

# THE CORPORATION OF THE CITY OF WINDSOR POLICY

Primary Owner:	Finance–Taxation & Financial Projects	Policy No.:	<b>CS.A4.07</b>
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Secondary Owner:	Accounting Services	Approved By:	CR182/2020
Subject:	<b>ACCOUNTS RECEIVABLE (AR)</b> <b>COLLECTIONS</b>	Effective Date:	<b>Immediate</b>
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## 1. PURPOSE

- 1.1. To establish a reporting structure governing collection activities that enhances the integrity of the collection process and safeguards Corporate assets.
- 1.2. Establish guidelines and control requirements for:
  - 1.2.1. Consumer and commercial reporting parameters governing usage and observance of the Ontario Consumer Reporting Act.
  - 1.2.2. Collection agency assignment.
  - 1.2.3. Returned cheques / items.
  - 1.2.4. Write-off approvals.
  - 1.2.5. AR adjustment approvals including the waiving of interest, late penalties, overdue charges, cancellations and administrative fees.
  - 1.2.6. Refunds
  - 1.2.7. Legal assignment for both small and large claims.
- 1.3. To ensure the regular review and follow up of all outstanding accounts receivable.
- 1.4. To establish procedures for the benchmarking and monitoring of the collection process as a measurement of performance.

## 2. SCOPE

- 2.1. This policy applies to all City of Windsor Finance employees engaged in the collection of accounts receivable or other unsecured debt as assigned, excluding municipal property taxes.
- 2.2. This Policy also applies to City of Windsor Departments that collect accounts receivable utilizing operating systems that includes: PeopleSoft, Amanda, Med-e-Care, ACTIVE Net, etc.

## 3. RESPONSIBILITY

- 3.1. **City Council** is responsible to:
  - 3.1.1. Approve all non-collectable accounts receivable write-offs of the Corporation over \$150,000 plus any related interest or penalties on a per account basis.
  - 3.1.2. Approve the initiation of legal proceedings for the purposes of collecting accounts receivable over \$150,000, where considered appropriate.
  - 3.1.3. Approve AR adjustment of amounts in excess of \$150,000 per invoice.
- 3.2. The **Chief Administrative Officer (CAO)** is responsible to:
  - 3.2.1. Approve all non-collectable accounts receivable write-offs up to \$150,000 plus any related interest or penalties on a per account basis.

- 3.2.2. Approve the initiation of legal proceedings for the purposes of collection for accounts receivable up to \$150,000, where considered appropriate.
- 3.2.3. Approve AR adjustment of amounts in excess of \$10,000 up to \$150,000 per invoice.
- 3.3. The **Chief Financial Officer (CFO)/City Treasurer** or designate is responsible to:
  - 3.3.1. Approve all non-collectable accounts receivable write-offs up to \$10,000 plus any related interest or penalties on a per account basis.
  - 3.3.2. Approve AR adjustment of amounts up to \$10,000 per invoice.
  - 3.3.3. Submit non-collectable accounts receivable write-off request report to Council or the CAO in accordance with the guidelines established herein.
  - 3.3.4. Direct the review of this policy, at a minimum every five (5) years, or sooner if required and recommend updates as necessary.
  - 3.3.5. Recommend the selection of a registered collection agency as required.
- 3.4. The **Deputy Treasurer Taxation and Financial Projects (DTTFP)** or designate is responsible for/to:
  - 3.4.1. Overall policy management of the collections area & providing the CFO/City Treasurer with an annual non-collectable accounts receivable write-off request.
  - 3.4.2. Approve the daily cheque log and related bank deposit for all cheque payments.
- 3.5. The **Manager of Treasury and Cash Management** or **Manager of Accounting Services** as needed is responsible to:
  - 3.5.1. Daily management of the accounts receivable collections area and staff.
  - 3.5.2. Identify and recommend to the Deputy Treasurer Taxation and Financial Projects those accounts to be written-off.
  - 3.5.3. Approve the AR adjustment of amounts up to and including \$250.00 per invoice.
  - 3.5.4. Approve the financial accounting of account adjustments taking into consideration the appropriate authority as provided for under this policy.
  - 3.5.5. Undertake the transfer of accounts receivable to third-party collection agencies, paralegal services, or other third party services as they relate to the collection of the account receivables subject to appropriate authority as provided for under this policy.
  - 3.5.6. Facilitate reports to City Council and/or the Chief Administrative Officer for all internal requests to begin legal action for the recovery of accounts receivable.
  - 3.5.7. On an annual basis, prepare an analysis of outstanding accounts receivable and develop an appropriate estimate for the allowance for doubtful accounts.
- 3.6. The **Corporate Collections Analyst** is responsible to:
  - 3.6.1. Actively collect all accounts receivable over \$50,000 plus others as required.
  - 3.6.2. Where necessary review and recommend all adjustments, third party transfers, legal transfer requests and non-collectable accounts receivables.
  - 3.6.3. Ensure all account transfers and adjustments are controlled via properly authorized documentation and back up.
- 3.7. The **Tax and Accounts Receivable Collector** is responsible to:
  - 3.7.1. Prepare a daily cheque log and related bank deposit for all cheque payments mailed to and received at City Hall Finance.

- 3.7.2. Provide a copy of the daily cheque log to the Accounts Receivable Clerk to facilitate the necessary customer account updates in PeopleSoft.
- 3.7.3. Collect accounts in a timely and diplomatic fashion in accordance with procedures and as assigned.
- 3.7.4. Ensure all documentation has been duly authorized prior to transferring any account to legal or third party or submitting any account adjustment for processing.
- 3.7.5. Upon approval, preparing all back up documentation to the department or third party accepting the transfer.
- 3.7.6. Ensuring that all collection status codes are updated in the system when accounts are transferred to third party or legal.
- 3.7.7. Ensure that all legitimate late fees, interest charges, overdue charges, administrative fees or any service charges allocated by administration are collected to the best of their ability unless otherwise directed.

#### **4. GOVERNING RULES AND REGULATIONS**

##### **4.1. CONSUMER AND COMMERCIAL REPORTING AUTHORITY AND COMPLIANCE WITH LAWS**

- 4.1.1. Section 8 (1) (d) (i) of the Ontario Consumer Reporting Act states:

*“No consumer reporting agency and no officer or employee thereof shall knowingly furnish any information from the files of the consumer reporting agency except, in a consumer report given to a person who it has reason to believe, intends to use the information in connection with the extension of credit to or the purchase or collection of a debt of the consumer to whom the information pertains.”*

This provides City employees with the necessary authority to run a consumer or commercial credit report on any person or entity as long as we can supply evidence that the report was run in connection with the collection of a debt.

- 4.1.2. City employees will order consumer and commercial credit reports (as defined by applicable Federal and Provincial Consumer Credit Reporting and Privacy laws), only for permissible purposes, and only in compliance with such Credit Reporting Laws. They will use the consumer credit reports for no purpose other than the permissible purpose and 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. Consumer or commercial reports will only be ordered in connection with legitimate business transactions involving the Corporation.
- 4.1.3. City employees will not provide a copy of a consumer or commercial credit report to the consumer or entity, except as may be required by law. Should a consumer dispute information obtained from a reporting agency, they must be referred to that same reporting agency.

##### **4.2. COLLECTION RULES**

- 4.2.1. City employees may not discuss a debt with anyone other than the debtor unless required by applicable law.
- 4.2.2. City employees may not discuss a debt with a representative of the debtor (other than a solicitor) unless they receive a written declaration from the debtor confirming representation and authorizing the disclosure of information to that same representative.
- 4.2.3. City employees may not be discriminatory or prejudicial in their collection practices. Diplomacy and professionalism must be exercised throughout the collection process.

- 4.2.4. Consumer information will remain confidential and will be used only for the purposes of collection of outstanding amounts due to the City of Windsor.

### **4.3. USE OF COLLECTION AGENCY**

- 4.3.1. Section 304 of the Municipal Act authorizes the use of a registered collection agency for the recovery of a debt, including taxes, payable to the Municipality. The collection agency may also recover its reasonable costs of collecting the debt but those costs shall not exceed an amount approved by the municipality.
- 4.3.2. The collection agency must be registered with the Government of Ontario and in good standing.
- 4.3.3. A collection agency may be assigned an account for collection once all internal avenues have been exhausted.
- 4.3.4. The agency will be monitored on a regular basis by the Corporate Collections Analyst to measure results.
- 4.3.5. 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.
- 4.3.6. 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 (as noted in Section 4.5.2).

### **4.4. RETURNED CHEQUES / ITEMS**

- 4.4.1. Cheques/items received by the City and returned by the bank as non-negotiable or have been refused for reasons such as: non-sufficient funds (NSF), closed account, stop payments, funds frozen, stale-dated, etc., may be subject to an administrative fee per cheque/item as prescribed in the City's User Fee Schedule.
- 4.4.2. The collection process may include the following:
- Notify customer of the returned cheque/item as well as the administrative fee by phone or e-mail (where applicable)
  - Direct communication with customer. All conversations should be documented.
  - Issuance of demand letter and/or invoice
  - Reminder notices
  - Alternative payment method (i.e. Cash, Debit Card or Credit Card)

### **4.5. WRITE-OFFS**

- 4.5.1. 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. Write-off should occur in the year following the year in which the account was identified and included in the Allowance for Doubtful Accounts.
- 4.5.2. An account will be identified as non-collectable if it has been listed with a collection agency.
- 4.5.3. An account will be identified as non-collectable if litigation against a debtor is unsuccessful.
- 4.5.4. An account will be identified as non-collectable if the debtor files for bankruptcy.
- 4.5.5. An account will be identified as non-collectable after receiving advice from our legal department indicating our claim would not be successful.

- 4.5.6. Any monies recovered from the debtor subsequent to the write-off will be posted as a bad debt recovery.
- 4.5.7. The thresholds below permit the write-off of non-collectable accounts receivable balances upon valid authorization. The following positions may authorize the write-off of these balances if, in their opinion, all means of collection have been exhausted. Job titles authorized to write off receivables and limits are listed below. These thresholds, by their very nature, allow the Chief Administrative Officer and/or CFO/City Treasurer the ability to negotiate settlements associated with City of Windsor accounts receivable.
  - 4.5.7.1. City Council – amounts in excess of \$150,000 plus any related interest or penalties on a per account basis shall only be written off with Council approval.
  - 4.5.7.2. Chief Administrative Officer (CAO) – amounts up to \$150,000 plus any related interest or penalties on a per account basis.
  - 4.5.7.3. Chief Financial Officer (CFO)/City Treasurer or designate – amounts up to \$10,000 plus any related interest or penalties on a per account basis.

**4.6. ACCOUNTS RECEIVABLE ADJUSTMENTS** (including the waiving of interest, late penalties, overdue charges, cancellations and administrative fees)

- 4.6.1. Accounts receivable adjustments may result from time delays from date of receipt of payment to recording of payments against a customer account and include interest that may result from a timing delay. AR adjustments are **not** to be used to correct an amount that has been invoiced and requires correction.
- 4.6.2. Where appropriate, the City may remove interest/penalty charges whereby payment may be late but, ultimately paid in a reasonable amount of time and the customer has a history of timely payments.
- 4.6.3. Adjustments of interest on accounts may be applied where payment comes within the five (5) business day grace period and/or changes of interest from date approved to the posting date.
- 4.6.4. As a regular and ongoing housekeeping function, adjustments may be applied to invoice for the removal of nuisance balances of \$20.00 or less including interest and/or penalty charges, for 'customers' in good standing.
- 4.6.5. Accounts receivable adjustments must be approved by the following:
  - 4.6.5.1. City Council – amounts in excess of \$150,000 per invoice.
  - 4.6.5.2. Chief Administrative Officer (CAO) - amounts in excess of \$10,000 up to \$150,000 per invoice.
  - 4.6.5.3. Chief Financial Officer (CFO)/City Treasurer or designate - amounts up to \$10,000 per invoice.
  - 4.6.5.4. Manager of Treasury and Cash Management or Manager of Accounting Services - amounts up to and including \$250 per invoice.

**4.7. REFUNDS**

- 4.7.1. Payments received in error or paid in excess of the AR invoice total amount by more than \$5.00 will be refunded to the payer.
- 4.7.2. Cash refund shall be avoided. All other refunds should be issued by the original payment method (Debit, Credit Card or Cheque as alternative).
- 4.7.3. Refund approvals must be in accordance with the AP approving authorities and dollar limit thresholds.

#### **4.8. BAD DEBT EXPENSE**

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

#### **4.9. ADDING DEBTS TO TAXES**

**4.9.1.** Where standard collection procedures are unsuccessful, balances owed to the City may be added to tax roll of the property owner if authorized by applicable legislation.

**4.9.2.** Where an account is to be added to taxes, all related documentation and support must be provided to the Manager of Revenue and Collections.

**4.9.3.** Upon confirmation of the amount being added to taxes, the account will be written-off.

#### **4.10. NETTING**

**4.10.1.** Payables can only be netted to outstanding receivables in instances where the payables relate specifically to the outstanding debt. The entity that is being netted must also be the same legal entity that originated the debt.

#### **4.11. LEGAL CLAIMS**

**4.11.1.** All claims over the Small Claims Court limit must be forwarded to the City Solicitor to commence legal action.

### **5. REPORTING**

#### **5.1. WRITE-OFF REPORTING**

As required, but at a minimum once per year, the Deputy Treasurer Taxation and Financial Projects shall provide the CFO/City Treasurer and/or CAO with a recommended list of write-offs. The CFO/City Treasurer shall report to City Council to request approval for all non-collectable accounts receivable write-offs over \$150,000.

#### **5.2. DELINQUENCY REPORTING**

Once per month a delinquency analysis is performed by the Corporate Collections Analyst or designate and provided to the Manager of Treasury and Cash Management outlining details of the aged trial balance position.

### **6. RECORDS**

**6.1.** All accounts receivable collection records, reports, manual and electronic files must be retained and filed in accordance with the City's "Schedule of Retention Periods for Records By-Law".

### **7. REFERENCES AND RELATED DOCUMENTS**

**7.1.** Corporate Accounts Receivable Policy

**7.2.** Corporate Cheque Acceptance Policy

**7.3.** Corporate-Wide Cash Receipts Control Policy

**7.4.** Accounts Receivable Returned Cheques Procedure

**7.5.** Accounts Receivable Adjustment Procedure

**7.6.** Accounts Receivable Invoice Adjustment / Cancellation Form

**7.7.** Registered collection agencies or collection agencies included in the "consumer beware list (CBL)" are available at [www.ontario.ca](http://www.ontario.ca).