

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON DECEMBER 13, 2016</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT</b>	<b>AMENDMENT TO COUNCIL POLICY 8(5) “UNCOLLECTIBLE ACCOUNTS RECEIVABLE”</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached proposed By-law (Appendix “A”) **BE INTRODUCED** at the Municipal Council meeting on December 19, 2016 for the purpose of repealing Council Policy 8(5) entitled “Uncollectible Accounts Receivable” and replacing it with a revised Council Policy 8(5) entitled “Accounts Receivable and Collections Policy” in order to:

- a) provide for the authorization and guidelines for the write-off of uncollectible Miscellaneous and Provincial Offences Act (POA) Accounts Receivables;
- b) identify the steps to be taken for the collection of receivables;
- c) establish conditions under which an amount can be cancelled or written-off; and
- d) define the authorization levels for write-offs.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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None.

<b>BACKGROUND</b>
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The Accounts Receivable and Collection Policy provides authorization and guidelines for the write-off of uncollectible Miscellaneous and Provincial Offences Act (POA) Accounts Receivables.

The proposed new policy replaces the old policy, which has not been updated since 2003.

The major revisions include:

- a) an update to the POA authorization table to reflect revised position titles of the staff involved in this process;
- b) an update to the Miscellaneous authorization table to reflect revised position titles of the staff involved in this process as well as align the authority levels to be consistent with that of the POA table; and
- c) an overall update of the policy to more comprehensively explain the expectations of the collection process and thoroughness of the process before any write-off considerations would be made.

Although the existing policy did not itemize these collection processes, these do reflect the processes that have been put in place over the past 15 years since the transfer of POA to the municipality. In March 2001, the City of London assumed responsibility for the administration and collection of Provincial Offences fines (Part I and III) previously handled by the Ministry of Attorney General. The Courts Administration service area of Finance & Corporate Services manages the processing of payments of current and defaulted fines and Financial Services service area manages the administration and collection of defaulted fines (Collections unit).

The proposed new policy is attached as Schedule "A". The updated new policy can be compared to the old policy being repealed, which is attached as Appendix "B".

This policy will be reviewed on an annual basis when the annual write-off reports are brought forward to Council for approval and any suggested revisions to the policy will be proposed at that time.

<b>SUBMITTED BY:</b>	<b>CONCURRED BY:</b>
<b>SHARON SWANCE MANAGER, ACCOUNTING FINANCIAL SERVICES</b>	<b>ANNA LISA BARBON DIRECTOR, FINANCIAL SERVICES</b>
<b>RECOMMENDED BY:</b>	
<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY TREASURER, CHIEF FINANCIAL OFFICER</b>	

Attach.

## APPENDIX "A"

Bill No.  
2017  
By-law No. A.-

A by-law to repeal and replace Council Policy 8(5) being the "Accounts Receivable and Collections" Policy.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

AND WHEREAS the Municipal Council wishes to take the necessary steps to repeal and replace the existing Council policy pertaining to Accounts Receivable and Collections to provide authorization and guidelines for the write-off of uncollectible miscellaneous and Provincial Offences Act (POA) receivables;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. Council Policy 8(5) is hereby repealed and replaced with a new Council Policy 8(5) attached hereto as Schedule "A".
2. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on December 19, 2016.

Matt Brown  
Mayor

Catharine Saunders  
City Clerk

First Reading – December 19, 2016  
Second reading – December 19, 2016  
Third reading – December 19, 2016

## SCHEDULE "A"

### Proposed New Policy:

#### 8(5) Accounts Receivable and Collections Policy

##### 1. Policy Statement

This policy constitutes The City of London's (the "City") statement of policies and goals relating to the procedures and collection of accounts receivable.

This policy is to provide authorization and guidelines for the write-off of uncollectible miscellaneous and POA receivables. It identifies the steps to be taken to collect payment of invoices, establishes conditions under which an invoice may be cancelled or written-off and defines authorization levels for write-offs.

##### 2. Definitions

"Write-off" – means to remove an account receivable from the City's accounts receivable records.

"Receivables" – represent claims for money, goods, services and/or other non-cash assets.

"Accounts Receivables" – are generally represented by a sales invoice or some other form. Under generally accepted accounting principles, accounts receivable are assets that are recognized when the revenues are earned.

##### 3. Purpose

- ✓ To establish the responsibilities, internal controls, authorizations and procedures for the accurate and timely preparation and collection of customer invoices for goods and services rendered by the City.
- ✓ To ensure that all revenues earned by the City and all Accounts Receivables owed to the City, are accounted for and recognized in the financial statements according to Canadian Generally Accepted Accounting Principles (GAAP).
- ✓ To guide the management of accounts receivables to ensure timely collections of financial assets in order to maintain a positive cash flow.
- ✓ To minimize the financial exposure to bad debts and maximize revenue recoveries.

##### 4. Scope

The scope of this document is intended to cover the various aspects of the collection process for Provincial Offences Act fines and miscellaneous revenue.

##### 5. Statement of Policies and Goals

- A. Collection administration of Provincial Offences Act Fines – Part I and III
- B. Collection administration of Miscellaneous Accounts Receivables
- C. External collections efforts: Collection agencies
- D. Cease collection and write-off of uncollectible accounts

##### **A. COLLECTION ADMINISTRATION OF PROVINCIAL OFFENCES ACT FINES – PART I AND III**

As per the *Provincial Offences Act* the payment of a fine is in default if any part of it is due and unpaid for fifteen days or more.

A *defaulted* fine remaining outstanding for 91 days from the date of the offence is subject to collection activities as regulated in section A of this policy.

## **SCHEDULE "A" Cont'd**

The collection process for these defaulted fines may include all or some of the following steps:

- Scrubbing or cleaning the data, through skip trace processes to identify new addresses, telephone numbers, such as:
  - search for place of employment,
  - search for property,
  - credit bureau searches,
  - corporate searches,
  - Ministry of Transportation searches using driver licenses and plate number
- Automated phone campaign
- Letter campaign
- Civil litigation such as:
  - filing of Certificate of Default in Small Claims Court and Superior Court,
  - filing of Writs of Seizure and Sale of Lands,
  - filing of Garnishments
- Placement with collection agencies.

Outstanding accounts are sent to a collection agency as soon as it is determined that internal collection efforts will not satisfy the debt.

### **B. COLLECTION ADMINISTRATION OF MISCELLANEOUS ACCOUNTS RECEIVABLES**

#### **Invoices**

Invoices are issued for services or items provided by the City and payment is not received prior to or at the moment of the transaction. Invoices are required to be prepared and authorized by the originating service area in a timely manner. Invoices should be issued immediately after the delivery of the goods or service to the customer, and in any case not later than 30 days from such date. Invoices should be mailed out within 3 business days of issuance as the interest calculation period is based on the invoice date.

#### **Returned Items**

Returned items are cheques received by the City and returned by the bank as not negotiable (i.e. insufficient funds, stop payments, account frozen, etc) or credit card transactions declined or illegitimately refused by the cardholder. Financial Services will advise the originating service area within 6 business days from the date of notification from the financial institution that a cheque was not negotiable or a credit card transaction was declined or refused. The originating service area should attempt a first collection step notifying the customer in writing of the returned cheque or of the declined/disputed credit card transaction.

Returned items may be subject to an administration fee as regulated by the City's Various Fees and Charges By-law.

#### **Collection of Overdue Invoices**

The collection process for these miscellaneous accounts receivable may include all or some of the following steps:

- Issuance of monthly statements
- Direct contact with customers with overdue accounts
- Letter and phone campaign
- Placement with collection agencies
- Transfer of balance to the tax roll
- Offset against invoices owed to them by the City
- Further civil enforcement through the City Solicitor's office.

### **C. EXTERNAL COLLECTION EFFORTS: COLLECTION AGENCIES**

A collection agency is a third party organization engaged by the City for the collection of defaulted accounts. Section 304 of the *Municipal Act* authorizes the use by a Municipality of a registered collection agency for the recovery of a debt. Third party registered collection agencies shall be authorized for the collections of defaulted accounts. To maximize collection efforts the City may use multiple collection agencies.

## **SCHEDULE "A" Cont'd**

The collection agency utilizes various collection techniques and tools to locate debtors and obtain payment of the debt. The collection agencies may also place trade lines on the debtors, which may affect their credit rating.

The City defaulted accounts listed with an agency that remain outstanding after an established period of time may be transferred to another agency for further collection activities. The transfer of the accounts to different agencies ensures that accounts remaining outstanding are worked by more than one collection agency to maximize collection recovery. Defaulted accounts may be transferred to more than one collection agency before they are recalled back to the City for write-off authorization.

At no time will more than one collection agency attempt collection of the same debt.

### **Administration fee added to defaulted accounts forwarded to a collection agency:**

Collection agencies charge a percentage commission fee on the amount collected on behalf of the City.

The charge of an administration fee to all defaulted accounts that are transferred to a collection agency is authorized as approved in the City's Various Fees and Charges By-law. The administration fee offsets the cost of employing collection agency commission fee by recovering those fees directly from the debtors.

## **D. CEASE COLLECTION AND WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS**

Civic Administration shall prepare two reports for City Council's information on an annual basis prior to December 31<sup>st</sup> of every year. One report will be with respect to collections of POA Accounts Receivable and the second report will be with respect to the collection of Miscellaneous Accounts Receivable. The two reports will include a list of recommended accounts for ceasing collection efforts and write-off.

### **Report A – Request for Write-off of Provincial Offence Act (POA) Accounts Receivable**

This report seeks authorization to cease collections efforts and removal of the fine from the electronic record for POA Accounts Receivable deemed uncollectible.

### **Report B – Request for Write-off of Miscellaneous Accounts Receivable**

This report seeks authorization to cease collections efforts and write-off in the General Ledger for Miscellaneous Accounts Receivable deemed uncollectible.

### ***Provincial Offences Act (POA) Fines (Parts I and III) deemed uncollectible***

An outstanding POA fine (Part I and III) that is deemed uncollectible will be recommended to Council for ceasing collection efforts and removing from the electronic system.

A POA fine is deemed uncollectible when:

- a) all appropriate collection steps as per this policy have been exhausted, and
- b) the account is older than 6 years + current year

An exception to the above would be in the event that:

- A death certificate of the debtor is received; or
- A sworn affidavit indicating that the fine was previously paid is received; or
- A clerical adjustment is required due to settlement of the account

**SCHEDULE "A" Cont'd**

**Provincial Offences Act (POA) Accounts Receivable**

Provincial Offences Act (POA) accounts receivables which are deemed uncollectible, the authorization for write-off of "uncollectible" POA accounts receivable will be as follows:

<b>Dollar Value of POA Account</b>	<b>Person or Body Responsible for Deciding Further Action</b>
\$0 to \$500.00	Manager III, Courts Administration or Director, Financial Services or delegate
\$500.01 to \$1,000.00	City Treasurer or delegate
over \$1,000.00	City Council

**Miscellaneous Accounts Receivables - deemed uncollectible**

Miscellaneous accounts receivable are deemed uncollectible and therefore recommended for write-off when all appropriate collection steps have been exhausted.

An exception to the above would be in the event that:

- Request in writing from the originating department indicating that the account was billed in error is received
- Death certificate of the debtor is received
- Sworn affidavit indicating that the account was previously paid is received
- Bankruptcy notice is received
- Clerical adjustment is required due to the settlement of the account

**Miscellaneous Accounts Receivables**

Accounts receivable which are deemed uncollectible, the authorization for write-off of "uncollectible" miscellaneous accounts receivable will be as follows:

<b>Dollar Value of Account</b>	<b>Person or Body Responsible for Deciding Further Action</b>
\$0 - \$500.00	Division Manager – Taxation and Revenue or Director, Financial Services or delegate
\$500.01 to \$1,000.00	City Treasurer or delegate
over \$1,000.00	City Council

**6. Accountability and Administration:**

The City Treasurer or delegate is authorized to implement and/or modify any procedures as necessary to comply with this policy.

## APPENDIX "B"

### Proposed Policy to Repeal:

#### 8(5) Uncollectible Accounts Receivable

- (a) That a policy be established whereby accounts receivable which are deemed uncollectible, the responsibility for dealing with uncollectible accounts will be as follows:

Dollar Value of Account	Person or Body Responsible for Deciding Further Action
Up to \$299.00	Division Manager of Revenue and Tax Collector and Manager of Accounting
\$300.00 to \$1,000.00	City Treasurer
over \$1,000.00	Board of Control and City Council

- (b) That a policy be established whereby Provincial Offences Act (POA) accounts receivables which are deemed uncollectible, the responsibility for dealing with "uncollectible" POA accounts will be as follows:

Dollar Value of POA Account	Person or Body Responsible for Deciding Further Action
\$0 to \$500.00	Manager of Courts Administration and Manager, Financial Services
\$500.01 to \$1,000.00	City Manager and City Treasurer
over \$1,000.00	Board of Control and City Council



25.1.1.84

APPENDIX "B"

December 18, 1984

M. C. Engels  
 City Administrator  
 Room #603

S. F. Readings  
 City Treasurer  
 Room #406

I hereby certify that the Municipal Council, at its session held on December 17, 1984, resolved:

5. That, on the recommendation of the City Administrator and of the City Treasurer, the existing policy for the write-off of uncollectible accounts BE AMENDED as follows to reflect a change in the organization of the Finance Department:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
Up to \$299	Manager of Revenue and Tax Collector and Manager of Financial Systems and Controls
\$300 to \$1,000	City Treasurer and Director of Finance
Over \$1,000	Board of Control and City Council;

and further, that the references in the existing policy to the position of "Director of Revenue" BE AMENDED to refer to "Manager of Revenue and Tax Collector" and that the title of the policy BE AMENDED to read "Finance Department - Treasury Services Division." (25.1.1) (5/2/BC)

*PCM*  
 P. C. McNorgan  
 City Clerk

PCM/vm

c.c. T. Lafrance (Policy Book)

5

APPENDIX "B"

TO: Chairman and Members  
Board of Control

G-472-01

FROM: M. C. Engels  
City Administrator

S. F. Readings  
City Treasurer

DATE: December 6, 1984

RE: Accounts Receivable Administration

CITY CLERK	No. 2230
SUBJECT	Accounts Receivable Administration
DATE	DEC 7 1984
REF	File

RECOMMENDATION:

It is recommended that the existing policy for the write-off of uncollectable accounts be amended to reflect a change in the organization of the Finance Department as follows:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
up to \$299	Manager of Revenue and Tax Collector and Manager of Financial Systems and Controls
\$300 to \$1,000	City Treasurer and Director of Finance
over \$1,000	Board of Control and City Council

All references in this policy to the position of Director of Revenue be amended to read Manager of Revenue and Tax Collector. Also, the title of this policy should be updated to reflect the following "Finance Department - Treasury Services Division".


BACKGROUND:

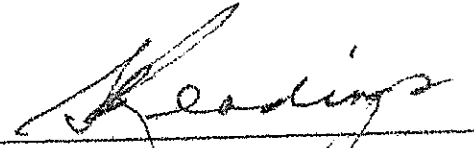
In November, 1983, the authority for write-off of uncollectible accounts receivables was set as follows:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
up to \$299	Director of Treasury Services and Manager of Financial Controls
\$300 to \$1,000	City Treasurer and Director of Finance
over \$1,000	Board of Control and City Council

The structure of the Finance Department was amended during 1984 through the deletion of the position of Director of Treasury Services, and it is considered appropriate to amend this policy to recognize the current administrative organization. As well, the present policy refers to the position of Director of Revenue, this should be updated to Manager of Revenue and Tax Collector. The title of this policy must be updated to indicate the following "Finance Department - Treasury Services Division", this title previously indicated "Finance Department - Revenue Division".

The requirement of having two administrative signatures on write-offs by appointed officials has been developed as our element of internal control and is continued through this amendment.

  
M. C. Engels, City Administrator

  
S. F. Readings, City Treasurer

25.1.1.83

APPENDIX "B"

November 22, 1983

Mr. M. C. Engels  
City Administrator  
Room 603

Mr. S. F. Readings  
City Treasurer  
Room 406

I hereby certify that the Municipal Council, at its session held on November 21, 1983, resolved:

33. (41-3) That, on the recommendation of the City Administrator and of the City Treasurer, the existing policy for the write-off of uncollectible accounts BE AMENDED to reflect a change in the designation of officials and the dollar amounts of write-offs as follows:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
Up to \$299.00	Director of Treasury Services and Manager of Financial Controls
\$300.00 to \$1,000.00	City Treasurer and Director of Finance
Over \$1,000.00 (25.1.1.)(33/27/BC)	Board of Control and City Council.

*PCM/IR*  
P. C. McNorgan  
City Clerk  
PCM/sp

c.c. T. Lafrance (Policy Book)

25. 1. 1. 83

CITY CLERK No. 680  
 SUBJECT: *Accounts Receivable Administration*  
 DATE: NOV 14 1983  
*Revised*

APPENDIX "B"

TO: Chairman and Members  
Board of Control

G-472-01

FROM: M. C. Engels  
City Administrator

BOARD OF CONTROL NOV 16 1983 IV -

S. F. Readings  
City Treasurer

33

DATE: November 11, 1983

RE: Accounts Receivable Administration

RECOMMENDATION:

It is recommended that the existing policy for the write-off of uncollectible accounts be amended to reflect a change in the designation of officials and the dollar amounts of write-offs as follows:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
up to \$299	Director of Treasury Services and Manager of Financial Controls
\$300 to \$1,000	City Treasurer and Director of Finance
over \$1,000	Board of Control and City Council

BACKGROUND:

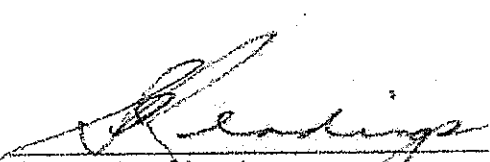
In January 1976, the authority for write-off of uncollectible accounts receivable was set at the following dollar levels requiring approval by elected or appointed officials:

<u>Dollar Value of Account</u>	<u>Person or Body Responsible for Deciding Further Action</u>
\$100 or less	Director of Revenue
\$100 to \$200	Director of Budget and Research
over \$200	Board of Control

In the years since 1976, general economic and inflationary changes have occurred which suggest that the existing financial limitations need to be updated. In addition, the structure of the civic administration has been changed, and it is considered appropriate to amend the policy to recognize the current administrative organization.

In support of the increases in administrative authority, it is recommended that two signatures be required on every write-off approved by the appointed officials. This requirement has been developed as our element of internal control commensurate with the increased authority of those officials embodied in the recommendation.

  
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M. C. Engels  
City Administrator

  
\_\_\_\_\_  
S. F. Readings  
City Treasurer