2.32 Fines Receivable

Introduction

As at 31 March 2004, the Government of Newfoundland and Labrador was owed $23.4 million in fines and had recorded an allowance for uncollectible amounts of $18.8 million.

Total fines receivable is comprised of fines resulting from the issuance of a ticket, court imposed fines from either a Provincial Court or the Provincial Supreme Court, victim fine surcharges resulting from fines levied against offenders convicted or discharged under the *Canada Criminal Code*, and late payment penalties resulting from charges to offenders who have not paid their fine as required.

Fines Administration, a division of the Department of Justice, is responsible for the administration of all fines, surcharges and penalties issued in the Province and recorded in the Department's Ticket Management System (TMS). Administration includes processing tickets issued, processing court imposed fines and victim fines surcharges, notifying offenders of convictions and fines, processing payments, and transferring unpaid fines and other information to the Motor Registration Division (MRD) of the Department of Government Services.

Scope and Objectives

In November 2004 we completed our review of fines receivable recorded in the TMS database operated by the Department of Justice. The objectives of our review were to review the age of the receivables, and the Department's collection and monitoring activity.

Conclusions

Collection efforts at the Department of Justice relating to fines receivable require improvement. The fines receivable balance has increased in each of the last five years and at 31 March 2004 totalled $23.4 million, an increase of $5.3 million (32%) since 2000. The Department has determined that only $4.6 million (19.6%) is expected to be collected while $18.8 million (80.4%) was considered uncollectible.

Of the $23.4 million in fines receivable, $21.9 million is recorded in the Department's Ticket Management System (TMS) while the majority of the balance of $1.5 million is still in the Provincial Court. Many of the accounts comprising the $21.9 million in fines receivable recorded in the TMS are quite old - 80,134 accounts totalling $18.9 million (86.4%) of the receivables had been outstanding for more than one year with 38,599 accounts totalling $11.2 million (51.4%) outstanding for more than five years. Some of the accounts had significant balances. For example, there were four accounts relating to court imposed fines which had balances greater than $100,000 and totalled $618,950. These accounts had been outstanding for greater than five years. Furthermore, there were nine accounts relating to ticket fines which had balances greater than $20,000

and totalled $235,114 and of which $155,804 had been outstanding for greater than five years.

Although the Office of the High Sheriff has a Judgement Enforcement Registry, the Department is currently registering accounts with balances greater than $1,200; therefore, 83,870 accounts with balances less than $1,200 and totalling $9.4 million are not registered. Furthermore, at 31 March 2004, although there were 3,434 accounts greater than $1,200 registered, action to collect the amount due had been initiated against only 117 accounts.

Findings and Recommendations

As at 31 March 2004, the Government of Newfoundland and Labrador was owed $23.4 million in fines issued for offences under a variety of Provincial statutes. To facilitate the collection and management of receivables, the Department maintains a Ticket Management System (TMS) database. At 31 March 2004, total fines receivable in the TMS database amounted to $21.9 million.

Figure 1 outlines the total fines receivable recorded in the Province's financial statements and the fines receivable in the Department's TMS database for each of the last five years along with the amounts considered collectible and uncollectible.

Figure 1

Fines Receivable
Years Ended 31 March
($000's)

	2000	2001	2002	2003	2004
Fines receivable per TMS	16,632	18,047	19,829	21,042	21,896
Other fines and amounts	1,677	1,316	1,230	1,200	1,519
Total Fines Receivables	**18,309**	**19,363**	**21,059**	**22,242**	**23,415**
Less: Amounts Considered to be Uncollectible	11,198	12,719	14,571	15,560	18,833
Percentage of Fines Receivable Considered Uncollectible	**61.2%**	**65.7%**	**69.2%**	**70.0%**	**80.4%**
Fines Receivable Considered Collectible	7,111	6,644	6,488	6,682	4,582
Percentage of Fines Receivable Considered Collectible	**38.8%**	**34.3%**	**30.8%**	**30.0%**	**19.6%**

Source: Department records

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As Figure 1 shows, of the $23.4 million in fines owed to the Province, an allowance of $18.8 million (80.4%) was recorded to reflect the portion of the fines receivable that were considered uncollectible. Government expected that only $4.6 million (19.6%) of the receivable at 31 March 2004 was likely to be collected.

Analysis of TMS Database Receivable Balance

We analyzed information from the Department's TMS database to determine the types of receivables, the ageing and stratification.

Figure 2 provides information on the types of receivables recorded in the Department's TMS database and the ageing of these receivables as at 31 March 2004.

Figure 2

Aged Analysis of Receivable
31 March 2004
($000's)

Type of Receivable	Total	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Ticket Fines	15,307	2,610	1,907	1,657	1,206	1,117	6,810
Court Imposed Fines	6,025	180	446	435	416	324	4,224
Late Payment Penalty (Third Party)	564	192	61	40	34	31	206
TMS Fines Receivable	21,896	2,982	2,414	2,132	1,656	1,472	11,240
Percentage of Total Receivable	100%	13.6%	11.0%	9.7%	7.6%	6.7%	51.4%

Source: Ticket Management System

As Figure 2 shows, the Department is not collecting amounts owed on a timely basis. $18.9 million (86.4%) of the receivables had been outstanding for more than one year with $11.2 million (51.4%) outstanding for more than five years.

The $11.2 million receivable balance outstanding for more than five years was comprised of 124,429 fines and penalties, owed by 38,599 debtors. Of those 38,599 debtors, 63 (less than 1%) owed amounts in excess of $10,000 and totalled $1.7 million (15.2%).

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Figure 3 provides a stratification of receivable balances as at 31 March 2004.

Figure 3

Stratification of Receivable Balances
31 March 2004

	Total	
Balances	**Accounts**	**Amount ($000s)**
Over $100,000	4	619
$50,000 - $100,000	2	163
$25,000 - $49,999	11	379
$10,000 - $24,999	126	1,748
$5,000 - $9,999	325	2,187
Sub-total	**468**	**5,096**
$1,000 - $4,999	4,878	8,768
$100 - $999	19,992	6,020
Less than $100	62,620	1,910
16,632 transactions without a name	N/A	102
Total	**87,958**	**21,896**

Source: Ticket Management System

As Figure 3 indicates:

- There were 16,632 fines and penalties totalling $102,000 in the database without a name identifying the debtor. Departmental officials indicated that these fines and penalties relate primarily to vehicles registered outside the Province and the names are not available. Of these 16,632 fines and penalties, 7,714 totalling $51,000 were outstanding more than 5 years.

- 468 (less than 1%) of the accounts have balances greater than $5,000 and make up $5.1 million (23.3%) of the $21.9 million total receivable.

- Account balances ranged from $1 to $238,319, with an average balance of $248. There were four accounts relating to court imposed fines and which had balances greater than $100,000 as follows - $238,319, $169,480, $108,689 and $102,461, all of which had been outstanding for more than five years.

There were nine accounts relating to ticket fines and which had balances greater than $20,000 and totalled $235,114. Of this $235,114, a total of $155,804 was outstanding for greater than five years. Details on the total receivable and the portion outstanding for greater than five years are as follows: $40,425 ($28,875); $31,672 ($23,517); $26,245 ($8,340); $25,660 ($14,450); $24,881 ($19,186); $23,955 ($19,070); $21,616 ($19,041); $20,540 ($9,205); and $20,120 ($14,120).

Collection

The Department has indicated that it has six collection options available to assist in the collection of unpaid fines. Our review of the options, usage and status of each indicated the following:

1. *Late payment penalty* - financial penalties charged to offenders that have not paid the required fine within the time allowed for payment. In the case of a fine which is $50 or less, the penalty is $5; where the fine is more than $50 but not more than $100, the penalty is $10; and where the fine is more than $100, the penalty is $10 plus an additional $10 for each increment of $100 to a maximum penalty of $100.

   Our review indicated that the late payment penalties are automatically generated by the TMS database.

2. *Judgement on failure to pay fine* - an unpaid fine can be entered as a judgement in the Supreme Court Trial Division by the Attorney General or a person authorized by the Attorney General. The judgement is enforceable against the defendant in the same manner as if it were a judgement rendered in a civil court proceeding.

   We found that, at the date of our review, accounts less than $1,200 were not submitted to the Trial Division for judgement. At 31 March 2004, there were 83,870 accounts totalling $9.4 million which had balances less than $1,200 and therefore had not been registered under the *Judgement Enforcement Act.*

3. *Application of the* Judgement Enforcement Act - Once an outstanding fine is filed with the Supreme Court Trial Division it is registered with the Judgement Enforcement Registry maintained by the Office of the High Sheriff. Once a debtor has been registered under the *Judgement Enforcement Act*, upon instructions from Fines Administration, the Office of the High Sheriff can collect monies from debtor, seize and sell assets of debtor or garnish wages of debtor.

   Our review indicated that, as at 31 March 2004, the Department is currently registering accounts with balances greater than $1,200; therefore, 83,870 accounts with balances less than $1,200 and totalling $9.4 million are not registered. Furthermore, at 31 March 2004, although there were 4,088 accounts greater than $1,200 totalling $12.5 million, only 3,434 of these accounts were registered. Officials indicated that most of the remaining 654 unregistered accounts, greater than $1,200, and totalling $3.1 million were not registered because payment arrangements have been established with the debtor or a judge has granted an extension to the deadline for payment of the amounts outstanding. Of the 3,434 accounts registered, action to collect the amount due had been initiated against only 117 accounts.

4. *Crown may refuse to renew instruments* - A person who has not paid a fine or late payment on a fine may be refused renewal of a permit, licence or other instrument until the applicable fines have been paid.

   Our review indicated that, although there are many licences and permits that Government issues and which could be refused to debtors, the only action taken in this regard relates to either driver licence renewal once every five years or the annual vehicle registration. Therefore, amounts owing could go uncollected for up to five years in the case of driver licence renewals.

5. *Payment arrangements* - A debtor can either make an application to the court for an extension to the deadline for payment or contact the Department to arrange payment options. Furthermore, the Department has collectors who make contact with debtors to make payment arrangements.

   Our review indicated that the Department has not been proactive in collection activity because before July 2003 it only had one collection officer. In July 2003, the Department hired three collection officers as part of a pilot project directed towards increased collection. For the 2003 fiscal year, the Department

collected $4.02 million while for the 2004 fiscal year and after hiring the three extra collection officers, the Department only collected $3.66 million. Departmental officials indicated that collections increased in the 2003 fiscal year due to the initiation of collection activities.

6. *Fines option program* - Under the *Provincial Offences Act,* Government may make regulations, establishing a program to permit payment of fines by means of credit for work performed.

There has been no fines option program established by Government. Though such a program would not increase collections, it would reduce the fines and penalties owed to the Province because the debtor provides a service in exchange for release from the debt.

Recommendation

The Department of Justice should improve its collection efforts by maximizing the use of available collection options.

Department's Response

Collections

The Department has adopted an incremental filing approach with the Supreme Court and Sheriff's Office starting with the highest fines defaulters. Current planning requires that amounts owing greater than $499 will be filed by June, 2005.

The Report states that of the 3,434 accounts registered at the Sheriff's Office, action to collect had been initiated against only 117 accounts. We can advise that, in addition to the regular account analyses, collection letters, telephone calls, skip tracing, etc. that was done on account, generally, during the period, staff served 264 Financial Questionnaires, 94 wage garnishments and 23 instalment orders were registered with the Sheriff's Office, 197 new payment arrangements were established and 25 related creditor notifications issued.

The Report also notes that collections were down in Fiscal 2003/04 compared to Fiscal 2002/03. The table below shows a comparison of collections for the past five fiscal years. While there is no apparent trend in the collection of amounts owing to the Province, collections on third party fines have increased. This may be a fallout from increased collection activity of provincial fines and\or because third party fines

mainly arise from parking tickets which are of smaller dollar value and thus easier to collect through the normal process -yearly vehicle permit renewals.

Fines Administration collections:

	2004 $	2003 $	2002 $	2001 $	2000 $
Ticketing	2,770,523	3,042,735	2,761,809	2,523,145	2,619,078
Court fines	484,464	543,638	468,370	449,424	412,539
Penalties	501,863	521,196	464,878	447,527	440,006
Provincial	3,756,850	4,107,569	3,695,057	3,420,096	3,471,623
3rd Party	2,359,107	2,308,633	2,077,487	1,793,637	1,787,878
Total	6,115,957	6,416,202	5,772,544	5,213,733	5,259,501

Receivables and Allowance for Uncollectible Accounts

Fines receivable recorded on TMS is $21.9 million. The $1.3 million on Provincial Court records are fines which are not yet due as the time to pay granted by the judge has not yet expired.

The allowance for uncollectible fines recorded on TMS is calculated in accordance with the method proposed by the Auditor General some years ago. The Department agrees with the implied view of the Auditor General that a more aggressive write-off policy for uncollectible accounts should be considered and action will be taken accordingly.

Other comments

1. *The Report states that "**the Department is not collecting amounts owed on a timely basis".** In response I can advise that the Department has been attempting to collect monies owed the Province in an aggressive manner as previously noted and will continue to do so. Unfortunately, however, we cannot collect from indigent debtors and we estimate that approximately 90% of all accounts are less than $500, including third party fines, resulting in difficult and expensive collection alternatives other than these*

currently in place. I also note that our available database of debtor personal information is limited. We agree that more rapid registration at the Supreme Court is necessary, as well as an accelerated write-off policy.

2. *The 16,632 transactions referred to without a name are largely parking tickets issued by third parties to vehicle plates mainly registered in other Provinces and the USA. A brief review of the database revealed that 620 of these tickets had been issued to only 10 plates so it can be projected that the number of accounts involved would be significantly less than 16,632. Because these fines are third party and mainly less than $20, with a possible $5 late payment penalty owing to the Province, they are low priority for the Department.*

3. *It is noted that of the 83,870 accounts under $1,300 that were not registered, 62,620 of these accounts, or 75%, were under $100 which is a significant percentage and which may be collected through the normal process.*

   The Report refers to 654 accounts greater than $1,300 that had not been filed at Supreme Court at 31 March 2004. The normal reasons that accounts would not be filed at Supreme Court would be where extensions of time to pay had been granted by a judge, payment arrangements have been entered into, debtors living outside the province as there is no reciprocal exchange of judgements, bankruptcies, etc.

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