



STAFF REPORT INFORMATION ONLY

Accounts Receivable Considered Uncollectible

Date:	May 27, 2015
To:	TTC Audit Committee
From:	Chief Executive Officer

Summary

This report provides information on accounts receivable amounts written off as uncollectible in 2014 under delegated authority. In aggregate, the total account write-off for 2014 was \$55,671.10. The total annual receipts for 2014 amounted to \$616 million, yielding a collection rate of 99.99%.

Financial Impact

There are no financial implications as a result of this report.

Amounts totalling \$55,671.10 were written off in 2014 in accordance with the TTC's Authorization for Expenditures and Other Commitments Policy, after completion of appropriate collection efforts. These amounts were provided for in the TTC's allowance for doubtful accounts and expensed in previous years.

Decision History

Since 2005, the Accounts Receivable Considered Uncollectible Report has been sent annually to the TTC Audit Committee. Prior to 2005, reports were sent on an ad hoc basis to either the TTC Board or Committee of the Whole. The annual report standardized reporting and increased transparency.

Issue Background

When staff have been unable to obtain payment in the course of normal collection efforts, accounts under \$3,000 are referred to an external collection agency, while larger amounts are forwarded to the TTC's Legal Department for further handling. Where appropriate, legal action is taken to collect unpaid accounts; however, in some cases court action is not considered cost effective due to the unlikelihood of recovery. If all reasonable attempts to collect an outstanding amount have been unsuccessful, and it is not cost effective to invest any further resources on collection, the account will be written off.

TTC's Authorization for Expenditures and Other Commitments Policy allows senior staff (as delegated by the Chief Executive Officer) to write-off individual uncollectible amounts up to \$50,000. Individual amounts over \$50,000 require Board approval.

The Committee last received for information a report on uncollectible accounts approved for write-off at the senior staff level covering the year 2013 at its meeting on May 12, 2014.

http://www.ttc.ca/About_the_TTC/Audit_Committees/Audit_Committee_Meetings/2014/May_12/Reports/Accounts_Receivable_.pdf

Accessibility Issues

There are no accessibility or equity issues associated with this report.

Comments

Individual accounts under \$50,000

In 2014, the Head of Finance approved the write-off of individual accounts receivable balances of \$25,000 or less as summarized below.

Ex- Employees	\$ 6,681.25
Metropass Discount Plan	48,889.85
Volume Incentive Plan	<u>100.00</u>
Total Written Off	<u>\$55,671.10</u>

Ex- Employees

Bad debts with respect to ex-employees totalled \$6,681.25. These amounts are typically related to TTC levies for uniforms, employee passes, working fund shortages, health benefits and other miscellaneous charges.

Metropass Discount Plan

Metropass Discount Plan (MDP) sales totalled \$73 million in 2014. The value of delinquent MDP customer accounts written off in 2014 amounted to \$48,889.85. MDP bad debts relate to "NSF" situations wherein the customer's preauthorized payment is not honoured by their bank. A customer whose account is in default is immediately suspended, and if the account is not subsequently cleared after notification of default, the customer is terminated from the subscription plan and prevented from re-joining. This account is forwarded to the TTC's collection agency for collection and the debt is also registered against the customer's credit history and reported to the major credit bureaus by the collection agency. Only after all attempts to collect both internally and through the TTC's external collection agency are exhausted is an account written off.

Volume Incentive Plan

Sales of fare media to ticket resellers, institutions and Volume Incentive Plan customers totalled approximately \$296 million in 2014. The balance of a Volume Incentive Plan account was written off in the amount of \$100.00.

Individual accounts over \$50,000

No accounts over \$50,000 were written off in 2014. However, as reported last year, a fare media reseller concluded operations owing the TTC \$89,463. TTC issued a statement of claim which we have been unable to serve. Attempts are being made to seek alternatives to personal service and to get an Order for Judgement. TTC's Legal Department believes the default was carefully planned. The corporate representative sold the property where the corporation was registered and has vanished. In the event we are able to obtain an Order, it is unlikely that TTC will be able to collect anything given that there are no assets. Once the court process is completed, we will seek approval to write-off this account. A provision for this debt was setup in the 2014 allowance for doubtful accounts.

Contact

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