

Part: **Public Money and Property**
 Section: **Accounts Receivable**
 Subsection: **Control of Accounts Receivable**
 Policy: **Collection Activities**

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Collection Activities

Objective

The objective is to establish requirements for collecting accounts receivable.

Authority

The Financial Administration Act, 1993, clauses 5(a) and 5(e), subsection 10(2) and sections 22 and 42.

The Revenue and Financial Services Act, clause 17(b) and subsection 18(1).

Applicability

This policy applies to the General Revenue Fund (GRF), and special purpose funds and trust money that are administered by ministries. See [Appendix C Public Money](#).

Treasury Board Policy

- .01 Ministries are responsible to:
- establish and maintain vigorous accounts receivable controls and collection practices;
 - use only the services of private collection agencies approved by the Provincial Comptroller subject to any directives of the Provincial Comptroller; and
 - seek legal assistance from and initiate legal action through the Ministry of Justice subject to any directives of the Provincial Comptroller.

Provincial Comptroller Directives

Collection Efforts

- .02 Collection efforts by or on behalf of ministries are to be ongoing from the date the receivable becomes due to the date that it is collected, written off or cancelled. For more information on write-offs and cancellations, refer to [Section 3725 Write-off or Cancellation of Accounts Receivable](#).
- .03 Ministries are to perform a quarterly review of all receivables over 90 days to determine the collection status (i.e., whether the account is likely to be collected and the collection action required).
- .04 Ministries may elect to continue collection efforts after an account is written off. This can be done either in-house or through an approved collection agency. When an account is

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cancelled, however, there are to be no further collection attempts.

.05 Ministries are to ensure that only one agency (i.e., the ministry, the collection agency, the Ministry of Justice) is actively involved in the collection of an overdue receivable at any given time.

.06 Ministries are not to turn receivables due from the federal government or any provincial government over to a collection agency or the Ministry of Justice. Ministries are to maintain vigorous in-house collection efforts with respect to these accounts.

.07 Ministry collection, write-off and cancellation activities are based on the value of the outstanding receivables as indicated in the Activity Schedule included in this Section.

In-house Collection

.08 At minimum, ministries' in-house collection activities are to include:

- an invoice issued immediately upon provision of goods or services or a monthly billing as per [Section 3705 Credit Terms](#).
- 30, 60, 90 day invoices or billing letters (see [Appendix D](#) for sample billing letters);
- monthly statements or billing letters where in-house collection activities extend beyond 90 days; and
- telephone or personal contact between monthly billings.

.09 When deciding the in-house collection activity beyond the minimum requirements, ministries should consider the original amount of the accounts receivable, the effort that would be needed to collect the accounts receivable, and the likelihood that it could be collected.

.10 Ministries may take a debtor to Small Claims Court to collect amounts of \$5,000 or less.

.11 Receivables must be at least 60 days old before ministries advise debtors that their accounts may be turned over to a collection agency or subject to legal action.

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- Collection Agencies**
- .12 In deciding to turn over accounts to a collection agency, ministries should consider the fact that the sooner they are turned over to a collection agency, the better the chance for collecting the overdue amount.
 - .13 The Corporate Services Head is to request the approval of the Provincial Comptroller before engaging the services of a collection agency or changing collection agencies. Once approved, the approval applies to the use of that collection agency by the ministry unless approval is withdrawn.
 - .14 Ministries should turn the accounts and any necessary supporting information over to collection agencies for a period of normally no less than 90 days.
 - .15 Ministries may authorize collection agencies to pursue legal action.
 - .16 Ministry areas that experience unsatisfactory service from a collection agency should notify the ministry Corporate Services Head. It is the responsibility of the Corporate Services Head to notify the Provincial Comptroller of any unsatisfactory service or request approval of a change in the approved collection agency. (The Provincial Comptroller should be made aware of unsatisfactory performance by a collection agency.)
- Legal Action through Ministry of Justice**
- .17 Ministries may consult the Ministry of Justice for advice when pursuing claims directly in Small Claims Court.
 - .18 Ministries may also consult the Ministry of Justice regarding overdue accounts between \$5,000 and \$20,000, primarily when the validity of the debt is in question.
 - .19 All overdue accounts over \$20,000 are to be turned over to the Ministry of Justice. A [Collection Fact Sheet](#) is to be provided.
 - .20 Where a debt is owed by a person who, since the debt was incurred, has declared bankruptcy, the ministry should consider filing a claim with the trustee in bankruptcy and make every effort to recover the amount from the bankrupt estate.

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Set-offs

- .21 Section 42 of *The Financial Administration Act, 1993* (FAA) allows recovering an amount owed by a person to the Crown by offsetting it against amounts payable to that person by the Crown.
- .22 A set-off may be applied against the payments of the initiating ministry or payments of other ministries.
- .23 Set-offs may be initiated when a ministry is unable to collect moneys due or payable to the Crown after standard collection procedures have proven ineffective. Set-offs are not to be initiated when the account is not in arrears, or is being paid as arranged. Any legal restrictions on the set-off must be respected.
- See the attached Activity Schedule. See the [Accounting Manual, Appendix H Central System Processing](#) for processing information. The payment advice (cheque stub) issued to the vendor should provide information on the set-off.
- .24 In deciding the minimum amount for which a set-off is to be applied, the ministry is to consider costs and benefits.
- .25 When all or a portion of a payment has been withheld, the ministry that would otherwise have made the payment must immediately notify the debtor, in writing, that the right of set-off has been invoked pursuant to section 42 of *The Financial Administration Act, 1993*. The creditor ministry should receive a copy of this letter. Refer to [Notification Letter of Set-off](#).

References

[3700 Control of Accounts Receivable](#)

[3705 Credit Terms](#)

[3710 Accounts Receivable Records](#)

[3720 Collection Agency Fees](#)

[3725 Write-off or Cancellation of Accounts Receivable](#)

[Accounting Manual, Appendix H Central System Processing](#)

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Activity Schedule

Value	Days	Activity
Less than \$25	0-180	Pursue in-house collection efforts.
	181-210	Submit for write-off or cancellation.
\$25 to \$150	0-90	Pursue in-house collection efforts.
	91-180	Continue in-house collection efforts; or turn the account over to an approved collection agency.
	181-210	Submit for write-off or cancellation. May continue collection efforts after receivable is written off.
\$151 to \$5,000	0-90	Pursue in-house collection efforts.
	91-360	Continue in-house collection efforts. Ministries may: <ul style="list-style-type: none"> • pursue collection through Small Claims Court directly (Justice may be contacted for advice); or • consider engaging a lawyer; or • turn the account over to an approved collection agency, which may include taking the claim to Small Claims Court.
	361-390	Submit for write-off or cancellation. May continue collection efforts after receivable is written off.
\$5,001 to \$20,000	0-90	Pursue in-house collection efforts.
	91-360	Continue in-house collection efforts. Ministries may: <ul style="list-style-type: none"> • consult Justice (e.g., when the validity of a debt is in question); or • consider engaging a lawyer; or • turn the account over to an approved collection agency.
	361-390	Submit for write-off or cancellation unless legal action is underway or forthcoming. In that case, submit for write-off or cancellation when legal action proves unsuccessful or further action is not warranted or possible. (See Section 3725 Write-off or Cancellation of Accounts Receivable.) May continue collection efforts after receivable is written off.
Over \$20,000	0-90	Pursue in-house collection efforts.
	91-360	Submit the account to the Ministry of Justice.
	361-390	Submit for write-off or cancellation unless legal action is underway or forthcoming. In that case, submit for write-off or cancellation when legal action proves unsuccessful or further action is not warranted or possible. May continue collection efforts after receivable is written off.