



## City of Murrieta Administrative Policy

### UNCOLLECTIBLE ACCOUNTS RECEIVABLE POLICY

DATED: April 28, 2025

#### **I. Purpose**

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

To ensure strong financial management practices, 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.

#### **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.

#### **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.
- b. The due date from the billing date should be at least 30 days.
- 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. 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 a collection agency.

- d. If the amount remains delinquent after the two additional notices, non-emergency services may be discontinued for delinquent customers. Customers will be reinstated when payment in full is received. Generally, this will refer to development-related services, Library fees, and Parks and Recreation services, programs, and rentals. This is not an exhaustive list of non-emergency services.
- e. The City may 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. Customers whose payments are returned by the financial institution will be required to pay with a different form of payment, for example: cash, credit card, money order, or cashier's check.
- h. The City may contract with a collection agency to handle those accounts it has not been able to collect by acting with due diligence.
- i. Delinquent accounts that do not meet the criteria in Section V below 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 court judgment.
- g. Forgiveness of debt has been approved by the City Council.
- h. Accounts owned by companies that are no longer in business and for which collection efforts have failed.

- 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 as authorized by the Director of Finance.

## **V. Authority**

Accounts that are deemed uncollectible may be written off by the authority listed below:

- a. The Director of Finance may write-off of accounts up to \$1,000.
- b. The City Manager or his/her designee may write-off of accounts up to \$5,000 .
- c. Write-offs exceeding \$5,000 must be presented to the City Council for approval.

## **VI. Reporting**

- a. The Director of Finance will provide an annual report to the City Council summarizing all write-offs 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.

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City Manager