

Accounts Receivable and Collections Policy & Procedures



Section Administration & Finance	Date December 21, 2021	By-Law Number 153-2021	Page 1	Of 22
Subsection	Repeals By-Law Number N/A		Policy Number AF-5-3	

Purpose

The purpose of this policy is to establish the responsibilities, internal controls, authorizations and procedures for the accurate and timely preparation of invoices, statements and notices rendered by the City of Kenora and the management of the accounts receivable created by statements, invoices and agreements, including the authority to write-off uncollectible accounts. This includes ensuring adequate support for all amounts billed, timely collection of amounts outstanding, recording of transactions, reporting of outstanding accounts and ensuring that practices are consistent throughout the City.

Definitions

"Accounts Receivable" means, as the context requires:

a claim for money, goods, services and non-cash assets; these are generally established via billing advice/invoice, statement or contract/agreement; these are set up as assets of the City and recognized as revenue earned ("accounts receivable");

or

when referring to a part of the City's corporate structure, that part of the City's Finance Department that is responsible for managing accounts receivable and collections ("Accounts Receivable");

"Allowance for Doubtful Accounts" means a contra account on the balance sheet associated with accounts receivable based on Delinquent Accounts; the credit balance in this account comes from the entry wherein Bad Debt Expense is debited; and the amount in this account is based on a regular aging analysis of accounts receivable and/or specifically identified Doubtful Accounts;

"Authorized Person" means an employee of the City who is an authorized person as defined in the City's procurement policy;

"Bad Debt Expense" means the expense recorded and charged to the Operating Department when an Allowance for a Doubtful Account is credited, such as a monthly general provision;

"City" means The Corporation of the City of Kenora;

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"Collection Agency" means a business that is established to collect past-due accounts receivable on behalf of creditors and is appointed by the City to collect such amounts for the City;

"customer" means a person who receives goods or services from the City or is otherwise in a relationship with the City that requires payment(s) to be made by that person to the City;

"Delinquent Account" means an accounts receivable that is late or overdue on a payment;

"Doubtful Account" means an accounts receivable for which collection efforts are in progress or have been exhausted without successful collection and for which an allowance for Doubtful Accounts adjustments will be recorded;

"Due Date" means the last day by which a payment owing to the City must be paid, including under an invoice, statement or agreement;

"Good Standing" means that a person has no accounts receivable or has an accounts receivable that is current;

"Interest Charge" means the charge calculated on outstanding amounts from the Due Date, in accordance with the City's Fees and Charges By-law, as may be amended from time to time, or as otherwise established by law or agreement;

"invoice" means a document requiring payment from a customer, including for goods or services provided by the City and, as the context requires, may include a bill, statement, notice or agreement;

"Operating Department" means a department of the City under the City's corporate structure;

"PaySimply" means a secure third-party payment provider to pay online with any form of payment accepted by PaySimply;

"Reminder Letter" means a communication to a customer indicating that a payment is overdue;

"Repayment Agreement" means a written and signed repayment arrangement, authorized in accordance with this policy, negotiated with a person for repayment of a past due amount and which may or may not include repayment of Interest Charges;

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“Standard Payment Options” means cash, cheque, debit card or online banking;

“statement” means a communication issued to a person indicating an amount owing to the City, and generally detailing the previous month’s balance and current month transactions including any Interest Charges; and

“write off” means to remove an accounts receivable that is deemed uncollectible from the City’s financial records.

2.0 Policy

- 2.1 This policy applies to all employees of the City who are responsible for collecting any payments owed to the City, including through the rendering of statements or the invoicing of customers.
- 2.2 Accounts receivable are important assets of the City and, as such, should be safeguarded by appropriate internal controls. This policy and the procedures contained in it are intended to establish strong internal controls over accounts receivable.
- 2.3 This policy and the procedures herein apply to the following related parties for which the City provides administrative functions:
 - Kenora Police Services Board
 - Kenora Handi Transit Board
- 2.4 This policy and the procedures set out herein may supplement, as required, the following accounts receivable as they are governed by separate legislation and/or policies and procedures:
 - Property taxes
 - *Provincial Offences Act*
 - Any Water and Wastewater
 - Library services
- 2.5 Where invoicing has not occurred in one of the other receivable systems noted below, it is expected that invoicing is to be processed through Accounts Receivable:
 - Recreation Services
 - Library Services
 - Parking/Enforcement Services
 - Provincial Offences

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- Transfer Station and
- any other City department that has a separate software system, and funds which are outstanding and owed to the City

2.6 Written agreements should be standard practice before goods or services are provided to a customer and such agreements are to be signed by persons with authority to do so.

3.0 Responsibilities

The collection of accounts receivable and the proper exercise of discretion in that regard is a shared responsibility of the Operating Departments, Accounts Receivable, and City employees working in customer services. All staff will make every effort to collect outstanding accounts receivable and as efficiently and effectively as possible.

3.1 City Council is responsible to:

- 3.1.1 approve the initiation of legal proceedings for the purpose of collecting accounts receivable with a principal amount of \$50,000 or more, where Council considers it advisable to do so; and to
- 3.1.2 approve all non-collectible accounts receivable write offs of the City with a principal amount of \$25,000 or more, plus any related interest on a per account basis.

3.2 The Authorized Person of an Operating Department is responsible to:

- 3.2.1 provide information to Accounts Receivable when requested;
- 3.2.2 collaborate with Accounts Receivable and Operating Departments in collection efforts;
- 3.2.3 ensure, where ongoing services are provided to a customer with a Delinquent Account, to notify the customer that continued access to the services may be denied, until payment in full is made, or alternative repayment is arranged;
- 3.2.4 collaborate with Accounts Receivable as to which accounts to send to a Collection Agency;

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- 3.2.5 ensure that customers who are not or are no longer eligible for credit make payment in advance before receiving any future services;
- 3.2.6 transfer receivables recorded in their accounts receivable software to the Collection Agency when a matter has been referred to a Collection Agency and update the customer profile to outline that they are in receivable status; and
- 3.2.7 ensure that the affected Manager/Director is advised in a timely manner of Delinquent Accounts.

3.3 The Director of Finance is responsible to:

- 3.3.1 submit non-collectible accounts receivable write off requests to Council in accordance with the guidelines established herein; and
- 3.3.2 approve non-collectable accounts receivable write offs of the City with a principal amount of \$1,000 or more but less than \$25,000, plus any related interest on a per account basis.

3.4 The Deputy Treasurer is responsible to:

- 3.4.1 manage the overall accounts receivable and collection policy and procedure;
- 3.4.2 recommend to the Director of Finance any write offs with a principal amount that is \$1,000 or more, plus any related interest on a per account basis;
- 3.4.3 approve all non-collectable accounts receivable write offs of the City with a principal amount that is less than \$1,000, plus any related interest on a per account basis;
- 3.4.4 advise the Director of Finance of any accounts that have been transferred to collections;
- 3.4.5 approve any of the following:
 - the reversal of interest on account where payment comes within a two (2) business days' grace period (ie: minor charges of interest from date payment received to the posting date);

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- the reversal of interest where a payment may have been late but was ultimately paid in a reasonable amount of time and the customer has a history of timely payments;
- the reversal of interest caused by City error, such as applying payment to an incorrect account; and
- the removal of nuisance balances of interest for customers in Good Standing;

where the above adjustments are for an amount that is \$50 or less;

- 3.4.6 approve repayment arrangements for Delinquent Accounts;
- 3.4.7 approve a change in payment terms from 30 days to a longer term at the request of the Operating Department; and
- 3.4.8 approve the waiving of interest to be charged to a customer account.

3.5 **Accounts Receivable is responsible to:**

- 3.5.1 ensure customers are invoiced in a timely and accurate manner;
- 3.5.2 ensure communications to customers regarding collections occur in a timely and professional manner;
- 3.5.3 review the aged accounts receivable report for the Operating Departments on a regular basis and follow up on Delinquent Accounts;
- 3.5.4 manage the daily functions relating to accounts receivable and collection, including Accounts Receivable staff;
- 3.5.5 collaborate with Operating Departments to resolve disputed invoices/accounts/statements, reconciling balances and resolving customer issues;
- 3.5.6 negotiate and recommend repayment arrangements to the Deputy Treasurer;
- 3.5.7 identify accounts that should be written off and recommend them to the Deputy Treasurer for such purpose;

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- 3.5.8 monitor on a regular basis the activities of the Collection Agencies;
- 3.5.9 transfer uncollectable accounts receivable with a principal amount that is \$25,000 or more with the Deputy Treasurer's approval;
- 3.5.10 prepare and circulate a detailed monthly aged accounts receivable report for all accounts overdue by 60 days or more to the Deputy Treasurer and the Director of Finance; and
- 3.5.11 collaborate with the Operating Department in collection efforts.

4.0 Segregation of Duties

- 4.1 Segregation of duties separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to collection without the involvement of others and thereby reduces the risk of fraud.
- 4.2 The segregation of duties is achieved for accounts receivable by the following duties being undertaken by different authorized individuals:
 - billing for goods and services should be limited to an employee in the Operating Department responsible for delivering the goods and services;
 - invoices, statements or other notices should be prepared or approved by an alternate employee;
 - payments should be accepted and posted by an alternate employee;
 - adjustments to customer accounts should be recommended by frontline staff and require supervisor approval; and
 - collection steps should be performed by the Finance Department staff.
- 4.3 In limited situations, where it is not practical to meet the minimum requirements listed in this policy, the Deputy Treasurer, in the Deputy Treasurer's discretion, may establish alternative procedures and mitigating controls, such as increased supervision, job rotation, or regular review of transactions.

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5.0 Sound Accounts Receivable Management

- 5.1 The fundamental rule of sound accounts receivables management is to minimize the time between a transaction and the cash collection for that transaction. The longer it takes to collect the cash owed to the City, the greater the risk that amounts owed will become uncollectable.
- 5.2 The reduction of invoicing is a proactive measure to increase cash flow and prevent Delinquent Accounts.
- 5.3 Policies to achieve the reduction of invoicing are as follows:
- Offering Standard Payment Options; and
 - Offering pre-authorized payments.

5.4 Pre-Authorized Payments

- 5.4.1 Pre-authorized payments can be offered to City water and wastewater accounts as well as tax accounts, with withdrawal from accounts on a monthly basis. Pre-authorized payments may be also offered in the future for other accounts and on such terms as the City, from time to time, determines is advisable.

5.5 Deposits

- 5.5.1 See policy #AF-5-2, Water & Sewer Utility Account Deposit Policy.
- 5.5.2 Customers who lease parking spaces from the City are required to pay an established deposit for their City issued fob for the parkade. The established fob amount is currently outlined in the City's Tariff of Fees and Charges By-law. This deposit is returned to the customer upon termination of their lease for parking along with the issued fob to City Hall within two (2) business days of the termination. No partial refunds for cancellations will be issued until the fob is returned.

5.6 Payment Terms

- 5.6.1 The City's standard payment terms are 30 days. Exceptions include:

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- donations, which are not due until December 31 annually;
- Due Dates on water and wastewater direct billings;
- lease payments, which are due upon receipt; and
- other exceptions as specified in an agreement or contract.

5.6.2 Payment terms other than 30 days must be approved in writing by the Deputy Treasurer.

5.7 Payment Types

5.7.1 The City's Standard Payment Options include cash, cheque, or debit for most services/purchases. Visa and Mastercard are only accepted for services that cost \$500.00 or less.

5.7.2 Customers with approved accounts with the City may not pay their City accounts with a credit card if such accounts are collectively in excess of \$500.00 in a calendar month. Balances in excess of \$500.00 must be paid in one of the City's Standard Payment Options.

5.7.3 Utility and tax payments must be made by a Standard Payment Option, or pre-authorized payment. Credit cards are not accepted for utility or tax payments unless processed through PaySimply.

5.8 Interest Charges

5.8.1 Amounts in arrears (past Due Date) will be subject to Interest Charges, as established by the Fees and Charges Bylaw or otherwise (such as by other operation of law or agreement). All invoices, statements, letters, and agreements will clearly specify this charge.

5.8.2 There are a few instances where interest may not be charged, such as repayment arrangements. In all cases, the Deputy Treasurer must approve accounts where no interest is to be applied.

5.8.3 Interest is to be charged on principal balances only, unless otherwise stipulated by law or agreement.

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6.0 Credits/Refunds

6.1 Credit Invoices

6.1.1 A credit invoice should be used whenever an original invoice needs to be reduced or cancelled because:

- the customer did not receive the goods or service;
- the invoice was issued in error (wrong customer, quantity or amount);
- a deposit is held by the City which must be applied to the invoice; or
- other valid reason (must be documented).

6.2 Credit on customer accounts

6.2.1 Credits on customer accounts occur in various circumstances, such as:

- prepayment of a future invoice;
- invoice was cancelled or reduced after payment was received;
- deposits made where the cost of the work performed is less than the deposit taken;
- services cancelled and a pro-rated portion returned; or
- amount collected by a Collection Agency.

6.3 Credit Accounts that have no activity for one (1) year or more:

6.3.1 and the credit is less than \$10, the balance will be transferred to a miscellaneous revenue account, unless the customer requests a refund, in which case, the amount will be refunded to the customer, subject to records being available to verify refund entitlement.

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6.3.2 and the credit is \$10 or more, the customer may be contacted by mail to keep the credit active or to have a refund issued; the customer will have three (3) months to claim the credit; once the deadline has lapsed, the credit account will be transferred to a miscellaneous revenue account and will only be refunded by customer request, subject to records being available to verify refund entitlement.

6.4 Refunds

6.4.1 Payments received in error or paid in excess of the invoice total will be refunded or credited to the payer. No refund or credit will be made to the customer if the customer has other invoices that are outstanding to the City in any department.

6.4.2 Cheques will not be issued for amounts less than \$25.00 unless approved by the Deputy Treasurer or designate in special circumstances.

7.0 Application of Payment

7.1 Payments received from a customer may be applied to numerous invoices or may be partial payments of a particular invoice.

7.2 Where a payment is received specifying an invoice, the payment will be applied to the invoice specified by the customer, even if the payment is not the same amount as the invoice total. This will leave disputed or unpaid invoices as outstanding on a customer's account.

7.3 Where a payment is received but no specific invoice is indicated, the payment will generally be applied to the oldest amounts owing (interest before principal) to avoid potential interest being incurred in error.

8.0 Collection Procedures

8.1 General Procedures

8.1.1 Customers with overdue accounts may be contacted directly at any time throughout the collection process to discuss payment of outstanding accounts.

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- 8.1.2 To keep customers advised of their account balances, monthly notices will generally be mailed (or emailed if registered for electronic billing) to customers. Such notices will generally summarize the amount owed, activity in the account during the month, and Interest Charges.
- 8.1.3 There are minimal instances where notices may not be sent to customers and the withholding of such notices must be approved in writing by the Deputy Treasurer.
- 8.1.4 The Operating Department is primarily responsible for the collection of amounts due. Accounts Receivable transfers accounts to the tax roll, where applicable, and the Collection Agency, when retained, will assist the Operating Department in the collection of overdue accounts as required.
- 8.1.5 A Reminder Letter is to be sent to a customer indicating that the invoice is overdue.
- 8.1.6 If payment has not been received in accordance with the Reminder Letters, the Operating Department and/or Accounts Receivable will review the circumstances of each account and will make recommendations on the appropriate course of action, including any of the following:
- 8.1.6.1 Transfer applicable accounts to property taxes:
 - if authorized by applicable legislation; examples include water/wastewater services, development charges, remedial work to the property, waste/recycling collection fees, false alarms, and fire inspections; generally speaking, transfers may occur when the services that are transferred can be tied to the property;
 - 8.1.6.2 Offset the amount owing to the City against a payment owing in accounts payable (ie: exact same parties, legal/statutory, set-off clause in contract). The entity that is being netted must also be the same legal entity that originated the debt.
 - 8.1.6.3 Review letters of credit or other performance guarantees on hand to determine the ability to apply such instruments to the outstanding balance.

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- 8.1.6.4 Review, if applicable, the contract terms and conditions for actions to be taken relative to the outstanding balance. Nonpayment may constitute a breach of contract.
- 8.1.6.5 Solicit further assistance from the Division Director or Manager of the Operating Department responsible for the account.

8.2 Options and Procedures Specific to Water and Wastewater ("Utility") Charges

8.2.1 Accounts - service in name of property owner and no Designation made

8.2.1.1 Arrears - Reminder Letters

8.2.1.1.1 Reminder Letters will generally be issued as follows:

- Reminder Letter #1 is sent to the property owner two (2) weeks after the Due Date and is a friendly reminder of the 'past due' amount. The Reminder Letter will also advise that City services may be withheld until the account is paid in full or a Repayment Agreement is made.
- Reminder Letter #2 is sent to the property owner 30 days after Reminder Letter #1 and advises the property owner that if they do not contact the City or make payment within 15 days, the overdue account will be prepared for sending to a Collection Agency. The Reminder Letter will also advise that City services may be withheld until the account is paid in full or a Repayment Agreement is made.
- Reminder Letter #3 is sent to the property owner approximately 60 days after Reminder Letter #1 and advises the property owner that the account is now 90 days in arrears and that if the City is not contacted or payment made within 15 days, the overdue account will be sent to a Collection Agency, and additional costs to the account being transferred to a Collection Agency will apply. The Reminder Letter will also advise that City services may be withheld and/or that the arrears may be added to the tax account and collected in the same manner as municipal taxes unless the account is paid in full or a Repayment Agreement is made.

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If payment is not received after 15 days have passed since the sending of Reminder Letter #3, the Deputy Treasurer will review the circumstances of the account and will make recommendations on the appropriate course of action, which may include discontinuance of service, continuation of collection efforts with a Collection Agency, the transfer of the arrears to the tax account for the property in issue for collection in the same manner as municipal taxes and/or the pursuit of collection by way of any other statutory or other remedy available to secure payment of the arrears.

8.2.2 Accounts – service signed up for by tenant

8.2.2.1 Reminder Letters

8.2.2.1.1 While the City intends to gradually end the practice of permitting tenants to sign up for utility services on their behalf for properties rented by them, there will, for some time, continue to be instances where tenants have signed up for such services. In these cases, the Reminder Letters will generally be issued as follows:

- Reminder Letter #1 is sent to the tenant two (2) weeks after the Due Date and is a friendly reminder of the 'past due' amount. The Reminder Letter will also advise that City services may be withheld until the account is paid in full or a Repayment Agreement is made.
- Reminder Letter #2 is sent to the tenant 30 days after Reminder Letter #1 and advises the tenant that if they do not contact the City or make payment within 15 days, the overdue account will be prepared for sending to a Collection Agency. The Reminder Letter will also advise that City services may be withheld until the account is paid in full or a Repayment Agreement is made and that any further Reminder Letters will be sent to both the landlord and the tenant, given that the failure to pay such arrears has created a priority lien in the property owner's lands.

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- Reminder Letter #3 is sent to both the tenant and the property owner approximately 60 days after Reminder Letter #1 and advises the tenant and the property owner that the account is now 90 days in arrears and that, if the City is not contacted or payment made within 15 days, the overdue account will be sent to a Collection Agency, and additional costs to the account being transferred to a Collection Agency will apply. The Reminder Letter will also advise that City services may be withheld and/or that the arrears may be added to the tax account and collected in the same manner as municipal taxes unless the account is paid in full or a Repayment Agreement is made.
- If payment is not received after 15 days have passed since the sending of Reminder Letter #3, the Deputy Treasurer will review the circumstances of the account and will make recommendations on the appropriate course of action, which may include discontinuance of service, continuation of collection efforts with a Collection Agency, the transfer of the arrears to the tax account for the property in issue for collection in the same manner as municipal taxes and/or the pursuit of collection by way of any other statutory or other remedy available to secure payment of the arrears.

8.2.3 Tenancies – where there are Designations

8.2.4 The purpose of this section is to, moving forward, provide property owners with the option to designate utility bills to tenants.

8.2.5 Options:

8.2.5.1 Two (2) options will be provided to property owners who wish to have their tenant(s) responsible for paying utility bills:

- 1) Bills remain in the property owner's name and are sent to the rental property's mailing address or the property owner's mailing address; it is the sole responsibility of the property owner to ensure the bill is paid, even though the property owner may make arrangements with the tenant for payment of the account; or

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- 2) Bills remain in the property owner's name; the property owner and tenant sign an Owner/Tenant Designation, in a form approved by the City (the "Owner/Tenant Designation"), to make the tenant an agent of the property owner; the bills are then sent to the tenant on behalf of the property owner with the intent being that such bills will be paid by the tenant on behalf of the property owner, but with the property owner ultimately responsible to the City for their payment.
- 8.2.5.2 In order to designate the tenant as agent for the bill, the property owner will provide the City with a completed copy of an Owner/Tenant Designation, which, among other things, will include the following basic information:
- Name of tenant(s) & contact information, including telephone, mailing and email address;
 - Name of all property owner(s) & contact information, including telephone, mailing and email address; and
 - Address of the property for which the utility service is requested.
- 8.2.6 By signing the Owner/Tenant Designation and thereby subscribing to Option 2, generally stated, the property owner is effectively authorizing the City to follow the following process with regard to who and where the utility bill and notices are mailed:
- 8.2.6.1 The property owner will remain solely responsible for the payment of the bill, including other fees and charges in relation to any collection effort and may at any time seek and be provided with information regarding the status of the subject utility account;
- 8.2.6.2 The person authorized to receive the bills and Reminder Letters is appointed by the property owner as the property owner's agent with respect to making payments and granting the City access to the property for purposes relating to the provision of utility services;
- 8.2.6.3 The property owner will at all times provide the City with current contact information for the property's tenant(s); and

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- 8.2.6.4 The City may cancel the Owner/Tenant Designation at any time and return to Option #1.
- 8.2.7 Regardless of which option the property owner chooses, the property owner remains responsible for the full payment of all utility charges, even if a designate is receiving the bill.
- 8.2.8 When the tenancy is terminated and the City has been notified, in writing, of such termination, the Owner/Tenant Designation will be terminated and all future utility bills will be sent to the property owner's mailing address or the rental property's mailing address, unless a new Owner/Tenant Designation is received by the City. Each time the name on the account changes, it is considered to be a new account, and incurs the new account fee.
- 8.2.9 Notice Where there is a Designation in Place**
- 1) Where there is an Owner/Tenant Designation in place, if the utility account is in arrears, the property owner will receive copies of all of the Reminder Letters noted above that are being sent to the tenant.
 - 2) When the property owner receives a copy of a Reminder Letter, the property owner has the option to submit a Request for Consideration of Water Shut Off to the City, in writing and in a form approved by the City, requesting that the City consider shutting off the water supply to the premises for the tenant who is in arrears.
 - 3) The City will determine if shutting off the water is the next step in the collection process or is otherwise appropriate in the circumstances; if so, the City will advise the tenant and the property owner by letter that the water will be shut off if the arrears are not paid in full within 15 days; a copy of this letter will be sent to both the tenant and the property owner.
 - 4) If the water is shut off, it will remain off until:
 - the property owner requests that the water be turned back on; the account is paid in full or, in the City's discretion, significant payment is made with additional payment arrangements that have been approved by the City; and any other conditions or requirements that City deems advisable are met or;

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- the City is required by law to restore the supply of water to the property or otherwise determines that it is appropriate to do so.

5) Once one of the options from #4 has occurred, the water will be turned back on by the City. Note: The City requires a minimum of 48 hours' notice to turn the water back on.

8.3 Repayment Arrangements

- 8.3.1 Repayment arrangements may be negotiated by the Operating Department with delinquent customers who agree to pay back their debt but are unable to repay their debt in one immediate lump sum.
- 8.3.2 Customers must sign a Repayment Agreement as evidence of their acceptance, and City approval of the Repayment Agreement must be granted in accordance with this policy.
- 8.3.3 Repayment arrangements must detail the schedule of payments negotiated with the customer.
- 8.3.4 Repayment arrangements must be approved by the Deputy Treasurer, Manager of the Operating Department, or designate(s), as the case may be in the circumstances.
- 8.3.5 Repayment arrangements that exceed 12 months must be approved by the Director of Finance.
- 8.3.6 The customer must provide post-dated cheques or sign up for pre-authorized payment for amounts as required by the repayment arrangement schedule.
- 8.3.7 Extension or renegotiation of a repayment arrangement agreement must be recommended by the Manager/Director and Deputy Treasurer and approved by them before a new repayment arrangement may be signed by the customer.
- 8.3.8 Absent exceptional circumstances, customers will not be provided with more than two (2) repayment arrangements. Subsequent requests will be denied and regular collection procedures as out in this policy will be followed.

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8.4 Collection Agencies

- 8.4.1 If the outstanding balance is less than the Small Claims Court limit, currently thirty-five thousand dollars (\$35,000), the customer account may be transferred to a Collection Agency, unless it is determined by the Deputy Treasurer that the account be transferred to the legal department.
- 8.4.2 The Collection Agency's fee is presently based on a percentage of each account collected as determined through the procurement process and included in the Tariff of Fees and Charges By-law and is paid by the delinquent customer.
- 8.4.3 The City currently utilizes the service of two (2) Collection Agencies. The City will place the accounts with one (1) Collection Agency. After nine (9) months, if no progress or recovery has occurred on these accounts, they are to be transferred to the second Collection Agency as a second placement.
- 8.4.4 Every month, the Collection Agencies are to provide Accounts Receivable with a status report on accounts referred to them. The Accounts Receivable Clerk will review the report and, for an account involving a person who has declared bankruptcy, is deceased, or the Collection Agency has coded the account as uncollectible, the account may, in whole or in part, be recommended for write off.

8.5 *Bankruptcy and Insolvency Act*

- 8.5.1 When Accounts Receivable receives a notice of bankruptcy, proposal to creditors or other official notification in accordance with the *Bankruptcy and Insolvency Act*, Accounts Receivable will review all Operating Departments' receivables for any outstanding balances and will communicate to the Operating Departments to review their accounts receivable systems to obtain balances owing to the City.
- 8.5.2 The Deputy Treasurer, or designate, will complete the proof of claim and sign on behalf of the City and submit such documents to the trustee to confirm the City's claim.

9.0 Write Offs

9.1 **Doubtful Accounts will be written off when:**

- listed with a Collection Agency

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- and identified by the Collection Agency as uncollectable, untraceable, deceased, bankrupt or advises that no assets remain to pursue further collection efforts; or
 - the account has been with the Collection Agency for more than two (2) years;
 - litigation is unsuccessful or deemed unlikely to be successful;
 - the City receives notification of bankruptcy from the Trustee in Bankruptcy;
 - payments are negotiated for a reduced amount;
 - it is deemed unfeasible to pursue the outstanding amount as the cost to collect would exceed the value of the debt; or
 - all collection methods are deemed to have been exhausted.
- 9.2 Write offs are applied against the related/appropriate Allowance for Doubtful Accounts or to the Bad Debt Expense account if no allowance was recorded.
- 9.3 **Interest adjustments or write off**
- 9.3.1 Where the interest on an account was accrued in the current fiscal year, the interest is reversed to the interest revenue account. Where the interest relates to prior fiscal years, the interest is written off.
- 9.4 An annual report of all accounts receivable write offs will be produced by the Manager of the Operating Department and reviewed/approved by the Deputy Treasurer and the Director of Finance.
- 9.5 The following positions may authorize the write off of Doubtful Accounts if, in their opinion, all means of collection have been exhausted. Job titles within the Operating Department Division authorized to write off receivables and limits are listed below. Within these thresholds, all of the listed employees are permitted to negotiate settlements with customers on behalf of the City, including:
- Manager level of Division: up to \$49.99 plus related interest
 - Deputy Treasurer: up to \$999.99 plus related interest
 - Director of Finance: up to \$24,999.99 plus related interest

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- Council: amounts of \$25,000 or more plus related interest

9.6 Any monies recovered from the customer subsequent to the write off will be posted as a recovery of bad debt.

10.0 Returned Cheques

10.1 Cheques may be returned by the bank for the following reasons:

- Account closed
- Funds not available
- Non-sufficient funds (NSF)
- Stop payment

10.2 Steps to be taken

10.2.1 Cheques will be processed by reapplying the payment to the customer account and adding the applicable returned cheque fee to the account.

10.2.2 A letter will be sent to the customer advising of the returned cheque.

10.2.3 The account will then follow the collection of accounts process including notice, and Collection Agency referral, where advisable.

10.2.4 If a customer submits two (2) returned cheques within a twelve-month period, absent exceptional circumstances, cheques will no longer be accepted unless they are 'certified'. Otherwise, the customer must pay with cash, debit card or by way of online banking.

11.0 Monitoring

11.1 A successful collection policy requires regular monitoring and acting as early as possible on outstanding accounts. Problems in individual accounts can be detected through a regular analysis of an aged accounts receivable listing. An aged accounts receivable listing divides each customer's account into invoiced amounts that are:

- Current;
- 31-60 days old;
- 61-90 days old;

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- 91-120 days old; or
 - More than 121 days old.
- 11.2 The longer an account is past due, the higher the risk of default. Past due accounts can be identified quickly by reviewing an aged accounts receivable listing and corrective action can be initiated promptly. As an account gets further behind, the balance may increase due to Interest Charges and the probability of collection decreases.
- 11.3 On a monthly basis Accounts Receivable will run an aged accounts receivable list and ensure appropriate staff are advised of delinquencies for the area in accordance with this policy.