

Category: Finance

Accounts Receivable Collection and Write-Off Policy

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1. Background

This policy establishes a framework and guidelines for the administration, collection, and write-off of Accounts Receivable.

An Accounts Receivable is established when:

- 1.1 The City bills and collects charges for goods and services provided to residents and the public. When goods and/or services are provided to customers before receipt of payment, such goods and/or services will be invoiced and an account receivable is established. Section 391 of the *Municipal Act, 2001* ('the Act') allows a municipality to pass by-laws imposing fees or charges on any class of persons for services, activities or for the use of its properties.
- 1.2 The City issues administrative penalties in relation to designated offences under various City by-laws. When an administrative penalty is affirmed an account receivable is established. Section 434.1 of the Act allows a municipality to issue administrative penalties if the municipality is satisfied that the person has failed to comply with a by-law of the municipality.

2. Purpose

The purpose of this Policy is to:

- 2.1 Provide guidelines for a responsible, systematic, and efficient collection of accounts receivable and the write-off of uncollectable Accounts Receivable.
- 2.2 Establish write-off thresholds.

3. Application and Scope

- 3.1 This Policy applies to all City departments processing Accounts Receivable.
- 3.2 This Policy should be read in conjunction with the City of Brampton Cash Handling Guidelines & Standards, Administrative Penalties (Non-Parking) By-law 218-2019, and any other applicable legislation, City by-laws, policies, and procedures.
- 3.3 Exceptions
 - 3.3.1 This Policy does not apply to the administration and collection of Provincial Offences Act (POA) fines, Parking Administrative Penalties, or Property Tax, which are subject to separate policies and/or legislation.
 - 3.3.2 This Policy is not intended to facilitate the establishment of lending criteria through credit applications, credit checks, or other standardized means of extending credit and loans.

3.3.3 This Policy does not apply to agencies, boards, and commissions who manage their own receivables.

4. Outcomes

The intended outcomes of this Policy are:

- 4.1 Clear guidelines to ensure staff are demonstrating due diligence with respect to the administration of Accounts Receivable, and are in accordance with the General Accepted Accounting Principles (GAAP).
- 4.2 All reasonable efforts to collect general Accounts Receivable are made by utilizing internal and external tools and resources.
- 4.3 Write-offs are made in accordance with the rules found in Schedule A – Write-off Authorization attached to this Policy.
- 4.4 All reasonable efforts are made to minimize the value of accounts receivable recommended for write-off.
- 4.5 A consistent and transparent customer experience.

5. Principles

- 5.1 **Transparency** – Ensure that the reasons for collection and write-off are transparent and justifiable.
- 5.2 **Financial Stewardship** – Maintain trust and confidence in the stewardship of public funds.
- 5.3 **Prompt and Consistent** – The collection and write-off process is executed in a prompt and consistent manner to ensure that the City maintains the foremost integrity during all stages of the collection and write-off process.

6. Mandatory Requirements

6.1 Internal Controls

- 6.1.1 Where practicable, establish a segregation of duties between staff members requesting, approving, issuing the accounts receivable, and processing payments.

6.2 Billing and Payment

- 6.2.1 All amounts determined to be due to the City must be promptly recorded as accounts receivable by the City. Each Account Receivable must be recorded and maintained until payment is received or the recorded amount is written off.

- 6.2.2 Staff will issue accounts receivable with applicable supporting documentation.
- 6.2.3 Payments will be applied to the accounts receivable as per the Debtor's instruction. In case instruction for payment is not provided by the Debtor, payment will first be applied against the oldest outstanding account receivable and interest noted on the Debtor statement. Any remaining credit amount will be applied in order of oldest to most recent arrears at the City's discretion.
- 6.2.4 Payments of general accounts receivable will be accepted by the City in accordance with the City Cash Handling Guidelines & Standards and in accordance with applicable accounts receivable and collections SOPs.
- 6.2.5 After two instances of returned items, the Debtor will be required to pay via guaranteed funds (viz. debit, certified cheque, or bank draft).
- 6.2.6 Appropriate documentation/recordkeeping of all transactions and write-offs are maintained to support the possible future reinstatement of collection efforts when it is deemed feasible and viable and in accordance with Records Retention By-law 272-2014.

6.3 Accounts in Arrears

- 6.3.1 The City has the authority to charge interest on accounts in arrears. A monthly interest rate as per User Fee (Municipal Act) By-law 380-2003, as amended, will be applied to all overdue balances unless precluded by legislation, contract, or by-law.
- 6.3.2 Exceptions to the above are:
 - a) Sponsorship invoices;
 - b) Invoices issued for goods or services that are provided only upon receipt of payment;
 - c) Other municipalities, including upper-tier municipalities;
 - d) Government of Ontario and Government of Canada.
- 6.3.3 Due to an administrative error, accounts receivable may be reduced or cancelled upon written direction by the Manager of the section responsible for approval of the accounts receivable to Corporate Collections.

6.4 Collections

- 6.4.1 The City will utilize the collection tools available under the Act and any other applicable legislation to collect outstanding balances.
- 6.4.2 City staff may contact Debtors at any time throughout the collection process to discuss payment of outstanding accounts.

- 6.4.3 Prior to escalation of the collection process, a Final Notice will be sent to the Debtor.
- 6.4.4 Once all other collection tools have been exhausted, the overdue account may be added to the tax roll as allowed per federal or provincial legislation.
- 6.4.5 Where an addition to the tax roll is not possible, the City may choose to:
 - a) Forward the overdue account to a third-party Collection Agency or;
 - b) Forward the overdue account to the Legal Department to commence litigation.
- 6.4.6 The City will cross reference the Debtor with Accounts Payable Vendor accounts to identify if the City owes funds to the Debtor and, in consultation with Legal Services, offset payment where possible after all collection efforts have been taken and accounts receivable is still outstanding.
- 6.4.7 In the event of an accounts receivable dispute, Corporate Collections staff will contact the Originating Department to assist in resolving the issue and to verify the legitimacy of the original charges.

6.5 Write-Off

- 6.5.1 Once all internal and external collection attempts have been exhausted, the account will be deemed uncollectable and will be recommended for write-off.
- 6.5.2 Uncollectable and receivable accounts may be subject to write-off procedures as authorized in the Schedule A – Write-off Authorization in this Policy and consistent with Administrative Authority By-law 216-2017.
- 6.5.3 If there has been a delay in posting a payment or the payment was posted in error, an interest fee may be cancelled from the account.
- 6.5.4 Any payment received after an account receivable has been written off shall be credited to the Originating Department's account(s).
- 6.5.5 Records will be retained with respect to the accounts receivable being written-off to provide an audit trail to support any reinstatement of collection efforts in accordance with Records Retention By-law 272-2014.

7. Roles and Responsibilities

7.1 City Council

- 7.1.1 Authorizes write-offs for amounts with a balance of \$25,000 or greater.
- 7.2 City Treasurer
 - 7.2.1 Authorizes write-offs in accordance with this Policy and Administrative Authority By-law 216-217.
 - 7.2.2 Reports Collection activities and write-offs to Council in accordance with this Policy.
 - 7.2.3 Seeks Council authorization for write-off amounts of \$25,000 or greater.
- 7.3 Manager of Corporate Collections
 - 7.3.1 Ensures staff are aware, trained, and in compliance with this Policy.
 - 7.3.2 Ensures documentation and records are maintained.
 - 7.3.3 Identifies and reports uncollectable accounts receivable to Treasurer.
 - 7.3.4 Directs and assigns staff to carry out duties and responsibilities within assigned authority levels to complete collection actions and administer appropriate collection tools.
 - 7.3.5 Authorizes write-off amounts of uncollectable administration fees and interest in accordance with this Policy and Administrative Authority By-law 216-2017.
- 7.4 Corporate Collections Staff
 - 7.4.1 Carries out billing, administration, and collection of accounts receivable as directed, as per this policy, and any associated standard operating procedures.
- 7.5 Originating Departments
 - 7.5.1 Ensures accuracy of the account receivable created.
 - 7.5.2 Obtains necessary departmental approval.
 - 7.5.3 Retains all original documentation, contract, and agreements to substantiate the accounts receivable.
 - 7.5.4 Authorizes cancellation of an account receivable in accordance with this Policy and maintains supporting documentation.
 - 7.5.5 Investigates accounts, resolves accounts receivable disputes and/or follows up with Debtor where appropriate.
 - 7.5.6 Monitors accounts to ensure accuracy of the General Ledger.

7.5.7 Reviews aged accounts receivable report to identify collection issues and follows up with Debtor and Corporate Collections as required.

8. Monitoring and Compliance

Compliance will be monitored through regular and accurate reconciliation of accounts receivable and reporting to Originating Departments and to Council.

8.1 Consequences of non-compliance

8.1.1 Failure to follow this Policy may result in lost revenue for the City.

9. Definitions

- 9.1 **Account Receivable** – Any outstanding bill, invoice, debt, penalty, or fee owed to the City, including any outstanding administrative penalty and user fee imposed in accordance with City by-laws.
- 9.2 **Administrative Penalty** – A monetary penalty as set in Schedule A of Administrative Penalties (Non-Parking) By-law 218-2019 issued to a person or company for a contravention of a designated by-law.
- 9.3 **Collection Agency** – A registered third-party company contracted by the City for the collection of general accounts receivable. Collection Agency activities are regulated by the *Collection Agencies Act, 1990* and by the Ministry of Government and Consumer Services.
- 9.4 **Customer** – An individual, organization, or another level of government that is the recipient of a good or service from the City.
- 9.5 **Debtor** – A person or organization that owes a sum of money.
- 9.6 **Final Notice** – The last notice issued to a Debtor by the City of Brampton requesting payment of accounts receivable billings before the account is added to the tax roll or referred to a Collection Agency or to the legal department for further actions.
- 9.7 **General Ledger** – The official record of financial transactions of the City of Brampton.
- 9.8 **Originating Department** – A City of Brampton department responsible for generating accounts receivable in relation to funds due to the City.
- 9.9 **Write-Off** – The closing of a receivable balance that is deemed uncollectable.

10. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publicly available.

10.1 External references

- [Collection Agencies Act, RSO 1990, c C.14](#)
- [Municipal Act, SO 2001, c 25](#)
- [Bankruptcy and Insolvency Act, RSC 1985, c B-3](#)

10.2 References to related bylaws, Council policies, and administrative directives

- [Administrative Authority By-law 216-2017](#)
- [Administrative Penalties \(Non-Parking\) By-law 218-2019](#)
- [Controllership 13.0.1](#)
- [Corporate Fraud Prevention Policy GOV – 110](#)
- [Records Retention By-law 272-2014](#)
- [User Fee By-law 380-2003](#)

10.3 References to related corporate-wide procedures, forms, and resources

- Cash Handling Guidelines and Standards

11. Revision History

Date	Description
2024/06/05	Review completed and approved by Committee of Council.
2027/06/12	Next Scheduled Review

Schedule A – Write-Off Authorization

Consistent with Administrative Authority By-law 216-2017 (as amended)

Write-Off Amount	Authorization
Accounts Receivable Interest, Collection Agency fee and administration fees up to \$2,500.00	Manager, Corporate Collections
Accounts Receivable interest and administration fees from \$2,500.01 to \$24,999.99	Treasurer
\$25,000.00 or greater	Council