



Sacramento Public Library Authority

October 28, 2010

Agenda Item 15.0: Customer Amounts Owed: Process Update and Revision of Debt Collection Policy

TO: Sacramento Public Library Authority Board Members

FROM: Rivkah K. Sass, Library Director

RE: Process Update: Customer Amounts Owed

RECOMMENDED ACTION(S):

- 1. Approve** the Library Authority's revised Debt Collection Policy as shown in Exhibit A.
- 2. Authorize** Library staff to work with the County Department of Revenue Recovery to assist in the collection of active patron accounts with a balance owing in excess of \$400, in addition to investigating other resources for collection of large amounts owed.

REASON FOR RECOMMENDATION:

On September 24, 2009, the Board approved the Library's Debt Collection Policy to establish "a framework for the debt collection process and a regular write off schedule for bad debt." An element of that policy was implementation of a process to prevent customers with written-off amounts from using library resources until those amounts were paid. The Library accomplished this by creating the X-Delinquent system to purge long-overdue amounts from our integrated library system, and block those patrons' access to Library resources without removing the patron accounts. This allowed staff to retain amounts owed so they could be collected should that blocked patron return to the Library.

A review of this policy and procedure was conducted in October 2010 to determine whether the process has proven to be efficient in managing customer amounts owed, both in terms of reducing the overall total and collecting outstanding amounts.

The first amounts were purged in October of 2009, per the guidelines of the Debt Collection Policy. Since that time, amounts have been purged on a quarterly basis as outstanding accounts aged past the four-year mark designated in the policy. As also required in the policy, those patron accounts were blocked from accessing library materials.

This process has resulted in only minimal success in collecting outstanding amounts owed, with only 0.3% of the total amount purged and blocked being collected (1% of the total fines and fees collected in the same time frame). The small amount of purged fines collected supports the conclusion that the majority of these account holders are no longer in the area and/or no longer use the library.



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Staff has also determined that the amount of staff time involved in collecting such a small amount of purged fines does not meet the Debt Collection Policy's statement that the Library must "ensure that resources are used efficiently and not devoted to the recovery of uncollectible accounts."

The integrated library system that records fines and fees allows staff to collect those amounts easily and efficiently when the account is active. However, for accounts where the amounts have been purged and then have been blocked, if a patron desires to clear the account by paying amounts owed, staff must manually total the amounts written off and key in the amounts as a manual charge into the patron record, record the money collected, and assign a special code to the transaction. This process is time consuming and fraught with error, requiring extensive reconciliation work and error corrections on the back end.

Staff does have continuing concerns about patrons who owe large amounts and believes the Library would be better served by limiting patron blocks (X-delinquent) to accounts owing more than \$400. This moves the focus from someone who honestly does not remember they had \$13.00 in fines with the library five years ago to customers who have engaged in egregious conduct and with whom the Library does not want to do business unless the account is fully cleared.

Recently Library staff re-established contact with the County's Department of Revenue Recovery to discuss additional measures that could be taken to recover large amounts owed. The County recommends the Library use their services selectively, referring only accounts that owe \$400 or more. Because the County has access to significant resources, such as county records for locating people, small claims court for obtaining judgments, and the ability to garnish wages or tap into other forms of income, the cost of the service provided can be as much as one-third of the amount referred. If the amounts referred consisted only of fine amounts, this would probably result in a positive result for the Library; however, total amounts owed include the cost of materials that have not been returned to the Library and if the patron returns those materials after being contacted, the amount owed drops significantly. This may result in paying more to the County than is actually collected as a result of their efforts; therefore, the number of accounts referred and pursued should be limited to only the most serious abuses and most collectable amounts. In addition to the County services, the Library will continue to investigate other resources that could be utilized to recover large amounts owed.

In an ongoing effort to improve the Library's own collection processes, the County Department of Revenue Recovery has been extremely helpful in providing ideas and suggestions, and reiterated two important principles of effective collection:



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1. After 90 days, the rate of return drops significantly; and
2. Phone calls, not letters, collect money.

As a result of this input, staff has worked with the current collection vendor in an effort to increase success with collections. In September, the collection agency began placing one additional phone call to the patron shortly after account referral, at no extra cost to the Library. Starting in January, the Library will make the following additional changes:

1. Send a bill for late materials 21 days after the due date instead of the current 30 days;
2. Refer accounts to Unique collections at 42 days, instead of the current 60 days;
3. Change the wording on all notices so the consequences of not returning materials is very clear.

In addition to these procedural changes, staff is recommending revisions to the Debt Collection Policy, specifically recommending that the *Criteria for Write-Off Action* be revised to consider for write-off:

- 1) accounts in excess of two (2) years old that have been billed regularly and subjected to diligent collection efforts, instead of the current four-year threshold, and
- 2) accounts with credit balances less than \$25 that have been inactive for two (2) or more years.

Staff is also recommending that all accounts older than two (2) years and less than \$400 be fully purged from the system on a quarterly basis. The remaining accounts will be marked as X-delinquent, and branch staff will be provided with a clear process for collecting and then clearing the large amounts owed.

Every change will be monitored by staff for the impact on amounts collected and total money owed. Staff will also continue to explore ways to bolster effectiveness in collecting materials and money to mitigate the Library's exposure to loss while continuing to provide exemplary service.

ATTACHMENT

Exhibit A: Debt Collection Policy (Revised)

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Policy and Procedure Manual

TITLE: <i>Debt Collection Policy</i>	POLICY No. FIN765.5
SECTION: Revenue Policy	REVISION DATE: 10/28/2010
ISSUE DATE: September 24, 2009 BOARD ITEM #: Agenda Item 15 (IF APPLICABLE)	REVISION #: 001

I. PURPOSE/INTRODUCTION

The Sacramento Public Library assesses fines and fees to encourage timely return of library materials loaned to patrons. Library materials are generally purchased with taxpayer funds and customers have an obligation to return borrowed materials timely, for the benefit of other customers. While more than 98% of materials loaned are returned each year, the Library is required to establish policies and procedures to ensure the return of all materials. The Library must establish a policy to send delinquent customer accounts and other debtor accounts to collection to ensure the recovery of materials and monies owed and to appropriately write-off uncollectible accounts when assessed fines and fees and amounts owed are not recoverable. In addition, the library will implement a process that will prevent customers that have had amounts written off from using library resources until the amounts written off have been paid.

II. POLICY

This policy enables the Library to consider the value of customer amounts owed or receivable, and ensure that resources are used efficiently and not devoted to the recovery of uncollectible accounts. The timely identification of losses is an essential element in appropriately measuring the value of customer amounts owed or receivables.

1. The Library Director is responsible for establishing procedures to ensure the return of library materials loaned to customers. The Library Director is charged with implementing this policy to ensure prompt and regular write-off of uncollectible accounts. The Library Director will develop an operating procedure that will block patrons that have been the beneficiary of the write-off of bad debt in excess of \$400 from receiving a new or active library card until the debt written off is repaid.
2. In order to ensure the return of library materials loaned to customers, the Library sends overdue notices after a specific time period. These notices serve to inform the customer that specific materials need to be returned and that a fine will be charged if returned late.
3. When fines and fees for unreturned materials attached to a customer's account reach a certain threshold, the account will be forwarded to a collection agency under contract with the Library.
4. The collection agency will make every reasonable effort to retrieve library materials or payment for library materials and any associated fines and fees.
5. The Library Board will establish the threshold levels and, on recommendation of the Library Director, review the threshold levels periodically.



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6. Criteria for Write-Off Action

The Library shall consider customer amounts owed or receivable as non-recoverable based on the following criteria:

- A. Accounts that cannot be substantiated by evidence or are legally without merit;
- B. Costs of further recovery actions will exceed estimated recovery amounts;
- C. Inability to locate debtor;
- D. Accounts under \$25 delinquent over four (4) years;
- E. Accounts over ~~two (2)~~~~four (4)~~ years old that have been billed regularly and subjected to a diligent collection effort;
- F. Account returned by a collection agency as uncollectible, and for which no other collection remedy is possible or prudent;
- G. Debtor has declared a Chapter 7 bankruptcy;
- H. Credit balances under \$25 and inactive for ~~four (4)~~~~two (2)~~ years;
- I. Accounts owed by companies no longer in business and for which collection efforts have failed;
- J. Accounts of deceased persons;
- K. Other reasons to be considered on a case by case basis on Government Accounting Standards Board or applicable standards;
- L. Forgiveness of Debt as approved by the Library Board.

7. Customer accounts and other amounts owed determined to be unrecoverable and that meet the above criteria will be written off on a regular basis. The Library Director will regularly report these amounts to the Board and at the end of each fiscal year provide a summary of amounts that have been written off during the period.