



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

2006 Accounts Receivable Write-off Report

Date:	March 23, 2007
To:	Government Management Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reason for Confidential Information:	This report deals with personal matters about an identifiable person. Appendix B to this report contains confidential information regarding a private citizen.
Reference Number:	P:\2007\Internal Services\acc\gm07009acc (AFS#3403)

SUMMARY

The purpose of this report is to recommend the write-off of uncollectible miscellaneous receivable accounts in the amount of \$619,303.28 in accordance with the provisions of the Financial Control By-law.

RECOMMENDATIONS

It is recommended by the Deputy City Manager and Chief Financial Officer that:

1. City Council approve the write-off of uncollectible accounts of \$619,303.28 as detailed in Appendix A to this report; and
2. the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

The write-offs recommended in this report amount to \$619,303.28 and, when combined with those under \$10,000 approved by the Deputy City Manager and Chief Financial Officer of \$469,895.26, total \$1,089,198.54.

There are no financial implications as a result of this report as all accounts being recommended for write-off have been provided for and expensed previously. The actions

being recommended by staff have been reviewed with appropriate Division Heads and Legal Services who concur with the recommendations.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On annual basis, Accounting Services Division presents a report to Council seeking approval for the write-off of amounts in accordance with the provision of the Financial Control By-law.

Financial Control By-law states:

Write-offs of amounts owing to the City in excess of \$10,000 must be approved by Council except for tax reductions as a result of a successful appeal of assessment or taxes by a taxpayer.

ISSUE BACKGROUND

All City divisions are required to review their outstanding receivables on regular basis and establish appropriate allowances for non-collection on all accounts where collection is considered doubtful. The Accounting Services Division reviews these provisions annually for adequacy and recommends adjustments where appropriate.

For accounting purposes, when the collection of an account is considered doubtful, the value of the receivable carried on the balance sheet is reduced and the provision is charged to expense. This has been done annually since 1999. The write-down is recorded in the Allowance for Doubtful Accounts which is a contra (credit) to the Accounts Receivable Account.

When doubtful accounts are considered uncollectible, the accounts are written off upon approval of Council or, for amounts less than \$10,000, the Deputy City Manager and Chief Financial Officer. The amount is removed from both the Accounts Receivable Account and the Allowance for Doubtful Accounts. Since these are both balance sheet accounts, there is no impact on operating expenses. Allowances are fully in place for the write-offs recommended in this report.

The Deputy City Manager and Chief Financial Officer is authorized under the Financial Control By-law to write-off the customer receivables under \$10,000 that are no longer being pursued as a result of recommendations by Senior City staff, Legal Services and/or City contracted Collection Agencies. Accounts may be recommended for write-off for a variety of reasons including, but not limited to, bankruptcy, death, inability to trace customer, unavailability of funds and Court Orders.

In 2006, the Deputy City Manager and Chief Financial Officer approved the write off of miscellaneous accounts receivable, which were less than \$10,000 each, of \$469,895.26 (2005 - \$251,799.78).

COMMENTS

Appendix A to this report lists six accounts in excess of \$10,000 that are recommended for write-off. The total of these accounts is \$619,303.28. The amount recommended for write-off is significantly higher than the \$243,478.71 in write-offs approved in 2006. This is due to two old outstanding receivables from National Congress of Italian Canadians and Group Telecom totalling \$517,800.46 for which the City has no further recourse in collecting and must be written off. Excluding these two accounts, amount to be written off totals \$101,503. Appendix B is confidential and provides further details on the amounts owed by private citizens. The amounts requested to be written off are summarized below in Table 1 by reason and in Table 2 by Division.

TABLE 1: Reason for Write off of Accounts Receivable

Number of Accounts	Reason	Amount \$
4	Bankruptcy	389,479.67
1	Vacated tenants	217,485.31
1	Recommended by Legal Services – operations closed in 2003	12,338.30
6	Total Recommended Write Off	619,303.28

TABLE 2: Write Off of Accounts Receivable by Division

Number of Accounts	Reason	Amount \$
1	Facilities and Real Estate	217,485.31
2	Toronto Water	30,188.94
3	Transportation	371,629.03
6	Total Recommended Write Off	619,303.28

Conclusions

The City has undertaken steps to enhance its credit practices and accounts receivable collection procedures to reduce bad debts incurred and this report was presented to Administration Committee in June 2006. The amounts recommended for write-off in this report relate to transactions that took place prior to 2006. The City will continue to use its own resources to pursue the collection of debts owed by its customers. Where appropriate, accounts are also referred to collection agencies experienced in using all collection remedies available. Collection efforts of the six accounts contained in this report have been exhausted and the write-off of these accounts totalling \$619,303.28

(2005 - 243,478.71) is recommended. Of this amount, two accounts totalling \$517,800 relate to transactions dating back several years and involved extensive efforts to collect. In the case of Group Telecom, it should be noted that the City was successful in collecting \$1.1 million (80%) of a \$1.424 million debt (net write-off of \$300,315). Excluding these two large accounts that balance for write-off totals \$101,503, which is small in relation to the City's annual user fee revenues of \$1.8 billion.

The write-offs recommended in this report amount to \$619,303.28 and, when combined with those under \$10,000 approved by the Deputy City Manager and Chief Financial Officer of \$469,895.26, total \$1,089,198.54 (2005 - \$495,278).

CONTACT

Cam Weldon

Treasurer

Tel: (416) 392-8427

Fax: (416) 392-8003

Email: cweldon@toronto.ca

Mo Lewis

Director, Accounting Services

Tel: (416) 397-4438

Fax: (416) 392-8003

Email: molewis@toronto.ca

SIGNATURE

Joseph P. Pennachetti

Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix A: City of Toronto Request for Write-off: Amounts Greater Than \$10,000 Summary

Appendix B: (Confidential) Request for Write-off - Private Citizens Listing