

## TOWN OF STETTLER

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Number: VII-5(b)

Adopted by: Town of Stettler Council

Original Policy: 1986 09 16

Previous Policy: 1986 09 16

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Title: **Collection Of and Write-off of Bad Debt Accounts**

Policy Statement: To establish standard procedures for the collection of overdue accounts and obtaining proper authorization prior to the write-off of bad debt accounts.

Definitions: Overdue Account

Any final account with an outstanding balance older than 30 days not including Property Tax Accounts or Business Tax Accounts.

Bad Debt Account

An account, as determined by the Director or Finance and Administration, meeting any or all of the following conditions:

- If the balance owing on any account (other than a tax account) remains outstanding for more than 60 days.
- A customer has moved not leaving a forwarding address and/or emigrated from the country.
- A utility account is inactive.
- Customer of account has filed bankruptcy.

General Collection of Accounts

- Only accounts with a balance over \$100 and under \$1000 will be forwarded to the collection agency. All other accounts will be collected in-house. The Director of Finance and Administration will proceed with collection of bad debts over \$1000 through small claims court.
- Records will be kept of any amounts owing to the Town of Stettler. All new utility accounts will be checked against this record and should a previous balance be owed to the Town of Stettler, this account must be collected before a new utility account can be set up and services provided.
- Any outstanding amounts owed to the Town of Stettler will by contra-credited should the Town of Stettler owe monies to the debtor through accounts payable.

## **Policy Procedure:**

### Collection Activity 1. Collection Procedure for Inactive Utility Accounts

The following steps will be followed to collect an inactive Utility account:

- When the monthly utility billing run is completed, a reminder letter will be processed and sent to all customers with an inactive account showing an outstanding balance. This correspondence will advise of the overdue amount and request payment be remitted within 14 days of the date of the letter.
- If payment has not been received within the 14 days, or if an account has been determined to be a bad debt, research will be completed to see if the customer owns property or has other accounts with the Town of Stettler. If it is found that he does, and following the rules as set out in the Municipal Government Act, account balances will be transferred to corresponding accounts.
- If the amount owing is non-transferable and still outstanding after 14 days of the reminder letter being sent, a telephone call will be made attempting to contact the customer. If contacted they will be advised of the overdue account. Payment arrangements can be set up at this time.
- If payment has not be received within the agreed upon amount of time, the debtor will receive a subsequent letter. This letter will advise that the collection of the overdue utility account will be forwarded to the Town's collection agency within 14 days and without further notice to them should full payment not be received.
- At the year-end, a listing of outstanding accounts will be presented to the Director of Finance and Administration for write-off. These accounts will also be forwarded to the collection agency at this time as outlined in the general collection of accounts procedures.

### 2. Collection Procedure for General Billing Accounts

The Following steps will be followed to collect an overdue general billing account.

- Monthly statements will be sent out showing outstanding balances and interest charges (where applicable). After 60 days the statement will be stamped "Warning, This account is overdue. Please pay at once."
- When an account reaches 60 days in arrears the account will be researched to see if the account is transferable to the tax roll as set out in the Municipal Government Act.
- Telephone calls will also be made at this time attempting to contact the customer and make payment arrangements.
- Should the account remain outstanding after 90 days of initial billing, it will be forwarded to the collection agency following the general collection of accounts procedures as outlined above.

- At the year-end, a listing of outstanding accounts will be presented to the Director of Finance and Administration for write-off. These accounts will also be forwarded to the collection agency at this time as outlined in the general collection of accounts procedures.

### 3. Collection Procedure for Business Licenses

- Monthly statement will be sent out showing outstanding balances. After 60 days the statement will be stamped "Warning. This account is overdue. Please pay at once".
- During the month of April telephone calls will be made attempting to contact the account holders. Payment arrangements can be made at this time.
- At the year-end, a listing of outstanding accounts will be presented to the Director of Finance and Administration for write-off. These accounts will also be forwarded to the collection agency at this time as outlined in the general collection of accounts procedures.

### 4. Collection Procedure for Business Tax

The Following steps will be followed to collect an overdue business tax account.

- Business Tax statements will be mailed out monthly beginning the month of May. Taxes are due on the last working day of June.
- Penalties will be applied to the outstanding accounts as outlined in the Business Tax Bylaw.
- At the year-end, a listing of outstanding accounts will be presented to the Director of Finance and Administration for write-off. These accounts will also be forwarded to the collection agency at this time as outlined in the general collection of accounts procedures.

## Year End:

### 1. Bad Debt Account Write-Off Procedures

Bad debt accounts will be written off the books of the Town of Stettler in December of each year. They will be expensed as a current operating expense only after the following authorizations have been obtained:

- (a) Bad debt account under \$300.00
  - Director of Finance and Administration
- (b) Bad debt account \$300.00 and over
  - Ratified by Town Council

Bad debt accounts for write-off are to include Utility Accounts, Business License Accounts, Business Tax Accounts, and General Billing Accounts. Property Tax Accounts are to be processed in accordance with provisions of the Tax Recovery Act only.

Prior to December 31st of each year the Director of Finance and Administration shall present a Statement of the Bad Debt Write-offs to Town Council showing the total dollar value of (a) above and details of (b) above. Collection Activity Procedures will continue even after an account has been expensed as a bad debt and until the account has been collected.