

Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the on-going effectiveness of agencies in managing their accounts receivable.

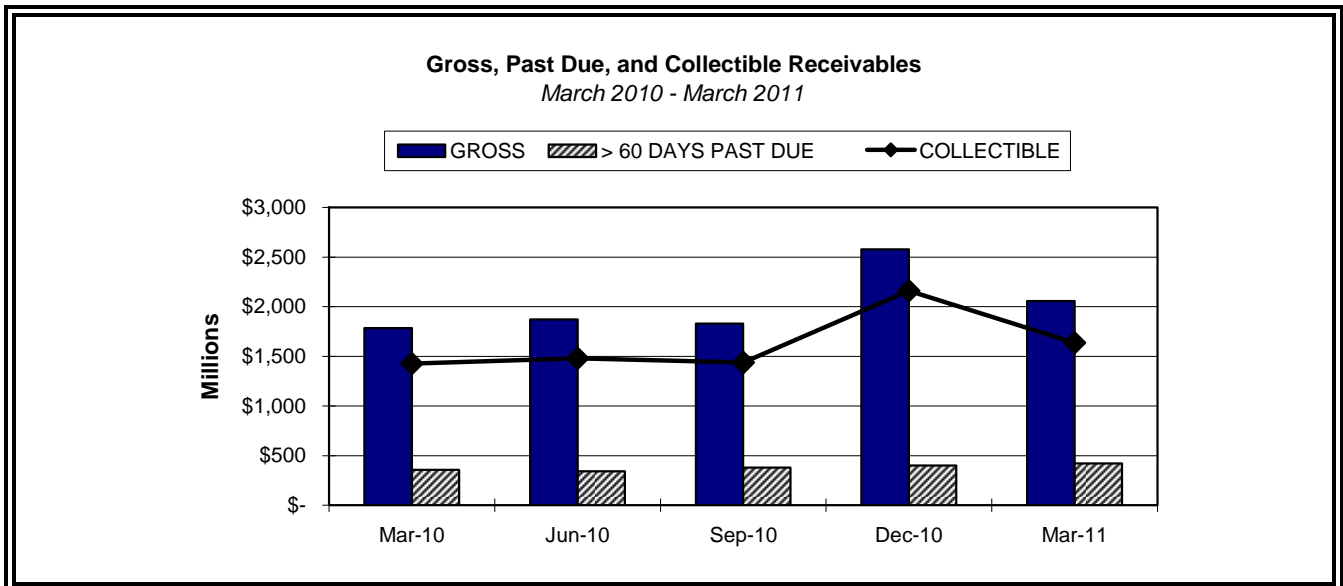
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.06

billion at March 31, 2011, with \$1.63 billion considered collectible. Receivables over 60 days past due as of March 31, 2011, totaled \$418.5 million. Of that amount, \$17.2 million was placed with private collection agencies, \$38.6 million was placed with the Division of Debt Collection and \$362.7 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special challenges in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of the state's receivables.

Further, the majority of the significant outstanding receivable balances have statutory or other restrictions specifying the distribution of any collections. The collection of the outstanding receivable balances would not provide additional resources to fund the Commonwealth's operations.



As of March 31, 2011, agencies expected to collect \$1.63 billion (79 percent) of the \$2.06 billion adjusted gross receivables. About 2 percent is due to the General Fund, primarily for benefit recoveries and sales of permits.

The balance, which contains Medicaid penalties that are no longer revertible, is due to several nongeneral funds.

Collectible Receivables by Fund

Not Including Circuit Courts, District Courts, or Department of Taxation

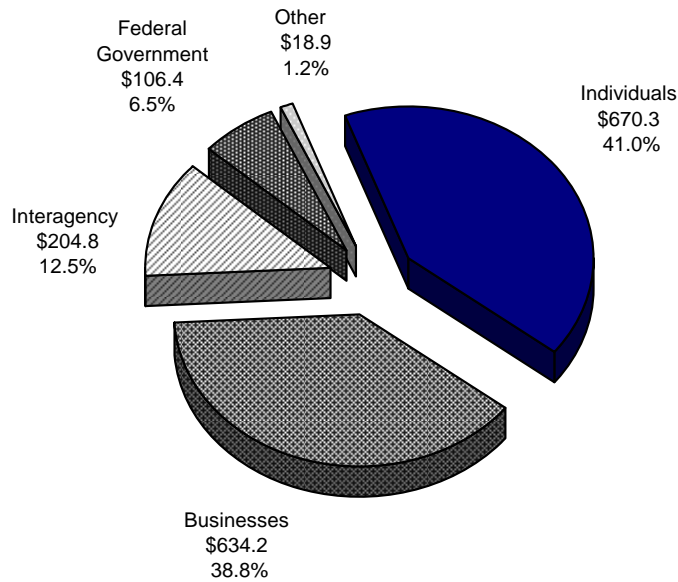
As of March 31, 2011

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 14,373,188	57%
	Social Services	3,272,736	13%
	Labor and Industry Inspections	1,054,214	4%
	State Police Permits	1,284,187	5%
	Corrections	1,362,924	5%
	Other	1,632,888	7%
	Subtotal	22,980,137	91%
	Interagency Receivables	2,230,343	9%
Total General Fund Collectible		\$ 25,210,480	100%
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 63,224,587	4%
	Medicaid - Federal Reimbursements	13,013,884	1%
	Unemployment Taxes *	480,298,962	30%
	Transportation	48,741,729	3%
	Child Support Enforcement	152,487,084	9%
	Federal Government	19,670,131	1%
	DBHDS Patient Services	28,096,253	2%
	Hospital	230,245,521	14%
	Enterprise	60,349,760	4%
	Higher Education	255,781,249	16%
	Other	54,871,467	3%
	Subtotal	1,406,780,627	87%
Interagency Receivables	202,523,859	13%	
Total Nongeneral Fund Collectible		\$ 1,609,304,486	100%
All Funds	Grand Total	\$ 1,634,514,966	100%

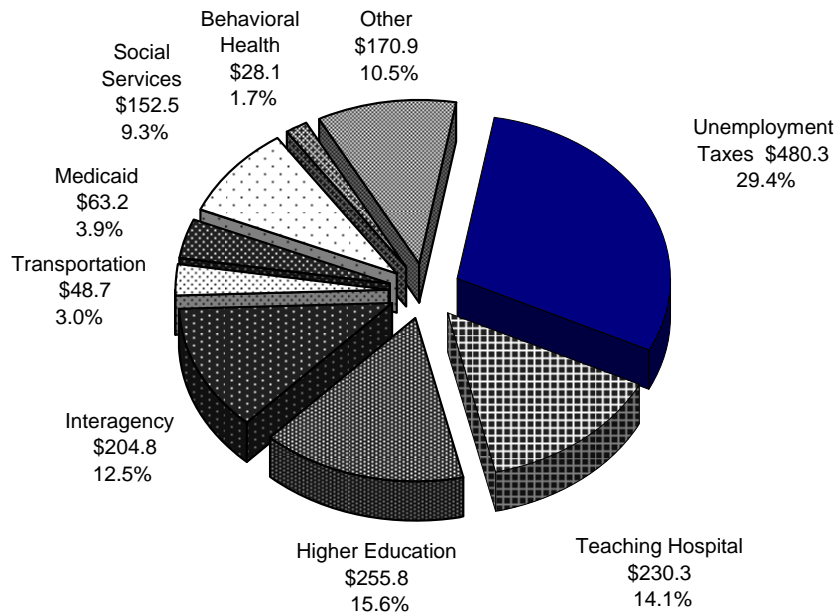
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2011



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2011



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 84

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended March 31, 2011

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 543,799,286	\$ 59,096,626	\$ 484,702,660
University of Virginia Medical Center	333,009,988	14,580,175	318,429,813
Department of Social Services	442,036,448	270,720,962	171,315,486
Department of Medical Assistance Services	120,852,193	30,213,048	90,639,145
Virginia Polytechnic Institute & State University	75,827,112	2,695,859	73,131,253
University of Virginia - Academic Division	57,859,128	233,839	57,625,289
State Lottery Department	49,536,013	-	49,536,013
Virginia Information Technologies Agency	49,200,386	-	49,200,386
Department of Transportation	43,479,980	461,111	43,018,869
Virginia Community College System	40,822,467	1,486,252	39,336,215
Total	\$ 1,756,423,001	\$ 379,487,872	\$ 1,376,935,129
All Other Agencies	299,789,596	42,209,759	257,579,837
Grand Total	\$ 2,056,212,597	\$ 421,697,631	\$ 1,634,514,966

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due which are not sent to the Attorney General's Division of Debt Collection.

The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

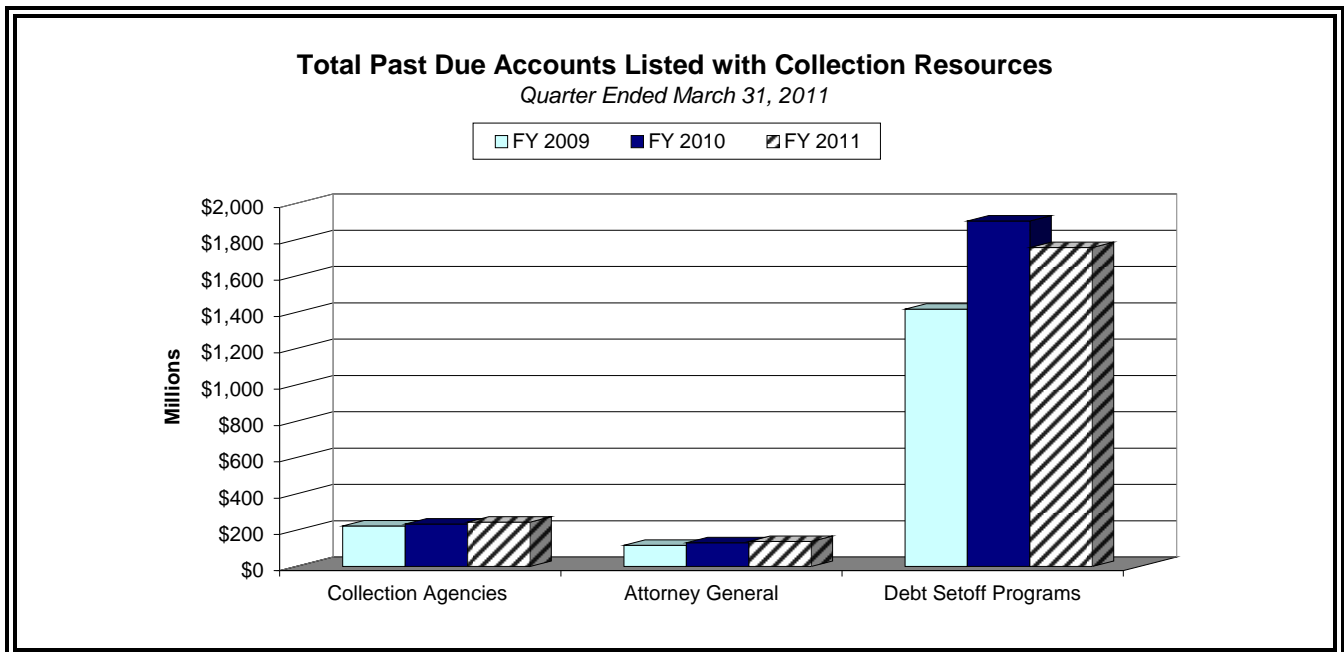
These additional collection tools recovered \$28.5 million during the quarter ended March 31, 2011. The Division of Debt Collection contributed \$1.3 million. Private collection agencies collected \$2.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$24.3 million.

Private collection agencies returned \$8.8 million of accounts to agencies, and the Division of Debt Collection discharged \$2.8 million of accounts and returned \$884,173 of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2011

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 157,170,186	\$ 2,610	\$ 3,629	\$ 157,163,947
Virginia Employment Commission	65,863,226	7,776,246	15,599,451	42,487,529
Department of Medical Assistance Services	51,116,777	127,659	335,150	50,653,968
University of Virginia Medical Center	37,741,583	-	-	37,741,583
Department of Transportation	17,941,300	1,721,196	12,389,214	3,830,890
Department of Behavioral Health and Developmental Services	14,709,510	-	-	14,709,510
University of Virginia - Academic Division	8,518,812	449,292	44,247	8,025,273
Virginia Commonwealth University	7,584,234	422,638	70,479	7,091,117
Virginia Community College System	6,305,397	2,124,080	70,048	4,111,269
Virginia Information Technologies Agency	5,441,807	-	-	5,441,807
TOTAL	\$ 372,392,832	\$ 12,623,721	\$ 28,512,218	\$ 331,256,893
All Other Agencies	46,150,325	4,606,907	10,141,204	31,402,214
TOTAL OVER 60 DAYS	\$ 418,543,157	\$ 17,230,628	\$ 38,653,422	\$ 362,659,107
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,722,554,672	228,268,086	100,611,027	1,393,675,559
TOTAL COLLECTION EFFORTS	\$ 2,141,097,829	\$ 245,498,714	\$ 139,264,449	\$ 1,756,334,666

Note: The additional amounts retained by agencies are placed for collection with several debt setoff collection programs.



Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed to the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$14.0 million through the fourth quarter of FY 2011. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 3/31/11	Comparative	
		Percent 12/31/10	Percent 9/30/10
Department of Social Services	36%	35%	36%
Virginia Employment Commission	12%	46%	43%
Department of Medical Assistance Services	42%	37%	39%
University of Virginia Medical Center	11%	13%	12%
Department of Transportation	41%	44%	19%
Department of Behavioral Health and Developmental Services	29%	25%	22%
University of Virginia - Academic Division	15%	4%	13%
Virginia Commonwealth University	17%	3%	7%
Virginia Community College System	15%	18%	14%
Virginia Information Technologies Agency	11%	11%	9%
Statewide Average - All Agencies	20%	16%	21%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 84 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the Circuit and District Courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentages may fluctuate based on how the different agencies conduct their business and the cycles that those businesses typically follow.

The statewide average of 99 percent indicates that for every \$1 billed during the quarter ended March 31, 2011, the state collected 99 cents. This rate is one percent higher than last year, and one percent less than the March 31, 2009 quarter.

Collections as a Percentage of Billings

Agency	Percent 3/31/2011	Comparative	
		Percent 3/31/2010	Percent 3/31/2009
University of Virginia - Academic Division	291%	226%	188%
Virginia Polytechnic Institute and State University	218%	223%	226%
Department of Social Services	107%	96%	90%
State Lottery Department	104%	93%	96%
Virginia Information Technologies Agency	99%	101%	100%
Department of Transportation	95%	84%	95%
Virginia Community College Systems	93%	102%	118%
Department of Medical Assistance Services	61%	39%	43%
Virginia Employment Commission	41%	52%	41%
University of Virginia Medical Center	30%	31%	29%
Statewide Average - All Agencies	99%	98%	100%

Commonwealth Receivables Analysis

The following individual accounts receivable narratives describe agency collection programs and related trend information:

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients, and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of \$90.6 million at March 31, 2011, is a \$26.7 million increase over the \$63.9 million reported at March 31, 2010. Over the same period, total past due receivables of \$55.9 million have increased by \$19.8 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine, and over twenty research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

UVAH collectible receivables of \$314.8 million at March 31, 2011, were a \$37.0 million increase from the \$281.4 million reported the previous year. Past due receivables increased by \$22.4 million to \$134.2 million at March 31, 2011.

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were \$484.7 million at March 31, 2011, an increase of \$127.2 million from the previous year. Total past due receivables were \$71.2 million, a \$20.4 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at March 31, 2011, of \$49.2 million, which is an increase of \$6.5 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2011, \$5.4 million was over 60 days past due, a decrease of \$5.7 million from the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency responsible for operating the State's on-line lottery and scratch-off games and actively participates in four multi-state games, Mega Millions, Powerball, Win for Life and Decades of Dollars. Retail merchants who sell the State Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At March 31, 2011, the State Lottery reported net receivables of \$49.5 million, an \$11.4 million decrease from the previous year. Billings increased by \$9.8 million and collections increased by \$29.8 million during the March 31, 2011 quarter when compared to the March 31, 2010 quarter. At March 31, 2011, the State Lottery had \$199,035 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by DOE, which then draws down the money from the U. S. Department of Education.

At March 31, 2011, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2011, the University reported net collectible receivables of \$73.1 million, a \$13.7 million increase over the prior year. At the same time, total past due receivables of \$9.3 million increased by \$1.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2011, VPISU had \$3.7 million of accounts over 60 days past due. \$1.4 million was placed with the Attorney General's Division of Debt Collection, another \$1.1 million was placed with private collection agencies and \$1.9 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS operates 16 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DBHDS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, a lien is filed in the local courts so that when estates are liquidated, DBHDS can recover some of the costs involved in a patient's care.

At March 31, 2011, the Department reported collectible receivables of \$28.1 million, a \$608,443 decrease over the previous year. \$23.7 million was past due, with \$14.7 million being over 60 days past due. Total past due receivables increased by \$5.2 million over the year, and accounts over 60 days past due increased by \$2.5 million. At March 31, 2011, the Department had a total of \$5.7 million of accounts placed with the Attorney General and \$640,176 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

Depending upon how a particular road construction project is funded, VDOT receives payments from a variety of sources. These include the federal government, local government units, and for damage repairs, responsible parties or their insurers. The majority of VDOT receivables stem from these sources.

At March 31, 2011, VDOT reported \$43.0 million of collectible receivables, a decrease of \$37.3 million from the prior year. VDOT also reported \$23.7 million total past due and \$17.9 million being over 60 days past due. Past due receivables decreased by \$15.4 million over the year, while receivables over 60 days past due decreased by \$4.1 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$12.4 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.7 million with private collection agencies.

Department of Social Services (DSS)

Social Services provide financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally - mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to reimburse the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At March 31, 2011, DSS reported gross receivables of \$442.0 million, an allowance for doubtful accounts of \$270.7 million and collectible receivables of \$171.3 million. Past due receivables totaled \$159.6 million, of which \$157.2 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$400.3 million (91 percent) of the gross receivables, \$247.8 million (92 percent) of the allowance for doubtful accounts and \$152.5 million (89 percent) of the collectible receivables.

From March 31, 2010, to March 31, 2011, gross receivables increased \$68.0 million and collectible receivables increased by \$20.8 million. Total past due receivables increased by \$28.7 million and receivables over 60 days past due increased by \$28.3 million.

***Department of Rail and Public
Transportation (DRPT)***

DRPT is responsible for overseeing Virginia's railroads, providing funding and project resources for public transportation, and researching feasible alternatives for commuters. DRPT works closely with VDOT, the railroads, local governments, the Washington Metropolitan Area Transit Authority, and the Federal Transit Authority.

At March 31, 2011, DRPT had gross and net receivables of \$19.0 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported no past due receivables at March 31, 2011.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 211 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2011, VCU had \$39.0 million of collectible receivables, an \$867,852 increase from March 31, 2010. Total past due accounts were \$8.4 million, a \$728,311 increase from March 31, 2010. Accounts over 60 days past due (\$7.6 million) increased by \$507,653 from the prior year. Billings increased by \$516,230 to \$74.8 million and collections increased by \$21.1 million to \$221.0 million for the March 31, 2011 quarter, when compared to the March 31, 2010 quarter.

The following table is prepared to present the March 31, 2011, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.82 billion past due accounts receivable at March 31, 2011. Another 18 agencies accounted for 20 percent (\$571.5 million), leaving 71 other agencies to comprise the last one percent at \$28.8 million.

Taxation and the Circuit and District Courts accounted for 79 percent (\$2.22 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2011

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,751,343,734	\$ 228,836,532	\$ 166,711,942	\$ 1,355,795,260
Localities' Circuit and District Courts	464,240,258	35,992,502	66,488,783	361,758,973
Total - Taxation Assessments and Court Fines and Fees	\$ 2,215,583,992	\$ 264,829,034	\$ 233,200,725	\$ 1,717,554,233
All Other Large Dollar Agencies:				
Department of Social Services	159,626,508	7,611,995	7,591,229	144,423,284
University of Virginia Medical Center	134,238,660	120,629,142	9,323,675	4,285,843
Virginia Employment Commission	71,225,664	18,332,605	20,665,472	32,227,587
Department of Medical Assistance Services	55,900,601	19,763,040	12,016,592	24,120,969
Department of Transportation	23,687,624	8,345,502	2,297,295	13,044,827
Department of Behavioral Health and Developmental Services	23,655,829	21,205,668	10,438	2,439,723
University of Virginia - Academic Division	16,767,028	13,800,798	1,960,610	1,005,620
George Mason University	15,640,053	13,955,815	1,643,670	40,568
Department of Health	11,660,146	9,651,713	300,423	1,708,010
Virginia Community College System	11,169,619	8,246,002	1,754,045	1,169,572
Virginia Information Technologies Agency	10,857,851	8,670,462	1,617,268	570,121
Virginia Polytechnic Institute & State University	9,276,086	6,841,006	866,268	1,568,812
Virginia Commonwealth University	8,413,552	3,686,815	1,242,834	3,483,903
Department of State Police	4,330,662	2,267,910	458,634	1,604,118
Department of General Services	4,002,432	1,128,907	1,222,514	1,651,011
State Corporation Commission	3,802,644	2,172,738	1,112,855	517,051
James Madison University	3,681,515	2,495,871	568,233	617,411
Virginia Workers' Compensation Commission	3,520,374	708,699	1,176,799	1,634,876
Total - Largest Dollar Volume Agencies	\$ 571,456,848	\$ 269,514,688	\$ 65,828,854	\$ 236,113,306
All Other Agencies	28,792,441	18,600,399	3,497,887	6,694,155
Grand Total Past Due Receivables	\$ 2,815,833,281	\$ 552,944,121	\$ 302,527,466	\$ 1,960,361,694

