

Bill No. 122
2017

By-law No. CPOL.-_____

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and effect, which approves, amends or adopts a Council policy pertaining to uncollectible accounts receivable is hereby repealed.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 31st 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:

Dollar Value of POA Account	Person or Body Responsible for Deciding Further Action
\$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:

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

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.