

## 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.

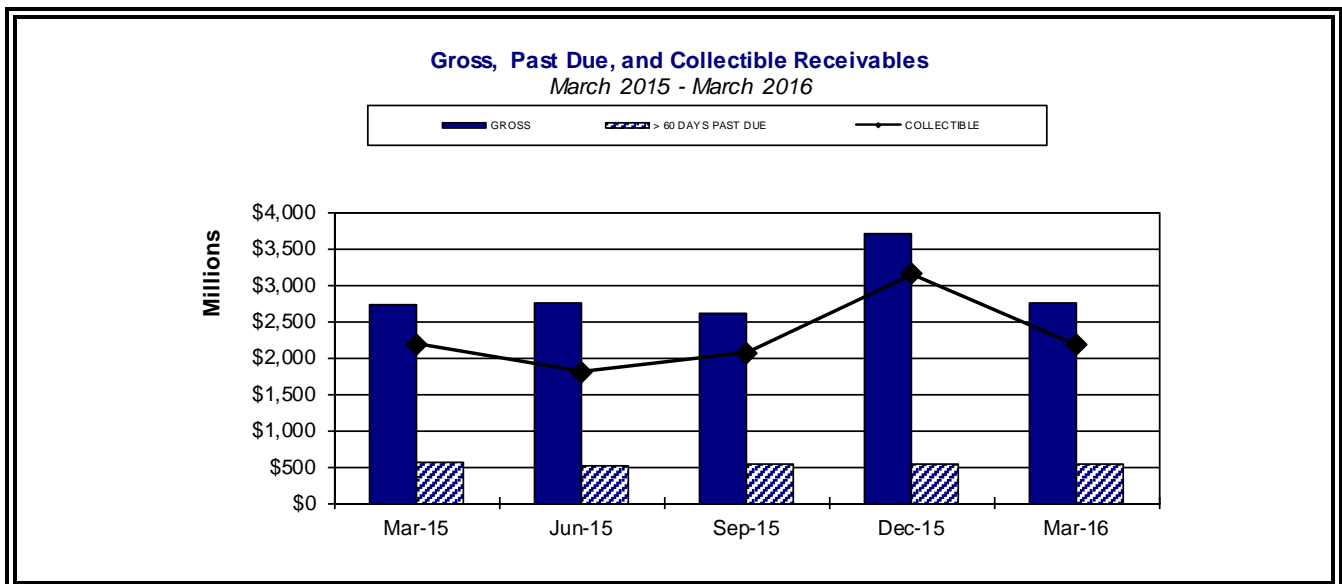
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.74

billion at March 31, 2016, with \$2.17 billion considered collectible. Receivables over 60 days past due as of March 31, 2016, totaled \$545.3 million. Of that amount, \$19.3 million was placed with private collection agencies, \$33.0 million was placed with the Division of Debt Collection and \$493.0 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, 2016, agencies expected to collect \$2.17 billion (79 percent) of the \$2.74 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 non-general funds.

### Collectible Receivables by Fund

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

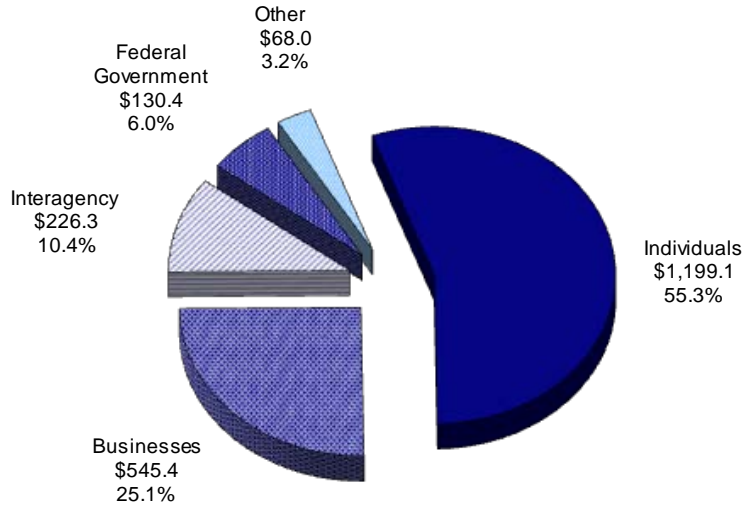
*As of March 31, 2016*

Fund	Source	Amount	Percent
<b>General Fund</b> 1%	Medicaid - Current Recoveries	\$ 13,955,956	55%
	Social Services	3,424,864	14%
	State Police Permits	2,456,894	10%
	Corrections	1,066,846	4%
	Labor and Industry Inspections	565,340	2%
	Other	2,302,111	9%
	Subtotal	23,772,011	94%
	Interagency Receivables	1,609,960	6%
<b>Total General Fund Collectible</b>		<b>\$ 25,381,971</b>	<b>100%</b>
<b>Nongeneral Funds</b> 99%	Medicaid - Dedicated Penalty Fees	\$ 60,101,963	3%
	Medicaid - Federal Reimbursements	13,323,813	1%
	Unemployment Taxes *	356,225,822	17%
	Transportation	75,843,815	3%
	Child Support Enforcement	226,287,938	11%
	Federal Government	51,684,601	2%
	DBHDS Patient Services	19,039,602	1%
	Hospital	683,639,376	32%
	Enterprise	85,345,903	4%
	Higher Education	322,581,917	14%
	Other	25,062,522	1%
	Subtotal	1,919,137,272	89%
Interagency Receivables	224,700,067	11%	
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 2,143,837,339</b>	<b>100%</b>
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 2,169,219,310</b>	<b>100%</b>

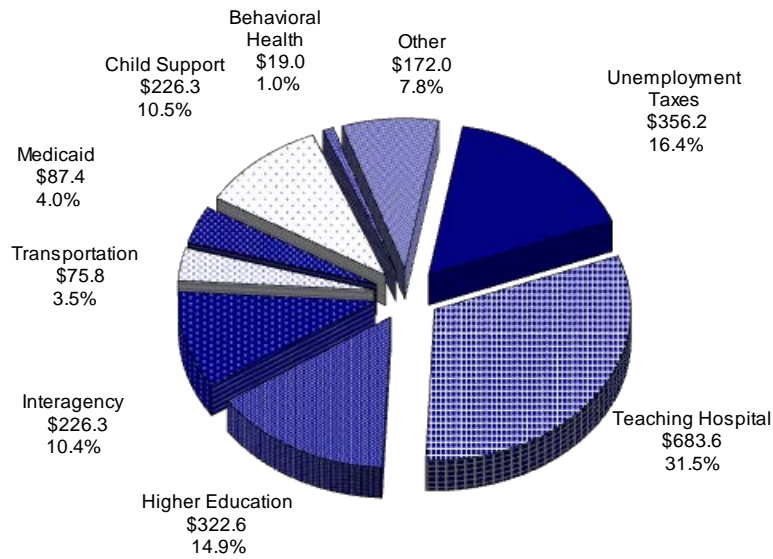
\*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

## Summary of Receivables by Source

**Sources of Collectible Receivables by Debtor**  
 (dollars in millions)  
 As of March 31, 2016



**Sources of Collectible Receivables by Type**  
 (dollars in millions)  
 As of March 31, 2016



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 83

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, 2016*

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 757,490,281	\$ 27,150,704	\$ 730,339,577
Department of Social Services	638,793,260	398,115,598	240,677,662
Virginia Employment Commission	399,864,233	39,106,834	360,757,399
Department of Medical Assistance Services	126,640,191	39,258,459	87,381,732
Virginia Polytechnic Institute and State University	92,858,179	1,826,780	91,031,399
Department of Transportation	74,491,556	2,905,402	71,586,154
Virginia Lottery	73,016,070	-	73,016,070
Virginia Commonwealth University	62,533,361	5,940,782	56,592,579
University of Virginia - Academic Division	46,029,601	993,009	45,036,592
Virginia Information Technologies Agency	45,486,528	-	45,486,528
<b>Total</b>	<b>\$ 2,317,203,260</b>	<b>\$ 515,297,568</b>	<b>\$ 1,801,905,692</b>
All Other Agencies	423,359,296	56,045,678	367,313,618
<b>Grand Total</b>	<b>\$ 2,740,562,556</b>	<b>\$ 571,343,246</b>	<b>\$ 2,169,219,310</b>

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 \$32.4 million during the quarter ended March 31, 2016. The Division of Debt Collection contributed \$1.9 million. Private collection agencies collected \$3.4 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$27.1 million.

Private collection agencies returned \$13.1 million of accounts to agencies, and the Division of Debt Collection discharged \$3.1 million of accounts and returned \$669,799 of accounts to agencies.

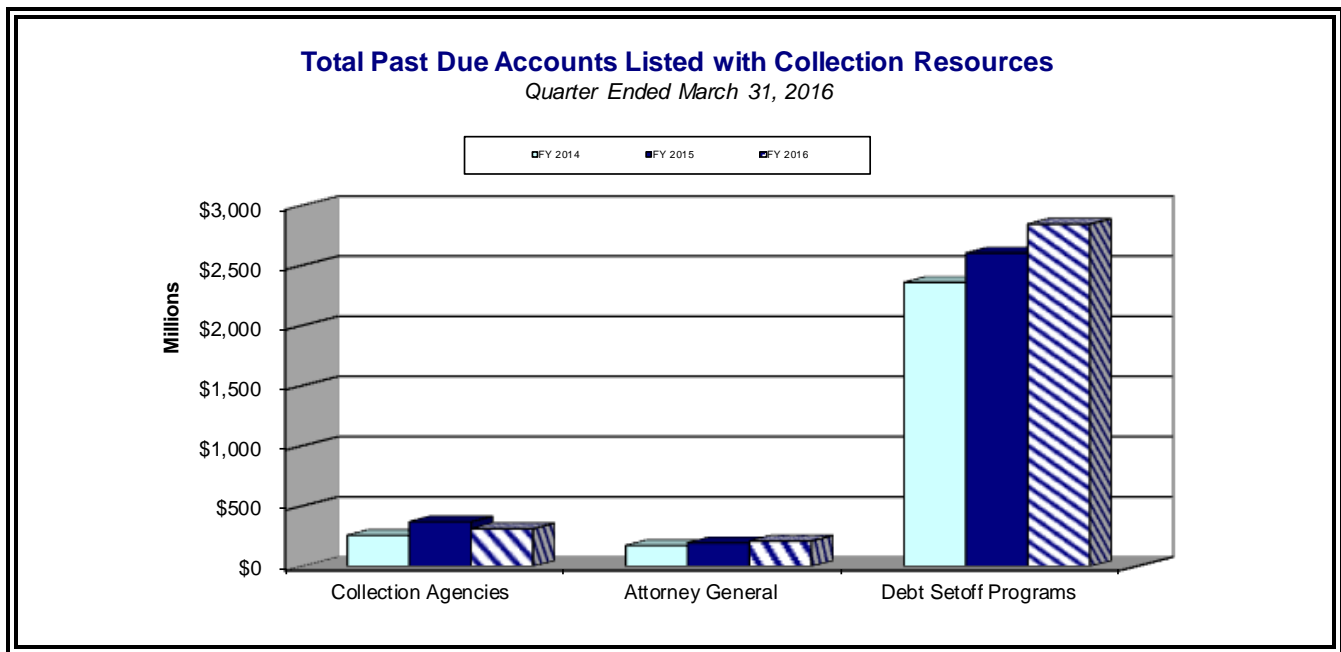
## Collectible Receivables Over 60 Days Past Due

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

*As of March 31, 2016*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 230,382,796	\$ 9,323	\$ 55,493	\$ 230,317,980
University of Virginia Medical Center	100,779,752	-	-	100,779,752
Virginia Employment Commission	54,871,882	10,408,890	16,389,807	28,073,185
Department of Medical Assistance Services	39,067,431	42,991	164,825	38,859,615
Department of Behavioral Health and Developmental Services	23,477,425	-	-	23,477,425
Virginia Commonwealth University	10,022,457	197,296	304,794	9,520,367
Department of Transportation	9,948,298	552,468	6,829,116	2,566,714
George Mason University	8,041,141	1,072,705	702,432	6,266,004
Virginia Community College System	6,587,730	982,986	-	5,604,744
University of Virginia - Academic Division	6,284,119	58,411	44,247	6,181,461
<b>TOTAL</b>	<b>\$ 489,463,031</b>	<b>\$ 13,325,070</b>	<b>\$ 24,490,714</b>	<b>\$ 451,647,247</b>
All Other Agencies	55,861,081	5,964,701	8,556,687	41,339,693
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 545,324,112</b>	<b>\$ 19,289,771</b>	<b>\$ 33,047,401</b>	<b>\$ 492,986,940</b>
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,824,169,474	293,295,495	178,427,103	2,352,446,876
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 3,369,493,586</b>	<b>\$ 312,585,266</b>	<b>\$ 211,474,504</b>	<b>\$ 2,845,433,816</b>

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 \$1.9 million for the fourth quarter with a total of \$9.2 million collected through FY 2016. 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 3/31/16	Comparative	
		Percent 12/31/15	Percent 9/30/15
Department of Behavioral Health and Developmental Services	45%	44%	43%
Department of Social Services	36%	37%	36%
Department of Medical Assistance Services	31%	31%	34%
George Mason University	21%	15%	4%
Virginia Community College System	18%	4%	18%
Virginia Commonwealth University	16%	3%	7%
Virginia Employment Commission	14%	39%	41%
University of Virginia - Academic Division	14%	2%	8%
Department of Transportation	13%	19%	34%
University of Virginia Medical Center	13%	14%	13%
<b>Statewide Average - All Agencies</b>	<b>20%</b>	<b>14%</b>	<b>21%</b>

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 83 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 102 percent indicates that for every dollar billed during the quarter ended March 31, 2016, the state collected one dollar and two cents. This rate is one percent higher than last year and four percent higher than two years ago.

### Collections as a Percentage of Billings

Agency	Percent 3/31/16	Comparative	
		Percent 3/31/15	Percent 3/31/14
University of Virginia - Academic Division	280%	252%	342%
Virginia Commonwealth University	227%	325%	314%
Virginia Polytechnic Institute and State University	219%	205%	206%
Virginia Lottery	101%	101%	92%
Department of Social Services	100%	96%	95%
Virginia Information Technologies Agency	98%	97%	104%
Department of Transportation	98%	111%	102%
Department of Medical Assistance Services	51%	54%	73%
Virginia Employment Commission	28%	23%	22%
University of Virginia Medical Center	26%	26%	26%
<b>Statewide Average - All Agencies</b>	<b>102%</b>	<b>101%</b>	<b>98%</b>

## 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 \$87.4 million at March 31, 2016, is a \$4.4 million increase over the \$83.0 million reported at March 31, 2015. Over the same period, total past due receivables of \$43.4 million have decreased by \$7.0 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 20 research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

UVAH collectible receivables of \$730.3 million at March 31, 2016, were a \$103.3 million increase from the \$627.0 million reported the previous year. Past due receivables increased by \$41.9 million to \$272.6 million at March 31, 2016.

### ***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 \$360.8 million at March 31, 2016, a decrease of \$88.7 million from the previous year. Total past due receivables were \$62.4 million, a \$3.5 million decrease 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, 2016, of \$45.5 million, which is a decrease of \$678,010 reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2016, \$679,578 was over 60 days past due, a decrease of \$906,463 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, 2016, the State Lottery reported net receivables of \$73.0 million, a \$176,964 increase from the previous year. Billings increased by \$10.6 million and collections increased by \$10.4 million during the March 31, 2016 quarter when compared to the March 31, 2015 quarter. At March 31, 2016, the State Lottery had \$167,254 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, 2016, DOE did not have any receivables 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, 2016, the University reported net collectible receivables of \$91.0 million, a decrease of \$8.1 million over the prior year. At the same time, total past due receivables of \$8.8 million decreased by \$2.4 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2016, VPISU had \$5.2 million of accounts over 60 days past due. \$214,154 was placed with the Attorney General's Division of Debt Collection, another \$756,395 was placed with private collection agencies, and \$4.2 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, 2016, the Department reported collectible receivables of \$19.0 million, a \$1.4 million decrease over the previous year. \$34.0 million was past due, with \$23.5 million being over 60 days past due. Total past due receivables increased by \$10.5 million over the year, and accounts over 60 days past due increased by \$6.8 million. At March 31, 2016, the Department had a total of \$10.9 million of accounts placed with the Attorney General and \$1.3 million 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, 2016, VDOT reported \$71.6 million of collectible receivables, a decrease of \$18.5 million from the prior year. VDOT also reported \$19.9 million total past due and \$9.9 million being over 60 days past due. Past due receivables decreased by \$18.6 million over the year, while receivables over 60 days past due decreased by \$26.7 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 \$10.1 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection.

### ***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, 2016, DSS reported gross receivables of \$638.8 million, an allowance for doubtful accounts of \$398.1 million and collectible receivables of \$240.7 million. Past due receivables totaled \$234.0 million, of which \$230.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$594.1 million (93 percent) of the gross receivables, \$367.8 million (92 percent) of the allowance for doubtful accounts and \$226.3 million (94 percent) of the collectible receivables.

From March 31, 2015 to March 31, 2016, gross receivables increased by \$25.5 million and collectible receivables increased by \$5.3 million. Total past due receivables increased by \$12.1 million and receivables over 60 days past due increased by \$12.0 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, 2016, DRPT had gross and net receivables of \$21.0 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported \$1.2 million of past due receivables at March 31, 2016.

***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, 2016, VCU had \$56.6 million of collectible receivables, a \$13.2 million increase from March 31, 2015. Total past due accounts were \$12.6 million, a \$3.4 million increase from March 31, 2015. Accounts over 60 days past due (\$10.0 million) increased by \$1.2 million from the prior year. Billings increased by \$61.0 million to \$140.5 million and collections increased by \$61.0 million to \$319.5 million for the March 31, 2016 quarter, when compared to the March 31, 2015 quarter.

The following table is prepared to present the March 31, 2016, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.87 billion past due accounts receivable at March 31, 2016. Another 18 agencies accounted for 27 percent (\$767.8 million), leaving 60 other agencies to comprise the last one percent at \$41.7 million.

Taxation and the Circuit and District Courts accounted for 72 percent (\$2.06 billion) of the

### Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2016

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,698,545,588	\$ 209,604,471	\$ 146,926,657	\$ 1,342,014,460
Localities' Circuit and District Courts	365,316,667	35,421,651	63,648,365	266,246,651
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>\$ 2,063,862,255</b>	<b>\$ 245,026,122</b>	<b>\$ 210,575,022</b>	<b>\$ 1,608,261,111</b>
<b>All Other Large Dollar Agencies:</b>				
University of Virginia Medical Center	272,556,631	236,749,205	25,144,721	10,662,705
Department of Social Services	234,017,284	11,201,997	11,175,768	211,639,519
Virginia Employment Commission	62,431,565	12,639,725	8,060,190	41,731,650
Department of Medical Assistance Services	43,405,291	12,245,708	7,571,420	23,588,163
Department of Behavioral Health and Developmental Services	33,957,609	24,908,459	27,264	9,021,886
Department of Transportation	19,901,366	10,836,896	2,607,460	6,457,010
University of Virginia - Academic Division	14,264,822	11,906,375	1,800,675	557,772
Virginia Community College System	12,640,086	11,318,867	1,188,227	132,992
Virginia Commonwealth University	12,623,286	6,410,954	1,907,071	4,305,261
George Mason University	10,544,265	8,626,769	1,340,998	576,498
Virginia Polytechnic Institute and State University	8,824,157	7,651,575	607,148	565,434
Department of Health	8,355,383	8,039,692	179,791	135,900
Old Dominion University	7,396,867	6,152,234	1,009,812	234,821
Virginia Port Authority	7,074,644	7,057,399	9,694	7,551
Virginia Workers' Compensation Commission	5,590,349	1,377,764	1,664,210	2,548,375
Department of General Services	5,036,783	1,624,369	718,463	2,693,951
Department of Motor Vehicles	4,710,725	3,083,020	130,562	1,497,143
Norfolk State University	4,468,266	4,144,610	38,503	285,153
<b>Total - Largest Dollar Volume Agencies</b>	<b>\$ 767,799,379</b>	<b>\$ 385,975,618</b>	<b>\$ 65,181,977</b>	<b>\$ 316,641,784</b>
All Other Agencies	41,720,699	24,826,660	4,560,595	12,333,444
<b>Grand Total Past Due Receivables</b>	<b>\$ 2,873,382,333</b>	<b>\$ 655,828,400</b>	<b>\$ 280,317,594</b>	<b>\$ 1,937,236,339</b>

