



Policy GP-027 Accounts Receivable Collection Policy

Governance Policy GP-027	Section: Corporate Services
Issue Date:	Approval Date:
Review Date:	Initiating Department: Financial Operations and Systems

Purpose:

The purpose of this policy is:

1. To ensure the municipality is in a position to manage accounts receivable effectively by utilizing prompt and vigorous collection activities to minimize debts owed to the municipality.
2. To provide consistent and equitable treatment to debtors.
3. To ensure that uncollectible accounts are written off under the proper authority, and only after all reasonable and appropriate collection action has been taken.
4. To establish a reporting structure governing collection activity that enhances the integrity of the collection process and safeguards corporate assets.

Scope:

Norfolk County recognizes the importance of strong fiscal management policies that incorporate consistent business practices and efficiencies that are fair to customers and to the municipality.

This Policy applies to all Accounts Receivable Collections with the following exclusions:

- Tax Arrears – covered by Policy GP-005 Tax Collection Policy
- Provincial Offences – covered by Policy GP-020 Provincial Offences Act Fine Collection Policy

Definitions:

Bad debts – an accounting term for accounts receivable that will not be collected.

Bankruptcy – a term for the legal status of a person or entity that cannot repay debts to creditors. In most jurisdictions bankruptcy is imposed by a court order, often initiated by the debtor.

Consumer Proposal – a formal, legally binding process administered by a licensed insolvency trustee whereby a debtor agrees to repay part of a debt owed to a creditor as an alternative to declaring bankruptcy.

Payment in Lieu of Taxes (PIL) – payments made to a municipality by federal, provincial or municipal agencies in exchange for municipal services delivered to property owned by the agencies.

Set-Off – the ability of a debtor to reduce the amount of one's debt by an amount the creditor owes to the debtor.

Write-off – cessation of active collection activity and removal of the accounts receivable.

Standards and Procedures:

Council Responsibility

- To review and approve non-collectible accounts receivable write-offs greater than \$50,000 exclusive of related interest or penalties.

Treasurer Responsibilities

- To approve non-collectible accounts receivable write-offs up to \$25,000 per account exclusive of related interest or penalties.
- To recommend for CAO approval all non-collectible accounts receivable write-offs up to \$50,000 per account exclusive of related interest or penalties.
- To approve the initiation of legal proceedings where considered appropriate for the purpose of collecting accounts receivable.
- To seek approval from Council to write-off non-collectible accounts receivable greater than \$50,000 per account exclusive of related interest or penalties.

- To authorize accounting adjustments to corporate allowances for doubtful accounts as required.
- To authorize collections by sale of personal property.
- To provide Council with a detailed list of annual write-offs, upon request.

Legal Counsel Responsibilities

- To provide legal advice with respect to accounts receivable collection as required.
- To manage legal actions related to accounts receivable collection.
- To determine when the initiation of legal actions is considered appropriate for the purposes of collecting accounts receivable.

Manager, Revenue Services Responsibilities

- To approve non-collectible accounts receivable write-offs up to \$10,000 per account exclusive of related interest or penalties where an allowance or approved budget expenditure exists.
- To approve all write-offs related to uncollectible accounts due to deceased persons, bankrupt individuals, judgements and court orders.
- To review and approve adjustments to receivable accounts and/or reversing entries for transfers to taxes, transfers to collection agencies, refunds and write-offs.
- To make recommendations of uncollectible accounts for write-off to the Treasurer.
- To approve the processing of write-off transactions taking into consideration the appropriate authority required under this policy.
- To provide overall management of enhanced accounts receivable collections.
- To consult with and provide information to the Legal Counsel regarding legal actions related to accounts receivable.
- To review possible collections by sale of personal property of the customer that remains on County owned or leased land or buildings upon completion of the contract/service term (e.g. sale of boat for marina storage fees outstanding).

Supervisor, Financial Operations and Internal Audits Responsibilities

- To oversee day to day regular collection action by the Accounting Analyst/Accounts Receivable Clerks.
- To make recommendations for items that may require enhanced collection actions to the Manager, Revenue Services.

Accounting Analyst/Accounts Receivable Clerks Responsibilities

- To perform all accounting functions using the corporate accounts receivable system.
- To issue invoices, statements and other correspondence with respect to accounts receivable and collections.
- To review outstanding accounts on a monthly basis and identify overdue accounts to escalate through the collection process.
- To prepare all documentation for transfer of accounts to the Legal Counsel or collection agency.
- To identify potential accounts receivable write-offs and to bring collection issues to the manager's attention.
- To liaise with collection agencies, bankruptcy trustees and other County staff, as required.
- To coordinate the completion and submission of corporate-wide debtor information to trustees in bankruptcy or consumer proposal situations.

Regular Collection Actions

- Accounts receivable are considered overdue when a debtor does not pay or resolve the debt within 30 days after an invoice has been issued to the debtor.
- Monthly interest of 1.25% is added to accounts overdue by 30 or more days and continues until the account is paid.
- Monthly statements are issued for all accounts until the outstanding balance has been paid except for accounts transferred to a collection agency.

Enhanced Collection Actions

- When an account is overdue 30 or more days, if the debtor is identified as a property owner in the County's tax database the account will be transferred to the tax roll; or rights of set-off may be exercised.
- Depending on the debtor and the debt, outstanding accounts 60 days or older may;
 - a) be subject to internal collection proceedings
 - b) be turned over to a collection agency
 - c) be subject to legal action
 - d) result in suspension of services and/or revocation of credit privileges.
 - e) be collected through the sale of customer's personal property that remains on County owned or leased land or buildings upon completion of the contract/service term (e.g. sale of boat for marina storage fees outstanding).
- Set-off: Accounts may be collected by way of set-off against any money due or payable to a person or business entity where:
 - a) the person or entity owes money to the municipality,
 - b) an overpayment has been made by the municipality to the person or entity,
 - c) an advance made to the person or entity has not been repaid,
 - d) the funds are not restricted by contractual agreement or legislation.

Write-offs

- a) Only those debts for which all reasonable and appropriate collection action has been taken may be considered for write-off.
- b) Staff will review uncollectible debts at least once per year and identify debts to be considered for write-off.
- c) All accounts proposed for write-off must include the relevant debt information including details of collection actions taken and why further collection action is not feasible.

- d) Judgement or Court Order: When it is determined that the municipality will collect a lesser amount than the recorded debt, the account must be adjusted on the basis of the judgement or court order.
- e) Statute Restrictions: Where a statute restricts the amount of a debt, the municipality must adjust the account on the basis of the recoverable amount.
- f) As authorized by Council, the Treasurer, or CAO may accept a compromise settlement of a debt. A portion of the original debt must be written off as identified under the terms of the settlement agreement.
- g) Debts of deceased persons that do not own property in the municipality or leave no estate may be considered for write-off under the authority of the Treasurer or Manager Revenue Services.
- h) In the event that partial or full payment of a debt previously written off is later received, the account will be reinstated by reversal of the write-off entry. Payment will be applied to the outstanding accounts receivable.
- i) In most cases, federal, provincial and municipal government agencies pay the full amount of Payment in Lieu of Taxes (PIL) that the County requests. There may, however, be outstanding PIL amounts that the Treasurer concludes are uncollectible. In these cases the Treasurer and/or designate may adjust for accounting purposes any outstanding receivable in respect of PIL that has been determined unlikely to be paid. A provision for PIL write-offs is included in the annual levy supported operating budget.

Consumer Proposal or Bankruptcy

- a) Financial Management and Planning is responsible for the completion of all bankruptcy or consumer proposal documents. Documents received in all departments/divisions must be forwarded immediately to Financial Management and Planning.
- b) Financial Management and Planning staff will liaise with other departments to determine all outstanding debts and will complete and submit the required documents.
- c) During the length covered by the consumer proposal or bankruptcy, accounts will not be escalated to the next step in the collection process.
- d) Upon receipt of notification of a consumer proposal or bankruptcy debts will be transferred to the tax roll, if applicable.
- e) When an order of discharge has been granted, the municipality must remove the account on the basis of the order. An order of discharge does not release the bankrupt from property taxes or fines imposed under the POA.

- f) Bankrupt corporation: debts of a bankrupt corporation must be written off through the normal procedures since, in accordance with the Bankruptcy and Insolvency Act; a corporation may not apply for a discharge until it has satisfied the claims of its creditors. Payment of an account previously written off will be accepted.

Audits

Financial Management and Planning reserves the right to inspect or audit any documents, processes or sub-systems related to Accounts Receivable and/or Collections at any time without notice. Staff must maintain adequate records of amounts written off during the fiscal year, together with supporting authorizations for audit reporting purposes. Staff shall submit annual statements of debts written off during the fiscal year together with supporting authorizations to the Deputy Treasurer for audit reporting purposes.

Communication:

All Governance Policy and Administrative Directives will be made available to all Council members, staff and the general public to encourage accountability and transparency. All documents will be made available in accessible formats as requested.

This policy shall be provided to all Members of Council with each new term of Council.

Evaluation:

Every five years.

Legislative Reporting Requirements:

None