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Chapter: Accounting and Control of Revenue			
Directive Title: COLLECTION OF AMOUNTS OWING TO THE GOVERNMENT			

1. POLICY

The Deputy Head of each department is responsible for establishing an accounts receivable collection strategy that takes advantage of the full range of available collection methods, tools and specialists. The collection strategy should complement program needs and statutory requirements.

Departments are responsible for collecting amounts due to their departments, whether owing from persons or organizations outside of the Government, employees or other Government departments.

Where the accounts receivable of a department are of an incidental nature rather than a normal course of business, an agreement may be negotiated with the Office of the Comptroller General to act as the collection agent on behalf of the department.

2. DIRECTIVE

Each Department will vigorously and actively pursue the collection of amounts owing to their department. This activity shall use all of the tools and collection methods that are available and that are appropriate in the individual circumstances, subject to this directive.

Collection strategies must provide consistent and equitable treatment to debtors.

3. PROVISIONS

3.1. Departmental Responsibilities

3.1.1. All collection action taken by the Government must respect the privacy and confidentiality of the parties involved.

3.1.2. A Public Officer within the department must be given the primary responsibility for collecting accounts receivable.

- 3.1.3. Collection strategies established by departments must have the following minimum elements:
- the ability to produce an accurate, aged listing of all outstanding amounts owing to the department. Where possible, control accounts are to be used and balanced monthly with the subsidiary ledger;
 - the ability to produce and deliver to the debtor, where warranted, periodic (at least monthly) statements for each amount owing, showing details making up the balance and an aging of the amount due;
 - a procedure whereby there is a monthly review of the aged accounts receivable listing by an employee with authority higher than the person responsible for maintaining the accounts receivable and a quarterly review by senior management;
 - a system to ensure that collection action is commenced at an early date and before the debt becomes too large relative to the debtor's ability to pay;
 - a systematic approach to collections whereby higher levels of departmental authority become involved as the account becomes older;
 - a system to follow up on commitments or promises made by the debtor or the department;
 - a system to communicate and liaise with the Department of Finance for files turned over to them in order to avoid duplication and to assure effective collection action is maintained;
 - a procedure to recommend for write-off those accounts where further collection action would no longer be cost effective; and
 - an evaluation mechanism for determining the performance of the collection function, including performance indicators which place accountability on the individuals responsible for the various functions.
- 3.1.4. Departments may negotiate extended payment plans with creditors. All such plans must be approved by the Deputy Head of the department involved. The Public Officer responsible for collections in the department must monitor the payment plan and notify any other Public Officer or departments that may be involved in the collection process so that such action may be suspended.

- 3.1.5. Departments are to consider the cost of collection action and may decide not to continue such action, or to peruse alternative means, if they conclude that the costs would exceed any likely recovery. The decision to suspend or cease collection action must be fully documented and the information made available to the Comptroller General, upon request.
- 3.1.6. After the department has exhausted all of the means available to it to collect the debt, the file is to be transferred to the Department of Finance. This does not relieve the department from its responsibility to collect the debt and any direct costs of further collection action will be charged to the department, as will any write off.
- 3.1.7. Inter-departmental debts are not to be transferred to the Department of Finance but are to remain in the department involved.
- 3.1.8. Departments may decide to suspend collection action if there is evidence that such action would create or compound financial hardship. The approval of the Comptroller General, in consultation with the Deputy Head of the department involved, is required before collection action is suspended. The department must monitor the suspension to determine if the hardship conditions continue.

3.2. Collection Tools

- 3.2.1. Standard tools and collection methods available to departments are as follows: These are minimum requirements and departments are free to employ other collection actions that may be available:
 - periodic statement of account, showing aging of amount due and any interest applied;
 - friendly reminder of amount past due attached to, or included with, the periodic statement;
 - more serious reminder of amount due attached to, or included with, the periodic statement;
 - letter from program manager or main government contact person, requesting payment and outlining future action contemplated, if any; and
 - phone call, and/or email, from senior department personnel to their peers in the debtor organization, if the amount warrants.
- 3.2.2. Additional tools available to the Government are as follows:
 - payroll deduction from employees of the Government;

- set-off against amounts owing to debtors by the Government;
 - the use of outside collection agencies;
 - legal action through the courts; and
 - set-off against Income Tax refunds available through an agreement between the Canada Revenue Agency and the Government.
- 3.2.3. Departments are to avail themselves of the tools listed in 3.2.1 and 3.2.2 above that they consider necessary and appropriate in the circumstances surrounding each amount owing. The actions listed in 3.2.2 will be carried out with the assistance of the Department of Finance.
- 3.2.4. The collection tools listed in 3.2.2 above are not to be used for debts owing from other departments or other governments.
- 3.2.5. The Department of Finance will pursue vigorously the collection of accounts transferred to it and will use all of the collection tools available to it.
- 3.2.6. The Department of Finance may return files to departments, with suggestions for additional collection action, in cases where they consider that actions are available to Departments that have not been explored.
- 3.2.7. Any action involving payroll deductions from employees must follow the provisions of the Human Resources Manual.
- 3.2.8. The approval of the Deputy Head of the department involved and the Deputy Minister of Finance is required before using collection agencies, legal action, or set-off against Income Tax owing. The Department of Justice must be consulted prior to taking legal action.
- 3.2.9. In cases where collection agencies or set-off action has been initiated and the account is paid in full, the collection action must be ceased immediately. Any overpayment received must be returned promptly.
- 3.2.10. Employees involved in collection action must ensure that all possible collection action has been taken before the provisions of the *Limitation of Actions Act* come into effect. The basic provision of this act is that collection action cannot be taken after six years from the latest of:
- the creation of the debt;
 - the discovery of fraud;

- the last payment on the account; or
- the last written acknowledgment by the debtor of the existence of the debt.

For debts involving land (rent, leases, mortgages etc.) the time period is 10 years. Departments are to consult with the Department of Justice should the application of this act become a factor in collection actions.

3.3. Records

3.3.1. Departments are to maintain completely documented files containing written evidence of all collection action taken. This file will contain, at a minimum:

- clear evidence establishing the debt;
- copies of all correspondence, including emails, between the department and the debtor dealing with the debt;
- owing from other departments or other governments.
- a record of all activity on the account including payments, interest charges, adjustments or write offs, etc;
- memos concerning all phone calls or verbal communications with the debtor indicating the date, parties involved, and nature of the discussion; and All other pertinent documents that would assist in collecting the account.

3.3.2. Departments must submit an annual report to the Comptroller General of all amounts that are more than 90 days in arrears and have not been transferred to the Department of Finance. This report must indicate the collection action taken and the action anticipated in the future. This report must be submitted within 90 days of the year end.