



## **Audit of Accounts Receivable Management at Health Canada**

### **Management Response and Action Plan**

**March 2018**

**Presented to HC Departmental Audit Committee on March 6, 2018**



Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p><b>Recommendation 1</b></p> <p>The Chief Financial Officer (CFO) enhances reporting on accounts receivable to help in the management of risks for the collection and collectability of outstanding accounts receivable.</p>	<p>Management agrees with this recommendation.</p>			
	<p>The Financial Operations Directorate (FOD) will implement regular reporting to the CFO and Deputy Chief Financial Officers (DCFO) showing the status of outstanding accounts receivable by type and by age.</p>	<p>1.1 Quarterly Report</p>	<p>May 31, 2018 (for outstanding receivables as of March 31, 2018)</p>	<p>Director, Accounting Operations and System Division (AOSD) / Chief, Accounting Operations / Departmental Accounts Receivable Coordinator</p>
<p><b>Recommendation 2</b></p>	<p>Management agrees with the recommendation.</p>			

Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
The Chief Financial Officer amends guidance documents and procedures to enhance accounts receivable management including: <ul style="list-style-type: none"> <li>• standardizing and clarifying roles and responsibilities for the re-instatement of debts, and the monitoring and collection of debts related to recoveries of contribution agreement overpayments;</li> <li>• developing guidance documents to facilitate collection activities such as locating the debtor, and determining whether the debtor is capable of repaying the debt; and</li> <li>• establishing a method for determining when the cost of collection is not justifiable in relation to the amount of the debt or the probability of collection.</li> </ul>	FOD will refine the Standard on Receivable Management to further clarify roles and responsibilities for items such as the on-going monitoring and collection of debts related to recoveries of contribution agreement overpayments.	2.1 Amended Standard on Receivable Management	September 30, 2018	Director, Internal Controls and Financial Policy
	FOD will prepare a guidance document to support accounting hub staff in determining which advanced collection activities to pursue based on the nature of the debt. The document will include direction on considering the cost of the collection when determining the appropriate recovery activity.	2.2 Collection Activity Guidance Document	June 30, 2018	Director, Accounting Operations and System Division / Chief, Accounting Operations / Departmental Accounts Receivable Coordinator
<p><b>Recommendation 3</b></p> <p>The Executive Director, Pest Management Regulatory Agency (PMRA) finalizes the standard operating procedures for accounts receivable and ensures alignment with the Health Canada/Public Health Agency of Canada Standard on Management of Receivables.</p>	Management agrees with this recommendation.			
	The PMRA will finalize the Standard Operating Procedures (SOPs) to fully implement Section 23 of the Pest Control Products Act (PCPA) for outstanding accounts receivable.	3.1 Final accounts receivable SOPs to support operationalizing Section 23 of the PCPA.	May 31, 2018	Director, Strategic Planning, Finance and Business Operations Division (FBOD), PMRA

Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p><b>Recommendation 4</b></p> <p>The Assistant Deputy Minister, Health Environments and Consumer Safety Branch (HECSB) ensures collection procedures are consistent with the Health Canada/Public Health Agency of Canada Standard on Management of Receivables.</p>	<p>Management agrees with this recommendation.</p> <p>The collection activities and procedures of HECSB's National Dosimetry Services (NDS) are generally consistent with the HC/PHAC Standard on the Management of Receivables. However, the schedule used by the program for follow-up on overdue accounts is limited by the functionality of its current dosimetry management system (DMS) software, which initiates client follow up at 60 days overdue instead of at 30 days, as outlined in the Standard.</p> <p>While replacing the system is an objective of the program, given the current priority setting process recommended by Treasury Board and departmental priorities, it is not feasible to implement a new solution. Therefore, until the DMS replacement software is implemented, the program will continue to undertake collection activities and procedures as described in its current operating procedures.</p>	<p>4.1 Include appropriate business requirements to be able to align the frequency of follow-up on overdue accounts with the Standard into the Business Requirements Document for the software to replace the DMS. Until the DMS replacement software is implemented, the program will continue to undertake collection activities and procedures as described in its current operating procedures.</p>	<p>October 31, 2018</p>	<p>Director General of the Environmental and Radiation Health Sciences Directorate, Healthy Environments and Consumer Safety Branch (HECSB)</p>

Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p><b>Recommendation 5</b></p> <p>The Chief Financial Officer pursues accounts receivable greater than one year in order to take timely actions to recover or write-off debts and enhance the process for determining an allowance for doubtful accounts.</p>	<p>Management agrees with the recommendation.</p>			
	<p>The quarterly reporting to the CFO and DCFOs will clearly reflect accounts receivable that are greater than one year old for ease of reference, and will be used to target collection efforts. The results of collection actions will also be shared with Corporate Accounting on a quarterly basis for consideration in the determination of the allowance for doubtful accounts.</p>	<p>5.1 Quarterly Report</p>	<p>May 31, 2018 (for outstanding receivables as of March 31, 2018)</p>	<p>Director, AOSD / Chiefs, Accounting Hubs / Departmental Accounts Receivable Coordinator</p>