



STAFF REPORT INFORMATION ONLY

Accounts Receivable Considered Uncollectible

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| Date: | May 29, 2017 |
| To: | TTC Audit and Risk Management Committee |
| From: | Chief Executive Officer |

Summary

This report provides information on accounts receivable amounts written off as uncollectible in 2016 under delegated authority. In aggregate, the total account write-off for 2016 was \$67,391.19. The total annual receipts for 2016 amounted to \$485 million, yielding a collection rate of 99.9%.

Financial Summary

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

Amounts totalling \$67,391.19 were written off in 2016 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

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, 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 2015 at its meeting on May 25, 2016.

[http://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2016/May25/Reports/4. Accounts Receivable Considered Uncollectible.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2016/May25/Reports/4.%20Accounts%20Receivable%20Considered%20Uncollectible.pdf)

Comments

Individual accounts under \$50,000

In 2016, Senior Staff approved the write-off of individual accounts receivable balances of less than \$50,000 as summarized below.

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|--------------------------|---------------------------|
| Ex- Employees | \$15,689.33 |
| Metropass Discount Plan | 49,974.22 |
| Trade Receivables | <u>1,726.64</u> |
| Total Written Off | <u>\$67,390.19</u> |

Ex- Employees

Bad debts with respect to ex-employees totalled \$15,689.33. 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 \$80 million in 2016. The value of delinquent MDP customer accounts written off in 2016 amounted to \$49,974.22. 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.

Trade Receivables

Bad debts with respect to Trade Receivables totalled \$1,726.64. There were two accounts and both were for the use of TTC facilities for filming. In both cases, security deposits were not received before the work was allowed. Routine collection procedures failed to elicit payments. Both accounts were forwarded to the TTC collection agency and the debts were also registered against the customer’s credit history and reported to the major credit bureaus by the collection agency.

Contact

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