

**THE CORPORATION OF THE CITY OF WINDSOR
POLICY**

Primary Owner:	Finance – Taxation & Financial Projects	Policy No.:	CS.A4.07
		Approval Date:	January 21, 2013
Secondary Owner:	n/a	Approved By:	M20-2013
		Procedure Ref.:	n/a
Subject:	Trade Receivable Collections	<i>Pages: 5</i>	Date: January 21, 2013
			Replaces: December 17, 2007 CR492/2007
Prepared By:	Phil Turner, A. Varsa - Finance		

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** NSF cheque recoveries.
 - 1.2.2** Collection agency assignment.
 - 1.2.3** Legal assignment for both small and large claims.
 - 1.2.4** Write-off approvals.
 - 1.2.5** Consumer and commercial reporting parameters governing usage and observance of the Ontario Consumer Reporting Act.
 - 1.2.6** A/R adjustment approvals including the waiving of interest, late penalties, overdue charges and administration fees.
- 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 trade 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 include: Class, Event Business Management Systems (EBMS), Gold Care, 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.

3.2 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 collecting accounts receivable up to \$150,000, where considered appropriate.

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** Submit a non-collectable accounts receivable write-off request report to Council or the CAO in accordance with the guidelines established herein.
- 3.3.3** Review this policy, at a minimum every five years, and update as required.

3.4 The Deputy Treasurer of 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 adjustments of interest on accounts where payment comes within the five (5) business day grace period (i.e. minor changes of interest from date approved to the posting date). This may be designated to either the Manager of Treasury & Cash Management and/or the Manager of Financial Services when and where administratively practical.
- 3.4.3.** 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.
- 3.4.4.** As a regular and ongoing housekeeping function, review and approve the removal of nuisance balances of interest and/or penalty charges, for 'customers' in good standing.
 - 3.4.4.1.** In absence of the DTTFP the review/approval may be designated up to the CFO & City Treasurer or one of the two remaining Deputy Treasurers.

3.5 The Manager of Treasury and Cash Management or designate is responsible to:

- 3.5.1** Daily management of the collections area and staff.
- 3.5.2** Identify and recommend to the Deputy Treasurer of Taxation and Revenue accounts to be written-off.
- 3.5.3** Approve all account adjustments taking into consideration the appropriate authority required under this policy.
- 3.5.4** Approve all third-party account transfers. ie. Collection agencies, paralegal services, other third party services as they relate to the collection of the trade receivables.
- 3.5.5** Facilitating reports to the Chief Administrative Officer for all internal requests to begin legal action for the recovery of accounts receivable.

3.6 The Corporate & Collections Analyst is responsible to:

- 3.6.1** Actively collect all accounts receivable over \$50,000 as required.
- 3.6.2** Review and recommend all adjustments, third party transfers, legal transfer requests and non-collectable accounts receivables as identified by the Tax Accounting and Receivable Collection Control Clerks and Account Collectors.
- 3.6.3** Ensure all account transfers and adjustments are controlled via properly authorized documentation and back up.

3.7 The Tax Account & Collection Control Clerks as well as the Tax & Accounts Receivable Collectors are responsible to:

- 3.7.1** Collect accounts in a timely and diplomatic fashion as assigned and prescribed by the Corporate & Collections Analyst or designate.
- 3.7.2** Ensure all documentation has been duly authorized prior to transferring any account to legal or third party or submitting any account adjustment for processing.
- 3.7.3** Upon approval, preparing all back up documentation to the department or third party accepting the transfer.
- 3.7.4** Ensuring that all collection status codes are updated in the system when accounts are transferred to third party or legal.
- 3.7.5** Ensure that all legitimate late fees, interest charges, overdue charges, administration fees or any service charges allocated by administration are collected fully unless otherwise authorized.

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 the 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 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.

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.

4.3 Bad Debt Expense

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

4.4 Use of Collection Agency

4.4.1 A collection agency may be assigned an account for collection once all internal avenues have been exhausted.

4.4.2 The agency will be monitored on a regular basis by the Corporate & Collections Analyst to measure results.

4.4.3 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.

4.4.4 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.

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.

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 Thresholds to 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 Chief Administrative Officer – from \$10,000 to \$150,000 plus any related interest or penalties on a per account basis.

4.5.7.2 CFO & City Treasurer – up to \$10,000 plus any related interest or penalties on a per account basis.

4.5.7.3 Amounts in excess of \$150,000 plus any related interest or penalties shall only be written off with Council Approval.

4.6 Adding debts to taxes

4.6.1 Where standard collection procedures are unsuccessful, balances owed the City can be added to property taxes if authorized by applicable legislation.

4.7 Netting

4.7.1 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.

4.8 Legal Claims

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

5. RECORDS, FORMS AND ATTACHMENTS

5.1 Write-Off reporting

As required, but at a minimum once per year, the Deputy Treasurer of 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/designate and provided to the Manager of Treasury and Cash Management outlining details of the aged trial balance position.

5.3 Safekeeping

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

5.4 Records and Manual Files

Records and manual files will be kept according to the existing records and retention by-law.