

Council Policy

Policy Name: Account Write Off
Department Name: Finance Services
Policy No.: FIN-080
Effective Date: February 17, 1987

Review Date:

STATEMENT:

The City of Fort McMurray will provide a method and guidelines to determine the accounts of the City to be written off and guidelines for the establishment of allowances to fund the write off of such accounts.

PURPOSE AND OBJECTIVE:

The objective of this policy is to:

1. Address the Accounts Receivable allowances and write off for:
 - 1.1. General Receivables
 - 1.2. Water and Sewer
 - 1.3. Property and Business Tax
 - 1.4. Mobile Unit Licences
2. Ensure adequate procedures are in place to write off accounts.
3. Ensure proper authorities are established to allow for the timely write off of accounts.
4. Ensure proper authorities are established to allow for the timely write off of accounts.
5. Establish a method of funding allowances and drawing from allowances.

PROCEDURES:

2. Definitions

- 2.1. Accounts Receivable - General receivables, water and sewer accounts, taxes, licences.
- 2.2. Allowance - Monies set aside against the possibility of not being able to collect accounts receivable.
- 2.3. Uncollectible - An account which cannot be collected due to the circumstances of the debtor.
- 2.4. Write off - The accounting entries undertaken to remove a receivable from the accounting records.

3. Responsibilities

3.1. Council to:

- 3.1.1. Approve amendments to this policy.
- 3.1.2. Review and approve write off submissions for all property tax, business tax and mobile unit licences.
- 3.1.3. Review and approve all other uncollectible accounts in excess of \$3,000.
- 3.1.4. Review and approve the budget for the write off allowance.

3.2. Commission Board to:

- 3.2.1. Review and approve write off submissions for uncollectible accounts, other than those referred to in clause 02.01 (b), valued from \$2,000 to \$3,000.
- 3.2.2. Review budgets for write off allowance and recommend their approval to Council.
- 3.2.3. Review and recommend write off reports for Council approval for uncollectible property tax, business tax and mobile unit licences.
- 3.2.4. Review and recommend write off reports for Council approval for all uncollectible accounts in excess of \$3,000.

3.3. Commissioner of Finance and Community Services to:

- 3.3.1. Review and approve write off submissions for uncollectible accounts valued from \$1,000 to \$2,000.
- 3.3.2. Review and recommend to Council the write off of all accounts for property tax, business tax and mobile unit licences.

3.4. City Treasurer to:

- 3.4.1. Ensure every feasible means of collecting all accounts is undertaken by staff.
- 3.4.2. Prepare requests for write off of all accounts for property tax, business tax and mobile unit licences.
- 3.4.3. Review and approve write off submissions for uncollectible accounts, other than those referred to in clause 02.01 (b) valued at \$1,000 or less.
- 3.4.4. Review write off submissions and prepare list of uncollectible accounts in excess of \$1,000 for consideration of Commissioner of Finance and Community Services, Commission Board or Council, identifying budget concerns/impacts.
- 3.4.5. Prepare budget estimates for transfer to and from allowances and projected write offs for the budget year.
- 3.4.6. Prepare status reports to accompany recommendations to Council for write offs for property tax, business tax and mobile unit licences and other write offs in excess of \$3,000.
- 3.4.7. Ensure all necessary accounting entries are performed.
- 3.4.8. Prepare annual report for Board of Management and Council of all accounts written off during the year.

3.5. Revenue Supervisor to:

- 3.5.1. Observe all existing billing and collection procedures in the execution of daily tasks.
- 3.5.2. Prepare ongoing lists of receivable accounts which may require a write off.
- 3.5.3. Prepare recommended list of write offs to the City Treasurer indicating reasons for the recommendations.
- 3.5.4. Perform accounting entries necessary to effect the accounts.

4. Guidelines

4.1. Allowances:

- 4.1.1. Budgeting - In each budget year during the budget preparation process, but prior to August 15, a determination will be made as to the allowance for uncollectible accounts which will be required, based on an analysis using the following criteria for each receivable type:
 - 4.1.1.1. Outstanding balances of the accounts by type at August 1.
 - 4.1.1.2. Collection experience of prior years
 - 4.1.1.3. Age of receivables
 - 4.1.1.4. Indications of uncollectibility including bankruptcies, litigation.
 - 4.1.1.5. Any other extenuating billings.
- 4.1.2. General - No later than August 15 of each year the outstanding receivables are determined for each receivable type. Deducted from these amounts will be the recommended write offs being considered, but not yet authorized. From this calculation, the recommended allowance balance will be as follows:

Property taxes and mobile unit licences:

- 4.1.2.1. Two percent (2%) of all accounts unpaid for one(1) year.
- 4.1.2.2. One percent (1%) of all accounts unpaid for the current year.

All other accounts:

- 4.1.2.3. One-hundred percent (100%) of accounts over one-hundred-eighty (180) days.
- 4.1.2.4. Fifty percent (50%) of accounts over sixty (60) days, but less than one-hundred-eighty (180) days.

The allowance required will then be calculated as allowance balance, minus the recommended write offs not yet authorized to equal adjusted allowance. From this total, the required allowance is deducted. If the required allowance exceeds the actual adjusted allowance, then the budgeted transfer will be the difference in these two (2) numbers. If the required allowance is less than the actual adjusted allowance, then no budgeted transfer is required. On January 1 of the following year, being the budget year, the approved budget "transfer to the allowance" will be completed.

4.2. Write Off of Accounts:

- 4.2.1. Where amounts are due to the City, all efforts within the established Treasury Billing and Collection Procedures will be followed.
- 4.2.2. From time to time, accounts may remain outstanding and be deemed uncollectible as per the following criteria:
 - 4.2.2.1. Debtor deceased and no funds available from the estate.
 - 4.2.2.2. Debtor files Statement of Bankruptcy and receives discharge.
 - 4.2.2.3. Account is dormant with respect to collection agent's ability to collect.
 - 4.2.2.4. Account is aged three (3) years or more.
 - 4.2.2.5. Collection action undertaken and it is found that the receivable is not valid one.
 - 4.2.2.6. Other circumstances which may arise and as recommended by the City Treasurer.

5. General Procedures

- 5.1. Where an account, other than property tax, business tax and mobile unit licence, becomes uncollectible and is \$1,000 or less, the account and its detail is presented by the Receivable Clerks to the City Treasurer, with an explanation as to the nature of the request, for approval.
- 5.2. Where an account becomes uncollectible and is greater than \$1,000, the account and its detail is presented to the City Treasurer with an explanation as to the nature of the request, for consideration and presentation to the Commissioner, Commission Board and/or Council for approval.
- 5.3. Where an account is presented for write off under clauses 04.01 and 04.04 and receives approval by the City Treasurer, it is added to the list of write offs for the current year and presented to Council as to the total amount by receivable type written off for the year.
- 5.4. Where an account is property taxes, business taxes or mobile unit licence fees, the account details, along with an explanation as to the nature of the request, is presented to the City Treasurer for review and preparation of Council report.
- 5.5. The Council report is presented to the Council for their consideration for a write off.
- 5.6. In all cases of approved write offs, the customer account is reduced by the amount of the write off. The corresponding entry to effect the General Ledger is then completed.

APPROVAL, MANAGEMENT AND REFERENCES:

This policy shall be reviewed in three (3) years from its effective date to determine its effectiveness and appropriateness. This policy may be assessed before that time as necessary to reflect organizational change.

Approving Authority: City Council
Approval Date: February 17,1987

Revision Approval Dates:
Review Due:

Policy Manager: Director, Finance Services
Department Contact: Manager, Finance Services

Legal References:
Cross References: