



## STAFF REPORT INFORMATION ONLY

### Accounts Receivable Considered Uncollectible

<b>Date:</b>	May 25, 2016
<b>To:</b>	TTC Audit and Risk Management Committee
<b>From:</b>	Chief Executive Officer

### Summary

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This report provides information on accounts receivable amounts written off as uncollectible in 2015 under delegated authority and Board approval. In aggregate, the total account write-off for 2015 was \$303,377.43. The total annual receipts for 2015 amounted to \$501 million, yielding a collection rate of 99.9%.

### Financial Summary

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

Amounts totalling \$303,377.43 were written off in 2015 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.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

### Accessibility/Equity Matters

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

### 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 TTC's Authorization for Expenditures and Other Commitments Policy requires that an information report outlining amounts written off be submitted to the TTC Audit and Risk Management Committee on an annual basis.

## 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 2014 at its meeting on May 27, 2015.

[http://www.ttc.ca/About\\_the\\_TTC/Audit\\_Committees/Audit\\_Committee\\_Meetings/2015/May\\_27/Reports/Accounts\\_Receivable\\_.pdf](http://www.ttc.ca/About_the_TTC/Audit_Committees/Audit_Committee_Meetings/2015/May_27/Reports/Accounts_Receivable_.pdf)

## Comments

### Individual accounts under \$50,000

In 2015, Senior Staff approved the write-off of individual accounts receivable balances of less than \$50,000 as summarized below.

Ex- Employees	\$100,286.38
Metropass Discount Plan	<u>57,210.18</u>
<b>Total Written Off</b>	<b><u>\$157,496.56</u></b>

### Ex- Employees

Bad debts with respect to ex-employees totalled \$100,286.38. 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 \$78 million in 2015. The value of delinquent MDP customer accounts written off in 2015 amounted to \$57,210.18. 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.

**Individual accounts over \$50,000**

At its December 16, 2015 meeting, the Board approved the write-off of individual accounts receivable balances greater than \$50,000 as summarized below.

Ex- Employee - Robert Haslam	\$56,418.23
Fare Media Reseller - Hamid Investments Inc.	<u>89,462.64</u>
<b>Total Written Off</b>	<b><u>\$145,880.87</u></b>

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/December\\_16/Reports/Accounts\\_Receivable\\_Writeoffs\\_Report.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2015/December_16/Reports/Accounts_Receivable_Writeoffs_Report.pdf)

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