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# General Receivables Billing and Collection Policy

**Purpose:**

The Municipality of Middlesex Centre recognizes the importance of having a written billing and collection policy for general receivable accounts. This policy incorporates good customer service, outlines acceptable and efficient business practices, and promotes consistency and fairness to its customers.

**Scope:**

The General Receivables Billing and Collection Policy applies to all customer accounts that are not covered by the Property Tax Billing and Collection Policy and the Water, Wastewater and Stormwater Billing and Collection Policy.

**Objectives:**

This policy is written to provide good customer service and provide effective and consistent interactions between Middlesex Centre staff and customers.

It is written in compliance with the *Municipal Act, 2001*, related Ontario Regulations made under the Act, and applicable municipality by-laws, as amended from time to time.

**Definitions:**

For the purposes of this policy:

**“Account Receivable”** means a claim for money, goods, services and other non-cash assets. These are generally established via invoice or contract/agreement. These are set up as assets of the municipality and recognized as revenue is earned.

**“Allowance for Doubtful Accounts”** is 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. The amount in this account is based on a regular aging analysis of Accounts Receivable and/or specifically identified Doubtful Accounts.

**“Bad Debt Expense”** When an Allowance for Doubtful Account is credited the expense is recorded to a corporate department, for example general government. Where known and identifiable to a department, the expense for the bad debt is charged to the operating department.

**“Collection Agencies”** are businesses established to collect past-due Accounts Receivable on behalf of creditors and appointed by the municipality to collect these amounts.

**“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 adjustment will be recorded.

**“Due Date”** means the last date by which an invoice must be paid by a customer in accordance with the terms of payment on the Invoice.

**“Interest Charge”** means the charge calculated on outstanding amounts from the due date, in accordance with the Municipal Fee By-law as amended from time to time.

**“Invoice”** means a document requesting payment from an external customer for goods or services provided by the municipality to the customer.

**“Statement”** means a document issued to the customer detailing the previous month’s balance and current month transactions including any Interest Charges.

**“Write Off”** means to remove an Account Receivable that is deemed uncollectible from the municipality’s financial records.

### **Roles & Responsibilities:**

Municipal staff assigned to the billing and collection of General Receivables accounts shall adhere to the policy and procedures detailed below.

Departments are responsible for the effective communication with debtors, third parties and the finance department, ensuring that accounts receivable are adequately reported, collected, extinguished or written off as appropriate.

### **Procedure:**

#### **General**

The policy should assist in:

- ensuring that revenue from all sources is identified, claimed, recorded, collected and reported in a timely and effective manner;
- ensuring that receipts of money are accurately and completely accounted for and adequately controlled to prevent or detect error, fraud or omission;

- ensuring that proper administrative and control processes are established for accounts receivable, including authorization, review and reconciliation;
- ensuring the municipality is able to minimize, wherever practicable, the creation of accounts receivable;
- ensuring the municipality is in a position to manage accounts receivable effectively, including prompt and vigorous collection to minimize amounts owing to municipality;
- providing consistent and equitable treatment to debtors, and regular communication on amounts owing;
- ensuring interest is charged on overdue accounts receivable;
- ensuring uncollectible accounts receivable are written off under the proper authority, and only after all reasonable and appropriate collection action has been taken; and
- minimizing the financial exposure to bad debts and maximizing revenue recoveries.

### **Recording of Accounts Receivable**

All amounts determined to be due to the municipality must be promptly recorded as an accounts receivable by the municipality. Each account receivable must be recorded and maintained until payment is received or the recorded amount is written off or extinguished.

An adequate provision for doubtful accounts must be established. When all reasonable efforts fail to collect an account receivable and it has been approved for write off, the related provision for doubtful accounts should be reduced.

### **Control and Subsidiary Accounts**

The municipal accounting systems incorporate control accounts, where applicable, to ensure the completeness and accuracy of individual accounts.

The municipality must maintain subsidiary accounts for individual debtors in a manner that discloses, at a given point in time, the aggregate amount owed by each debtor as well as individual amounts making up the aggregate amount.

Monthly, the subsidiary accounts for each accounts receivable must be reconciled with the control account.

### **Billing Cycle**

Bills for General Receivables will be sent a minimum of fifteen (15) days before the due date. If account holders opt to receive their bill through email billing or a similar service, their bill will be sent in the manner they selected a minimum of fifteen (15) days before the due date.

## **Due Date**

Due dates will typically be the last working day of the month or fifteen (15) days after the invoice is created.

## **Payment**

Bills for General Receivables are payable as follows:

1. Mailing cheque payment directly to the municipal office.
2. Cash, cheque or debit payment at the municipal office during regular office hours, or after hours by using the mail slot (for cheque payments only).
3. Payment at any recognized bank or trust company.
4. Payment by telephone or internet banking.

The receipt date will be the official date of payment.

Receipt date is defined as the date the municipality received the money either physically by Middlesex Centre staff or electronically received within the municipal bank account.

If paying by mail, telephone banking, at a recognized bank or trust company, or online, the customer assumes responsibility for late arrival.

## **Returned Cheques**

In the event a cheque is returned from the bank (i.e., "Insufficient Funds" or "Stale-dated"), the customer shall pay applicable late payment penalty and interest charges and an additional NSF Cheque Return Fee, as established by municipal by-law as amended from time to time.

## **Penalty and Interest Charges**

In the event that payment is not received by the due date, a penalty charge shall be imposed on the first day of default following the due date and on the first business day of every calendar month thereafter until paid.

A request for relief of penalty will be first considered by the Manager of Finance. A penalty charge as a result of an error by the municipality shall be credited back to the customer equal to the amount charged. All other requests for relief of penalty must be in writing to the Director of Corporate Services.

The amount of penalty charge imposed will be in accordance with Municipal Fee By-law as amended from time to time.

The municipality may not impose a penalty charge for debts due from the following:

- government ministries or agencies, trusts, and other municipalities;
- accounts specifically identified by the Department Director in collaboration with the Director of Corporate Services and/or Chief Administrative Officer.

## **Collection of Overdue Accounts**

The collection process for General Receivables may include all or some of the following steps:

- Issuance of monthly statements
- Direct contact with customers with overdue accounts
- Letter and phone campaign
- Placement with collection agencies
- Transfer of balance to the tax roll
- Offset against invoices owed to the customer by the municipality
- Further civil enforcement as applicable

A fee for statements sent will be added to the account in accordance with the Municipal Fee By-law as amended from time to time.

Accounts that remain unpaid for sixty (60) days will be transferred to the property tax account as applicable. An administration fee will be included as outlined in the Municipal Fee By-law which is amended from time to time.

The finance department is authorized to collect delinquent non-tax debts on behalf of the departments within the municipality that do not specialize in the collection function.

The Director of Corporate Services and/or their delegate, has the authority to assign accounts to a third party for collection, on behalf of the municipality, and, where authorized by legislation, to add the delinquent accounts to property tax accounts.

## **Private Collection Agencies**

The municipality will consider the services of private collection agencies to recover debts owed to the municipality after the municipality's normal collection activities have been exhausted, or when a business case supports this collection option, but no earlier than ninety (90)-days overdue unless circumstances warrant such action.

The municipality must not use private collection agencies for debts due from the following:

- government ministries or agencies, trusts, and other municipalities;

- municipal employees from whom the municipality can recover by set-off action; and
- participants in a current appeal or a court proceeding.

A collection agency is a third party organization engaged by the municipality for the collection of defaulted accounts. Section 304 of the *Municipal Act* authorizes the use by a municipality of a registered collection agency for the recovery of a debt.

Third party registered collection agencies shall be authorized for the collections of defaulted accounts. To maximize collection efforts the municipality may use multiple collection agencies.

The collection agency utilizes various collection techniques and tools to locate debtors and obtain payment of the debt. The collection agencies may also place trade liens on the debtors, which may affect their credit rating.

Collection agencies charge a percentage commission fee on the amount collected on behalf of the municipality.

### **Allowance for doubtful accounts**

On an annual basis the municipality budgets for a general Allowance for Doubtful Accounts which is then revised based on a review of Delinquent Accounts.

Customer accounts may be specifically identified as Doubtful Accounts and will be allowed for when one (1) of the following occurs:

- Recovery is anticipated to be minimal, based on management's knowledge;
- The account has been transferred to a Collection Agency;
- The municipality has received notice of bankruptcy from a Trustee in Bankruptcy; or
- Litigation has or is anticipated to commence.

Annually the finance department will accrue an estimated increase or decrease to the allowance which will be charged to the municipality's corporate bad debt expense account.

At year end, based on the customers' aging and specifically identified Doubtful Accounts at that time, the bad debt expense will be transferred from corporate to the operating department that generated the invoices for the customer.

### **Write Offs**

Where the Director of Corporate Services or Manager of Finance determines that certain accounts are uncollectible, the amounts may be written off within the approved budgeted amount each year.

Write offs are applied against the related/appropriate Allowance for Doubtful Accounts, or to the Bad Debt Expense account if no allowance was recorded.

All write-off submissions from department directors must include the relevant debt information. Submissions for the write-off of debts exceeding \$5,000 must be appropriately categorized and must include details of the collection action taken, the debtor's financial status (if relevant), and why further collection action is not possible.

The categories for submission are:

- debtors who have died leaving no estate;
- debtors who cannot be located;
- debtors who are indigent;
- debtors residing outside of Canada in locations where there are no apparent means of collection and there is no indication that the debtor has family or business ties that might encourage return to Canada;
- debts where, in the view of the municipality, further expenses to collect are not justified in relation to the amount of the debt and the possibility of collection;
- debts where legal counsel has indicated that the amount involved does not warrant the prospective costs of action to collect;
- debts where liability has not been admitted by the debtor and where the success of proceedings to collect is unlikely; and
- debts where a corporation is inoperative and without assets.

The Director of Corporate Services may authorize the write-off of receivables up to \$10,000 that have been included in the departmental budget.

The Director of Corporate Services shall submit to Council recommendations for write-offs of debts beyond the \$10,000, for approval.

Debts of a bankrupt corporation must be written off through the normal procedures since, according to the *Federal Bankruptcy and Insolvency Act*, a corporation may not apply for a discharge unless it has fully satisfied the claims of its creditors.

After consulting with the Director of Corporate Services and/or legal counsel, the municipality may accept a compromise settlement of a debt. A portion of the original debt must be written off as identified under the terms of an agreement.

## **Accountability and Administration**

The Director of Corporate Services or their delegate is authorized to implement and/or modify any procedures as necessary to comply with this policy.

## **Policy Review**

This policy will be reviewed by the Director of Corporate Services or their designate as deemed appropriate.