

# **TTC AUDIT COMMITTEE REPORT NO.**

**MEETING DATE:** APRIL 13, 2010

**SUBJECT:** ACCOUNTS RECEIVABLE CONSIDERED UNCOLLECTIBLE

## **INFORMATION ITEM**

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### **RECOMMENDATION**

It is recommended that the Committee receive the following report for information.

### **FUNDING**

Delinquent accounts are recognized as potential bad debts and expensed annually. Since many of the debts discussed in this report occurred in prior years, there will be no additional impact on the 2010 TTC Operating Budget beyond what has been provided in this year's expense provision.

### **BACKGROUND**

The TTC's Authorization for Expenditures Policy allows the Chief Financial Officer to write-off individual uncollectible amounts up to \$10,000. The limit for the General Manager - Executive is \$20,000. Individual amounts over \$20,000 require Commission approval.

Staff are required to submit a report to the Audit Committee on accounts receivable considered uncollectible annually. This Committee last received for information a report on uncollectible accounts approved for write-off at the staff level covering the year 2008 at its meeting on April 20, 2009.

### **DISCUSSION**

If staff have been unable to obtain payment in the course of normal collection efforts, small delinquent accounts 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.

Individual accounts under \$20,000

The discussion that follows will outline for the information of the Commission those debts that have been written-off within staff authority levels. This report covers the fiscal year 2009.

Metropass Discount Plan (MDP) sales totalled \$53.5 million in 2009. The value of delinquent MDP customer accounts written-off in 2009 amounted to \$46,267. (MDP bad debts relate to "NSF" situations wherein the customer's preauthorized payment is dishonoured by his or her bank. A customer whose account is in default is immediately suspended, and if the account is not subsequently cleared, the customer is terminated from the subscription plan and prevented from rejoining. This default is also registered against the customer's credit history and reported to the major credit bureaus by the TTC's external collection agency).

Bad debts with respect to "ex-employees" totaled \$29,214.39. They are typically related to TTC levies for uniforms, employee passes, working fund shortages, health benefits and other miscellaneous charges.

Individual accounts over \$20,000

For the year 2009 there are no accounts over \$20,000 to be written off.

Last year the Committee was advised of a potential future write-off with respect to an outstanding balance owing by Infoplace Ticket Centres Ltd. ("Infoplace") under a multiple location agency account for the sale of TTC Fare Media. When Infoplace made an assignment in bankruptcy on January 29, 2009, a total of \$53,452.17 in cheques tendered by Infoplace for the purchase of TTC fare media was dishonoured by its bank. Over the course of the past year, TTC's legal counsel filed all necessary and required documentation with Grant Thornton, appointed as Trustee of Infoplace's estate, to recover the monies owed to TTC and/or have returned to TTC the TTC fare media in the possession of Infoplace at the time of the assignment in bankruptcy. Staff are now pleased to report that this potential bad debt has been eliminated. Grant Thornton has returned to the TTC all TTC fare media in possession of Infoplace at the time of the assignment in bankruptcy. The actual amount returned was actually in excess of the amount owed and the net amount was refunded to the Trustee, bringing this matter to a successful conclusion.

In aggregate, the total account write-off for 2009 is \$75,481.43. The total annual billings for 2009 amounted to \$377 million, yielding a collection rate of 99.98%.

**JUSTIFICATION**

This report is provided for the information of the Committee.