

ADMINISTRATION POLICY:

Accounts Receivable

Policy Number:	FA-027 (C)
Approved By:	Chief Financial Officer
Effective Date:	2017/05/23
Next Revision Due:	2020/05/23
Department / BU:	Chief Financial Officer's Department/Finance

BACKGROUND

As process owner and the corporate service provider for accounts receivable activities at The City of Calgary (The City), Corporate Billing & Accounts Receivable (CBAR) in Tax, Receivable & Payable (TRaP) Division, generates bills for external customers on behalf of the Business Units (BUs) and manages the associated accounts receivable. Credit & Collections (CC) in TRaP is responsible for the collection of overdue receivables and credit appraisals for The City.

PURPOSE

The purpose of this policy is to define the business rules and best practices for billing external customers and the management of the corporate accounts receivable.

DEFINITIONS

1. Accounts Receivable – Outstanding bills and any other monies owed to The City by external customers.
2. Corporate Receivable – Any accounts receivable residing in PeopleSoft Financials that is generated from billing requests processed by CBAR on behalf of the Business Unit.
3. Bill – A document requesting payment from an external customer for goods and services provided by The City.
4. Corporate Customer Database – PeopleSoft accounts receivable database that retains customer information (i.e. name, address, phone number, email, etc.) for the purposes of billing and collecting corporate accounts receivable.
5. Collateral – Asset pledged by a customer to The City for the purpose of securing an outstanding debt and ensuring payment.
6. Dunning Notice – A notice sent to a customer indicating that a payment is past due.
7. Write-off – Closing of a receivable balance that is deemed uncollectible.

INTENDED OUTCOMES OF THIS POLICY

This policy is intended to ensure that external customers receive accurate bills for City goods and services on a timely basis and to facilitate the collection of the corporate accounts receivable.

POLICY STATEMENTS

1.0. Scope/Exceptions

1.1. Scope

This Administration policy applies to:

1.1.1. Corporate Billing & Accounts Receivable (CBAR)

1.1.2. Credit & Collections (CC)

1.1.3. All City Business Units (BUs) that provide billable goods and services to external customers.

1.1.4. Corporate Cashiers

1.2. Exceptions

This policy does not apply to:

1.2.1. Bills for property or business taxes.

2.0. General Policy Statements

2.1. CBAR and CC shall establish and maintain supporting procedures for Accounts Receivable. All Business Units sending billing requests to CBAR must comply with these supporting procedures. Refer to the *Supporting Procedures for Accounts Receivable* for further information.

3.0. Billing

3.1. BUs are responsible for submitting bill information to CBAR within 30 days of providing goods or services.

3.2. BUs are responsible for calculating accurate fees for goods and services provided to external clients.

3.3. The minimum billable amount is \$25.00.

- 3.4. Any external customer acquiring City services valued at \$500 or greater that requests credit requires a credit appraisal in advance of the BU providing the good or service.
- 3.5. Customers receiving mandatory services from The City (e.g. snow removal, re-inspection fees or remedial compliance work) shall be billed without a credit appraisal regardless of amount.
- 3.6. Refer to Section 2.0 of *Supporting Procedures for Accounts Receivable* for further information on Billing Activities.

4.0. Payments

4.1. Payment Methods

4.1.1. The acceptable payment methods for City bills are cash, debit card and cheque.

4.1.2. CC shall accept credit card payments:

- a. For ambulance receivables.
- b. For payment of overdue amounts in accordance with Section 7.0 Overdue Amounts).
- c. Customer can pay by credit card via eBill if approved by the Business Unit.

4.1.3. Payments shall be entered into The City's systems. All payments must be deposited to The City's bank account by the next business day after receipt.

4.2. No in-person unidentified cheques shall be accepted by Corporate Cashiers. Refer to Section 3.1.3 of *Supporting Procedures for Accounts Receivable* for further information

4.3. BUs receiving payments for corporate receivables directly from a customer shall transfer such payments to CBAR within two business days of receipt. Refer to Section 3.2 of *Supporting Procedures for Accounts Receivable* for further information

4.4. Returned Cheques

4.4.1. A service fee of \$35.00 will be charged for all returned cheques due to:

- a. Account closed
- b. Non-sufficient funds

- c. Funds not available
- d. Funds frozen
- e. Stop payment

4.4.2. Service fees shall not be applicable in the event of error (e.g. post-dated cheque deposited by The City in advance of cheque date) or death of a customer.

4.4.3. Original returned cheques are identified and submitted to the BU or CC for collection as appropriate.

4.5. Managing Credit Balances

4.5.1. Credit balances of \$5.00 or less are not refunded unless requested by a customer, in which case The City is obligated to refund the balance.

4.5.2. Refer to Section 3.4 of *Supporting Procedures for Accounts Receivable* for further information on Payments.

4.6. Refer to Section 3.0 of *Supporting Procedures for Accounts Receivable* for further information on Payments.

5.0. Credit Appraisal

5.1. The Coordinator, CC shall set criteria for a credit appraisal in order to assess the risk of financial loss to The City.

5.2. Credit limits shall be established by the Coordinator, CC.

5.3. A credit appraisal is required for any external customer acquiring City goods or services valued at \$500 or greater.

5.4. Customers receiving mandatory services from The City (e.g. snow removal, re-inspection fees or remedial compliance work) shall be billed without a credit appraisal regardless of amount.

5.5. Refer to Section 4.0 of *Supporting Procedures for Accounts Receivable* for further information on Credit Appraisals.

6.0. Collateral Collection and Control

6.1. Collateral may be required to protect The City from financial risk when granting credit privileges to customers.

6.2. The type and amount of collateral deemed acceptable is at the discretion of the Coordinator, CC. This can include:

- a. Security Deposits (cash or cheque)
 - b. Letters of Credit
 - c. Specialized Deposits
- 6.3. Interest shall be earned on security deposits at a blended rate of return determined by the Treasury Division of Finance.
- 6.4. Refer to Section 5.0 of *Supporting Procedures for Accounts Receivable* for further information on Collateral Collection and Control.

7.0. Overdue Accounts

- 7.1. Account payments shall be due within 30 days of the bill date unless otherwise determined by CBAR. On the 31st day after the bill date, a bill is considered overdue.
- 7.2. Refer to Section 6.0 *Supporting Procedures for Accounts Receivable* for further information.

8.0. Finance Charges

- 8.1. All overdue bills that are finance charge applicable, are levied a monthly finance charge based on an interest rate of 1.5% per month.
- 8.2. Accumulated monthly finance charges that are under \$10.00 will not be posted to the customer's account.
- 8.3. The Coordinator, CC has the authority to exempt customers from finance charges.
- 8.4. Refer to Section 7.0 of *Supporting Procedures for Accounts Receivable* for further information on Finance Charges.

9.0. Collection Methods for Outstanding Amounts

- 9.1. CC has sole authority to initiate the collection of overdue accounts with the exception of:
 - a. Law Claims accounts
 - b. Business Licence accounts
- 9.2. CC shall determine which collection method (or methods) shall be employed for an overdue receivable based on the following criteria:
 - a. Greatest chance of success for collection.

- b. Lowest cost and risk to The City.

9.3. Refer to Section 8.0 of *Supporting Procedures for Accounts Receivable* for further information on Collection Methods for Outstanding Amounts.

10.0. Maintaining Allowance for Doubtful Accounts

10.1. The BUs shall set up and establish an amount for an Allowance for Doubtful Accounts (ADA) specific to the BU.

10.2. Refer to Section 9.0 of *Supporting Procedures for Accounts Receivable* for further information.

11.0. Write-offs of Uncollectible Amounts

11.1. CC has sole authority to write-off any corporate receivable if it is deemed uncollectible with the exception of:

- a. Law Claims Accounts
- b. Business Licence Accounts

11.2. Refer to Section 10.0 of *Supporting Procedures for Accounts Receivable* for further information.

12.0. Bankruptcies and Receiverships

12.1. All bankruptcies and receivership notices received by The City showing outstanding debt to The City shall be processed through CC.

12.2. Refer to Section 11.0 of *Supporting Procedures for Accounts Receivable* for further information on Bankruptcies and Receiverships.

13.0. Corporate Customer Database

13.1. CBAR is the custodian of the accounts receivable customer database and is responsible for its management. Refer to Section 12.0 of *Supporting Procedures for Accounts Receivable*.

14.0. Consequences of Non-Compliance

14.1. Failure to adhere to this policy may result in disciplinary action, up to and including termination of employment.

SUPPORTING REFERENCES AND RESOURCES

Please note that some of the items listed below may not be publicly available.

References to related corporate-wide procedures, forms and resources

- Supporting Procedures for Accounts Receivables
- [CBAR Process Requests Forms](#)
- [CBAR Year End Deadlines & Reports](#)
- [Form X100](#) (Cash Receipts Summary Form) (contact Corporate Billing & Accounts Receivable with the TRaP Division for a copy)
- Form 1578 ([Credit Application](#) Form)

REVISION HISTORY

Review Date	Description
2016 / 12 / 14	Consolidation of Accounts Receivable policies and procedures document
2022 / 01 / 06	Minor revision to increase charge in 4.4.1