

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.

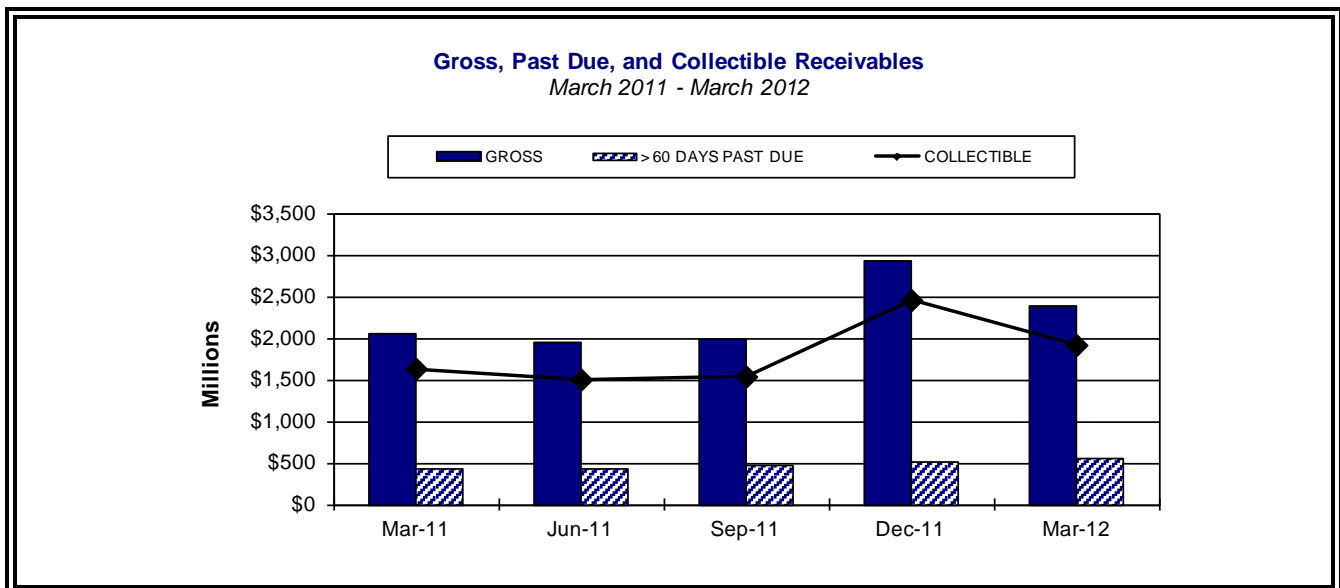
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.38

billion at March 31, 2012, with \$1.92 billion considered collectible. Receivables over 60 days past due as of March 31, 2012, totaled \$542.0 million. Of that amount, \$11.5 million was placed with private collection agencies, \$41.7 million was placed with the Division of Debt Collection and \$488.8 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, 2012, agencies expected to collect \$1.92 billion (81 percent) of the \$2.38 billion adjusted gross receivables. About 1 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

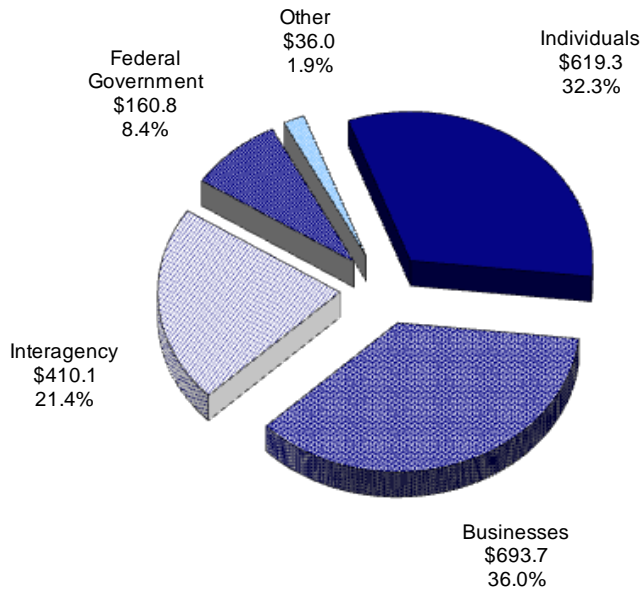
As of March 31, 2012

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 16,784,550	59%
	Social Services	3,300,093	11%
	Labor and Industry Inspections	1,553,809	5%
	State Police Permits	1,143,867	4%
	Corrections	1,121,207	4%
	Other	1,467,441	5%
	Subtotal	25,370,967	88%
	Interagency Receivables	3,334,585	12%
	Total General Fund Collectible		\$ 28,705,552
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 72,412,140	4%
	Medicaid - Federal Reimbursements	3,094,592	1%
	Unemployment Taxes *	566,383,857	30%
	Transportation	48,491,116	3%
	Child Support Enforcement	175,508,144	9%
	Federal Government	28,147,678	2%
	DBHDS Patient Services	28,860,890	2%
	Hospital	138,410,915	7%
	Enterprise	94,818,270	5%
	Higher Education	272,529,296	13%
	Other	55,708,526	3%
	Subtotal	1,484,365,424	79%
	Interagency Receivables	406,808,842	21%
Total Nongeneral Fund Collectible		\$ 1,891,174,266	100%
All Funds	Grand Total	\$ 1,919,879,818	100%

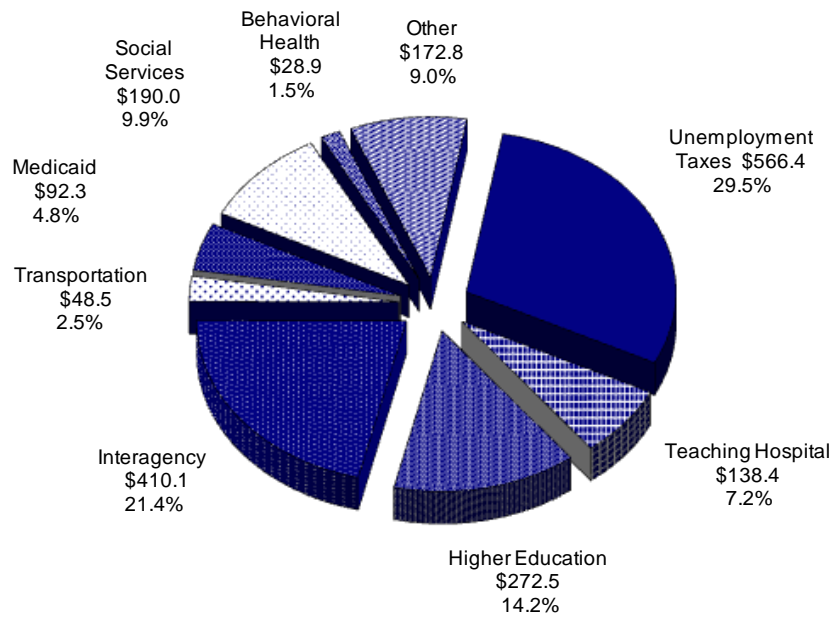
*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2012



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2012



Not counting Taxation and the Courts, ten agencies account for 86 percent of the Commonwealth's adjusted gross and 85

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
As of March 31, 2012

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 641,279,771	\$ 70,602,297	\$ 570,677,474
Department of Social Services	486,826,260	291,552,601	195,273,659
University of Virginia Medical Center	439,283,681	9,628,263	429,655,418
Department of Medical Assistance Services	124,806,172	32,449,605	92,356,567
State Lottery Department	80,140,275	-	80,140,275
Virginia Polytechnic Institute and State University	73,947,726	2,948,809	70,998,917
University of Virginia - Academic Division	61,599,493	218,168	61,381,325
Virginia Information Technologies Agency	46,673,680	-	46,673,680
Department of Transportation	41,702,057	136,942	41,565,115
Virginia Commonwealth University	41,335,667	5,184,252	36,151,415
Total	\$ 2,037,594,782	\$ 412,720,937	\$ 1,624,873,845
All Other Agencies	339,982,362	44,976,389	295,005,973
Grand Total	\$ 2,377,577,144	\$ 457,697,326	\$ 1,919,879,818

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 \$34.0 million during the quarter ended March 31, 2012. The Division of Debt Collection contributed \$1.8 million. Private collection agencies collected \$3.0 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$29.2 million.

Private collection agencies returned \$16.0 million of accounts to agencies, and the Division of Debt Collection discharged \$1.5 million of accounts and returned \$3.0 million of accounts to agencies.

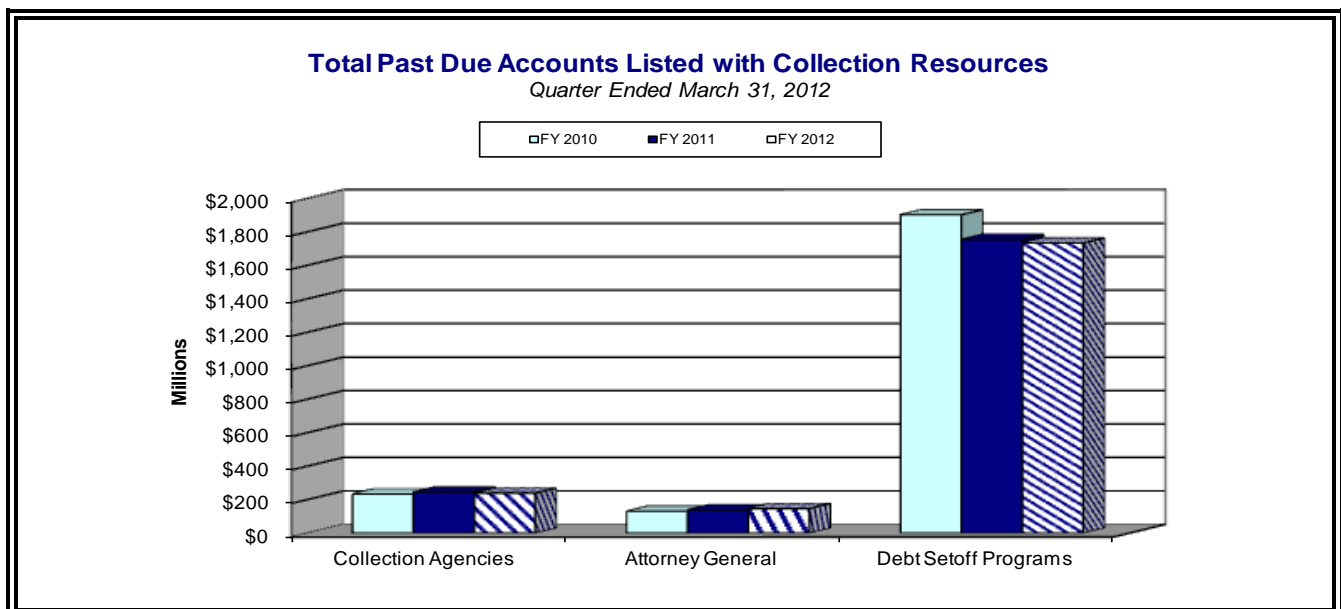
Collectible Receivables Over 60 Days Past Due

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

As of March 31, 2012

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 179,797,091	\$ 2,610	\$ 54,325	\$ 179,740,156
University of Virginia Medical Center	112,555,370	-	-	112,555,370
Virginia Employment Commission	74,305,255	3,189,514	22,176,587	48,939,154
Department of Medical Assistance Services	55,139,877	226,266	1,795,185	53,118,426
Department of Behavioral Health and Developmental Services	21,560,872	-	-	21,560,872
Department of Transportation	16,467,446	119,932	8,029,526	8,317,988
University of Virginia - Academic Division	11,045,591	672,499	44,247	10,328,845
Virginia Commonwealth University	8,612,445	367,560	187,963	8,056,922
Department of Health	6,458,269	155,581	1,610,774	4,691,914
George Mason University	5,981,245	1,200,461	-	4,780,784
TOTAL	\$ 491,923,461	\$ 5,934,423	\$ 33,898,607	\$ 452,090,431
All Other Agencies	50,089,215	5,567,665	7,815,365	36,706,185
TOTAL OVER 60 DAYS	\$ 542,012,676	\$ 11,502,088	\$ 41,713,972	\$ 488,796,616
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,577,103,044	227,116,044	105,212,248	1,244,774,752
TOTAL COLLECTION EFFORTS	\$ 2,119,115,720	\$ 238,618,132	\$ 146,926,220	\$ 1,733,571,368

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 \$10.9 million through the fourth quarter of FY 2012. 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 3/31/12	Comparative	
		Percent 12/31/11	Percent 9/30/11
Department of Medical Assistance Services	44%	44%	43%
Department of Transportation	39%	47%	24%
Department of Social Services	37%	35%	35%
Department of Behavioral Health and Developmental Services	37%	44%	41%
University of Virginia Medical Center	26%	20%	19%
Department of Health	25%	26%	28%
Virginia Commonwealth University	21%	3%	9%
University of Virginia - Academic Division	18%	4%	13%
George Mason University	17%	35%	4%
Virginia Employment Commission	12%	33%	46%
Statewide Average - All Agencies	23%	17%	24%

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 85 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 98 percent indicates that for every \$1 billed during the quarter ended March 31, 2012, the state collected 98 cents. This rate is one percent lower than last year and the same as two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/2012	Comparative	
		Percent 3/31/2011	Percent 3/31/2010
University of Virginia - Academic Division	322%	291%	226%
Virginia Commonwealth University	301%	295%	269%
Virginia Polytechnic Institute and State University	214%	218%	223%
Virginia Information Technologies Agency	108%	99%	101%
Department of Social Services	101%	107%	96%
Department of Transportation	94%	95%	84%
State Lottery Department	93%	104%	93%
Department of Medical Assistance Services	69%	61%	39%
Virginia Employment Commission	40%	41%	52%
University of Virginia Medical Center	28%	30%	31%
Statewide Average - All Agencies	98%	99%	98%

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 \$92.4 million at March 31, 2012, is a \$1.8 million increase over the \$90.6 million reported at March 31, 2011. Over the same period, total past due receivables of \$59.2 million have increased by \$3.3 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 \$429.7 million at March 31, 2012, were a \$114.9 million increase from the \$314.8 million reported the previous year. Past due receivables increased by \$112.0 million to \$246.2 million at March 31, 2012.

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 \$570.7 million at March 31, 2012, an increase of \$86.0 million from the previous year. Total past due receivables were \$120.3 million, a \$49.1 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, 2012, of \$46.7 million, which is a decrease of \$2.5 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2012, \$2.7 million was over 60 days past due, a decrease of \$2.7 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, 2012, the State Lottery reported net receivables of \$80.1 million, a \$30.6 million increase from the previous year. Billings increased by \$9.7 million and collections decreased by \$12.1 million during the March 31, 2012 quarter when compared to the March 31, 2011 quarter. At March 31, 2012, the State Lottery had \$357,699 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, 2012, 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, 2012, the University reported net collectible receivables of \$71.0 million, a decrease of \$2.1 million over the prior year. At the same time, total past due receivables of \$8.8 million decreased by \$487,065 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2012, VPISU had \$3.6 million of accounts over 60 days past due. \$1.8 million was placed with the Attorney General's Division of Debt Collection, another \$1.1 million was placed with private collection agencies and \$1.4 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, 2012, the Department reported collectible receivables of \$28.9 million, a \$764,637 increase over the previous year. \$29.5 million was past due, with \$21.6 million being over 60 days past due. Total past due receivables increased by \$5.8 million over the year, and accounts over 60 days past due increased by \$6.9 million. At March 31, 2012, the Department had a total of \$6.5 million of accounts placed with the Attorney General and \$709,919 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, 2012, VDOT reported \$41.6 million of collectible receivables, a decrease of \$1.4 million from the prior year. VDOT reported \$16.5 million being over 60 days past due. Past due receivables decreased by \$9.3 million over the year, while receivables over 60 days past due decreased by \$1.4 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 \$8.0 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$119,932 with private collection agencies.

Department of Social Services (DSS)

Social Services provides 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, 2012, DSS reported gross receivables of \$486.8 million, an allowance for doubtful accounts of \$291.6 million and collectible receivables of \$195.3 million. Past due receivables totaled \$182.6 million, of which \$179.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$443.9 million (91 percent) of the gross receivables, \$268.4 million (92 percent) of the allowance for doubtful accounts and \$175.5 million (90 percent) of the collectible receivables.

From March 31, 2011, to March 31, 2012, gross receivables increased by \$44.8 million and collectible receivables increased by \$24.0 million. Total past due receivables increased by \$23.0 million and receivables over 60 days past due increased by \$22.6 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, 2012, DRPT had gross and net receivables of \$27.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$140,595 at March 31, 2012.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 200 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, 2012, VCU had \$36.2 million of collectible receivables, a \$2.8 million decrease from March 31, 2011. Total past due accounts were \$9.0 million, a \$599,098 increase from March 31, 2011. Accounts over 60 days past due (\$8.6 million) increased by \$1.0 million from the prior year. Billings increased by \$543,280 to \$75.4 million and collections increased by \$5.5 million to \$226.5 million for the March 31, 2012 quarter, when compared to the March 31, 2011 quarter.

The following table is prepared to present the March 31, 2012, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$3.06 billion past due accounts receivable at March 31, 2012. Another 18 agencies accounted for 25 percent (\$759.2 million), leaving 71 other agencies to comprise the last one percent at \$40.0 million.

Taxation and the Circuit and District Courts accounted for 74 percent (\$2.26 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2012

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,860,401,279	\$ 181,386,203	\$ 180,150,808	\$ 1,498,864,268
Localities' Circuit and District Courts	397,032,579	37,614,840	69,856,226	289,561,513
Total - Taxation Assessments and Court Fines and Fees	\$ 2,257,433,858	\$ 219,001,043	\$ 250,007,034	\$ 1,788,425,781
All Other Large Dollar Agencies:				
University of Virginia Medical Center	246,212,637	217,002,438	11,148,323	18,061,876
Department of Social Services	182,606,144	8,704,234	8,690,905	165,211,005
Virginia Employment Commission	120,326,996	57,209,562	20,160,486	42,956,948
Department of Medical Assistance Services	59,247,363	11,332,997	10,817,285	37,097,081
Department of Behavioral Health and Developmental Services	29,532,665	15,543,417	13,510	13,975,738
University of Virginia - Academic Division	29,436,078	26,885,521	1,715,845	834,712
Department of Transportation	14,413,999	4,396,820	1,437,814	8,579,365
George Mason University	9,155,580	7,735,341	1,281,311	138,928
Virginia Commonwealth University	9,012,650	3,826,259	1,570,334	3,616,057
Virginia Polytechnic Institute and State University	8,789,021	6,569,614	737,240	1,482,167
Virginia Community College System	8,348,420	6,102,997	1,188,701	1,056,722
Virginia Information Technologies Agency	8,196,719	6,737,739	993,481	465,499
Department of Health	7,405,389	5,216,514	397,830	1,791,045
Department of State Police	6,879,804	2,339,214	2,684,411	1,856,179
Department of General Services	5,773,966	3,269,825	1,666,243	837,898
Virginia Correctional Enterprises	4,960,685	4,960,685	-	-
Virginia Port Authority	4,562,909	3,375,233	1,187,676	-
Old Dominion University	4,351,705	3,823,724	455,094	72,887
Total - Largest Dollar Volume Agencies	\$ 759,212,730	\$ 395,032,134	\$ 66,146,489	\$ 298,034,107
All Other Agencies	39,963,699	25,051,832	4,368,220	10,543,647
Grand Total Past Due Receivables	\$ 3,056,610,287	\$ 639,085,009	\$ 320,521,743	\$ 2,097,003,535

