



City of Murrieta Administrative Policy

UNCOLLECTIBLE ACCOUNTS RECEIVABLE POLICY

DATED: ~~April 28~~ June 3, 2025

I. Purpose

The purpose of this policy is to establish procedures regarding the write-off of uncollectible receivables.

~~II.~~ **BACKGROUND**

To ensure strong financial management practices, ~~the~~ proper controls over revenues are imperative in accounts receivable management and general oversight over the various revenues, including fees and developer deposits, collected. Efforts should be made to pursue the timely collection of delinquent accounts. This policy applies to all departments and funds.

~~III.~~ **POLICY**

II. Policy

It is the policy of the City of Murrieta to actively pursue the collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. The timely identification of potential losses is an essential element in appropriately measuring the value of the City's assets. When delinquent accounts are deemed uncollectible, they should be written off the financial statements. However, no account will be written off unless all efforts have been exhausted in its collection. This policy is to ensure accurate recordings of such processes.

~~IV.~~ **PROCEDURES**

III. Procedures

The collection procedures are established by the Finance Department, and they may vary depending on the nature of the accounts receivable. This policy covers the following accounts receivable, but is not limited to: charges for services, recovery for damage to City property, fines and penalties, false alarms, legal judgments, transient occupancy tax, and miscellaneous receivables. Prior to determining whether an account should be written off, the following procedures must be completed:

a. The City shall bill on a monthly basis.

a. ~~b.~~ The due date from the billing date should be at least 30 days but no more than 45 days.

b. ~~Accounts~~c. If full payment is not received by the due date, accounts with an outstanding balance should be sent a letter. The City shall contact the delinquent account holder at least twice in writing. ~~if full payment is not received by the due date. Staff should contact the Planning, Building, and/or Engineering department(s) for delinquent developer deposits~~The second notification shall inform the account holder that if the amount owed is not received within 30 days, the account will be turned over to ensure addresses have been updated a collection agency.

e. ~~d.~~ If the amount remains delinquent after the two additional notices, ~~Non-emergency services are~~ may be discontinued for delinquent customers. Customers will be reinstated when payment in full is received. Generally, this will refer to ~~developer accounts when no additional work will be completed until the account~~development-related services, Library fees, and Parks and Recreation services, programs, and rentals. This is in good standingnot an exhaustive list of non-emergency services.

~~d. The City shall contact the delinquent account holder at least twice in writing. The second notification shall warn the account holder that if the amount owing is not received within 30 days, the account will be turned over for collection by a collection agency.~~

e. ~~e.~~ The City, may, ~~at its discretion,~~ offer a repayment option to the delinquent account holder.

f. The City may take the account holder to small claims court to collect the unpaid invoice or outstanding debt.

~~g. If the account holder fails to pay the debt within the specified time frame, the city can file a lien against the debtor's property in accordance with if allowed by state statute.~~

f. ~~gh.~~ Customers who remit "insufficient funds" checks more than two (2) times whose payments are returned by the financial institution will be required to pay in with a different form of payment, for example: cash or , credit card, money order, or cashier's check.

~~g. Delinquent accounts shall be turned over to a collection agency if no payments have been received within 120 days of initial billing.~~

h. ~~hi.~~ The City ~~shall~~ may contract with a collection agency to handle those accounts ~~the City~~ it has not, been able to collect by acting with due diligence, ~~been able to collect.~~

~~i. City Council The Finance Director will submit to the City Manager for presentation to and approval by the City Council, a memorandum detailing the recommended write offs and a summary of the due diligence completed.~~

~~V. ADDITIONAL INFORMATION~~ The following represent criteria for writing off delinquent accounts:

~~a. Costs of further recovery actions will exceed estimated recovery amounts~~

~~b. Inability to locate debtor~~

~~ij.~~ Delinquent accounts that do not meet the criteria in Section V below ~~shall~~ may be turned over to a collection agency if no payments have been received within 120 days of the initial billing or the last partial payment.

IV. Uncollectible Criteria

An account receivable shall be deemed uncollectible if it meets one or more of the following criteria:

- a. The debtor is deceased, and there are no assets to cover the debt.
- b. The debtor has declared bankruptcy, and the City has received notification of non-recovery.
- c. The debtor cannot be located despite reasonable efforts.
- d. The cost of collection exceeds the amount owed.
- e. The amount has been outstanding for more than four years, and collection efforts have failed.
- f. The debt is discharged through a court judgment.
- ~~e. g. _____ Forgiveness of debt has been approved by the City Council.~~
 - ~~d. Debtor has declared a Chapter 7 bankruptcy~~
 - ~~e. Court judgments~~
- f. h. _____ Accounts owned by companies that are no longer in business and for which collection efforts have failed.
 - ~~g. Accounts of deceased persons~~
- i. The amount is under \$25 and remains unpaid after one year.
- j. The debt is disputed, and the City has insufficient documentation to pursue collection efforts.
- k. Other reasons on a case as authorized by the Director of Finance.

V. Authority

~~h. Accounts that are deemed uncollectible shall~~may be written off by case basis

~~The Finance Director has the authority~~ listed below:

- a. The Director of Finance ~~is authorized to approve the~~ may write-off of accounts up to \$1,000 ~~without requiring City Manager's approval.~~
- b. The City Manager or his/her designee ~~may is authorized to approve the~~ write-off of accounts up to \$5,000 ~~without requiring City Council approval.~~
- c. Write-offs exceeding \$5,000 must be presented to the City Council for approval.

VI. Reporting

- i. a. The Director of Finance will provide an annual report to the City Council summarizing all write-offs in the amount of \$50 or less

that have occurred in compliance with the policy and recommended write-offs for the City Council's consideration.

b. The report will include the debtor's name, the total amount written off, the efforts taken to collect, and the reasons for each write-off.

Justin Clifton
City Manager

|

|