

**COUNCIL POLICY
CITY OF CHULA VISTA**

**SUBJECT: UNCOLLECTIBLE ACCOUNTS
RECEIVABLE WRITE-OFF POLICY**

**POLICY
NUMBER**

**EFFECTIVE
DATE**

PAGE

05/23/2017

1 of 4

ADOPTED BY: (Resolution No.)

DATED: 5/23/2017

AMENDED BY: Resolution No. (date of resolution)

I. PURPOSE: The purpose of this policy is to establish procedures for write-off of uncollectible accounts receivable debt and improve measurement of the City's accounts receivable.

II. POLICY

A. BACKGROUND: A liability or debt to the City establishes an "accounts receivable." This generally occurs when a City department issues an invoice for goods or services provided to an organization or a recipient. Other circumstances that also create an account receivable are:

1. Amounts due the City as a result of advances or payments under contracts where the spending is less than the advances or payments;
2. Overpayments, or payments in error, to vendors or providers; or
3. Any other circumstance where an obligation of money is due the City.

B. SCOPE: This policy applies to all City departments and funds.

C. PROCEDURES: Collection procedures are established by the Finance Department in collaboration with 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: business license tax, transient occupancy tax; sewer utility billings; 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.

1. 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:

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: UNCOLLECTIBLE ACCOUNTS RECEIVABLE WRITE-OFF POLICY	POLICY NUMBER	EFFECTIVE DATE	PAGE
		05/23/2017	2 of 4

ADOPTED BY: (Resolution No.)	DATED: 5/23/2017
-------------------------------------	-------------------------

AMENDED BY: Resolution No. (date of resolution)

- 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 judgment).

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

At least annually, Finance Department staff will identify any accounts receivable that meet the criteria for designation as an uncollectible account. A request for write-off of accounts receivable will be prepared and submitted to the Finance Treasury Manager.

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

**COUNCIL POLICY
CITY OF CHULA VISTA**

**SUBJECT: UNCOLLECTIBLE ACCOUNTS
RECEIVABLE WRITE-OFF POLICY**

**POLICY
NUMBER**

**EFFECTIVE
DATE**

PAGE

05/23/2017

3 of 4

ADOPTED BY: (Resolution No.)

DATED: 5/23/2017

AMENDED BY: Resolution No. (date of resolution)

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

For each uncollectible account, documentation must be attached to the request to support the uncollectible account designation and substantiate that collection procedures have been followed and due diligence exercised in the 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;
- Judgment awarded by a court or settlement agreement;
- Notice of discontinuation of services.

III. **APPROVAL AUTHORITY:** Upon receipt of a request for write-off of accounts receivable, the Finance Treasury Manager will review the request to ensure that it is complete and that all necessary due diligence documentation has been attached. Once the review has been completed, the qualified accounts to be written-off will be presented to the appropriate authorizing

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: UNCOLLECTIBLE ACCOUNTS RECEIVABLE WRITE-OFF POLICY	POLICY NUMBER	EFFECTIVE DATE	PAGE
		05/23/2017	4 of 4

ADOPTED BY: (Resolution No.) **DATED:** 5/23/2017

AMENDED BY: Resolution No. (date of resolution)

official for approval:

- The Director of Finance is authorized to approve the write-off of accounts with an outstanding balance due of up to \$25,000;
- The City Manager is authorized to approve the write-off of accounts with an outstanding balance in excess of \$25,000 and up to \$100,000;
- Write-off of accounts with an outstanding balance due in excess of \$100,000 must be approved by action of the City Council.

FORMS

Attachment 1: Uncollectible Accounts Receivable Debt Write-Off Request Form

