

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON MARCH 7, 2017</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER &amp; ACTING CITY MANAGER</b>
<b>SUBJECT</b>	<b>AMENDMENT TO COUNCIL POLICY PERTAINING TO “ACCOUNTS RECEIVABLE AND COLLECTIONS POLICY”</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer & Acting City Manager, the attached proposed by-law (Appendix “A”) **BE INTRODUCED** at the Municipal Council meeting to be held on March 21, 2017 to repeal By-law No. CPOL.-2-27 entitled “A by-law to revoke and repeal Council policy pertaining to Uncollectible Accounts Receivable and to adopt a new Accounts Receivable and Collections Policy” and to adopt a new Council Policy entitled “Accounts Receivable and Collections Policy” in order to update the authorization levels for write-offs.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Corporate Services Committee, December 13, 2016, item #7, Amendment To Council Policy 8(5) “Uncollectible Accounts Receivable”

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

On December 20, 2016 Council resolved:

*“the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer BE DIRECTED to report back to the Corporate Services Committee with potential amendments to the authorization thresholds for Provincial Offences Act accounts receivable and miscellaneous accounts receivable that would delegate a higher degree of decision-making authority to the Civic Administration.”*

Civic Administration has reviewed the policies of other municipalities as well as the range of outstanding account balances. Based on our review, Civic Administration is recommending an increased authorization threshold of \$10,000 for POA Accounts Receivable and \$15,000 for Miscellaneous Accounts Receivable.

**Threshold Rationale**

**POA Accounts Receivable**

Staff analyzed the quantity and dollar value of the fines approved by Council for write-off in December 2016 to assist with determining the threshold. Based on the quantity and average dollar value of these fines, staff are recommending a Council threshold of \$10,000. At a level of \$10,000, this would have delegated staff with authority to write off approximately 45% of the total. The larger fines that average greater than \$12,000 would still have been under Council’s authority to approve for write-off.

The chart below illustrates the recommended threshold if it had been applied to the December 2016 listing brought forward to Council.

Dollar Range of Fine Values	Case Count		Fine Value				
	# of Cases	Cumulative # of Cases	Avg Fine Value \$	Fine Value Total By Dollar Range \$	%	Cumulative Fine Value \$	Aggregate %
> \$999.99 and < \$2,000	197	197	1,467.84	289,163.95	7.19%	289,163.95	7.19%
> \$1,999.99 and < \$3,000	64	261	2,460.57	157,476.68	3.92%	446,640.63	11.11%
> \$2,999.99 and < \$4,000	59	320	3,438.44	202,867.92	5.05%	649,508.55	16.16%
> \$3,999.99 and < \$5,000	63	383	4,463.16	281,179.27	7.00%	930,687.82	23.16%
> \$4,999.99 and < \$6,000	20	403	5,319.95	106,398.94	2.65%	1,037,086.76	25.80%
> \$5,999.99 and < \$7,000	18	421	6,546.24	117,832.40	2.93%	1,154,919.16	28.73%
> \$6,999.99 and < \$8,000	5	426	7,224.35	36,121.76	0.90%	1,191,040.92	29.63%
> \$7,999.99 and < \$9,000	50	476	8,377.60	418,879.86	10.42%	1,609,920.78	40.05%
> \$8,999.99 and < \$10,000	24	500	9,389.07	225,337.78	5.61%	1,835,258.56	45.66%
> \$9,999.99 and < \$15,000	17	517	12,460.24	211,824.06	5.27%	2,047,082.62	50.93%
> \$14,999.99 and < \$20,000	12	529	17,435.20	209,222.36	5.21%	2,256,304.98	56.14%
> \$19,999.99 and < \$30,000	10	539	24,693.51	246,935.06	6.14%	2,503,240.04	62.28%
> \$29,999.99 and < \$40,000	13	552	34,646.21	450,400.75	11.21%	2,953,640.79	73.49%
> \$39,999.99 and < \$50,000	3	555	43,872.00	131,616.00	3.27%	3,085,256.79	76.76%
> \$49,999.99 and < \$60,000	1	556	50,025.00	50,025.00	1.24%	3,135,281.79	78.00%
> \$59,999.99 and < \$70,000	3	559	66,766.67	200,300.00	4.98%	3,335,581.79	82.99%
> \$69,999.99 and < \$80,000	1	560	72,529.00	72,529.00	1.80%	3,408,110.79	84.79%
> \$79,999.99 and < \$100,000	1	561	87,913.50	87,913.50	2.19%	3,496,024.29	86.98%
> \$99,999.99 and < \$120,000	3	564	111,919.58	335,758.75	8.35%	3,831,783.04	95.33%
> \$120,000	1	565	187,555.00	187,555.00	4.67%	4,019,338.04	100.00%
	<b>565</b>		<b>7,113.87</b>	<b>4,019,338.04</b>	<b>100.00%</b>		

**Miscellaneous Accounts Receivable**

Staff reviewed the approved annual write-offs for the periods 2011 - 2016 under the current Council threshold and noted that if the threshold had been increased to \$15,000, the number of transactions brought forward for approval for the same period would have decreased from 45 to 3 and the cumulative dollar value of these transactions would have decreased from \$238,468 to \$120,627 or about 51% of the value.

The chart below illustrates the recommended threshold as it could have been applied to the cumulative listing for the periods 2011 - 2016.

Dollar Range of A/R Invoices	# of Invoices	Cumulative # of Invoices	Avg Invoice Value \$	Invoice Value Total By Dollar Range \$	%	Cumulative Invoice Value \$	Aggregate %
<b>Summary 2011 - 2016</b>							
> \$999.99 and < \$2,000	26	26	1,457.20	37,887.15	15.89%	37,887.15	15.89%
> \$1,999.99 and < \$3,000	5	31	2,387.17	11,935.83	5.01%	49,822.98	20.89%
> \$2,999.99 and < \$4,000	2	33	3,731.80	7,463.59	3.13%	57,286.57	24.02%
> \$3,999.99 and < \$5,000	4	37	4,620.10	18,480.40	7.75%	75,766.97	31.77%
> \$4,999.99 and < \$6,000	1	38	5,489.00	5,489.00	2.30%	81,255.97	34.07%
> \$5,999.99 and < \$7,000	1	39	6,608.52	6,608.52	2.77%	87,864.49	36.85%
> \$6,999.99 and < \$8,000	0	39	0.00	0.00	0.00%	87,864.49	36.85%
> \$7,999.99 and < \$9,000	2	41	8,210.60	16,421.20	6.89%	104,285.69	43.73%
> \$8,999.99 and < \$10,000	0	41	0.00	0.00	0.00%	104,285.69	43.73%
> \$9,999.99 and < \$15,000	1	42	13,555.65	13,555.65	5.68%	117,841.34	49.42%
> \$14,999.99 and < \$20,000	0	42	0.00	0.00	0.00%	117,841.34	49.42%
> \$19,999.99 and < \$30,000	0	42	0.00	0.00	0.00%	117,841.34	49.42%
> \$29,999.99 and < \$40,000	2	44	36,607.61	73,215.21	30.70%	191,056.55	80.12%
> \$39,999.99 and < \$50,000	1	45	47,411.52	47,411.52	19.88%	238,468.07	100.00%
	<b>45</b>		<b>5,299.29</b>	<b>238,468.07</b>	<b>100.00%</b>		

The large majority of accounts (37 in total) written off over the period were less than \$5,000 each. The analysis shows that the difference between a \$10,000 and \$15,000 threshold was negligible and as a result, staff are recommending the \$15,000 threshold. By setting a higher threshold of \$15,000, staff would be bringing forward for approval by Council the write-off of accounts of a more significant nature and delegating the authority to staff for lower dollar, normal course of operations accounts.

Based on our review of other municipal policies, many still have a low threshold similar to that of London's historical policy. However, several other municipalities have thresholds beginning at \$25,000 or higher.

**Dual signing authority**

In support of the increases to Civic Administration’s authority, it is recommended that two (2) signatures be required on write-offs approved by staff. This acts as an internal control to compensate for the increase in delegated authority.

The proposed new policy attached as Schedule “A” replaces the old policy, however, the only changes made have been to update the authorization dollar values for the write-off of "uncollectible" POA accounts receivable and miscellaneous accounts receivable. The following charts identify the recommended amendments to the dollar values to delegate a higher degree of decision-making to Civic Administration and sets out the approvals required.

**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:

Dollar Value of POA Account	Person or Body Responsible for Deciding Further Action
\$0 to \$2,000.00	Manager III, Courts Administration or delegate <u>and</u> Director, Financial Services or delegate
\$2,000.01 to \$10,000.00	City Treasurer or delegate <u>and</u> City Manager or delegate
over \$10,000.00	City Council

**Miscellaneous Accounts Receivables**

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

Dollar Value of Account	Person or Body Responsible for Deciding Further Action
\$0 - \$2,000.00	Manager II, Accounting or delegate and Director, Financial Services or delegate
\$2,000.01 to \$15,000.00	City Treasurer or delegate and City Manager or delegate
over \$15,000.00	City Council

The proposed new policy is attached as Schedule “A” to the proposed by-law. The current policy is attached as Appendix “B” for reference.

This policy will be reviewed on an annual basis when the annual write-off reports are brought forward to Council for approval in order to ensure it continues to meet the business needs of the Corporation in an effective manner.

<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 &amp; ACTING CITY MANAGER</b>	

Attach.

## APPENDIX "A"

Bill No.  
2017

By-law No.

A by-law to repeal by-law No. CPOL.-2-27 and to adopt a new Council Policy entitled "Accounts Receivable and Collections Policy".

WHEREAS subsection 5(3) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS the Municipal Council wishes to take the necessary steps to revoke and repeal Council policy pertaining to the Accounts Receivable and Collections Policy and to adopt a new Accounts Receivable and Collections Policy 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. Any policy of The Corporation of the City of London approved, adopted, or amended by Municipal Council on a day prior to the day this by-law is in force and effect, pertaining to uncollectible accounts receivable is hereby revoked.
2. Any by-law of The Corporation of the City of London in force and effect on a day prior to the day this by-law is in force and effect, which approves, amends or adopts a Council policy pertaining to uncollectible accounts receivable is hereby repealed.
3. The policy attached hereto as Schedule "A", entitled "Accounts Receivable and Collections Policy" is hereby adopted and replaces any policy previously approved or adopted by the Municipal Council pertaining to uncollectible accounts receivable.
4. This by-law comes into force and effect on the day it is passed.

PASSED in Open Council on March 21, 2017.

Matt Brown  
Mayor

Catharine Saunders  
City Clerk

First Reading – March 21, 2017  
Second Reading – March 21, 2017  
Third Reading – March 21, 2017

## SCHEDULE "A"

### Proposed New Policy:

### 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 \$2,000.00	Manager III, Courts Administration or delegate and Director, Financial Services or delegate
\$2,000.01 to \$10,000.00	City Treasurer or delegate and City Manager or delegate
over \$10,000.00	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 - \$2,000.00	Manager II, Accounting or delegate and Director, Financial Services or delegate
\$2,000.01 to \$15,000.00	City Treasurer or delegate and City Manager or delegate
over \$15,000.00	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) 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 Polices 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.

## APPENDIX “B” 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.

## APPENDIX "B" 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

**APPENDIX “B” 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.