

2020 Accounts Receivable Write-off Report

Date: August 30, 2021
To: General Government and Licensing Committee
From: Controller
Wards: All

SUMMARY

This report provides information on account receivable amounts written off as uncollectable in 2020 under delegated authority provided to the Controller.

In 2020, after all appropriate and reasonable collection efforts were exhausted, recommendations and subsequent approval for write-offs were made by the Controller. The Controller approved write-offs of outstanding invoices for billable revenues totalling \$432,701; \$65,433 was the total write-off of individual amounts less than \$50,000, while \$367,268 was the total write-off of individual amounts between \$50,000 and \$500,000 recommended for write-off by the City Solicitor. Invoices included in these write-off totals excluded grants and billable revenues for Parking Tags, Taxes and Utilities, which are managed under a different process. In all cases, revenues were recorded when initially invoiced, but allowances for doubtful accounts were established annually resulting in no financial impact in the 2020 fiscal year.

For the first time, this report includes the write-off of Provincial Offences Act (POA) fines deemed uncollectable. This action is consistent with City Council direction through the adoption of Item AU12.1 on May 22, 2018 stemming from the Auditor General report - Toronto Court Services: Collection of Provincial Offence Default Fines. Following internal actions by Court Services staff, and as a result of recommendations made by Legal Services, the Controller was requested to exercise his delegated authority and write-off amounts up to \$500,000.

Through delegated authority, the Controller has approved the write-off of 171,506 individual balances less than \$500,000, totalling \$20.6M. Balances owing were maintained in the provincially mandated case management system (Integrated Court Offence Network) for court offences. In all cases, no amounts were recovered since debtors were deceased, could not be located or exhaustive collection efforts proved futile. There is no financial impact in fiscal 2020 from these write-offs since balances are not recognized as revenue until paid or there is reasonable expectation of collection.

In addition, the Controller is recommending that Council write-off eight cases totalling \$8.8 million. Details related to these eight cases, along with actions taken by staff and Legal Services to collect the amounts, have been included in this report.

Of the \$29.4 million that has been either approved by the Controller or is being recommended to Council for write-off, \$16.5 million pertain to offences that occurred prior to the transfer of provincial court administration to the City in 2002. All amounts greater than \$500,000 that are being recommended to Council for write-off have offence dates prior to the transfer.

RECOMMENDATIONS

The Controller recommends that:

1. The General Government and Licensing Committee receive this report for information.
2. City Council approve the write-off of Provincial Offences Act Fines Deemed Uncollectable above \$500,000, as identified in this report.

FINANCIAL IMPACT

This report considers two components:

1. Amounts totalling \$432,701 (0.05% of \$901M total billable revenues for 2020, excluding grants and billable revenues for Parking Tags, Tax and Utilities) were written off by the Controller in 2020 in accordance with delegated authority provided in the City's Financial Control By-law, after completion of appropriate collection efforts. These amounts, which are included in the City's Accounts Receivable sub-ledger have been provided for in the City's Allowance for Doubtful Accounts and expensed in previous years; as such, there was no impact to 2020 operating expenditures. Details of actions taken and the recommended write-offs are noted in the Comments section below.
2. Amounts totalling \$29.4 million representing Provincial Offences Act defaulted fines deemed uncollectable were recommended and reviewed by the Controller on June 17, 2020. A total of \$20.6 million was approved by the Controller and \$8.8 million are being recommended by the Controller to City Council for write off. This includes 171,495 cases that are less than \$50,000 and fall within the Controller's authority, 11 cases that are between \$50,001 and \$500,000 and were recommended for write-off to the Controller following review by Legal Services, and 8 cases that are over \$500,000. There is no financial impact on the City's 2020 revenues or operating expenditures. Revenues reported in the City's general ledger reflect only the portion of outstanding fines that are deemed collectable.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

The Controller has the authority “to write-off outstanding amounts owing to the City as uncollectable, if the amount is not more than \$50,000 and is not an amount raised as taxation or deemed to be taxes, except for items added to the tax bills for collection purposes only and not as a result of a tax or assessment appeal”.

Furthermore, the City's Financial Control By-law, Chapter 71, Toronto Municipal Code, as amended by Council on December 13, 2007, states, "Write-offs of amounts owing to the City in excess of \$50,000 must be approved by Council except for tax reductions as a result of a successful appeal of assessment or taxes by taxpayer".

A further amendment to the Financial Control By-Law of June 24, 2008 authorizes the Controller to write-off amounts up to \$500,000 where the City Solicitor has attempted to recover the amount owing and concluded that the amount is uncollectable.

Following is the link to the Council Write-Off Policy for Fines under the Provincial Offences Act Deemed Uncollectable:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL7.10h>

On an annual basis, the Controller reports to Committee and Council on accounts receivable amounts written off as uncollectable under delegated authority, and if required, to seek approval for the write-off of uncollectable amounts in accordance with the provisions of the Financial Control By-law (Toronto Municipal Code, Chapter 71).

Following is the link to the 2019 Accounts Receivable Write-off Report received by Government Management Committee at its meeting held on June 22, 2020:

<http://www.toronto.ca/legdocs/mmis/2020/gl/bgrd/backgroundfile-148130.pdf>

ISSUE BACKGROUND

Billable Services

Accounts receivable invoicing, revenue recognition and collections are decentralized within the City. As part of their collection efforts, City Divisions that invoice for services are required to review their outstanding receivables on a regular basis and establish appropriate allowances for all accounts where collection is considered doubtful. In collaboration with the Accounting Services Division (ASD), these provisions are reviewed annually for adequacy and adjustments are made where appropriate.

Divisions are required to send invoices under \$1,000 to two collection agencies. If the first collection agency is unsuccessful within six (6) months, the amount is sent to the second collection agency for another six (6) months. As a general practice, amounts over \$1,000 are forwarded to Legal Services for collection action which may include

litigation or small claims court action. Legal Services may recommend settlement based on the information available. Once all collection efforts have been exhausted and senior management staff, Legal Services and/or the City's contracted collection agencies have deemed the amount(s) to be uncollectable, a write-off request is initiated and the required approvals are obtained from the appropriate Division, Director of Accounting Services and the Controller.

All write offs are added to Debtor Watch list for review by Purchasing and Materials Management Division (PMMD), who use the Debtors Watch List as a tool necessary to adhere to the City's *Right to Reject Debtors and Set Off Policy* (FS-PMMD-26).

Provincial Offences Act Defaulted Fines

POA defaulted fines are managed by Court Services based on court ordered fine and associated surcharge, cost and fee amounts recorded in the Province's Integrated Court Offences Network system and supporting court documents. On May 22, 2018, City Council adopted Item AU12.1 requesting that the Director of Court Services review the 'Write-Off Policy for Fines under the Provincial Offences Act Deemed Uncollectable' and submit to Council proposed revisions to the Policy to reflect existing practices. An updated policy was approved by City Council in October 2019.

City Council also requested through the adoption of Item AU12.1 that the Director of Court Services implement processes to ensure compliance with the updated policy. The Provincial Offences Act defaulted fines approved by the Controller under delegated authority and the recommendation of the eight cases over \$500,000 for write-off approval by City Council reflects the application of these newly implemented processes.

The City makes every effort to collect unpaid fines. Collection tools utilized by Court Services include: collection agencies, tax-roll, civil enforcement, license suspension and plate denial.

The City contracts 11 collection agencies to collect POA defaulted fines. All defaulted fines are referred to a collection agency based on the age of the defaulted fine. Cases are rotated every 6 months to another collection agency within the same assignment category. Contractual performance incentives are applied and the percentage of cases referred to a collection agency varies accordingly. Cases may be recalled from collection agency when it is determined the account is eligible to be added to municipal tax rolls.

The City applies defaulted fines amount to municipal tax rolls and pursues civil enforcement at the Superior Court of Justice. Legal Services may recommend settlement based on the information available.

The City notifies the Ministry of Transportation of all persons with defaulted fines eligible for enforcement through licence suspension and vehicle owner plate denials.

Once all collection efforts have been exhausted and where there are circumstances that arise for various reasons where unpaid fines are unlikely to be collected, staff from Court Services and Legal Services complete an annual assessment of the defaulted

finances in accordance with internal procedures and the City Council Write-Off Policy for Fines under the Provincial Offences Act Deemed Uncollectable. A recommendation is then made to the Controller for write off of eligible cases. Cases with a write off amount that exceeds \$500,000 are recommended by the Controller to City Council to approve the write off of the cases.

COMMENTS

Billable Services

Table 1 outlines the total write-offs by Division generating the initial accounts receivable.

Table 1
Amounts Approved for Write-off by the Controller in 2020 with reference to Chapter 71, Toronto Municipal Code, Financial Control

Division	Note 1	Note 2	Total
Toronto Water	\$6,507	\$367,268	\$373,775
Seniors Services and Long-Term Care	\$21,963	-	\$21,963
Transportation Services	\$18,090	-	\$18,090
Solid Waste Management Services	\$10,296	-	\$10,296
Municipal Licensing & Standards	\$2,790	-	\$2,790
Toronto Fire Services	\$4,592	-	\$4,592
Other Agencies and Corporations	\$1,195	-	\$1,195
TOTAL written off			\$432,701

Write-offs under the column titled Note 1 include individual amounts less than \$50,000 written off by the Controller under delegated authority and amounts under Note 2 include amounts between \$50,000 and \$500,000 written off by the Controller as recommended by the City Solicitor.

Toronto Water

Toronto Water recommended that the Controller approve write-offs in the amount of \$373,775 as follows:

The amount represents a residual amount for an invoice of \$152,180 to recover the repair costs for damages to a blocked sanitary sewer main, and an invoice of \$376,750 for a blocked sanitary sewer main. Legal Services negotiated a settlement amount of \$250,000, which was paid to the City on April 14, 2020. Legal Services recommended that the remaining account balance be written off as a settlement has been reached.	\$278,931
The amount represents a residual amount for invoice of \$198,337 regarding damages to a sanitary sewer main as a result of construction work being carried out for an adjacent development. Legal Services negotiated a settlement in the amount of \$110,000, paid to the City on December 17, 2020. Legal Services recommended that the remaining account balance be written off as a settlement has been reached.	\$88,337
The amount represents a residual amount for invoice of \$35,742 to recover the repair costs for damages to a watermain. The account was referred to Legal Services for collection after remaining outstanding beyond due date. Legal Services negotiated a settlement in the amount of \$31,100, which was paid to the City on July 27, 2020. Legal Services recommended that the remaining account balance be written off as a settlement has been reached.	\$4,643
The amount represents a residual amount for an invoice of \$54,317 regarding Sanitary Discharge Agreement charges incurred from 2017 to 2018, along with \$2,177 in late payment charges. The account balance was referred to Legal Services for collection after remaining outstanding beyond its payment terms. A payment was made to the City in the amount of \$54,630 on February 15, 2018. Legal Services recommended that the account balance be written off.	\$1,864

Amounts written off for Toronto Water represent 0.7% of billable revenues of \$53M.

Seniors Services and Long-Term Care

Seniors Services and Long-Term Care (SSLTC) recommended that the Controller approve write-offs in the amount of \$21,963 in accommodation fees which could not be collected under Ontario Regulation 79/10 and prior legislation that prohibits SSLTC from discharging a resident based on the resident's financial situation, including the non-payment of accommodation fees.

All accounts referred for write-off by SSLTC are accounts of deceased or discharged residents, with the majority outstanding from deceased residents. When a debtor resident passes away, City Legal Services conducts estate searches in order to collect amounts outstanding, and may conclude that the estate is insolvent, recommending write-off of the balance. Amounts that are written off by SSLTC are also submitted to

the Ministry of Health and Long-Term Care which provides a 50% subsidy for basic accommodation fees.

Amounts written off for Seniors Services and Long-Term Care represent 0.04% of billable revenues of \$55M.

Transportation Services

Transportation Services recommended that the Controller approve write-offs of \$18,090, as follows:

This amount represents invoices for Motor Vehicle Accident balances and late payment fees deemed uncollectable by Legal Services or the collection agencies.	\$17,814
This amount represents invoices for Street Allowance Rentals and Permit Parking balances late payment fees deemed uncollectable by Legal Services or the collection agencies.	\$276

Amounts written off for Transportation Services represent 0.06% of billable revenues of \$32M.

Solid Waste Management Services

Solid Waste Management Services recommended that the Controller approve write-offs of \$10,296, as follows:

This amount represents various customer invoices relating to the sale of bins and late payment charges. The accounts were referred to collection agencies; no collection success occurred.	\$10,296
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Amounts written off for Solid Waste Management Services represent 0.06% of billable revenues of \$17M.

Municipal Licensing & Standards

Municipal Licensing & Standards recommended that the Controller approve write-offs of \$2,790, as follows:

This amount represents invoices for election sign removal, non-sufficient funds for pet licences, and veterinarian fees. The late payment charges were recommended by Legal Services to be written off, and some of the invoices were sent to two collection agencies; no collection success occurred.	\$2,790
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Amounts written off for Municipal Licensing & Standards represent 0.02% of billable revenues of \$15M.

Toronto Fire Services

Toronto Fire Services recommended that the Controller approve write-offs of \$4,592, as follows:

This amount represents invoices for a fire safety review, freedom of information fee, re-inspection and fire rescue emergency response nuisance false alarm fees and their associated late payment charges. The invoices were sent to two collection agencies; no collection success occurred.	\$4,592
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Amounts written off for Toronto Fire Services represents 0.02% of billable revenues of \$20M.

Other Agencies and Corporations

ASD recommended that the Controller approve a write off for a receivable from a Business Improvement Area (\$1,195). The entity was dissolved and has not existed for many years deeming the amount uncollectable.

Provincial Offences Act Fines

On June 17, 2020, the Controller approved write-off of 171,506 Provincial Offences Act defaulted fines deemed uncollectable with a total value of \$20.6 million, and is seeking approval for write-off by City Council of eight Provincial Offences Act defaulted fines deemed uncollectable with a total value of \$8.8 million. Table 2 organizes these cases based on their Council-Write-Off Policy categories.

TABLE 2
Provincial Offences Act Fines sent to Controller in 2020
(Based on Council Write-Off Policy)

Council Write-Off Policy Category	Number of cases	Dollar value (Million)
Debtor is deceased	26,421	\$7.3M
Collection efforts exhausted	64,327	\$1.5M
Debtor cannot be located	80,766	\$20.6M
Totals	171,514	\$29.4M

TABLE 3

Table 3 outlines the cases sent to the Controller by Court Services in 2020, organized by dollar value in millions.

Council Write-Off Policy Category	Note 1	Note 2	Note 3	Total
Debtor is deceased	\$7.1	\$0.2	-	\$7.3
Collection efforts exhausted	\$1.4	\$0.1	-	\$1.5
Debtor cannot be located	\$10.4	\$ 1.4	\$ 8.8	\$ 20.6
Totals	\$18.9	\$ 1.7	\$ 8.8	\$ 29.4

- Note 1: write off amount includes 171,495 cases with an individual case dollar value less than \$50,000
- Note 2: write off amount includes 11 cases with an individual case dollar value between \$50,001 and \$500,000
- Note 3: write off amount includes 8 cases with an individual case dollar value greater than \$500,000 recommended for write-off to Council.

Legal Services, through consultation with Court Services, recommended that the 11 cases with an individual case dollar value between \$50,001 and \$500,000 be written-off.

Table 4

Table 4 outlines the case details and collection actions that were taken by the City for the eight cases that have individual dollar values over \$500,000. The cases are listed in order from lowest to highest dollar value.

Defendant Name	Offence Date	Amount	Collection Action Taken by City	Reason for Uncollectible Status
Osler Inc.	1-Feb-87	\$568,634	<ul style="list-style-type: none"> • Assigned to collection agency • Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.
Pia Williamson	1-Nov-89	\$701,280	<ul style="list-style-type: none"> • All collection tools assessed for eligibility. 	Court record contains no date of birth and no address
Securities Fund	1-Mar-95	\$710,422	<ul style="list-style-type: none"> • Assigned to collection agency 	Corporation no longer exists.

Defendant Name	Offence Date	Amount	Collection Action Taken by City	Reason for Uncollectible Status
Holdings Limited			<ul style="list-style-type: none"> Reviewed by Legal for civil enforcement and tax-roll. 	
Osler Inc.	30-Apr-86	\$789,820	<ul style="list-style-type: none"> Assigned to collection agency Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.
Osler Inc.	30-Apr-86	\$987,171	<ul style="list-style-type: none"> Assigned to collection agency Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.
TAC International Limited	1-Aug-96	\$1,468,536	<ul style="list-style-type: none"> Assigned to collection agency Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.
Food Court International Inc.	1-Sep-90	\$1,612,856	<ul style="list-style-type: none"> Assigned to collection agency Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.
Osler Inc.	1-Apr-86	\$1,982,235	<ul style="list-style-type: none"> Assigned to collection agency Reviewed by Legal for civil enforcement and tax-roll. 	Corporation no longer exists.

- Note: The court fines outlined in Table 4 are from offences which carried high fine limits and which occurred prior to the transfer of Provincial Offences Court administration to the City of Toronto.

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SIGNATURE

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