

Item 4



For Information

Accounts Receivable Considered Uncollectible

Date: June 3, 2020

To: Audit & Risk Management Committee

From: Interim Chief Financial Officer

Summary

The *Accounts Receivable Considered Uncollectible* report is submitted annually to the Audit & Risk Management Committee for information. This report provides information on accounts receivable amounts written off as uncollectible in 2019 under delegated authority. In aggregate, the total account write-off for 2019 amounted to \$75,330.58. The total annual receipts for 2019 amounted to \$386 million, yielding a collection rate of 99.9%.

Financial Summary

Amounts totalling \$75,330.58 were written off in 2019 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.

Equity/Accessibility Matters

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

Decision History

In accordance with the TTC's Authorization for Expenditures and Other Commitments Policy an information report outlining amounts written off has been submitted to the TTC Audit and Risk Management Committee annually since 2005.

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 for collection. 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.

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 accounts 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 2018 at its meeting on June 3, 2019. This report can be referenced by the following link:

[http://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2019/Jun 3/Reports/5 Accounts Receivable Considered Uncollectible.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2019/Jun%203/Reports/5%20Accounts%20Receivable%20Considered%20Uncollectible.pdf)

Write Off History - Past 5 Years		
Year	Annual Receipts	Amount Written Off
2018	\$551,000,000.00	\$79,051.70
2017	\$433,000,000.00	\$58,484.75
2016	\$485,000,000.00	\$67,391.19
2015	\$501,000,000.00	\$303,377.43
2014	\$616,000,000.00	\$55,671.10

Comments

Individual accounts under \$50,000

In 2019, senior staff approved the write-off of individual accounts receivable balances of less than \$50,000 as summarized below.

Former Employees	\$25,091.69
Group Life	\$4,978.90
Metropass Discount Plan	\$37,339.86
Property Leases	\$7,920.13
Total Written Off	\$75,330.58

Former Employees

Bad debts with respect to former employees totalled \$25,091.69. These amounts are typically related to TTC levies for uniforms, employee passes, working fund shortages, health benefits and other miscellaneous charges.

Group Life

Bad debts related to group life premiums totalled \$4,978.90. These accounts relate to employees who elect to maintain coverage during periods of leave but fail to pay prescribed premiums.

Metropass Discount Plan

The Metropass Discount Plan (MDP) was discontinued October 2018. The value of delinquent MDP customer accounts written off in 2019 amounted to \$37,339.86. MDP bad debts related to "NSF" situations wherein the customer's preauthorized payment is not honoured by their bank. A customer whose account is in default was immediately suspended, and if the account was not subsequently cleared after notification of default, the customer was terminated from the subscription plan and prevented from re-joining.

Property Leases

Property related billings for 2019 were approximately \$26.3 million. There was one instance in which rent default was written off in 2019. In addition to being in arrears for their rent with the TTC, the tenant did not make payment to the City of Toronto for their water and solid waste management costs. These charges were transferred to the TTC as the property owner. The outstanding amount for these items less the tenant's security deposit totalled \$7,920.13.

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Signature

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