


POLICY

	Policy:	ACCOUNTS RECEIVABLE - COLLECTIONS		
	Department:	Corporate Services		
	Division:	Finance	By-Law No.:	2016-28
	Prepared By:	Justin Rousseau	Approval Date:	February 28, 2016
			Pages:	8
	Replaces:	N/A		

INDEX

1. POLICY STATEMENT	PAGE 1
2. PURPOSE	PAGE 1 to PAGE 2
3. SCOPE	PAGE 2
4. DEFINITIONS	PAGE 2 to PAGE 3
5. INTERPRETATIONS	PAGE 3
6. GENERAL CONDITIONS	PAGE 3 to PAGE 7
7. REFERENCES AND RELATED DOCUMENTS	PAGE 7

APPENDIX A – OUTSTANDING ACCOUNT NOTICE (SAMPLE)

APPENDIX B – ACCOUNT STATEMENT (SAMPLE)

1. POLICY STATEMENT

- 1.1. The Corporation of the Town of Amherstburg is committed to establishing a reporting structure governing collection activities that enhances the integrity of the collection process and safeguards Town assets.

2. PURPOSE

- 2.1. This policy will set out guidelines and control requirements for the following:
- 2.1.1. Outstanding accounts in arrears;
 - 2.1.2. NSF cheque recoveries;
 - 2.1.3. Collection agency assignment;
 - 2.1.4. Legal assignment for both small and large claims;
 - 2.1.5. Write-off approvals;
 - 2.1.6. Consumer and commercial reporting parameters governing usage and observance of the *Consumer Reporting Act*; and
 - 2.1.7. A/R adjustment approvals including the waiving of interest, late penalties, overdue charges and administrative fees.

- 2.2. This policy will ensure the regular review and follow up of all outstanding accounts receivable.
- 2.3. This policy establishes procedures for the benchmarking and monitoring of the collection process as a measurement of performance.

3. **SCOPE**

- 3.1. This policy applies to all Town of Amherstburg employees engaged in the collection of trade accounts receivable, or other unsecured debt as assigned, excluding municipal property taxes.
- 3.2. This policy shall be reviewed every two year from the date it becomes effective, and/or sooner at the discretion of the Director of Corporate Services/Treasurer.

4. **DEFINITIONS**

- 4.1. **A/R** refers to Accounts Receivable.
- 4.2. **Chief Administrative Officer (CAO)** is the Chief Administrative Officer for the Corporation of the Town of Amherstburg, which includes the roles and responsibilities as laid out in Section 229 of the *Municipal Act, 2001*.
- 4.3. **Collection Agency** also known as a “debt collector”, is a business that pursues payments of debts owed by individuals or businesses. Most collection agencies operate as agents of creditors.
- 4.4. **Council** refers to the current elected Council for the Corporation of the Town of Amherstburg. This includes, as an entirety, the Mayor, Deputy Mayor and Councillors.
- 4.5. **Director** is the person responsible for direction and operational control of a division as defined on the Town’s organizational structure.
- 4.6. **Employee/Staff** is any person employed with the Town of Amherstburg, including any union or non-union, regular or temporary, full-time, part-time, seasonal or casual staff member, including but not limited to permanent staff, temporary staff, committee members, students, recreation staff, contract employees, and paid work placements.
- 4.7. **Manager** reports directly to a Director (or the CAO in some instances) and who is responsible for a department within a division of the Corporation, as defined on the Town’s organizational structure.
- 4.8. **Non-Sufficient Funds (NSF)** used in the banking industry to signify that there are "non-sufficient funds" in an account in order to honor a check drawn on that account. This is known as a "bounced check" or "bad check".
- 4.9. **Senior Management Team (SMT)** is comprised of the Chief Administrative Officer and the Directors. If a Director is unavailable, a delegate may be assigned.

4.10. **Town** is the Corporation of the Town of Amherstburg.

4.11. **Treasurer** is the Treasurer for the Corporation of the Town of Amherstburg, which includes the roles and responsibilities as laid out in Section 286 of the *Municipal Act, 2001*.

5. **INTERPRETATIONS**

5.1. Any reference in this Policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a By-law or Town policy shall be deemed to be a reference to the most recent passed policy or By-law and any replacements thereto.

6. **GENERAL CONDITIONS**

6.1. **Credit Reports**

6.1.1. In accordance with **Section 8 (1) (d) (i)** of the *Consumer Reporting Act*, Town employees have the authority to run a consumer or commercial credit report on any person or entity as long as evidence is presented in which the report was run in connection with the collection of a debt.

6.1.2. Town employees will order consumer and commercial credit reports only for permissible purposes, and only in compliance with Federal and Provincial credit reporting laws.

6.1.3. Consumer credit reports will be used for no purpose other than the permissible purpose and the Town will hold all consumer or commercial credit reports in the strictest of confidence and will not disclose any information contained therein to others, except where required by applicable law.

6.1.4. Consumer or commercial reports will only be ordered in connection with legitimate business transactions involving the Town.

6.1.5. Town employees will not provide a copy of consumer or commercial credit report to the consumer or entity, except as may be required by law.

6.1.6. Should a consumer dispute information obtained from a reporting agency, they must be referred to that same reporting agency.

6.2. **Outstanding Account Notice**

6.2.1. Outstanding Account notices (Appendix A) are sent to the customer of the outstanding account when they enter arrears and shall include the following:

6.2.1.1. Legal name of customer;

- 6.2.1.2. Account name/number and amount owing;
- 6.2.1.3. Interest charge; and
- 6.2.1.4. Payment date.
- 6.2.2. Outstanding account notices may also be accompanied by an account statement of the aforementioned outstanding account arrears.
- 6.2.3. Notices will be sent out as soon as the account enters arrears, as well as each subsequent month thereafter.
- 6.2.4. Once a balance reaches sixty (60) days past due, a final notice will be sent once more indicating the outstanding account arrears.
 - 6.2.4.1. Every attempt will be made for telephone or personal contact to inquire further about the account and to ensure the customer understands the consequences of non-payment.
 - 6.2.4.2. Plans or schedules of payment for outstanding account arrears may be made available on a case by case basis, however, they must be made before the outstanding account reaches ninety (90) days past due.
- 6.2.5. In the event that payment of the outstanding account arrears is not made within thirty (30) days of the final notice being issued, the Town of Amherstburg reserves the right to add the outstanding account arrears to the customer tax roll, should that customer be a resident or own property in the jurisdiction of the Town of Amherstburg.
 - 6.2.5.1. If the customer is not a resident or does not own property in the jurisdiction of the Town of Amherstburg, and all internal avenues have been exhausted, the outstanding account will be sent to a collection agency and any additional costs shall be borne by the customer.

6.3. **Collection Rules**

- 6.3.1. Town employees may not discuss a debt with anyone other than the debtor unless required by applicable law.
- 6.3.2. Town employees may not discuss a debt with a solicitor or representative of the debtor unless they receive a written declaration from the debtor confirming representation and authorizing the disclosure of information to that same representative.

- 6.3.3. Town employees may not be discriminatory or prejudicial in their collection practices and are expected to maintain the utmost professionalism throughout the collection process.

6.4. **Use Of Collection Agency**

- 6.4.1. A collection agency may be assigned an account for collection once all internal avenues have been exhausted.
- 6.4.2. The agency will be monitored on a regular basis to measure results.
- 6.4.3. Accounts referred to a collection agency will be given consideration for purposes of the allowance for doubtful account and assist in the determination of write-off recommendations.
- 6.4.4. An account will be identified as non-collectable when a collection agency returns the account as uncollectable, untraceable, or advises that no assets remain to pursue further collection efforts.

6.5. **Legal Claims**

- 6.5.1. All claims over the Small Claims Court limit must be forwarded to the Town Solicitor to commence legal action.

6.6. **Bad Debt Expense**

- 6.6.1. The determination of allowance for doubtful accounts will be formulated after careful examination of pre-identified non-collectable accounts.

6.7. **Write-Offs**

- 6.7.1. Write-offs may be performed against the Allowance for Doubtful Accounts on an ongoing basis upon authorized approval of those accounts identified as non-collectable.
- 6.7.2. An account will be identified as non-collectable where all of the following conditions exist:
 - 6.7.2.1. It has been listed with a collection agency.
 - 6.7.2.2. Litigation against a debtor is unsuccessful.
 - 6.7.2.3. The debtor files for bankruptcy.

6.7.2.4. After receiving advice from the Town solicitor indicating our claim would not be successful.

6.7.3. Any monies recovered from the debtor subsequent to the write-off will be posted as a bad debt recovery.

6.7.4. Thresholds exist to permit the write-off of non-collectable accounts receivable balances upon valid authorization.

6.7.4.1. The following positions may authorize the write-off of these balances, if, in their opinion, all means of collection have been exhausted:

- a. **Director of Corporate Services/Treasurer** – up to **\$10,000** plus any related interest or penalties on a per account basis.
- b. **Chief Administrative Officer** – from **\$10,000** to **\$50,000** plus any related interest or penalties on a per account basis.
- c. Any amounts in excess of **\$50,000** plus any related interest or penalties shall only be written off with **Council** approval.

6.8. **Netting**

6.8.1. Payables can be netted to outstanding receivables.

6.8.2. The entity that is being netted must also be the same legal entity that originated the debt.

6.9. **Records and Information**

6.9.1. **Write-Off Reporting**

6.9.1.1. As required, but at a minimum of once per year, the Supervisor of Revenue shall provide the Director of Financial Services/Treasurer and the CAO with a recommended list of write-offs.

6.9.1.2. The Director of Financial Services/Treasurer shall report to Town Council to request approval for all non-collectable accounts receivable write-offs over \$50,000.

6.9.2. **Delinquency Reporting**

6.9.2.1. Once per month, a delinquency analysis shall be performed by the Supervisor of Revenue.

6.9.2.2. The delinquency analysis will be provided to the Director of Corporate Services/Treasurer outlining details of the aged trial balance position.

6.9.3. **Safekeeping**

6.9.3.1. Consumer information will remain confidential and will be used only for the purposes collection of outstanding amounts due to the Town of Amherstburg.

7. REFERENCES AND RELATED DOCUMENTS

7.1. Accounts Receivable Billing Policy

7.2. Consumer Reporting Act

APPENDIX A – OUTSTANDING ACCOUNT NOTICE

The Corporation of the Town of Amherstburg

<Date>

Dear Sir/Madam:

Re: Account Number
Amount

Please find enclosed a Reminder Notice for the above mentioned account.

Our records as of <date> indicate your account as having arrears in the amount of <\$>. Your account is currently subject to interest and penalty charges at a rate of 1.25% per month.

You will note that your account is greater than 90 days old. Our normal terms require payment within thirty days of the invoice being sent to you or alternative collection methods can be used to collect the amount.

In order to avoid Collection Agency proceedings, and the significant costs associated with such proceedings, we would recommend immediate payment of the total amount indicated or alternatively that you make appropriate payment arrangements to discharge the arrears by <date>.

Your co-operation in discharging these arrears would be appreciated. If you wish to make payment arrangements and/or discuss your account, please do not hesitate to contact the undersigned.

Yours Sincerely,

Director of Financial Services/Treasurer

APPENDIX B – ACCOUNT STATEMENT