



# Administrative Regulations

Number AR21-2  
Issue 3

**Subject: Processing, Collecting and Disposing of Damage Claims and Delinquent Accounts Receivable.**

## I. PURPOSE

The purpose of this regulation is to set forth standard procedures to be followed in processing, collecting and disposing of delinquent account receivable.

## II. SCOPE.

This regulation is applicable to all City Departments and offices responsible directly to the City Manager. It is also requested that elective offices and other independent offices and departments of the City comply with these procedures in the interest of administrative uniformity.

## III. AMENDMENT

The City Manager may amend the policy, procedures and contents set forth in this regulation in accordance with the provisions set forth in Administrative Regulation 1-1.

## IV. POLICY

### A. Delinquent Accounts Receivable

1. If a department has been unsuccessful in obtaining collection on an account, it will be deemed delinquent thirty days after the billing date or the due date if the due date is stated on the bill.
2. Utility bills are deemed delinquent fifteen days after a utility account is closed and payment has not been received.
3. If a department receives a dishonored check, the account is deemed delinquent and is to be treated as a delinquent account. Section 3.44.030 of the Municipal Code states: "Whenever any check is made payable to the City in payment of a fee, rate, charge, tax, assessment, or other liability and said check is returned unpaid by the maker's bank, there shall be imposed upon the maker thereof a returned check charge."

The returned check charge will be in the amount of fifteen dollars. The charge shall not exceed the City's cost of processing the check and may be revised by regulations issued by the City Manager or designee.

The dishonored check and standard information sheet as described in Section V A- 2 shall be forwarded to the Collection Services Section of the Financial Services Division

### B. Processing of Delinquent Accounts Receivable

1. Delinquent Accounts of \$25.00 or less.

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A departmental account which has become delinquent in accordance with Section IV A-1 of this regulation in an amount of twenty-five dollars or less, shall be forwarded to the Director of Financial Management for authorization to write off the accounts receivable balance.

A written request shall accompany the account files, stating the reason the balance is determined to be uncollectible. Section 3.48.020 A of the Municipal Code authorizes the Director of Financial Management to discontinue collection efforts in any of the circumstances listed in Section V C- 3. Copies of the approved memorandum should be sent to the City Auditor and City Controller.

### 2. Delinquent Accounts in Excess of \$25 .00:

A departmental account which has become delinquent in accordance with Section IV A-1 of this regulation in excess of twenty-five dollars should be forwarded to the Collection Services Section of the Financial Services Division.

In those instances where the City is covered for payment of the account by a bond or deposit in lieu of a bond, or where the party has made partial payment and has made arrangements to clear the remaining balance, the department should retain the account.

C Memorandum of Understanding. Prior to utilizing Collection Services on a regular and consistent basis, City departments will submit to the Department of Financial Management an interdepartmental Memorandum of Understanding (MOU).

## V. PROCEDURES

### A. Collection of Delinquent Accounts Receivable

1. When a department is utilizing the Billing and Collections System for billing purposes and the account becomes delinquent, the account and account information shall be forwarded to Collection Services using the automated system.
2. Departments not utilizing the Billing and Collections System for billing purposes shall forward the delinquent account and a standard information sheet to Collection Services. The information sheet should include the debtor's full name, current address, current employment, telephone number and relevant identification number(s) e.g., social security number and drivers license or state issued identification card. If the account is a corporation the name and title of one of the officers and the authorized agent must be supplied. If the account is a company, the name of the owner and owner's relevant information must be supplied. In the case of an association, the name and title of the responsible party who is designated to receive service of process must be supplied. Other documents to accompany the information sheet should include copies of the breakdown of the departmental invoice, follow-up letters, applicable correspondence, all other relevant data and a transmittal memorandum, indicating the organization and revenue code to be used by Collection Services. The transmittal memorandum should be addressed to the Financial Services Officer.
3. The originating department should note on their records that the delinquent account has been forwarded to Collection Services and discontinue any further attempts to collect.

Efforts to pay all or part of such accounts must be referred to Collection Services in order to maintain accurate billing and collection records. The department should retain a record of the account to identify and properly credit any subsequent payments.

4. When the normal collection procedures have failed to secure payment, collection of the account may be pursued through small claims court if the account is less than the maximum allowable amount.
5. When a delinquent account is greater than the maximum allowable in small claims court and the normal collection procedures have failed to secure payment, Collection Services shall forward the

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account to the City Attorney's Office. The City Attorney may pursue payment through a civil action, or if the delinquent amount is close to the small claims court maximum, the City Attorney may recommend that Collection Services pursue payment through small claims court in lieu of incurring the expense of a civil action.

6. When it is considered impractical to devote further collection efforts on a delinquent account, Collection Services may forward the delinquent account to an authorized private collection agency. When this occurs Collection Services will be relieved of collection responsibility with exception of maintaining the necessary records to distribute payments obtained by the collection agency.

### B. Payment of Delinquent Accounts Receivable

1. Payments on delinquent accounts may be made in person or by mail to Collection Services. Payments received by the initiating department must be forwarded to Collection Services for purposes of updating delinquent accounts and depositing of funds
2. Payments received by Collection Services will be deposited in accordance with Administrative Regulation 21-1 and credited to the appropriate organization and revenue codes.
3. The City Attorney may elect to return delinquent accounts to Collection Services for follow up, collection or monitoring of payments. If the City Attorney elects to have the payments made to their office, the payments will be credited in accordance with Administrative Regulation 21-1 to the appropriate organization and revenue codes. Copies of the Deposit Receipt (DR) must be sent to Collection Services to update accounts in the automated system

### C. Cancellation of Uncollectible Delinquent Accounts Receivable Forwarded to Collection Services

#### 1. Uncollectible Accounts of \$1,000.00 or Less:

When collection on delinquent accounts has been unsuccessful and further efforts to collect would constitute an unnecessary expenditure of public funds, Section 3.48.020 A of the Municipal Code authorizes the Director of Financial Management to terminate further collection efforts and to order accounts in the amount of one thousand dollars or less removed from the accounts of the City, in any of the circumstances in Subsection C - 3

#### 2. Uncollectible Accounts in Excess of \$1000.00:

When collection of delinquent accounts has been unsuccessful and further efforts to collect would constitute an unnecessary expenditure of public funds, Section 3.48.020 B of the Municipal Code authorizes the City Manager to terminate further collection efforts, and to order any account in excess of one thousand dollars removed from the accounts of the City, in any of the circumstances in Subsection c- 3

#### 3. Collection activities may be terminated in one or more of the following circumstances:

- a) Statute of limitations has expired
- b) Recommendation of City Attorney
- c) Compromised settlement authorized by City Attorney
- d) Amount involved does not warrant further activity
- e) Bankruptcy filed
- f) Deceased - no assets
- g) Cannot locate
- h) Unable to prove responsibility
- i) Company defunct
- j) Small claims court ruled against the City
- k) That portion of a claim in excess of maximum payment received from Medicare/Medi-Cal

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4. Upon approval by the City Manager or the Director of Financial Management, delinquent accounts written off will be filed with Collection Services. Copies of the approval will be forwarded to the City Auditor, City Attorney, City Controller, and the originating department.

Delinquent Accounts forwarded to the City Attorney will be returned to Collection Services for write off when deemed appropriate by the City Attorney.

D. Reporting

1. Client departments will be notified on a monthly basis of all collection activity using Billing and Collection System reports. City management will receive quarterly and annual reports.
2. Client departments will be notified of any accounts written off. Upon approval of write off, copies of the write off list will be routed to appropriate departments.