

TABLE OF CONTENTS

Effective Date	3
2. Application.....	3
3. Context.....	3
4. Objectives and Expected Results	4
5. Requirements	4
Types of Debts Due to the Crown	4
Receivables	5
Collection Activities	7
Types of Collection Methods	8
Write-off of Debts	10
Remission of a Debt.....	11
Forgiveness of a Debt.....	12
Waiving or Reducing Administration and Interest Charges.....	12
Employee and CAF Member Departure Process	13
Review and Electronic Approvals.....	14
6. Roles and Responsibilities.....	14
Minister of National Defence	14
Assistant Deputy Minister (Finance)/Chief Financial Officer	15
Level One Advisors.....	16
Level One Comptrollers	16
Director General Strategic Financial Governance	16
Director General Financial Operations and Services.....	17
Director General Costing, Investment Planning and Approvals	17
Director Financial Policy	17
Director Financial Systems Integration.....	17
Director Financial Accounting	18
Director Financial Controls.....	18
Director Financial Operations.....	18
Corporate Departmental Accounting Office	18
Regional Departmental Accounting Office Comptroller	19
Responsibility Centre Managers	19
Base/Wing Receiver General Deposit Facility Cashiers	19

**National Defence – Assistant Deputy Minister (Finance)
Financial Administration Manual (FAM) Chapter 1018-2 Control of Receivables, Public
Revenue and Debt Deletion Authorities**

Office of the DND / Canadian Forces Legal Advisor.....	19
7. Consequences of Non-Compliance	20
8. References.....	20
9. Enquiries	21
Appendix A – Definitions and Acronyms.....	21

Effective Date

- 1.1 This policy is effective on **7 October 2021**.
- 1.2 This policy replaces the following Financial Administration Manual (FAM) Chapters:
 - FAM Chapter 1018-2 – Accounting and Control of Accounts Receivable and Public Revenue, issued on 21 October 2013; and
 - FAM Chapter 87 – Write-off of Debts, issued on 1 July 1989.
- 1.3 The policy was approved by the Assistant Deputy Minister (Finance) (ADM(Fin)) on **7 October 2021**.

2. Application

- 2.1 The purpose of this FAM chapter is to provide the Department of National Defence (DND) and the Canadian Armed Forces (CAF) with the Financial Management (FM) policy on the management of receivables, public revenues and debt deletions. This policy applies to all types of debts that are due to the Crown and are recognized and administered in the department's Financial Management System (FMS). This policy does not apply to write-off, remission or forgiveness of specific debts, obligations or claims that fall under other acts of Parliament (e.g. *Bankruptcy and Insolvency Act*, *Income Tax Act*, and the *Service Fees Act*).

3. Context

- 3.1 A receivable must be established when public revenues are recognized or for any amounts owed to the department in which payments have not been received in advance.
- 3.2 The receipt of public money and the deletion of debts requires that integrity, accountability and transparency be maintained to a high standard. This requires the establishment of practices and controls to ensure compliance with the *Financial Administration Act (FAA)*, *Debt Write-off Regulations, 1994*, *Interest and Administrative Charges Regulations*, Treasury Board (TB) policy instruments and departmental financial policy.
- 3.3 Receivables represent significant dollar values and a wide range of transactions within the DND/CAF. It is essential to have sound management practices, enabling the DND/CAF to achieve its overall objective of responsible financial management. Due to the nature and complexity of its programs, the DND/CAF are faced with unique situations that may not be addressed or fully articulated under TB policy instruments. This policy outlines and explains the DND/CAF direction and practices associated with the management of receivables, public revenues and the deletion of debts and intends to complement the information found in the TB policy instruments.

3.4 Accordingly, this policy must be applied in conjunction with and after reading the following:

- TB Policy on Financial Management;
- TB Directive on Public Money and Receivables;
- TB Guide to Managing Receivables;
- TB Guide to Debt Deletion;
- TB Guide to Interest and Administrative Charges, and
- TB Standard on Customer Record.

3.5 All financial documentation supporting the transactions must be retained for six years from the end of the fiscal year in which the transaction takes place. When a receivable is created, all documentation is retained until the account is cleared. When a criminal, disciplinary or recovery action is taken, all documentation must be retained and protected for six fiscal years after the process is completed.

3.6 See [Appendix A](#) for the definitions applicable to this policy and a list of acronyms used.

4. Objectives and Expected Results

4.1 The objectives of this policy are to:

- Identify the DND/CAF key stakeholders involved with the management of receivables, public revenues and the deletion of debts and outline their roles and responsibilities; and
- Provide direction on the DND/CAF FM policies and practices for the management of receivables, public revenues and the deletion of debts that are generally not addressed in TB policies, directives, standards and guidelines.

4.2 The expected results of implementing this policy are:

- Effective internal controls, governance and oversight over the DND/CAF management of receivables, public revenues and the deletion of debts; and
- Key DND/CAF stakeholders are aware of and understand their roles and responsibilities with respect to the management of receivables, public revenues and the deletion of debts.

5. Requirements

Types of Debts Due to the Crown

5.1 The types of debts that are due to the Crown and are recognized and administered in the department's receivables management system include, but are not limited to, the following:

- Amounts due from the sale of goods, provision of services, use of facilities, statutory or other obligations, including dividends and transfers of profits and surpluses arising from the government's financial interest in outside organizations;
- Overpayments or erroneous payments of contracts, salaries, allowances, supplier accounts, grants, contributions and benefits;
- Overdue accountable advances including unexpended balances that have been transferred from the Working Capital Fund (WCF);
- Disputed (or overpaid) claims, at their estimated value;
- Gross amounts assigned to third parties for collection;
- Amounts due from repayable contributions when the conditions that make the contribution repayable have been met or when the amounts are unconditionally repayable;
- Amounts due from penalties, fines and court awards and out-of-court agreements;
- Interest, penalties or administrative charges on the amounts and items specified; and
- Amounts due from Other Government Departments (OGDs).

Receivables

General

5.2 DND/CAF must avoid receivables wherever possible, in program design and delivery by requiring payment in advance or at the time that goods and services are provided. The Responsibility Centre (RC) Manager determines if it is appropriate to extend credit rather than requiring immediate or advance payment. Before providing a service, the RC Manager should refer to the department's provision of services policy regarding conditions for providing a service, determining when costs must be fully recovered, and determining the appropriate approval authority. When setting up a receivable, the RC Manager must also ensure to retain all supporting documentation.

Granting Credit

5.3 Credit may be granted if it is an acceptable commercial practice in the particular industry and the client's credit status is satisfactory. The RC Manager should contact the Regional Departmental Accounting Office (RDAO) Comptroller and/or Corporate Departmental Accounting Office (CDAO) if assistance is required in assessing credit worthiness.

5.4 Evaluation of the client should be based on past payment performance with DND/CAF, and the profitability and stability of the business. The depth of analysis of a client's credit worthiness will depend on the amount of credit requested and the past experience with the client.

- 5.5 Although credit investigations may not be required for granting credit to federal, provincial, municipal or foreign governments, or to universities, the payment history of these organizations with DND/CAF should be considered prior to granting credit.
- 5.6 The RC Manager may withdraw credit privileges if it is determined that the client is abusing the use of credit. The CDAO and RDAO must be informed of any changes to the credit status of a client.
- 5.7 The due date to be applied on all receivable documents will be according to the payment terms stated on the invoice. In cases where the payment terms are not specified, they will be determined to be 30 days after the day on which the demand for payment is issued.
- 5.8 A deposit must be obtained from a client whenever the normal acceptable business practice for this type of transaction is to provide for partial payment in advance.

Timing of the Recognition of Receivables

- 5.9 A receivable must be recognized when:
 - The debt generating activity has taken place;
 - The activity gives rise to a future benefit, such as a receipt of money;
 - DND/CAF has a legal basis on which to assert a right to receive the benefit; and
 - The amount is known.
- 5.10 Every effort must be made to ensure that when the above conditions are met, a receivable is recorded in, and an invoice is issued from the FMS by the system cut-off dates for the month in which the good or service is provided. When the invoice is not issued and recorded in the FMS by the cut-off date, the amount must be estimated and accrued. This amount will be recorded as a receivable and set-up in the month in which the revenue was earned or the amount owing was generated. Refer to FAM 1020-2 – Accrual Accounting Principles for Accounts Receivable and to the TB Directive on Accounting Standards for detailed guidance in accounting for the transaction.

Recording Receivables in the FMS

- 5.11 All receivable transactions must be recorded promptly and accurately in the FMS using the appropriate financial coding. The FMS then generates the actual billing document (invoice) and the receivable accounting entry.

Demands for Payment (Invoices & Statements)

- 5.12 Invoices and statements are to be generated on a monthly basis by the CDAO and mailed or e-mailed. RC Managers and RDAO Comptrollers are responsible for collection actions on overdue receivables (up to 90 days). Collection files for receivables that are more than 90 days overdue must be submitted to the CDAO for additional collection measures.

Net Realizable Value (non OGD debtors)

- 5.13 A receivable must be recognized as the amount originally invoiced or to be collected, and could subsequently be adjusted to the net realizable value. This adjustment would be made by the CDAO through the use of an [Allowance for Doubtful Accounts](#), and would apply to all receivables, including refunds of program expenditures and accruals.
- 5.14 The Allowance for Doubtful Accounts is established on an annual basis to reduce the receivable to the amount that is expected to be ultimately realized.

Interest Charges

- 5.15 Interest on overdue receivables must be charged to DND/CAF customers in accordance with FAM Chapter 1018-2-3 – Interest on Overdue Accounts Receivable, except in cases where Acts of Parliament, Regulations, Orders, contracts or arrangements set out the method for the charging of interest or lack thereof.

Collection Activities

General

- 5.16 A range of collection methods are available to collect debts that are owed to the Crown. The most appropriate and cost-effective collection method should be selected for each circumstance. As part of their mandate to publish Accounts Processing Standard Operating Procedures (SOPs), the Director Financial Systems Integration (DFSI) has published the SOP – “Control of Receivables and Public Revenue”. Readers should refer to that document for detailed direction on when and how to employ the collection methods discussed below.
- 5.17 The collection process may require the establishment of repayment arrangements with the debtor in order to maximize the collection of the debt. These arrangements must take into consideration any legislation, regulations or policies that govern departmental activities as well as the debtor’s financial situation and must be approved by the CDAO.
- 5.18 Any concerns with the timeliness of collecting overdue receivables should be referred to the RDAO Comptroller or the CDAO (as appropriate). At the request of the L1 Comptroller or the CDAO, RDAO Comptrollers and/or RC Managers may have to contact the debtor to request payment.

Debt Collection Checklists

- 5.19 Debt collection checklists that standardize the performance of debt collection across the DND/CAF are available and must be used when an outstanding debt is deemed to be at risk of non-collection. Readers should refer to the SOP – “Control of

Receivables and Public Revenue” for the most up to date versions of these checklists and for direction on when they should be used.

Types of Collection Methods

General

- 5.20 There are a number of debt collection methods that may be utilized to collect debt owed to the crown. They are described in the following paragraphs.

Voluntary Deduction

- 5.21 A voluntary deduction is an agreement between the debtor and the Crown where the debtor authorizes payment of a debt to the Crown using payments owed to the debtor by the Crown.

Voluntary Assignment

- 5.22 A voluntary assignment is an agreement between the debtor and the Crown where the debtor authorizes payment of a debt to the Crown using payments owed to the debtor by a third party. The Office of the DND Canadian Forces Legal Advisor (CFLA) should be consulted when the establishment of a voluntary assignment is being considered.

Set-off of debts Against Amounts Owing to the Debtor

- 5.23 When a delinquent debtor is not prepared to make voluntary arrangements to settle a debt, set-off action may be taken to recover the debt out of any sum of money that may be due and payable by the Crown to the debtor. Prior to taking this action, the DND/CAF must make attempts to advise the debtor and this should be documented. A set-off must be authorized under Section 155(1) of the FAA. Readers should refer to the notes to column 31 of the Delegation of Authorities for Financial Administration for the DND and the CAF for more information on the appropriate authority for Set-Off and the SOP – “Control of Receivables and Public Revenue” for more information on Canada Revenue Agency (CRA) set-offs.

- 5.24 If set-off action will be taken by an OGD, Section 155(4) of the FAA requires that both DND and the department responsible for making the payment agree to the set-off. Note that this action is not applicable to the overpayments of salaries, wages and employment-related allowances or outstanding accountable advances being recovered from amounts due or payable to employees.

Use of Private Collection Agencies

- 5.25 Private collection agencies may be used to collect debts owed to the Crown as long as they are not owed by OGDs, provincial, territorial and foreign governments, international organizations, current employees or in cases where the debts that are

being disputed are under appeal or in litigation. The DND CFLA should be consulted when confirmation of the status of a debt is required.

Collect a Present Value Amount

- 5.26 An RC Manager can negotiate an agreement with a debtor that includes accepting a payment that represents either the present value of an established repayment schedule or the present value of an amount due at a future date. Once received, the debt would be considered fully settled. When calculating the amount of the payment, the RC Manager should apply the Bank of Canada average discount rate adjusted by the degree of risk associated with the debt (i.e. the probability of recovery).

Negotiate a Compromise Settlement

- 5.27 A compromise settlement involves accepting a partial or no payment as full settlement of a debt i.e. the payment would release the debtor from any obligation to pay the remaining balance. Compromise settlements are normally considered when legal proceedings are likely and may be negotiated either before or after the start of legal proceedings. A compromise settlement can be accepted when it is expected that the settlement would exceed what would be collected through a legal process or the potential bankruptcy of the debtor. The CDAO is responsible for referring potential cases to the DND CFLA on behalf of RDAOs and RC Managers. The DND CFLA will evaluate the case details and determine if a compromise settlement would be appropriate.

Initiate Legal Proceedings

- 5.28 When all of the other collection methods have been considered and applied, as appropriate, DND CFLA may be consulted in order to explore the option of initiating legal proceedings to collect a debt or to seek to enforce any judgment. The decision to initiate legal proceedings will take into account the costs associated with such action.

Statute-barred Limitations for Debt Collection

- 5.29 The period for collecting a debt may be subject to the limitations set out in the *Crown Liability and Proceedings Act* (CLPA), and other federal statutes or provincial statutes. Under the CLPA, unless the cause of action arose other than in a province, the Crown has six years from the date the debt was incurred to take recovery action. The DND CFLA must be consulted when determining and applying limitation periods.

Sharing of Debtor's Personal Information

- 5.30 The DND/CAF has an obligation to share information that may be used by OGDs and Crown corporations to locate debtors and collect debts owed to the Crown. The information may only be obtained from records that pertain to the debtor and the

information that is obtained for the purpose of collecting or setting off a debt may not be used for any other purpose. Upon receiving a request from an OGD or a Crown corporation, the following information may be shared (unless specifically prohibited by DND/CAF legislation):

- The person's last known address and telephone number;
- The name and address of the person's last known employer; and
- Details of any payment due to the person.

Write-off of Debts

General

- 5.31 Once a receivable has been recorded in DND/CAF accounts, it must not be removed until the department has received full payment for the debt or has properly authorized a write-off, remission, forgiveness of debt or corrected the account by means of a system adjustment (when it is discovered that a receivable was recorded in error).
- 5.32 When collection activities have failed, an uncollectable debt may be submitted for write-off in accordance with Section 25 of the FAA and the *Debt Write-off Regulations, 1994*. The write-off of a debt results in the removal of a debt in whole or in part from the accounts of Canada, but does not legally extinguish the debt and the Crown retains the right to collect or recover the debt at any time in the future (except when accepting a present value amount or a compromised settlement).
- 5.33 The following debts can be written-off from the accounts of DND, subject to restrictions noted in paragraphs 5.34 to 5.36:
- A debt or part of a debt that has been determined to be uncollectible after reasonable and documented attempts to collect the debt were made. Readers must refer to the SOP – “Debt Deletion Authorities” for direction on when a debt is considered uncollectible and what documentation is required;
 - A debt for which further administrative expense or other costs of collecting the debt are not justifiable in relation to the amount of the debt or the probability of collection;
 - The balance of a future debt or a debt not due that remains after payment of the present value of the debt has been accepted as full settlement of the debt; and
 - The balance of a debt that remains after a compromise settlement has been effected.
- 5.34 Section 25(2) of the FAA requires that no debt, obligation or claim included in the statement of assets and liabilities of Canada in the Public Accounts may be written-off unless the amount written-off is included in a budgetary vote in an appropriation act or other act of Parliament.

Salaries, Employment-related Allowances and Accountable Advances

- 5.35 **Budgetary** debt related to the overpayment of salaries, employment-related allowances and accountable advances that are discovered while a person is still an employee or a member of the CAF may be recovered from the person under Section 155(3) of the FAA and requires TB approval prior to being written off. However, TB approval for the write-off of debt is not required if the debts owed by the former employees or CAF members are discovered after their employment have been terminated and all termination benefits have been paid. **Non-budgetary** salary-related debts and accountable advances can be written off under Section 25 of the FAA but must be included in an *Appropriation Act* (as per paragraph 5.33). Readers should refer to FAM Chapter 1024-9 Taxable Benefits and Allowances for additional information on the income tax implications of writing-off a debt owed by a current or former DND employee or member of the CAF.

Debt Write-off Committee

- 5.36 Debts greater than \$25K and those being submitted to TB for approval require the prior recommendation of the departmental Debt Write-Off Committee (DWOC).

Debt Write-off Checklist

- 5.37 A debt write-off checklist that standardizes the performance of debt collection across the DND/CAF should be used when an outstanding debt is scheduled to be submitted to the DWOC for recommendation to write-off. Readers should refer to the SOP – “Debt Deletion Authorities” for the most up to date version of the checklist and for direction on when it should be completed.

Adjustments and Administrative Corrections

- 5.38 Debts arising from receivables recorded as a result of recordkeeping or procedural errors may be corrected by way of a system adjustment and must not be written-off or otherwise deleted.

Remission of a Debt

General

- 5.39 When collection of a debt is deemed to be unreasonable, unjust or not in the public interest, the debt may be submitted for remission in accordance with Section 23 of the FAA. Remission of a debt legally extinguishes the debt including any outstanding interest, waives the right of the Crown to reinstate the debt and allows the debt to be removed from the accounts of Canada.
- 5.40 Remission under Section 23 of the FAA is only applicable to budgetary debts and when collection of a debt would be considered to be:

- Unreasonable or unjust, which may include compassionate reasons (severe hardship), equity (unfairness resulting from errors), legislative or regulatory considerations (anticipation of a change in the law) or policy considerations (unfairness or unintended results); or
- Not in the public interest, which may include federal–provincial relationships, relationships with Indigenous groups and items that have broader public relations or public policy implications rather than the specific impact on a particular individual.

Authority to Remit a Debt

5.41 The remission of a debt requires the preparation of a TB submission and when a recommendation from the TB is required, a Governor in Council submission. Both the Director General Costing, Investment Planning and Approvals (DGCIPA) and the DND CFLA must be consulted when a debt remission is being considered.

Forgiveness of a Debt

General

5.42 The DND/CAF may also consider debt forgiveness under Section 24.1 of the FAA when the collection of a debt is deemed to be unreasonable, unjust or not in the public interest. This action differs from debt remission in that it is only applicable to non-budgetary debts (with the exception of budgetary debt owed by a Crown corporation to a department). Debt forgiveness legally extinguishes the debt including any outstanding interest, waives the right of the Crown to reinstate the debt and allows the debt to be removed from the accounts of Canada.

Authority to Forgive a Debt

5.43 The forgiveness of a debt requires parliamentary approval through legislation such as an *Appropriation Act*. TB approval is required in order to include this debt and associated interest in an *Appropriation Act*. Before a non-budgetary debt can be forgiven, DND's budgetary appropriation must be charged for the amount of the debt and associated interest. Both the DGCIPA and the DND CFLA must be consulted when debt forgiveness is being considered.

Waiving or Reducing Administration and Interest Charges

General

5.44 The DND/CAF may consider waiving or reducing interest and administration charges under Section 155(1) of the FAA. This action legally extinguishes the debt and releases the debtor from all liability for the amounts waived or reduced. Interest and administration charges may be waived or reduced in the following situations:

- The total amount payable (principal plus accumulated interest) for a period is below the established administrative threshold of assessing, billing and collecting the interest (determined by ADM(Fin) to be \$10), in which case no interest is payable and interest does not accumulate;
- The administrative costs of assessing, billing and collecting the administrative charge would exceed the amount of the charge;
- Interest charges associated with an amount in dispute when the dispute has been settled in whole or in part in favour of the debtor;
- A debt has been settled and the only amount owing is for interest that is below the established administrative threshold of assessing, billing and collecting the interest;
- Interest charges as a result of an overpayment or erroneous payment of salary, wages or recurring benefits or allowances when the amounts are to be recovered from a subsequent payment of salary, wages or recurring benefits or allowances based on the due date of the agreed-upon repayment schedule (except where a person has received an overpayment or erroneous payment as a result of fraud or other offence);
- When a person receives an overpayment or erroneous payment as a result of a fraud or other offence, the interest payable may be waived when a fine or penalty that takes into account interest on the overpayment or erroneous payment has been imposed;
- The debtor is prevented from making a payment by circumstances beyond the debtor's control such as death, incapacity or postal disruption, or an error made or a delay caused by DND in processing a payment or establishing an amount payable, or
- Times of emergency i.e. when there is a critical situation of a temporary nature that meets all the following circumstances:
 - Results in a national or provincial emergency;
 - Causes substantial financial hardship;
 - Is the result of a serious natural disaster, disease, acts of terrorism or act of sabotage; and
 - Results or may result in danger to the lives, health or safety of individuals, danger to property, social disruption or a breakdown in the flow of essential goods, services or resources.

Authority to Waive or Reduce Administration & Interest Charges

5.45 Readers should refer to the TB Guide to Interest and Administrative Charges and the notes to Column 35 – Administration and Interest Charges of the Delegation of Authorities for Financial Administration for the DND and the CAF for more information on the exercise of this authority.

Employee and CAF Member Departure Process

5.46 Departing and retiring DND employees and retiring members of the CAF must return all public money owed including outstanding accountable advances before leaving the DND or CAF. A receivable must be established when public money

owed is not repaid or recovery action has not been taken. Readers should refer to the SOP – “Control of Receivables and Public Revenue” for more information.

Review and Electronic Approvals

Review of Receivables

- 5.47 RC Managers are accountable for effectively and efficiently managing their resources and providing related deliverables in accordance with departmental policies and procedures. In order to ensure the accuracy of the FMS and to protect against excessive overdue receivables, RC Managers should review their receivables on a regular basis, at a minimum, monthly.

Year End Process

- 5.48 It is imperative that all receivables be properly recorded in the appropriate accounting period and fiscal year. Therefore every effort must be made to identify and record all receivables in a timely manner. RC Managers should refer to FAM Chapter 1021-1 – Liabilities including Payables at Year-End (PAYE), FAM Chapter 1020-2 Accrual Accounting Principles for Accounts Receivable, the DND Financial Year-End instructions and the SOP – “Payables at Year End (PAYE)” for more information.

Electronic Authentication and Authorization (EAA)/e-signatures

- 5.49 The ADM(Fin)/Chief Financial Officer (CFO) has approved the use of secure electronic signatures to exercise delegated authorities related to Write-off of Debts, Waiver/Reduction of Administration & Interest Charges and Deeming Low-Value Amounts Nil on departmental, central agency and/or locally produced documents and forms. Delegated positions must comply with departmental financial procedures on the application of e-approvals when using a secure electronic signature to exercise these authorities.
- 5.50 The use of e-signatures and e-approvals for delegated financial signing authorities in departmental systems and applications requires CFO review and approval prior to implementation in order to ensure that proper controls are in place to ensure the integrity, accuracy, completeness and security of the financial transactions being approved, including information technology general controls, roles and authorization and appropriate information management.

6. Roles and Responsibilities

Minister of National Defence

- 6.1 The Minister of National Defence (MND) is responsible for:

- Formally delegating the authority to write-off debts in writing to positions as indicated in the Delegation of Authorities for Financial Administration for the DND and the CAF.

Assistant Deputy Minister (Finance)/Chief Financial Officer

6.2 The ADM(Fin)/CFO is responsible for:

- All responsibilities outlined in section 4.1, 4.3 and 4.4 of the TB Directive on Public Money and Receivables;
- Providing financial functional direction and guidance across the department on matters related to the management of receivables, public revenues and debt deletion;
- Ensuring that the internal controls for the administration of receivables are established, are in place and include, at a minimum:
 - The appropriate segregation of duties related to credit-granting, collections, maintenance of accounting records, the handling and reconciling of money, and write-offs;
 - The provision of complete audit trails to track all claims from the transaction that gave rise to the receivable through to its final settlement;
 - The establishment and monitoring of results-based measurement mechanisms; and
 - The preparation and distribution to management of periodic reports on the financial and non-financial activities of the portfolio, including receivable aging statements.
- Taking timely action for write-off, remission or forgiveness of debts, or waiver of interests or administrative charges that are deemed uncollectible or debts for which the administrative expense of collection would not be justified;
- Ensuring that the appropriate forms of payment are accepted, as supported by the Receiver General, for the settlement of receivables;
- Developing and maintaining a customer record that is integrated with the FMS and contains the data elements as listed in the TB Standard on Customer Record;
- Ensuring that the customer record is used for its intended purpose and allows for the identification of all data elements of the customer record;
- Ensuring that the estimates for the allowance for doubtful accounts are developed according to the TB Directive on Public Money and Receivables;
- Confirming that procedures are established to ensure that once a receivable has been recorded in DND/CAF accounts, it is not to be removed until the department has received full payment for the debt or has properly authorized a remission or other forgiveness of debt, a write-off or corrected the account by means of a system adjustment (when it is discovered that a receivable was recorded in error); and
- Ensuring a receivable is established when public money owed has not been recovered from a departing DND employee or retiring member of the CAF.

Level One Advisors

6.3 The L1 Advisors are responsible for:

- Ensuring compliance with the financial functional direction provided by the CFO over the management of receivables, public revenues and the write-off of debts; and
- Ensuring compliance with procedures established by the DFSI;

Level One Comptrollers

6.4 The L1 Comptrollers are responsible for:

- Ensuring sound internal controls and the integrity of local public revenue management activities. This may include:
 - Coordinating the input of public revenue and receivables in the FMS (i.e. identifying individuals responsible for the billing and cashier functions);
 - Ensuring proper segregation of duties between cashier and receivable functions; and
 - Assessing individual capability and requirements to ensure that appropriate training is provided to comply with this policy.
- Ensuring the timely and effective collection of receivables by:
 - Ensuring collection action is taken by RDAOs on overdue L1 receivables (up to 90 days);
 - Ensuring that sound internal controls related to the management of receivables are established at subordinate levels; and
 - Ensuring that subordinate Comptrollers are compliant with this policy and procedures established that pertain to the management of receivables and the deletion of debts.
- Coordinating debt remission and forgiveness requests for their L1 organization.

Director General Strategic Financial Governance

6.5 The Director General Strategic Financial Governance (DGSFG) is responsible for:

- Supporting the implementation and monitoring of compliance with this policy;
- Ensuring that this policy takes into consideration the unique situations and circumstances of the DND/CAF;
- Ensuring that business processes and procedures related to the management of receivables, public revenues and debt deletion are established to ensure compliance with this policy; and
- Ensuring that key controls related to the management of receivables, public revenues and debt deletion are reviewed and recommendations made based on the results.

Director General Financial Operations and Services

- 6.6 The Director General Financial Operations and Services (DGFOS) is responsible for:
- Ensuring that compulsory functional direction and guidance is provided department-wide in support of the management of receivables, public revenues and debt deletion processes;
 - Collaborating with DGSFG in the development/updating of procedural direction (i.e. SOPs) in support of this policy;
 - Ensuring that departmental compliance with this policy is monitored;
 - Bringing to the CFO's attention any significant difficulties, gaps in performance or compliance issues and recommendations to address them; and
 - Bringing recommendations to change or update policies and/or SOPs to DGSFG's attention in order to address significant difficulties, gaps in performance or compliance issues.

Director General Costing, Investment Planning and Approvals

- 6.7 The DGCIPA is responsible for:
- Drafting and coordinating of TB submissions for debt deletion actions.

Director Financial Policy

- 6.8 The Director Financial Policy (DFP) is responsible for:
- Developing and promulgating policies on the management of receivables, public revenues and debt deletion;
 - Reviewing procedures on the management of receivables, public revenues and debt deletion to ensure that they adhere to all financial legislation, TB FM policy instruments (including mandatory guidelines) and DND FM policies; and
 - Providing policy interpretation and clarification assistance on the management of receivables, public revenues and the deletion of debts.

Director Financial Systems Integration

- 6.9 The DFSI is responsible for:
- Developing and issuing mandatory procedures in compliance with this policy that standardize how the management of receivables, public revenues and debt deletion activities are performed across the DND/CAF; and
 - Ensuring that the departmental FMS adequately support the management of receivables, public revenues and debt deletion processes.

Director Financial Accounting

- 6.10 The Director Financial Accounting (DFA) is responsible for:
- Providing guidance on accounting treatment of receivables and debt deletions;
 - Reporting amounts associated with public revenue, receivables and debt deletion in the departmental financial statements; and
 - Providing corporate support to L1 Comptrollers and CDAO through guidance and advice on receivables including RAYEs.

Director Financial Controls

- 6.11 The Director Financial Controls (DFC) is responsible for:
- Assessing quality assurance programs and making recommendations based on the results of the assessments;
 - Assessing the effectiveness of key controls related to the management of receivables, public revenues and debt deletion and making recommendations based on the results of the assessments;
 - Reporting on the status of the assessments and completing the annual summary for inclusion as an Annex to the departmental financial statements; and
 - Tracking and reporting on the status of remediation action plans.

Director Financial Operations

- 6.12 The Director Financial Operations (DFO) is responsible for:
- Ensuring that compulsory functional direction and guidance is provided department wide to support the implementation of this policy; and
 - Ensuring that RDAO compliance with this policy and related procedures is monitored.

Corporate Departmental Accounting Office

- 6.13 The CDAO is responsible for:
- Providing functional direction and guidance to RDAO Comptrollers in support of the management of public revenue, receivables, and debt deletion;
 - Providing centralized public revenue, receivable and debt deletion services to the DND/CAF;
 - Monitoring the Receiver General Deposit Facility (RGDF) cashier deposit process and providing support to RGDF cashiers;
 - Authorizing the establishment of repayment arrangements with a debtor;
 - Taking collection action on overdue receivables (after 90 days);
 - Monitoring and verification of public revenue and receivables management for the DND/CAF;

- Providing RGDF services for the NCR including the distribution of invoices to customers; and
- Serving as DND/CAF coordinator for public revenue issues including Receivables at Year-End (RAYE) management.

Regional Departmental Accounting Office Comptroller

6.14 The RDAO Comptrollers are responsible for:

- Assisting RC Managers with the assessment of the credit worthiness of customers;
- Monitoring and oversight of public revenue and receivables for their regions;
- Providing support to the CDAO on the reconciliation of public revenue;
- Ensuring collection actions are completed by RC Managers on overdue receivables (up to 90 days);
- Providing support to the CDAO on the collection of overdue receivables (after 90 days); and
- Identifying and recommending debts for write-off to positions delegated the authority to write-off debts as per the Delegation of Authorities for Financial Administration for the DND and the CAF.

Responsibility Centre Managers

6.15 The RC Managers are responsible for:

- Determining if goods or services should be provided;
- Determining if it is appropriate to extend credit rather than collecting payment in advance or at the time of providing the goods or services;
- Assessing the credit worthiness of the customer, with assistance from the L1 Comptroller, RDAO Comptroller and/or the CDAO;
- Ensuring timely and accurate recognition of receivables in the FMS; and
- Taking collection actions on overdue accounts as directed by this policy.

Base/Wing Receiver General Deposit Facility Cashiers

6.16 The Base/Wing RGDF Cashiers are responsible for:

- Receiving, depositing and recording payments in the FMS while ensuring a clear segregation of duties; and
- Ensuring payments received are posted against the appropriate receivables or cash receipt.

Office of the DND / Canadian Forces Legal Advisor

6.17 The CFLA is responsible for:

- Providing recommendations regarding the collectability of receivables;

- Providing analysis and attestation on TB Submissions related to debt deletions;
- Taking appropriate collection action regarding debts to the Crown, especially in matters related to bankruptcy, consumer proposals and estates; and
- Provide interpretative advice on the FAA, *Bankruptcy and Insolvency Act*, *Crown Liability and Proceedings Act*, *Interest and Administrative Charges Regulations* and the *Debt write-off regulations*, 1994.

7. Consequences of Non-Compliance

- 7.1 Under the TB Policy on Financial Management, the Deputy Minister (DM) is responsible for investigating and acting when significant issues regarding policy compliance arise, and ensuring that appropriate remedial action is taken to address such issues within DND/CAF. The TB Framework for the Management of Compliance provides guidance on the considerations for determining the possible mix of consequences, which include the impact of the non-compliance, whether there has been a history of non-compliance, was there intent and other circumstances.
- 7.2 To support the DM's responsibility under the TB Policy on Financial Management, the ADM(FIN)/CFO or in the case of a member of the CAF, the military chain of command at the ADM(FIN)/CFO's direction, must ensure corrective actions are taken to address instances of non-compliance with this policy. Corrective actions can include a requirement for additional training, changes to procedures or systems, removal or suspension of delegated financial authorities on a temporary or permanent basis, disciplinary action or other measures as appropriate.

8. References

8.1 Legislation and Regulations

[Financial Administration Act](#)
[Debt Write-off Regulations, 1994](#)
[Interest and Administrative Charges Regulations](#)

8.2 Treasury Board and Central Agency FM Policy Instruments

[TB Policy on Financial Management](#)
[TB Directive on Public Money and Receivables](#)
[TB Guide to Managing Receivables](#)
[TB Guide to Debt Deletion](#)
[TB Guide to Interests and Administrative Charges](#)
[TB Standard on Customer Record](#)
[TB Directive on Accounting Standards](#)

8.3 DND/CAF FM Policies FAM Chapter

[FAM Chapter 1020-2 – Accrual Accounting Principles for Accounts Receivable](#)

[FAM Chapter 1018-2-3 – Interest on Overdue Accounts Receivable](#)
[FAM Chapter 1021-1 – Liabilities including Payables at Year-End \(PAYE\)](#)
[FAM Chapter 1024-9 Taxable Benefits and Allowances](#)
[Delegation of Authorities for Financial Administration for the DND and the CAF](#)

8.4 **DND/CAF FM Guides, Forms and Other Tools**

[DAOD 6002-8, Electronic Authentication and Authorization](#)

9. Enquiries

- 9.1 Questions on policy interpretation and clarification are to be addressed to the appropriate Comptroller.
- 9.2 If the local Comptroller requires assistance, the question will be escalated through the financial chain of command.
- 9.3 If the L1 Comptroller needs guidance on the matter(s) raised, the L1 Comptroller may contact the CDAO.
- 9.4 If the CDAO needs guidance on the matter(s) raised, they may contact DFP.

Appendix A – Definitions and Acronyms

Definitions

Allowance for Doubtful Accounts (provision pour créances douteuses) is a contra asset account with a credit balance used to reduce the carrying amount of gross accounts receivable to net realizable value. The allowance balance represents the estimated total of uncollectible accounts receivable included in the total value of gross accounts receivable.

Budgetary debt (dette budgétaire) consists of debts resulting from departmental activities that are financed by normal departmental budgetary appropriations approved under an *Appropriation Act* (for example, operating, transfer payment or capital votes) or through a statutory authority pursuant to specific legislation. These may include both salary related and non-salary related amounts.

Debt Forgiveness (renonciation d'une dette) is the deletion of a debt related to a non-budgetary expenditure that extinguishes the debt, waives the right of Her Majesty to reinstate the debt, and permits both the Crown and the debtor to remove the debt from their accounts.

Debt Remission (remise d'une dette) is the deletion of a debt related to a budgetary expenditure that involves the cancellation of or release from an otherwise enforceable debt, tax, fee or penalty.

Debt Write-off (radiation de dette) is the process of deleting uncollectible debts owing to the Crown, but not extinguishing the legal right of the Crown to collect these debts, with a purpose to reduce the costs of maintaining records of accounts receivable that are uncollectible or valueless.

Financial Management System (système de gestion financière) is any combination of business processes (end-to-end, automated and manual), procedures, controls, data and software applications, all of which are categorized as either a departmental financial and materiel management system or program system or central system that produces financial information and related non-financial information. DND's departmental FMS includes Defence Resource Management Information System (DRMIS) and would also include any future replacement of DRMIS.

Non-budgetary debt (dette non budgétaire) consists of debts resulting from loans, investments and advances. The authority may be provided by voted appropriations (for example, a vote starting with the letter "L" is used to differentiate it from regular voted, budgetary funds) which, like budgetary debts, are authorized through an appropriation act, or statutory authority pursuant to specific legislation.

Public Money (fonds publics) is all money belonging to Canada received and collected by the Receiver General or any other public officer in his or her official capacity or any person authorized to receive or collect such money. Public money includes the following: Duties and revenues of Canada; Money borrowed by Canada or received through the issue or sale of securities; Money received or collected for or on behalf of Canada; and All money that is paid to or received or collected by a public officer under or pursuant to any act, trust, treaty, undertaking or contract, and is to be disbursed for a purpose specified in or pursuant to that act, trust, treaty, undertaking or contract.

Receivables (comptes clients) are the billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Department for goods or services.

Acronyms

ADM(Fin)/CFO – Assistant Deputy Minister (Finance)/Chief Financial Officer

CAF – Canadian Armed Forces

CDAO – Corporate Departmental Accounting Office

CFLA – Canadian Forces Legal Advisor

CFO – Chief Financial Officer

CLPA – *Crown Liability and Proceedings Act*

DFA – Director Financial Accounting

DFC – Director Financial Controls

DFO – Director Financial Operations
DFP – Director Financial Policy
DFSI – Director Financial Systems Integration
DGCIPA – Director General - Costing, Investment Planning and Approvals
DGFOS – Director General Financial Operations and Services
DGSFG – Director General Strategic Financial Governance
DM – Deputy Minister
DND – Department of National Defence
DRMIS – Defence Resource Management Information System
DWOC – Debt Write-off Committee
EAA – Electronic Authentication and Authorization
FAA – *Financial Administration Act*
FAM – Financial Administration Manual
FM – Financial Management
FMS – Financial Management System
L1 – Level One
MND – Minister of National Defence
OGD – Other Government Department
PAYE – Payable at Year End
RAYE – Receivables at Year End
RC – Responsibility Centre
RDAO – Regional Departmental Accounting Office
RGDF – Receiver General Deposit Facility
TB – Treasury Board
WCF – Working Capital Fund