



Team Name: Accounts Receivable Team Lead: Regional Manager- Corporate Financial Services Approved by: VP Finance & Planning	Reference Number: ORG.1312.PL.004 Program Area: Finance Policy Section: Accounts Receivable
Issue Date: November 17, 2017 Review Date: Revision Date:	Subject: Allowance for Doubtful Accounts and Bad Debt Write-Off

POLICY SUBJECT:

Allowance for Doubtful Accounts and Bad Debt Write-Off

PURPOSE:

To provide clear direction on the process for establishing provisions for doubtful accounts as well as for removing bad debts for any Southern Health-Santé Sud (SH-SS) program or facility from the financial records.

BOARD POLICY REFERENCE:

Executive Limitation 5 – Financial Condition & Activities

POLICY:

The organization will make reasonable and prudent provision for doubtful accounts and remove from the financial records (write-off) uncollectable accounts receivable after all reasonable efforts have been made to collect on the outstanding debt

DEFINITIONS:

Aged Accounts Receivable are records of the money owed to SH-SS in an aged format. The total amount owed per client is provided as well as the amounts for the current, 31-60, 61-90 and 91 and over days.

Agency Collection involves the pursuit of payments on debts owed by individuals or businesses to SH-SS by a third party agency, under contract to SH-SS. The collection agency operates as an agent of SH-SS and accumulates debts for a fee or percentage of the total amount that it collects.

Bad Debt Expense is the current period expense associated with the losses from normal credit sales: it will appear as an operating expense. Bad debt expense may occur as a result of an increase in the allowance for doubtful accounts.

Allowance for Doubtful Accounts is a balance sheet account that reduces the reported amount of accounts receivable. A change to the balance in the allowance for doubtful accounts also affects bad debt expense on the income statement. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the accounts receivable will be turned to cash.

PROCEDURE:

1. The Vice President of Finance and Planning or designate will regularly review the current listing of aged accounts receivable and accounts sent for collection by agency to confirm if any accounts have been determined to be uncollectible.
2. The Vice President of Finance and Planning or designate shall evaluate the collectability of the accounts receivable and consider its removal from the financial records as a bad debt. This does not preclude possible continued efforts to collect on the debt (for example in the case of an estate settlement where the outstanding debt may be a part of a larger, more complex, and lengthy legal settlement). However, it recognizes the relatively remote possibility that the debt will be repaid and the cash realized.
3. In anticipation of bad debt expenses, the Vice-President of Finance and Planning or designate shall make quarterly provisions for doubtful accounts and review formulas annually.
4. Any bad debt write-off of material nature will be drawn to the attention of the Senior Leadership Team at the discretion of the Vice-President of Finance and Planning, regardless of whether adequate provision for doubtful accounts had been made.
5. Accounts receivable deemed uncollectible after all reasonable efforts have been made to collect, including accounts returned from the Collection Agency, will be written-off as a debit against the Allowance for Doubtful accounts.
6. Accounts collected after they have been written-off will be credited against the Allowance for Doubtful Accounts.
7. Finance will confirm, as part of the year-end review process, that all doubtful accounts have been subjected to the minimum collection procedures.