

CITY OF WILDOMAR

WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS POLICY

I. PURPOSE AND POLICY

The purpose of this policy is to ensure that all reasonable diligence has been used to collect accounts receivable, improve measurement of the City's accounts receivable and ensure the most efficient use of City revenue collection resources.

It is the policy of the City of Wildomar to actively pursue collection of past-due accounts receivable, regularly review the status of past-due accounts, and write-off amounts determined to be uncollectible. A write-off of uncollectible accounts receivable from the City's accounting records does not constitute forgiveness of the debt nor a gift of public funds.

This policy applies to all City departments and funds.

II. PROCEDURES

Collection procedures are established by the responsible departments and will vary depending on the nature of the receivable. Types of receivables covered by this policy include but are not limited to: developer deposits; business registration fees; regulatory and development impact fees; fees for services; recovery for damage to City property; fines and penalties; and legal judgments.

Accounts receivable should generally be written off during the fiscal year in which an account is determined to be uncollectible. Subsequent collection of an account previously written-off will be treated as new revenue in the appropriate fund.

A. Designation of an Account as Uncollectible

An account will be considered uncollectible after the appropriate collection procedures have been followed if it meets one or more of the following criteria:

- The debt is disputed and the City has insufficient documentation to pursue collection efforts;
- The cost of further collection efforts will exceed the estimated recovery amount;
- The amount is under \$20 and remains unpaid after one year;
- The account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- The debtor cannot be located, nor any of the debtor's assets;

- The debtor has no assets and there is no expectation they will have any in the future;
- The debtor has died and there is no known estate or guarantor;
- The debtor is a company which is no longer in business;
- The debt is discharged through legal action (bankruptcy or court judgement);
- The debt has been forgiven by action of the City Council.

B. Preparation of Request for Write-Off of Accounts Receivable

At least annually, each department will identify any accounts receivable for which that department is responsible, and that meet the criteria for designation as an uncollectible account. A request for write-off of accounts receivable per Appendix A of this policy will be prepared by departmental staff, signed by the department head, and submitted to the Administrative Services Director.

The request for write-off of accounts receivable must include an itemized list of the uncollectible accounts to be written off specifying the following:

- Debtor name;
- Account balance;
- Due date;
- Brief description of receivable type;
- Criteria under which the account was deemed uncollectible; and
- Account string of the receivable in the City's accounting system.

For each uncollectible account, documentation must be attached to the requests to support the uncollectible account designation and substantiate that the department has followed its collection procedures and exercised due diligence in its collection efforts. Due diligence documentation could include:

- Invoices, reminder letters, or collection letters (and any documentation that are returned as undeliverable, no known forwarding address, etc.);
- Information from the California Department of Corporations;
- Referral to the City's collection agency;
- Bankruptcy claim and any related plan or discharge;

- Judgement awarded by a court or settlement agreement;
- Advice from legal counsel that a debt is unenforceable/uncollectible; and
- Notice of discontinuation of services.

C. Approval Authority for Write-Off Requests

Upon receipt of a request for write-off of accounts receivable by the Administrative Services Director, Finance Department staff will review the request to ensure that it is complete, and that all necessary due diligence documentation has been attached. Once Finance Department staff has completed its review of a request, the qualified accounts to be written off will be presented to the appropriate authorizing official for approval:

- The Administrative Services Director is authorized to approve the write-off of accounts with an outstanding balance due of up to \$5,000;
- The City Manager is authorized to approve the write-off of accounts with an outstanding balance in excess of \$5,000 and up to \$10,000;
- Write-off of accounts with an outstanding balance due in excess of \$10,000 must be approved by action of the City Council.

