

 M O N C T O N	POLICY	Owner Department: Finance
	Accounts Receivable, Collections	
Effective Date: September 6, 2022	Last Reviewed Date: September 6, 2022	City Council Approval Dates:
Approving Authority: Moncton City Council	Replaces No.: N/a	

1. Purpose Statement

To enhance the integrity and transparency of the collection process and safeguard corporate assets, this policy is to establish the responsibilities, internal controls and authorizations for the maintenance and collection of the City’s customer accounts.

The policy will establish guidelines and control requirements for handling returned items (NSF -non-sufficient funds), account write-offs, adjustments to accounts receivable accounts including approvals for waiving late penalties, overdue charges, cancellations, and administrative fees and to provide guidelines on refunds.

2. Application

This policy applies to all City of Moncton employees engaged in the accounts receivable process.

3. Definitions

Accounts Receivables – are claims, for goods, services that are generally represented by a trade or utility invoice. Under generally accepted accounting principles, accounts receivable are assets that are recognized when the revenues are earned.

Allowance for doubtful Accounts: The allowance, sometimes called a bad debt reserve, represents management's estimate of the amount of accounts receivable that will not be paid by customers.

Customers in good standing: A customer in good standing is defined as a customer who historically pays their invoices on a timely basis according to the prescribed due date. Those customers

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who regularly do not meet this (2 or 3 times in the last 12 months) are not deemed in good standing.

Lien on water and wastewater accounts: All outstanding water and wastewater accounts within the City of Moncton results in a direct lien on the property. If a property owner does not pay their water and wastewater bill, payment in full will be received once the property sells. The exchange of a property requires a lawyer to finalize the house sale transaction and any balance owing on the account is settled at time of house sale transaction.

Returned items (NSF-non-sufficient funds): This includes processing of the payments that are returned by the bank due to insufficient funds, frozen account, closed account etc. or a returned pre-authorized debit / credit (excluding those directly relating to card renewal requirements, which are excluded from the NSF charge).

Special Payment Arrangement: a pre-determined number of payments to repay an account in full for water and wastewater accounts.

Utility Service Charges: Refers to water and wastewater fixed and consumption charges.

Write-off: means to remove an invoice, penalty, and other receivable claim from the City's accounts receivable records.

4. Policy

Accounts Receivable/Collections:

The collection process for accounts receivable include the following steps:

Trade Customers:

- Issuance of a monthly statement
- Direct contact with customers with overdue accounts

Utility Customers:

- Issuance of a monthly statement for commercial customers
- Issuance of a quarterly statement for residential customers
- Direct contact with customers with overdue accounts
- Overdue and collection notices sent as in accordance with the City's by-law P-311.

Collections Working Group

The Deputy Treasurer(s), along with the Collections Analyst and the Manager of the Billings and Collection will meet on a regular basis to review all trade and utility receivables.

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Special Payment Arrangements – Water and Wastewater accounts

The city allows for special payment arrangements for water and wastewater accounts. This arrangement allows a customer to pay down their account based on a number of determined payments discussed and agreed to between the customer and the Collections Analyst. The Collection Analyst works with the customer based on affordability and can setup arrangements ranging from 0-24 months. Any payment arrangement beyond 24 months requires a review and approved among a discussion between the Deputy Treasurer(s) and the Chief Financial Officer (CFO).

With special payment arrangements, all collection efforts and notices stop unless a customer fails to comply with such arrangement. In this event, the special payment arrangement is cancelled and the customer falls into the collections and notices are restarted.

Special Payment Arrangement – unique cases for Water and Wastewater accounts

There may be customers who has had no water services for a number of years and agrees on a special payment arrangement to restore services at his or her property. Based on wanting to help customers get their services turned back on and get up-to-date with their account, there are circumstances where unique special payment arrangements are made. To encourage payment on these accounts and minimize the potential write-offs, the City must make special arrangements with these customers and and consider a reduction/adjustment on penalty/interest charges as an option to resume normal services.

In these unique situations:

- The Chief Financial Officer (CFO) can approve such account adjustments up to \$15,000 for interest and penalty charges.
- The City Manager can approve such account adjustments up to \$25,000 for interest and penalty charges.
- City Council has the authority to write-off actual water and wastewater charges. Adjustments would be applied to the account at the end of any given payment arrangement.

Although these cases are rare, they will be reported to Council on an annual basis specifying the special arrangement, what was the amount owing at the time of the arrangement, the penalty or interest charges being written off, and also the status of the account. The Chief Financial Officer (CFO) and City Manager will make adjustments when it will be beneficial for the City from a revenue perspective while also considering the impact to the customer.

Allowance for doubtful Accounts:

Throughout the fiscal year (January to December), the Deputy Treasurer(s) and the Chief Financial Officer (CFO) will ensure that there is an allowance set aside for possible bad debt or amounts unlikely to be collected. The recommendation will be brought to the Chief Financial Officer's (CFO) attention for approval and recognized in the city's financial statements when deemed needed. This reduces the

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financial stress of future write-offs or large adjustments to non-collectible accounts. For well users, although collections efforts are much harder due to not being able to shut their water off, these are areas where an allowance for doubtful accounts may be required. Any allowance for bad debt requirements will be brought to Council as part of the annual budgeting process if necessary.

Returned items (NSF -non-sufficient funds)

The revenue office will notify all customers of a returned item as well as inform the customer of any administrative fee by phone, letter or email. All communication should be documented on the customer's account.

The City will charge an administrative fee for all returned item (non-sufficient) funds as prescribed in the City's By-Law A-1318 - Fees and Charges.

Write-offs/Voids/Account Adjustments

All voids or any other account adjustments may be performed against the customers account on an ongoing basis upon proper authorized approval prescribed in the approval thresholds. The following exception exists:

- Account write-off's will be reviewed at time of collections working group meeting and recommendations will be brought forward and approved according to the approval thresholds.
- All Adjustments relating to a water leak will follow the the water leak adjustment policy.

Refunds:

Customer payments received in error or paid in excess of the invoice total amount by more than \$25.00 will be refunded to the payer. Cash refund shall be avoided. All other refunds should be issued by the original payment method (Credit Card, EFT or Cheque as alternative). Refund approvals must be in accordance with the accounts payable approving authorities and dollar limit thresholds.

Netting Accounts Receivable and Accounts Payable Invoices:

Payables can only be netted to outstanding receivables in instances where the payables relate specifically to the outstanding receivable of the same legal entity.

Accounts payable can be withheld by the City as leverage to receive an amount owed to the City in those instances.

Approval Thresholds

Manager of the Billings and Collection:

- To prepare and gather information relating to non-collectable accounts receivable write-offs, penalty adjustments or any other customer account adjustments for review of the Chief Financial Officer (CFO) and the Deputy Treasurer(s) according to the approval thresholds.

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The Deputy Treasurer(s) is responsible:

- To approve all non-collectable accounts receivable write-offs, penalty adjustments or any other customer account adjustments up to \$2,000 excluding utility service charges.
- Items above this amount will be brought forward and discussed with the Chief Financial Officer (CFO)

The Chief Financial Officer (CFO) and the Deputy Treasurer(s) are responsible:

- To bring forward all non-collectable accounts receivable write-offs, penalty adjustments or any other customer account adjustments from \$15,000 up to \$25,000 to the City Manager excluding utility service charges.
- Items up to \$15,000 can be approved at the Chief Financial Officer (CFO) level with reporting of these to City Council on an annual basis excluding utility service charges.
- Review this policy on an annual basis and recommend revisions or updates where deemed required.

The City Manager is responsible:

- To approve all non-collectable accounts receivable write-offs, penalty adjustments or any other customer account adjustments up to \$25,000 excluding utility service charges.

City Council is responsible:

- To approve all non-collectable accounts receivable write-offs of utility service charges.
- To approve all non-collectable accounts receivable penalty customer account adjustments over \$25,000.

Conflict of Interest

In no way will any employee process voids, refunds, or adjustments of any kind on their personal customer account or on accounts deemed to have a conflict of interest. Such requires adjustments shall follow the proper chain of command and be approved by one of the Deputy Treasurers, the Chief Financial Officer, City Manager and City Council following the eligible approved thresholds prescribed in this policy. Once approved, these adjustments shall be entered into the system by someone other than the account holder.

Confidentiality

Customer information will remain confidential and will be used only for the purposes of collection of outstanding amounts due to the City of Moncton. At times, staff shall provide addresses and contact information to the City's by-law officers directly for the purpose of pursuing by-law enforcements services

5. Administration and Contact

City Clerk's Office

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