

Volume No. 1—Policies & Procedures	TOPIC NO.	20505
Function No. 20000— General Accounting	TOPIC	Accounts Receivable
Section No. 20500— Accounts Receivable	DATE	June 2004

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Overview

Introduction This topic provides guidelines to assist agencies in developing procedures to properly account for, report, manage and collect receivables in accordance with the Virginia Debt Collection Act (*Code of Virginia*, Sections 2.2-4800 through 2.2-4808).

Policy

General The overall policy of the Commonwealth is to take all appropriate and cost effective actions to aggressively collect accounts receivable. The objective of the Statewide receivables program is to improve the management over and accounting for accounts receivable owed to the Commonwealth's agencies and institutions.

Statute of Limitations:

- In most instances no statute of limitations applies to Commonwealth receivables unless a statute expressly provides one. (*Code of Virginia*, Section 8.01-231).
- Judgements may not be executed after twenty years from their issuance unless an extension is secured from the court before the first twenty years expires. (*Code of Virginia*, Section 8.01-251).

The Office of the Attorney General (OAG) is responsible for:

- Providing all legal services and advice related to the collection of accounts receivable,
- Adopting necessary policies and procedures pertaining to all accounts receivable legal matters and the litigation of past-due accounts receivable,
- Annually reporting those agencies and institutions that are not making satisfactory progress towards implementing the provisions of the Virginia Debt Collection Act

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The Department of Accounts (DOA) is responsible for:

- Prescribing accounts receivable policies, procedures, and guidelines,
- Providing technical assistance to agencies and institutions regarding the accounting for receivables and proper revenue recognition policies,
- Preparing quarterly and annual reports of the Commonwealth's receivables, and
- Monitoring and analyzing the receivables of agencies and institutions.

Agencies and institutions are responsible for:

- Developing systems that are adequate to properly account for and report their receivables,
 - Reporting receivables, their age, collection status and funding source to DOA quarterly,
 - Developing and implementing policies and procedures that adhere to the collection policies and guidelines established by the Attorney General and the Comptroller, and
 - Sending the Department of Accounts a copy of the Perkins loan status (FISAP) report electronically submitted to the federal government for the most recent fiscal year, at the same time the federal report is filed.
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Definitions

Accounts Receivable

Any amount owed to an agency or institution of the Commonwealth. Receivables include, but are not limited to, taxes, loans, and notes receivable, as well as amounts due for services and goods provided, for licenses and fees, from employees, from other agencies and institutions, and from the federal government for grants and contracts. Receivables also include judgments, fines, and costs and penalties imposed upon conviction for criminal and traffic offenses. Petty cash and advances made from petty cash accounts are not considered receivables for reporting purposes.

Allowance for Doubtful Accounts

Management's estimate of the amount of gross receivables which will be or will prove to be uncollectible.

Discharge

The compromise and settlement of disputes, claims, and controversies of the Commonwealth by the Office of the Attorney General as authorized by the *Code of Virginia*, Section 2.2-514, or by the Tax Commissioner, Virginia Employment Commission or State Corporation Commission, or as otherwise provided by law.

An agency may not consider a debt of the Commonwealth to be discharged unless the appropriate authority has authorized specifically that the debt has been discharged. After discharge, documentation relating to the debt should be retained and disposed of in accordance with agency policy. For additional information, refer to subtopic "Uncollectible Accounts."

Grant and Contract Receivables

Grants, entitlements, and shared revenues that are susceptible to accrual, that is, both measurable and available, and expenditures/expenses that have been incurred but have not been reimbursed. Entitlements, certain grants, and shared revenues, should be recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Other receivables, such as reimbursement type grants, are recognized when the expenditure is made. Grants and contracts received directly from third parties should be reported in the "accounts and taxes receivable" column of the Receivables Summary Report. Grant and contract receivables reimbursed through another state agency or institution should be reported in the "interagency receivables" column of the Receivables Summary Report. Questioned costs or expenditures incurred in excess of grant and contract provisions should not be considered receivables of the Commonwealth unless authorized by the grantor. These amounts should be included in the "accounts and taxes receivable" column of the Receivables Summary Report.

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Interagency Receivables Amounts owed to agencies and institutions by another Commonwealth of Virginia agency or institution for goods and services provided or any other type of transaction. These amounts are reported in the “interagency receivables” column of the Receivables Summary Report.

Loans/Notes Receivables Amounts owed to agencies and institutions on loans or other notes from individuals or organizations other than State agencies and institutions. These amounts are included in the “accounts and taxes receivable” column of the Receivables Summary Report.

Long-Term Receivables Over 1 Year The portion of a receivable that is not a current asset. The portion is due and payable beyond one year. Examples may include, but are not limited to, long-term loans and notes, and permanent travel advances (not reflected in CARS petty cash or travel advance accounts). These amounts are included in the “accounts and taxes receivable” column of the Receivables Summary Report.

Other Receivables Receivables that include amounts owed to an agency or institution for which a category has not otherwise been provided. Also included in this category are permanent travel advances that are being repaid and are not longer considered long term receivables any more. These amounts are included in the “accounts and taxes receivable” column of the Receivables Summary Report.

Past Due (Delinquent) Receivables Receivables for which payment has not been received by the payment due date.

Prospective Debtor A client making application for the delivery of goods or services in exchange for a promise to pay in the future (for example, an individual applying for admission to a college or university).

Recoveries on Accounts Written Off Amounts collected on accounts that have previously been written off the agency's accounting records.

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**Receivables
Summary
Report**

The DOA web-based Accounts Receivable Data Entry system screens are the on-line version of the Receivables Summary Report. This system must be used by all agencies and institutions to report their accounts receivable activity and balances each quarter (see subtopic “Submission of Reports.”). An Excel spreadsheet is available from DOA to assist agencies.

Write-Off

A transaction that removes an account which management has determined to be uncollectible from an agency's financial accounting records. Writing off the debt for accounting purposes does not discharge the debt. The debt is still owed to the Commonwealth, but is no longer reported on the agency's books as a receivable. Written-off receivables eligible for the debt setoff programs must be submitted to the appropriate setoff program.

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Procedures

Agency-Based Receivables Systems

Agencies and institutions should ensure that their accounting and financial management systems are adequate to properly account for, record, and manage their receivables, whether their systems are manual or automated.

The receivable systems of the State's agencies and institutions should:

- Bill accounts timely, whether the receivables are due from private entities, the federal government, localities, or state agencies and institutions. Accounts should be billed when goods are provided or services rendered, unless contractual requirements specify other billing terms or billing terms used are in accordance with industry standards. Payment terms should be thirty days after billing unless contractual requirements specify otherwise or payment terms used are in accordance with industry standards,
- Maintain an accurate record of receivables transactions,
- Maintain a control record that summarizes the receivables transactions,
- Effectively interface with other applicable agency-based accounting systems, for example, an agency-based general ledger system,
- Provide an aged trial balance of receivables. DOA requires that the following aging categories be used for Statewide reporting: 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days, 181 days - 1 year, and over 1 year,
- Provide information relative to specific collection efforts on each past-due account
- Provide realistic estimates of, and properly account for, doubtful accounts and provide adequate documentation of the methodology used (e.g., allowance method, direct write-off method, etc.) to estimate doubtful accounts,
- Provide management reports on the collection status of past-due accounts,
- Properly account for receivables that are written off,
- Recognize and report receivables in accordance with generally accepted accounting principles (GAAP) as required,
- Comply with federal and other contractual regulations regarding the accounting, reporting, and managing of receivables,
- Maintain a record of year-end receivable balances, and
- Provide for the accrual of interest and penalties as allowed or as required by law. (See subtopic "Interest, Administrative Charges and Penalty Fees.")

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Accounts Receivable Collection

The Virginia Debt Collection Act (*Code of Virginia*, Sections 2.2-4800 through 2.2-4808, *as amended*) establishes the overall policy of the Commonwealth that all agencies and institutions must take "...all appropriate and cost effective actions to aggressively collect all accounts receivable." The Act establishes the Attorney General's Office as the primary agency responsible for the provision of legal services. The Attorney General promulgates the necessary policies and procedures pertaining to legal issues and litigation of past-due accounts. Agencies are responsible for adhering to the provisions of the Attorney General's "Collection Procedures."

Collection requirements are detailed in the Act, by section, as follows:

- §2.2-4804 DOA and the Attorney General shall annually report to the Governor, the Secretary of Finance, and the Chairmen of the Senate Finance and House Appropriations Committees those agencies and institutions not making satisfactory progress toward implementing the provisions of the Act.
- §2.2-4800 All state agencies and institutions are subject to the Act and must have internal policies and procedures in accordance with regulations adopted by DOA and the Attorney General.
- §2.2-4805 Interest, administrative charges and penalty fees may be charged in accordance with guidelines established by DOA.
- §2.2-4806. A. Agencies shall take all appropriate and cost-effective actions to aggressively collect accounts receivable including, but not limited to the following:
- Credit Reporting Bureaus,
 - Collection Agencies,
 - Garnishments, Liens, and Judgments, and
 - Administrative Offset.
- B. *All accounts receivable of \$3,000 or more and more than 59 days past due must be forwarded to the Office of Attorney General, Division of Debt Collection for collection, except as otherwise provided in D. below.*

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C. All accounts receivable under \$3,000 and more than 59 days past due must be sent to a private collection agency. The accounts may be first offered to the Division of Debt Collection, but in any case except as noted in D. below, the accounts must be sent out for collection action.

D. Where an agency or institution has accounts receivable whose collection requirements are set by the federal government, the agency may elect to retain the accounts in house longer than 59 days. Likewise, where an agency has procedures in place to secure payment or the debtor is making satisfactory periodic payments, the agency may elect to retain the claim.

§2.2-4807 Agencies and institutions shall collect the minimum prescribed information (see subtopic "Minimum Prescribed Information") from clients and debtors and shall utilize this information, as well as information available from other State agencies, for the purpose of skiptracing debtors, as prescribed in the guidelines of DOA and the Attorney General.

§2.2-4808 In accordance with the guidelines issued by DOA and the Attorney General, agencies will delay or withhold certain State services from those persons who refuse to pay their debts.

Proper accounts receivable management means maintaining control over the accounts in accordance with the policies and procedures contained in the following documents:

- Office of the Attorney General, "Collection Procedures,"
- Government Data Collection and Dissemination Practices Act, *Code of Virginia*, Sections 2.2-3800 through 3809,
- Virginia Debt Collection Act, *Code of Virginia*, Sections 2.2-4800 through 4808,
- Fair Debt Collection Practices Act, United States Public Law 95-109, as amended
- Fair Credit Reporting Act, United States Public Law 91-508, Title VI, as amended, and
- Federal Communications Commission, "Use of Telephone for Debt Collection Purposes."

The Fair Debt and Credit Acts may be accessed online at the Federal Trade Commission's web site at www.ftc.gov/os, and then click on "statutes." The Federal Communications Commission may be accessed online at www.fcc.gov.

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Minimum Prescribed Information

Agencies should obtain the following minimum prescribed information on prospective debtors, whenever practical:

- Full name, and any previous name(s) if applicable,
- Home and office address(es) for the past two (2) years,
- Telephone numbers for home and place of employment,
- Federal Employer Identification Number (*Code of Virginia*, Section 2.2-4807),
- Social Security Number for individuals or sole proprietorships contracting with the State (*Code of Virginia*, Section 2.2-4354)
- For other individuals, Social Security Number and/or Driver's License Number (may be requested, but not required except as specifically provided for in law),
- Date of birth,
- Place and type of employment and employer's address, and previous employer if less than two (2) years in present job, and
- A credit bureau report may be required depending on the amount of the potential receivable and the guidelines of the agency or institution.

Individuals may not be denied service solely on the basis of refusal to provide a Virginia driver's license number or social security number. However, the Commonwealth requires a social security number from individuals seeking to contract with the State in a business relationship.

Agencies and institutions seeking information about individuals and businesses owing past-due accounts, in order to effectively pursue all available collection methods, should make use of the data files of the following agencies in accordance with each agency's policies and procedures governing the use of the data files.

Information regarding the procedures for using these data files can be obtained by contacting the respective agency. The on-line use of such files is encouraged where it is cost beneficial.

- Department of Motor Vehicles, Titles and Registration and Driver Licensing Divisions, for address information.
- Virginia Employment Commission, Unemployment Insurance Services Division, for home and/or business address, and wage and place of employment information.
- Department of Taxation, Office of Tax Operations, for address information.
- State Corporation Commission, Corporate Operations, for corporation and partnership business address information.

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Use of Specific Collection Techniques

The *Code of Virginia*, Section 2.2-4806 A. states that agencies and institutions shall use, but not be limited to, the following practices or procedures for collecting accounts receivable:

- **Credit Bureaus:** Use the credit bureaus to report past-due accounts, gain information on past-due accounts, and, where applicable, determine the credit potential of a prospective account. Statewide contracts with collection agencies require that the full service collection agencies use credit bureaus.
- **Collection Agencies:** Unless it can be shown not to be cost effective or in violation of federal regulations, agencies and institutions shall contract with collection agencies, or use the Statewide contracts, to collect past-due accounts. If the debtor has agreed in advance to pay a fee when the debt is referred to a collection agency, or if the debtor has been placed on notice in advance, then the agency may recover the amount of the collection fee unless prohibited by the *Code of Virginia*.

The Division of Purchases and Supply has awarded a statewide contract for Collection Services for Accounts Receivable. Use of this contract is voluntary for agencies and institutions that currently have a contract established through competitive procurement procedures. Agencies and institutions that do not currently have a contract and are unable to use in-house procedures to collect accounts receivable are required to use the above-referenced contract or establish a contract through competitive procedures.

- **Garnishments, Liens, and Judgments:** When such measures are deemed to be cost effective, agencies shall obtain garnishments of debtors' wages, liens against debtors' assets, or judgments from the court in an effort to collect the funds due.
- **Administrative Offset:** See subtopic, "Debt Setoff Programs," for information on the individual income tax setoff program and the Comptroller's Debt Setoff program. Agencies are encouraged to establish an internal setoff procedure to match agency accounts receivable with agency payments.

Effective July 1, 1998, *Code of Virginia*, Section 2.2-804, authorizes the collection of improper payments from either the employee to whom the payment was made or the employee who authorized the improper payment.

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Suggested Past-Due Account Collection Guidelines Each agency is responsible for establishing account collection policies and procedures that meet the requirements set by the Code of Virginia, the Appropriation Act, DOA and the OAG. Suggested guidelines for meeting these requirements are illustrated in the following table.

Age of Accounts	\$ 1 - 999	\$ 1,000 - 2,999	\$ 3,000+
1-30 days past due	Mail first past-due letter, including notification of <u>Code §2.2-4805</u> actions (see subtopic "Interest, Administrative Charges and Penalty Fees").	Mail first past-due letter, including notification of <u>Code §2.2-4805</u> actions (see subtopic "Interest, Administrative Charges and Penalty Fees").	Mail first past-due letter, including notification of <u>Code §2.2-4805</u> actions (see subtopic "Interest, Administrative Charges and Penalty Fees").
		Make phone contact and get a promise to pay.	Make phone contact and get a promise to pay.
31-59 days past due	Mail second and third past-due letter, including notification of <u>Code §2.2-4806</u> actions (see subtopic "Use of Specific Collection Techniques").	Mail past-due letters every two weeks (2/mo.) with notification of <u>Code §2.2-4806</u> actions (see subtopic "Use of Specific Collection Techniques").	Mail past-due letters every two weeks (2/mo.) with notification of <u>Code §2.2-4806</u> actions (see subtopic "Use of Specific Collection Techniques").
	Send to Debt Setoff Programs (required: see subtopic "Debt Setoff Programs").	Send to Debt Setoff Programs (required: see subtopic "Debt Setoff Programs").	Send to Debt Setoff Programs (required: see subtopic "Debt Setoff Programs").
	Make phone contact and get a promise to pay.	Make 2 nd phone contact, renegotiate, and send confirmation letter.	Make 2 nd phone contact, renegotiate, and send confirmation letter.
60 + days past due	Send to private collection agency or Office of the Atty. General, Div. of Debt Collection.	Send to private collection agency or Office of the Atty. General, Div. of Debt Collection.	Send to Office of the Atty. General, Div. of Debt Collection (see subtopic "Referral to the Office of the Attorney General").
	List debt and debtor with a credit reporting bureau; refuse additional service to the delinquent debtor where this does not conflict with Federal or State laws (see subtopic "Provision of State Services to Delinquent Debtors").	List debt and debtor with a credit reporting bureau; refuse additional service to the delinquent debtor where this does not conflict with Federal or State laws (see subtopic "Provision of State Services to Delinquent Debtors").	List debt and debtor with a credit reporting bureau; refuse additional service to the delinquent debtor where this does not conflict with Federal or State laws (see subtopic "Provision of State Services to Delinquent Debtors").

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Interest, Administrative Charges and Penalty Fees

The *Code of Virginia*, Section 2.2-4805, allows agencies to impose additional charges on past due accounts in certain instances as described below. These charges include interest, late fees, administrative costs, and attorney’s fees. Please note, however, that even where charges are permitted, an agency generally may not impose all of these charges on any one account. For example, if the account is referred to an attorney for collection, it is unlikely that a court would award administrative costs in addition to attorney’s fees. Where appropriate, however, interest may be charged in addition to allowable fees.

Generally, interest, charges and fees may only be assessed against a debtor where the debtor has agreed in advance to pay for them (such as in a contract) or has been placed on sufficient notice before incurring the debt. Agencies and institutions should notify in writing anyone who receives goods and/or services from the Commonwealth of the intent to impose collection charges, thereby giving notice in advance. If there is any question as to the propriety of asserting a claim for such fees and charges, contact the Division of Debt Collection at the Office of the Attorney General (804) 786-1133.

Every agency of the Commonwealth should include the following language in its publications and service contracts, and post signs in its public areas:

Notice of Fees and Charges

“The public is hereby placed upon notice that failure to pay in full at the time goods, services, or treatment are rendered or when billed will result in the imposition of interest at the rate of XX% per month on the unpaid balance. Returned checks will incur a handling fee of \$XX. If the matter is referred for collection to an attorney or to a collection agency, then the debtor will be liable for attorney’s fees or additional collection fees of XX% of the then unpaid balance. Requesting goods or services (including medical treatment) will be deemed to be acceptance of these terms.”

Collection related charges and fees include the following items:

- **Interest:** Interest at the underpayment rate established pursuant to Section 6621 (a)(2) of the Internal Revenue Code as prescribed in the *Code of Virginia*, Section 58.1-15 unless an alternative rate has been prescribed by State or federal law or regulation. Agencies should contact the Office of Tax Operations, Virginia Department of Taxation, to obtain the rate currently being charged.

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- **Late Penalty Fees:** Late penalty fees of not more than ten percent of the past due amount.
 - **Administrative Costs:** Administrative costs actually incurred in pursuing and collecting the past-due amount.
 - **Attorneys' Fees:** Attorneys' fees incurred in pursuing and collecting past-due amounts, whether billed by the Office of the Attorney General or by an outside attorney approved by the Office of the Attorney General.
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Debt Setoff Programs

- **Submission of Past Due Receivables to Debt Setoff**

Agencies are required to submit all receivables that are 30 days past due, including written off receivables but excluding the exceptions noted, to the appropriate setoff program(s). The following past due receivables are exempt from submission to the setoff programs:

- from businesses or individuals in bankruptcy,
- from individuals if the administrative cost of submitting the debt to the Individual Setoff program exceeds the debt, and,
- where the responsible party is unknown or has yet to be determined.

The required minimum frequency of submission of past due accounts receivable, including written off receivables, to either of the debt setoff programs (Individual or Comptroller's/Vendor) is subsequent to the receivable becoming 30 days past due but prior to the receivable reaching 60 days past due.

Past due receivables may be submitted or updated as frequently as daily by any agency registered for the debt setoff programs.

Each debt submitted and accepted into either of the debt setoff programs is assigned to a calendar year. Debts are only setoff in the assigned calendar year.

Agencies' debts do not automatically carry forward from one assigned calendar year to the next. Between November 1 and December 20 of each year agencies need to resubmit any previously submitted debts that are still unpaid.

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- **Setoff Debt Collection Act**

The General Assembly established the Setoff Debt Collection Act (*Code of Virginia*, Sections 58.1-520 through 58.1-535). The Act provides that Virginia individual income tax refunds are subject to State, local government, and courts claims. A refund in whole or in part may be applied against any past due indebtedness owed the State, local government or court.

The Setoff Debt Collection Act must be incorporated into an agency's collection procedures. Furthermore, the *Code of Virginia*, Sections 58.1-521 and 58.1-522 require State agencies and institutions to submit for collection all delinquent debts which they are owed by individuals, provided the administrative cost of submitting the debt does not exceed the amount of the past due debts. Past due debts include those that have been written off as uncollectible for financial statement reporting purposes as well as those that are still in the collection process.

The Tax Commissioner has promulgated rules relating to implementation of the Act. Copies of Setoff Debt Collection Act regulations may be obtained from the Department of Taxation, Debt Setoff Unit.

Refer to the “User’s Guide” issued by the Department of Taxation for more information on the submission and setoff of claims (past-due accounts receivable) for the Individual Setoff program.

- **Comptroller's Debt Setoff Program**

The Comptroller's Debt Setoff (CDS) program, also known as the Vendor Setoff program, is authorized by the *Code of Virginia*, Sections 2.2-4800 through 2.2-4808. CDS provides State agencies an additional method for the collection of past due accounts receivable owed to the State primarily by businesses and individuals acting in a business capacity. Under the CDS program, a payment made by the State to the debtor may be withheld, in full or in part, to satisfy the debt owed the State.

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Agencies are required to submit all 30 days past-due business receivables, with the exception of receivables of entities in bankruptcy and those for which the responsible party has yet to be determined, to the Department of Taxation for inclusion in the Comptroller's Debt Setoff Program.

Refer to the detailed "User's Guide" issued by the Department of Taxation for more information on the submission and setoff of claims (past due accounts receivable) for the Comptroller's Debt Setoff program. Copies may be obtained by calling (804) 367-8380.

Provisions of State Services to Delinquent Debtors

Agencies and institutions shall develop internal policies and procedures for delaying or withholding certain state services to persons who refuse to pay their debts (*Code of Virginia*, Section 2.2-4808). This policy shall not be interpreted to be in conflict with the policies of any State-supported hospital and shall not be the basis of denying necessary mental health or medical assistance or other similar services deemed necessary under Federal or State laws to any individual.

Institutions of higher education shall develop policies and procedures to ensure that no student having any outstanding past-due accounts with that institution is allowed to enroll for the next year.

Referral to the Office of the Attorney General

The Office of the Attorney General, Division of Debt Collection is the primary agency responsible for the provision of all legal services and advice related to the collection of accounts receivable, pursuant to the *Code of Virginia*, Section 2.2-4803.

When it is apparent that compromise of an account is justified (i.e., a formal settlement is to be made by the OAG with part or all of the debt paid and the remainder discharged), the account shall be forwarded immediately to the Attorney General's Office, Division of Debt Collection.

Where the agency has other procedures to secure payment (such as refusal to issue diplomas, refusal to issue licenses, or the ability to institute legal proceedings), it may elect to retain the file pending the results of such procedures.

Where the debtor is paying a debt in periodic payments satisfactory to the agency, the account may be retained beyond 60 days, until the account is satisfied.

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Each agency and institution is required to send all accounts of \$3,000 or more to the Division of Debt Collection, Office of the Attorney General, except for those cases identified in the law and federal regulations, or where an agency or institution has procedures to secure payment.

In the same manner all accounts under \$3,000 must be delivered into the hands of outside collectors. The accounts may be offered first to the Division of Debt Collection or sent directly to a Private Collection Agency.

Any agencies and institutions that are in noncompliance with the requirements of the *Code*, particularly Section 2.2-4806, will be reported in the Quarterly Management Report.

For detailed procedures regarding submission of past-due accounts to the OAG, please refer to the "Collection Procedures" issued by the Division of Debt Collection. A copy may be obtained from that office ((804) 786-1133) or from the DOA contact listed at the end of this topic.

Establishing An Allowance For Doubtful Accounts

Management should establish an allowance for doubtful accounts to reflect the amount of an agency's receivables that management estimates will be uncollectible. The establishment of an allowance account ensures that the agency's receivables are not overstated for financial reporting purposes.

The method of establishing an allowance for doubtful accounts is left to the agency's discretion. However, the estimated allowance should be based upon historical data or other pertinent information relative to the receivables in question. If an agency needs guidance in establishing an allowance for doubtful accounts, DOA's Financial Reporting Unit should be contacted.

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Uncollectible Accounts

- **Write-Off of Uncollectible Accounts**

Accounts should be written off an agency's financial accounting records when all collection procedures, including those required by the OAG, have been conducted without results and management deems the accounts uncollectible. Accounts due from individuals or vendors must be submitted to the Department of Taxation for setoff debt proceedings at least once prior to write off. For further details, see subtopic "Debt Setoff Programs." After write off, these accounts shall continue to be submitted to the Department of Taxation for debt setoff proceedings.

Agencies are not required to obtain approval from the OAG to write off uncollectible accounts. However, the Comptroller requires that the reasons for writing off an account and compliance with the agency's write-off policy must be adequately documented. Such documentation must be readily available for audit.

Interagency receivables cannot be written off without the approval of the Department of Accounts. If an agency is unable to collect receivables from another state agency, the agency should contact DOA's Financial Reporting Unit for assistance. The Comptroller has the authority to process the interagency transactions considered necessary under the circumstances.

Federally sponsored student loans should be written off and no longer considered a debt of the agency when assigned to the U.S. Department of Education or other applicable federal agency.

- **Accounting for Receivables Written Off**

Uncollectible accounts may be written off of an agency's financial accounting records and no longer recognized as collectible receivables for financial reporting purposes, but the legal obligation to pay the debts still remains. Accounts written off remain debts of the agency until discharged by the Office of the Attorney General or collected. The certification by the OAG that further measures to collect a debt are not appropriate does not discharge a debt.

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Guidelines for Uncollectible Receivables Written Off

Guidelines to account for uncollectible receivables that have been written off are outlined below:

Amount	Action
\$25.00 and more	Summary level record of the accounts sufficient to substantiate the debt is to be retained indefinitely or until the debt has been collected or discharged.
\$25.00 or less	Records must be retained for two years.
Control Total Amount	Maintain and report to the Comptroller quarterly in the Analysis of Uncollectible Debts section of the Receivables Summary Report.
Indigent Care or Contractual Adjustment	The procedures to account for uncollectible receivables do not apply. Agencies should adhere to applicable indigent care regulations and/or applicable insurance contractual agreements.

Reporting of Receivables

Agencies and institutions must report accounts receivable to DOA's Financial Reporting Unit quarterly.

Agencies that do not generate receivables must submit an annual memorandum to DOA's Financial Reporting Unit, no later than September 1 of each year, certifying that:

- The agency had no receivables as of June 30, and,
- The agency does not anticipate generating receivables during the current fiscal year.

Agencies must begin reporting receivables if operating conditions change to the extent that receivables are generated.

Submission of Reports

On or before September 1 of each year, agencies and institutions must prepare and enter their data into DOA's web-based Accounts Receivable Data Entry system summarizing their receivables as of the previous June 30.

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The report should be retained by the agency in support of the balances reported in their annual financial statements, where applicable. Notwithstanding any other provisions of this section, agencies that discover material differences in the status of their receivables after the September 1 report must immediately provide DOA with a corrected copy of their June 30 receivables report.

On or before November 15, February 15, and May 15, agencies and institutions must prepare and enter their data into DOA's web-based Accounts Receivable Data Entry system summarizing their receivables for the quarters ended September 30, December 31, and March 31, respectively. Copies of the reports should not be forwarded to the Office of the Attorney General.

All colleges, universities, and other institutions of higher education must submit to the Department of Accounts, Financial Reporting Unit, a copy of the report transmitted to the Federal government on the status of Perkins loans (FISAP report) on the date required by the Federal government each year.

Preparation of the Receivables Summary Report

The Receivables Summary Report must be completed and submitted by keying the accounts receivable information into the DOA web-based Accounts Receivable Data Entry system.

An agency or institution may use the DOA-provided electronic spreadsheet to summarize accounts receivable information. This spreadsheet can then be used as the tool for keying the accounts receivable information into the DOA web-based Accounts Receivable Data Entry system.

The following are detailed instructions for the preparation of the Receivables Summary Report. The numbered items correspond with the bracketed numbers shown on the Sample Receivables Summary Report and the report areas on the DOA web-based Accounts Receivable Data Entry system.

Report Area No.	Report Area	Activity
1	Beginning Gross	Must agree to "Ending Gross" as reported in the preceding quarter's report. Any changes between beginning and ending receivable balances should be recorded under "Adjustments."
2	Adjustments	Include changes or corrections made to a prior quarter's receivable balances.

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
3	Billings	Receivables should be recognized at the time goods or services are provided, even if the charge will not be billed until a subsequent quarter.
4	Collections	Represent all payments towards billings or accounts received by the agency.
5	Write-offs	Receivables that have been determined to be uncollectible or worthless by management and have been removed from the agency's financial records. Federally sponsored student loans that have been assigned to the U.S. Department of Education or other Federal Agency for collection should also be reported as written off.
6	Allowance	An estimate of the amount of gross receivables which will be uncollectible. Interagency accounts should not have an allowance.
7	Not Past-Due	Receivables that are not presently due for collection or are currently due for collection but have not passed the payment due date. Permanent advances to employees (e.g., Travel) should be reported under this heading.
8	Past-Due	Receivables that have not been paid by the payment due date. Receivables should begin to be aged as of the date they become past-due. When a payment on an account becomes past-due and the account requires more than one payment, such as a loan, only the current payment should be reported as past-due unless the terms of the agreement contain an acceleration clause. All agencies' systems must age receivables based on the aging categories contained in the report criteria.

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
9	Long-term Receivables Over 1 Year	This column will include only that portion of a receivable which is not a current asset (not due and payable for a period exceeding 1 year). Agencies reporting any receivables in this column of the Quarterly Report form must explain the nature of and list the amount of the receivables, in detail, in a footnote to the Quarterly Report.
10	Federal Student Loans	This column should include all Federally sponsored student loan related accounts receivable. Typical loan programs include, but are not limited to Perkins (NDSL) and Health Professional Student Loans (HPSL). The agency should report the total amount outstanding of both current and deferred loans in this column. Accounts returned to the Federal Government for collection should be disclosed as a write-off on page one of the report form, but should not be shown in the Uncollectible Debt section on page two of the report form.
11	<i>Collection Status of Accounts Over 60 Days Old</i>	<i>Receivables In-House include all receivables over 60 days past due that are not currently assigned to a Private Collection Agency or to the Office of the Attorney General Debt Collection Section. Private Collection Agencies include any business or concern that has been engaged by the agency to collect a past-due receivable. Note that Private Collection Agencies may not engage attorneys to collect any of the Commonwealth's debts. Agencies must disclose the reason why any account over 60 days past due is not listed with the Attorney General or with a Collection Agency. (Space is provided at the bottom of page two of the report form.)</i>

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
12	Beginning Uncollectible	<p>Must agree to "Ending Uncollectible," as reported on the prior quarter's Receivables Summary Report. The amount reported in this category should be a total of all accounts previously written off by the agency that have not been subsequently recovered or discharged and that can be substantiated (the agency has documentation to support the debt). This total should be carried forward each quarter unless an account included in the total is recovered or discharged.</p> <p>NOTE: The write-off of indigent care or contractual adjustment accounts should not be included in this total. The write-off of federally sponsored student loans that have been assigned to a federal agency for collection should not be included in this total.</p>
13	Recoveries	<p>Debts collected after they have been written off the agency's financial accounting records. Recoveries should be deducted from the "Analysis of Uncollectible Debts" Section and reported as both an adjustment and collection in the Quarterly Activity Section. Recoveries on indigent care accounts and Federally sponsored student loans assigned to a federal agency for collection should be reported as both an adjustment and collection in the Quarterly Activity Section.</p>
14	Write-offs	<p>Accounts written off during the quarter should be reported here and should match the amount disclosed on page 1 of the report form (in most cases). The write-offs should continue to be reported in future quarters under "Beginning Uncollectible" unless the accounts written off are subsequently recovered or discharged by the OAG. (Indigent care and contractual adjustment accounts should not be included in this total. Federally sponsored student loans assigned to the U.S. Department of Education or other federal agency should not be included in this total).</p>

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
15	Amounts Discharged	Only debts discharged by the OAG should be reported in this category. As discussed in subtopic, "Uncollectible Accounts," certification by the OAG that further measures to collect a debt are not appropriate does not constitute a discharge. An agency should have documentation from the OAG that specifically states that an account has been discharged prior to reporting it in this category. (The Department of Taxation, Virginia Employment Commission, the Department of Social Services, and the State Corporation Commission should report amounts discharged in this category in accordance with their authority as stipulated in the <i>Code of Virginia</i>).
16	Detail of Collection Efforts on Past-Due Receivables	The total dollar amount of all receivables activity for accounts listed with the Office of the Attorney General Debt Collection Section, Collection Agencies, and Department of Taxation debt setoff programs (both Individual and Comptroller's) should be disclosed under the appropriate section. Debt Setoff Collection requirements are explained in subtopic "Debt Setoff Programs." For the purposes of this report, the amount reported here should be the total of the accounts referred to the Department of Taxation for Individual setoff debt proceedings in accordance with the <i>Code of Virginia</i> , Sections 58.1-520 through 58.1-534, and for Comptroller's Debt Setoff proceedings as authorized by the <i>Code of Virginia</i> , Sections 2.2-4800 through 2.2-4808.

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
		The amounts disclosed do not have to agree with the amounts disclosed as over 60 days past-due earlier in this report form. Accounts that have been written off by the agency, but are still listed with the Attorney General, Taxation (in the debt setoff programs), or a collection agency, should be disclosed in this section. If an account is listed with both Taxation and a collection agency, or with Taxation and the Attorney General, the account should be disclosed under both sections. Accounts should never be listed with both the Attorney General and a collection agency at the same time. In addition, if an account has been referred out for collection, the agency must discontinue its in-house collection efforts, with the exception of debt setoff proceedings. The “Beginning Gross” amount must match the prior quarter's “Ending Gross” amount. The reason for any adjustments should be disclosed at the bottom of page 3.

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Preparation of the Receivables Summary Report (continued)

Report Area No.	Report Area	Activity
17	Receivables by Type	In this section of the report, agencies should classify total gross receivables by the source of the account. Total interagency receivables should be equal to total gross interagency receivables at the end of the quarter which were reported on page 1 of the form. If it is not cost effective for an agency to provide the exact dollar amount of receivables in each category, estimates are acceptable. The agency should keep documentation to support the method of estimation. The total of gross receivables disclosed in this section must equal total gross receivables at the end of the quarter which were reported on page 1 of the form.
18	Receivables by Fund	A breakdown of receivables by the fund in which they will be recorded when received, should be disclosed on pages 4 and 5 of the report form. Total gross, allowance for doubtful accounts, and collectible receivables disclosed on page 5 must be equal to gross, allowance for doubtful accounts, and collectible receivables which were disclosed on page 1 of the report form. Each column total on page 5 must be equal to the corresponding column total in the Quarterly Activity section of page 1 of the report form.

Sample Receivables Summary Reports

The following illustrations present the quarterly Receivables Summary Report for reference. An Excel spreadsheet of the Report is available from DOA in order to facilitate accurate data entry into the DOA Receivables Data Entry system, located on the internet at <https://secure.doa.virginia.gov/receivable>.

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COMMONWEALTH OF VIRGINIA
RECEIVABLES SUMMARY REPORT-BY TYPE

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For Quarter Ending: _____ Sec Area: _____ Agency Name: _____ Agency Number: _____

QUARTERLY ACTIVITY	Accounts and Taxes Receivable	Interagency Receivables	Subtotal Current Receivables	⁽⁹⁾ Long Term Receivables Over 1 year	⁽¹⁰⁾ Federal Student Loans	Total Receivables
(1) Beginning Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
(2) Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
(3) Billings	0.00	0.00	0.00	0.00	0.00	0.00
(4) Collections	0.00	0.00	0.00	0.00	0.00	0.00
(5) Write-Offs	0.00	0.00	0.00	0.00	0.00	0.00
Ending Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00
(6) (Less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible Receivables	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00

AGING OF TOTAL GROSS RECEIVABLES						
(7) Not Past Due	\$ 0.00	\$ 0.00	0.00	0.00	0.00	0.00
(8) <u>Past-Due:</u>						
1-30 Days	0.00	0.00	0.00	0.00	0.00	0.00
31-60 Days	0.00	0.00	0.00	0.00	0.00	0.00
61-90 Days	0.00	0.00	0.00	0.00	0.00	0.00
91-120 Days	0.00	0.00	0.00	0.00	0.00	0.00
121-180 Days	0.00	0.00	0.00	0.00	0.00	0.00
181 Days-1 Year	0.00	0.00	0.00	0.00	0.00	0.00
Over 1 Year	0.00	0.00	0.00	0.00	0.00	0.00
Total Past-Due	\$ 0.00	\$ 0.00	0.00	0.00	0.00	0.00
Total Gross Receivables	\$ 0.00	\$ 0.00	0.00	0.00	0.00	0.00

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**COMMONWEALTH OF VIRGINIA
RECEIVABLES SUMMARY REPORT-BY TYPE**

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For Quarter Ending: _____ Sec Area: _____ Agency Name: _____ Agency Number: _____

COLLECTION STATUS OF OVER 60 DAY OLD ACCOUNTS	<u>Accounts and Taxes Receivable</u>	<u>Interagency Receivables</u>	<u>Subtotal Current Receivables</u>	⁽⁹⁾ <u>Long Term Receivables Over 1 year</u>	⁽¹⁰⁾ <u>Federal Student Loans</u>	<u>Total Receivables</u>
(11) In-House *	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(11) Collection Agency	0.00	0.00	0.00	0.00	0.00	0.00
(11) Attorney General	0.00	0.00	0.00	0.00	0.00	0.00
Total Over 60 Days	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

* Explain at the bottom of this page why receivables over 60 days past-due (except interagency) are not listed with a Collection Agency or the Attorney General.

ANALYSIS OF UNCOLLECTIBLE DEBTS

(12) Beginning Uncollectible	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Adjustments (explain below)	0.00	0.00	0.00	0.00	0.00	0.00
(13) (less) Recoveries	0.00	0.00	0.00	0.00	0.00	0.00
(14) (add) Write-offs	0.00	0.00	0.00	0.00	0.00	0.00
(15) (less) Discharges	0.00	0.00	0.00	0.00	0.00	0.00
Ending Uncollectible	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Briefly explain adjustments recorded in this Quarterly Receivables Report in the space below:

Explain in detail why receivables over 60 days past-due (except interagency) are not listed with a Collection Agency or the Attorney General in the space below.

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**COMMONWEALTH OF VIRGINIA
RECEIVABLES SUMMARY REPORT-BY TYPE**

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For Quarter Ending: _____ Sec Area: _____ Agency Name: _____ Agency Number: _____

(16) **DETAIL OF COLLECTION EFFORTS ON PAST-DUE RECEIVABLES**

<u>Accounts Sent Out for Collection:</u>		<u>Attorney General's Office</u>		<u>Collection Agencies</u>		<u>Tax Debt Setoffs</u>		<u>Totals</u>
Beginning Gross Receivables Sent Out:	\$	0.00	\$	0.00	\$	0.00		0.00
Adjustments (explain below)		0.00		0.00		0.00		0.00
Add: Receivables Sent Out:		0.00		0.00		0.00		0.00
Less: Collections:		0.00		0.00		0.00		0.00
Less: Accounts Returned but not Discharged:		0.00		0.00		0.00		0.00
Less: Accounts Discharged :		0.00		0.00		0.00		0.00
Ending Gross Receivables Sent Out For Collection:	\$	0.00	\$	0.00	\$	0.00	\$	0.00

Explanation of Adjustments to 1, 2, & 3 of Collection Efforts on Past-Due Receivables:

(17) **RECEIVABLES BY TYPE**

	<u>Dollar Amount</u>	<u>Percent of Gross</u>
Receivables from Individuals:	\$ 0.00	#DIV/0!
Receivables from Private Businesses:	0.00	#DIV/0!
Interagency Receivables:	0.00	#DIV/0!
Federal Government Related Receivables:	0.00	#DIV/0!
Other Receivables:	0.00	#DIV/0!
Total Gross Receivables	\$ 0.00 *	#DIV/0!

* Must equal the current quarter's ending gross receivables reported on page 1 of this form.

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For Quarter Ending: _____ Sec Area: _____ Agency Name: _____ Agency Number: _____

(18) Fund/Fund Detail	Accounts/ Taxes Receivable	Interagency Receivables	Subtotal Current Receivables	(9) Long Term Receivables Over 1 year	(10) Federal Student Loans	Total Receivables
0100 General Fund - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0100	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0200 Special Rev - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0200	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0300 Higher Ed - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0300	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0400 Highway Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0400	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0500 Enterprise - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0500	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0600 Int Serv - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0600	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0700 Trust - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0700	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0800 Debt Service - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0800	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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For Quarter Ending: _____ Sec Area: _____ Agency Name: _____ Agency Number: _____

(18) Fund/Fund Detail	Accounts/ Taxes Receivable	Interagency Receivables	Subtotal Current Receivables	(9) Long Term Receivables Over 1 year	(10) Federal Student Loans	Total Receivables
0900 Ded Special - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 0900	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
1000 Federal - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible 1000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(20) Local Funds - Gross	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible Local	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Gross Receivables	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
(less) Total Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Collectible Total	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Certification: I hereby certify that the data contained in this report is accurate and complete.

Preparer: _____
Name _____ Email Address _____ Title _____ Phone Number _____ Date _____

Fiscal Officer: _____
Name _____ Email Address _____ Title _____ Phone Number _____ Date _____

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Recording Receivables in the Accounts Receivable Data Entry System

After an agency has prepared their Accounts Receivable Summary Report, the report can then be used as tool to enter the data into DOA's web-based Accounts Receivable Data Entry system. In order to access the web-based system, an Accounts Receivable Security Authorization Request must be completed and forwarded to DOA. A copy of this form can be downloaded from DOA's website at www.doa.virginia.gov. There is also an Accounts Receivable Data Entry User's Guide available for downloading from DOA's website. Refer to the User's Guide for any questions regarding the web-based data entry system.

Recording Receivables in CARS

Currently, agencies are not required to record their detailed receivables in CARS.

However, the State General Ledger Accounts (GLA's) and transaction codes necessary to record receivables in CARS are outlined below so that an agency may maintain a record of its receivables in CARS for its own purposes.

Accounts receivable represent amounts owed the agency from individuals and organizations (but not other State agencies and institutions) for goods and services furnished, uncollected taxes, licenses, and other fees furnished or provided by the agency. These amounts can be recorded in CARS in total via an ATV as of the end of an accounting period. This entry is offset in GLA 799, "Net Accrual Adjustments."

TRANS. CODE 950 - ACCOUNTS RECEIVABLE - INCREASE

Debit Accounts Receivable (GLA 205)
 Credit Net Accrual Adjustments (GLA 799)
 To record accounts receivable for the accounting period.

At the beginning of the new accounting period the above entry should be reversed, as shown below:

TRANS. CODE 974 - ACCOUNTS RECEIVABLE - DECREASE

Debit Net Accrual Adjustments (GLA 799)
 Credit Accounts Receivable (GLA 205)
 To reverse accounts receivable entry for the prior accounting period.

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Insufficient Funds (NSF) Checks Receivable

NSF checks receivable represent the total amount of NSF checks from individuals and organizations received and deposited by the agency but then returned by the bank to the agency because sufficient funds were not available to honor the checks. When this occurs, the agency must attempt to redeposit the check at least one more time. If the bank notifies the agency that the check(s) still cannot be honored, the agency can process the NSF check(s) in one of two ways:

1. The agency buys back the check using Transaction Code 962 on a State Voucher form DA-02-038) which creates a State check and a receivable (see CAPP Topic No. 20310, "Expenditures"). If the payment is subsequently received, the receivable is decreased and cash is increased via a deposit certificate (see CAPP Topic No. 20205, "Deposits")

TRANS. CODE 962 - RECEIVABLES - NSF CHECKS(S) - INCREASE

Debit Receivables — NSF Check(s) (GLA 210)
Credit Cash (GLA 101)

To record the reimbursement check written to the bank to offset the NSF check previously deposited.

TRANS. CODE 002 - RECEIVABLES - NSF CHECKS(S) - DECREASE

Debit Cash (GLA 101)
Credit Receivables — NSF Check(s) (GLA 210)

To record the collection of funds to cover the NSF check from the payee.

2. The agency buys back the check(s) using the agency petty cash fund. In this way the agency would avoid issuing another State check and will replenish the petty cash fund when payment is received. (See CAPP Topic No. 20330, "Petty Cash")

If an NSF check is deemed by management of the agency to be a bad debt, it may be written off using Transaction Code 963, which reduces the receivable and decreases revenue. The entries using Transaction Code 963 are recorded in CARS via an ATV.

TRANS. CODE 963 - RECEIVABLES - NSF CHECKS(S) - DECREASE

Debit Revenue (GLA 961)
Credit Receivables — NSF Check(s) (GLA 210)

To record the write-off of the NSF checks. The revenue source code to be debited is 01201 — "Bad Debt Expense."

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Other Receivables

Other receivables represent all other receivables for which a separate receivables category has not been designated. It represents miscellaneous amounts owed by individuals and organizations (other than State agencies) for goods and services furnished by the agency. These amounts can be recorded in total via an ATV as of the end of the accounting period. This entry is offset in GLA 799, "Net Accrual Adjustments." At the beginning of the new period this entry should be reversed.

TRANS. CODE 968 - OTHER RECEIVABLES - INCREASE

Debit Other Receivables (GLA 211)
 Credit Net Accrual Adjustments (GLA 799)
 To record other receivables for the accounting period.

TRANS. CODE 969 - OTHER RECEIVABLES - DECREASE

Debit Net Accrual Adjustments (GLA 799)
 Credit Other Receivables (GLA 211)
 To reverse other receivables entry for the prior accounting period.

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Internal Control


General

Each agency and institution should implement internal control procedures to assure that:

- Accounts receivable policies and procedures are in accordance with Attorney General and Comptroller requirements, clearly stated, and systematically communicated through manuals, handbooks or other media.
 - All receivables transactions are properly and accurately recorded, aged, and accounted for in the agency-based accounting system.
 - All billings are timely and are accurately recorded and documented on the date the revenue transaction is completed, or on the nearest normal billing cycle date.
 - All collections on accounts receivable are deposited and recorded in a timely manner, and reflect the source and date of payment.
 - All adjustments, write-offs and discharges are properly authorized, documented, and made in accordance with established policies, procedures and legal requirements.
 - Uncollected accounts are periodically reviewed and collection actions are taken in accordance with established policies, procedures and legal requirements.
 - Account balances are aged periodically and reviewed by an official not involved in cash receipts and disbursements.
 - Recorded balances of receipts and accounts receivable and related transaction activity should be periodically substantiated and evaluated.
 - Required report information *is* accurately prepared, keyed and transmitted to the DOA web-based Accounts Receivable Data Entry system by *the* due date.
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DOA Contact

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Subject Cross References

References CAPP Topic No. 20205, *Deposits*
CAPP Topic No. 20310, *Expenditures*
CAPP Topic No. 20315, *Prompt Payment*
CAPP Topic No. 20405, *Inter-Agency Transactions*
Department of Accounts' *Accounts Receivable Data Entry User's Guide*
