



# Accounts Receivable Collections & Write Offs

<b>Procedure No.:</b> CS-FIN-4	<b>Council Resolution No.:</b> N/A
<b>Department:</b> Finance	<b>Authority:</b> CAO
<b>Effective Date:</b> 10/28/13	<b>Revision Date:</b> 03/11/2019
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<b>Supersedes:</b> N/A	
<b>Related Policy No.:</b> CS-FIN-4	
<b>Related Policy Name:</b> Accounts Receivable Collections & Write Offs	

## Purpose

The Town of Taber (the Town) recognizes the need to establish procedures to administer the collection of accounts receivable and the resulting need to write off uncollectable accounts receivable (bad debts). The Town shall make all reasonable efforts within its authority to collect the balance of accounts in arrears through means established in legislation, bylaw or policy.

## Operating Guidelines

### 1) Invoicing and Collection Procedure – General Goods and Services

The Town has established an invoicing and collection procedure to allow for the collection of its general goods and services accounts receivables as follows:

- a. As the Town provides goods and services, or they come due through agreement, they are entered into the accounts receivable module of the Town’s financial accounting system. An invoice is then printed and mailed to the customer which is payable upon receipt.
- b. Accounts receivable are aged at the end of each month and customer statement of account’s are printed and mailed out. The customer statements are due with payment terms of net thirty (30) days.
- c. Accounts not collected within thirty (30) days of the initial statement date are considered in arrears. A second statement of account marked “Second Notice” is printed and mailed out; again with payment terms of net thirty (30) days.
- d. Once an account is in arrears, customers are contacted with a courtesy phone call to remind them their account is in arrears and to please remit payment.
- e. Accounts not collected within sixty (60) days of the initial statement date are sent a third statement of account marked “Final Notice”; again with payment terms of net thirty (30) days.



- f. Further courtesy phone calls are made to remind customers that their account is still in arrears and to please remit payment.
- g. Accounts not collected within ninety (90) days of the initial statement date are advanced to the appropriate collection method that is available to the Town either through legislation, bylaw or policy; including but not limited to sending the account to a collection agency.
- h. Accounts sent to a collection agency must have been sent two regular statements and a final statement. This will be no sooner than sixty (60) days from the original statement's due date.
- i. At the Town's discretion it may choose not to forward an account less than one hundred dollars (\$100) to a collection agency because the portion retained to collect the debt can be significant in relation to the value recovered.

2) Invoicing and Collection Procedure – Utility Accounts in the Property Owner's Name.

- a. Utility account statements are generated from the utilities module and sent out at the beginning of each month for the prior month's utility charges. The utility account is due with payment terms of net thirty (30) days.
- b. Accounts not collected within thirty (30) days have penalties applied and are sent an arrears letter indicating that payment must be received by the end of business on the third (3<sup>rd</sup>) Friday of the month after the statement due date.
- c. Accounts not collected by the third (3<sup>rd</sup>) Friday of the month after the statement due date are sent a Transfer to Tax letter indicating that the outstanding utility account balance, plus an account transfer fee, are being transferred to the property owner's tax account.
- d. The Municipal Government Act (MGA) specifies that once an amount is transferred to the tax account it is deemed for all purposes to be a tax imposed under taxation legislation of the MGA along with all the obligations inherent with the collection of those taxes.

3) Invoicing and Collection Procedure – Utility Accounts Held Solely in the Tenant's Name.

The invoicing procedure is the same for all utility accounts; however the collection process for utility accounts held solely in the Tenant's name is as follows:

- a. Accounts not collected by the third (3<sup>rd</sup>) Friday of the month after the statement due date will have their water shut-off so that a meter read can be taken and the account can be final billed.
- b. The utility account is then transferred to the property owner and the water is restored once the reconnection fee is paid; however, the arrears remain the liability of the tenant.
- c. Collection procedures for the tenant are the same as those established for General Goods and Services above.

4) Uncollectable Accounts Receivable (Bad Debt) Less Than Five Hundred Dollars (\$500)

- a. As of December 31<sup>st</sup> each year the Director of Finance will prepare a list of accounts receivable with a value less than five hundred dollars (\$500) for the Chief Administrative Officer (CAO) to authorize to be written off. This list will include:



- i. Any amount for less than five hundred dollars (\$500) that has been deemed by the Director of Finance to be uncollectable.
- ii. Accounts where the regular statement has been returned to sender as undeliverable and the Town has no means to locate the customer.
- b. The Director of Finance will annually provide to Council for information purposes an itemized list of all bad debts less than five hundred dollars (\$500) authorized by the CAO to be written off.

5) Uncollectable Accounts Receivable (Bad Debt) Five Hundred Dollars (\$500) and Over

- a. As of December 31<sup>st</sup> each year the Director of Finance will prepare a list of accounts receivable with a value of five hundred dollars (\$500) or over for Council authorization to be written off. The list shall include the following:
  - i. Accounts in arrears for at least two years, and deemed by the Director of Finance to be uncollectable.
  - ii. Accounts where the regular statement has been returned to sender as undeliverable and the Town has no means to locate the customer.
  - iii. Accounts for an individual or business that has ceased operations and whose account remains in arrears for sixty (60) days from date of cessation. In this article, "ceased operations" shall mean any individual proprietorship, commercial or industrial business no longer operating under a current business license within the Town, or not on an active Town of Taber utility or tax account.
  - iv. Any amount related to a bankruptcy whereby the Town has received court documentation that payment will not be forthcoming.
  - v. Any amount related to an indigent deceased individual whose heirs are not able to settle the outstanding balance from the estate. Proof of need in such cases shall be at the discretion of the CAO.
- b. Once Council has approved the amounts to be written off, Finance shall continue to attempt recovery of the outstanding arrears through the following actions:
  - i. Pursue collection through the Civil Division of the Provincial Court of all accounts approved to be written off and where it has been determined through investigation that enforcement of a judgment may be executed; and
  - ii. Pursue through a collection agency the execution of judgment obtained through Civil Court; and
  - iii. Maintain an itemized ledger of all accounts written off including legal names, last known address and nature of account for the purpose of possible future collection and audit. Any amount written off shall remain on this ledger until such time as the amount is recovered in full, only then the record will be expunged.

  
CHIEF ADMINISTRATIVE OFFICER

March 29, 2019.  
DATE

