

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: APRIL 30, 2012

SUBJECT: ACCOUNTS RECEIVABLE CONSIDERED UNCOLLECTIBLE

INFORMATION ITEM

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 the debts discussed in this report occurred in prior years, there will be no additional impact on the 2012 TTC Operating Budget beyond what has been provided in the year's expense provision.

BACKGROUND

The TTC's Authorization for Expenditures Policy allows staff to write-off individual uncollectible amounts up to \$20,000. Individual amounts over \$20,000 require Commission approval.

Staff are required to submit a report annually to the Audit Committee on accounts receivable considered uncollectible. This Committee last received for information a report on uncollectible accounts approved for write-off at the staff level covering the year 2010 at its meeting on April 19, 2011.

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.

The discussion that follows will outline for the information of the Committee those debts that have been written-off within staff authority levels. This report covers the fiscal year 2011.

Individual accounts under \$20,000

Sales of fare media to ticket resellers, institutions and Volume Incentive Plan customers totalled approximately \$ 290 million. The accounts of two fare media resellers were written-off as bad debts in the total amount of \$7,458: in the first instance, for \$6,381 due to a bankruptcy, and for \$1,077 in the other instance due to a court order.

Metropass Discount Plan (MDP) sales totalled \$62 million in 2011. The value of delinquent MDP customer accounts written-off in 2011 amounted to \$51,947. (MDP bad debts relate to "NSF" situations wherein the customer's preauthorized payment is not honoured 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 \$33,782. 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 2011 there are no accounts over \$20,000 to be written off.

In summary

In aggregate the total account write-off for 2011 is \$93,187. The total annual billings for 2011 amounted to \$443 million, yielding a collection rate of 99.98%

JUSTIFICATION

This report is provided for the information of the Committee.

April 16, 2012
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