2018. These uncollectible accounts are each valued less than \$5,000. The LAFD's resources are more efficiently utilized on more recent outstanding accounts.
- 3. Writing off these accounts would be consistent with Generally Accepted Accounting Principles. This is also consistent with existing City policy to reflect the accurate status of accounts in the City's financial statements and not overstate revenue.
- 4. The following write-off criteria per Citywide Collection Guidelines have been met:
 - a. The amounts are uncollectible:
 - b. The write-off will not prejudice the position of the City;
 - c. All reasonable collection efforts have been exhausted;
 - d. The debtor cannot be located or due to difficult to collect reasons; and
 - e. The applicable statute of limitations for 7,906 accounts for collection of debt has expired. The write-off of all unpaid accounts shall not preclude the City from collecting any sum that later proves to be collectible.

If you require additional information, please contact Carmela Espiritu, Department Chief Accountant, Administrative Services Bureau, at (213) 978-3477.

Sincerely,

RALPH M. TERRAZAS

Fire Chief