

Request for Decision

Children Services - Riana Enterprises Inc., O/A Cotton Candy Daycare - Bad Debt Write-Off

Presented To:	City Council
Presented:	Tuesday, Jan 21, 2020
Report Date	Friday, Dec 20, 2019
Type:	Routine Management Reports

Resolution

THAT the City of Greater Sudbury approves the write-off of an uncollectible account in the amount of \$26,237 from Riana Enterprises Inc., O/A Cotton Candy Daycare, as outlined in the report entitled "Children Services - Riana Enterprises Inc., O/A Cotton Candy Daycare - Bad Debt Write-off", from the General Manager of Community Development, presented at the City Council meeting on January 21, 2020.

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report requests the write-off on an uncollectable account related to a historical child care fee subsidy advance in the amount of \$26,237 from Riana Enterprises Inc. O/A Cotton Candy Daycare.

Financial Implications

The write off will result in a 2019 expense for Children Services in the amount of \$26,237 since the amount was not previously provided for in the allowance for doubtful accounts. This expense will be funded within the existing operating budget.

Signed By

Report Prepared By

Monique Poirier
Manager of Children Services
Digitally Signed Dec 20, 19

Manager Review

Monique Poirier
Manager of Children Services
Digitally Signed Dec 20, 19

Division Review

Tyler Campbell
Director of Social Services
Digitally Signed Dec 20, 19

Financial Implications

Apryl Lukezic
Co-ordinator of Budgets
Digitally Signed Dec 30, 19

Recommended by the Department

Steve Jacques
General Manager of Community Development
Digitally Signed Jan 1, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jan 7, 20

Purpose

The purpose of this report is to request Council's authorization in accordance with the Delegation By-law to write-off a bad debt in excess of \$25,000.

Executive Summary

This report provides an overview of a bad debt incurred in 2018 in the amount of \$26,237 related to one licensed childcare operator in receipt of a childcare fee subsidy advance from the City. The report speaks to next steps to be taken by Children Services related to changes in the manner in which the childcare fee subsidy advances are managed and monitored based on best practices in other municipalities. A follow up report will be presented to the Community Services Committee in the second quarter of 2020 with recommendations for changes to existing practices.

Background

The accounts receivable balance of \$26,237 relates to an advance equal to 75% of the average monthly 2017 childcare subsidy billings. In 1996, each existing childcare operator was issued an advance cheque equal to 75% of its prior year's monthly average subsidy billings in order to assist them with meeting their cash flow needs. Since that time, in February of each year each childcare subsidy advance amount is adjusted to 75% of the prior year's average monthly billing total. In the event of a program closure, the advance owing to the City is collected from any outstanding amounts payable to the operator for subsidies and grants.

In September of 2018, the City of Greater Sudbury was notified that Riana Enterprises Inc., O/A Cotton Candy Daycare's bank accounts had been seized by the Receiver General and that all further payments were to be directed to the Receiver General. As a result, the City of Greater Sudbury will not be able to recover the advance issued of \$26,237.

An ownership change occurred on January 1, 2019, and the daycare is now operating under new management and governance as a non-profit agency. To date, the new agency is operating well.

The write-off would result in the removal of the accounts receivable balance and recording a related expense in the Children Services Section.

In accordance with the Delegation By-law, the Director of Children and Social Services and the CFO/Treasurer recommend this write-off. Since the write-off is in excess of \$25,000, the Delegation By-law further requires Council's approval.

Analysis

Due to the insolvency of Riana Enterprises Inc., there are no available options for collecting any amounts owed to the City.

Next Steps

To ensure the future collectability of these advances, Children Services is implementing a more stringent review of annual financial information submitted by operators to assess viability. Children Services will also conduct a review of other municipal processes across the province to establish best practices that could include freezing these advances at the current 2019 level. A further report outlining recommendations based on these reviews will be presented to the Community Services Committee in the second quarter of 2020.