

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 ongoing effectiveness of agencies in managing their accounts receivable.

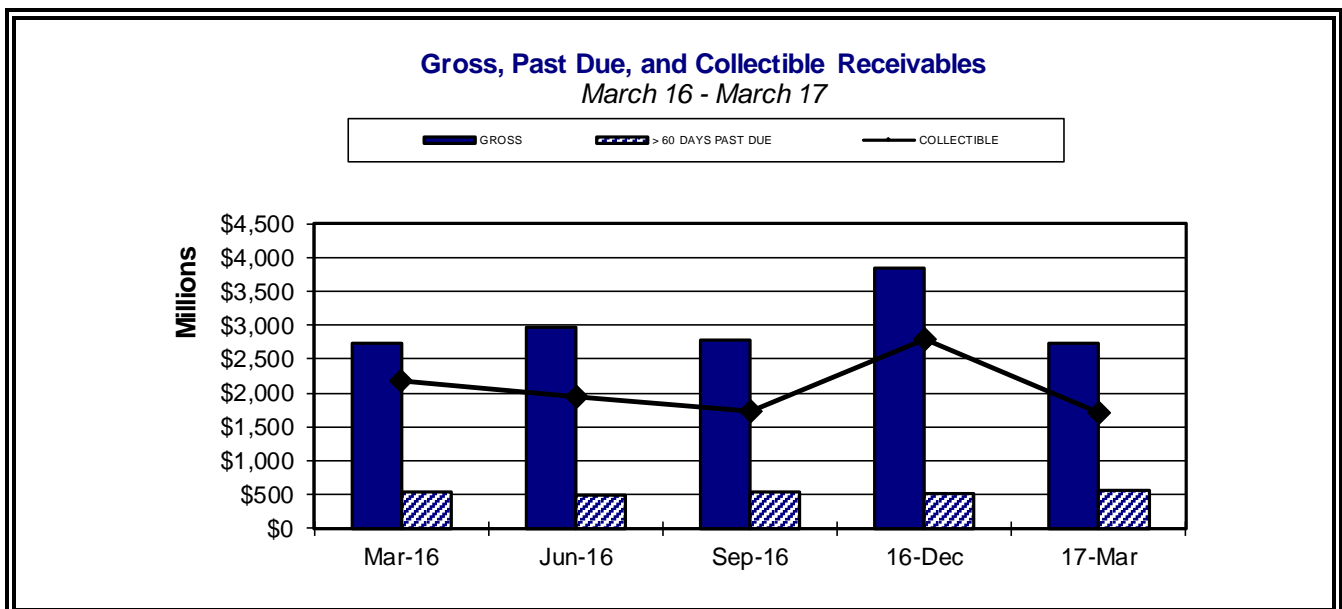
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

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

billion at March 31, 2017, with \$1.70 billion considered collectible. Receivables over 60 days past due as of March 31, 2017, totaled \$556.1 million. Of that amount, \$19.6 million was placed with private collection agencies, \$38.6 million was placed with the Division of Debt Collection and \$497.9 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, 2017, agencies expected to collect \$1.70 billion (62 percent) of the \$2.74 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 non-general funds.

Collectible Receivables by Fund

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

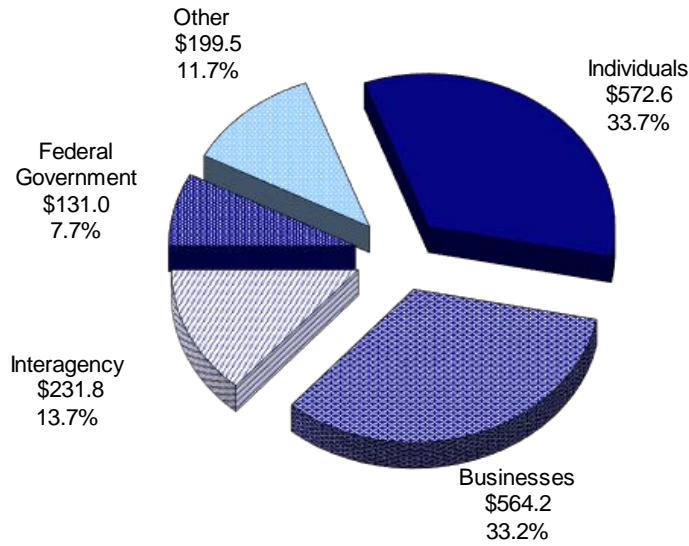
As of March 31, 2017

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 14,153,861	51%
	Social Services	3,506,953	13%
	State Police Permits	3,541,120	13%
	Corrections	994,469	3%
	Labor and Industry Inspections	1,006,636	4%
	Other	1,994,613	7%
	Subtotal	25,197,652	91%
	Interagency Receivables	2,523,159	9%
Total General Fund Collectible		\$ 27,720,811	100%
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 61,040,066	4%
	Medicaid - Federal Reimbursements	10,283,309	1%
	Unemployment Taxes *	332,020,266	20%
	Transportation	202,995,282	12%
	Child Support Enforcement	236,815,319	14%
	Federal Government	41,383,356	2%
	DBHDS Patient Services	19,410,579	1%
	Hospital	28,939,459	2%
	Enterprise	77,651,857	4%
	Higher Education	381,251,447	23%
	Other	50,326,892	3%
	Subtotal	1,442,117,832	86%
Interagency Receivables	229,263,870	14%	
Total Nongeneral Fund Collectible		\$ 1,671,381,702	100%
All Funds	Grand Total	\$ 1,699,102,513	100%

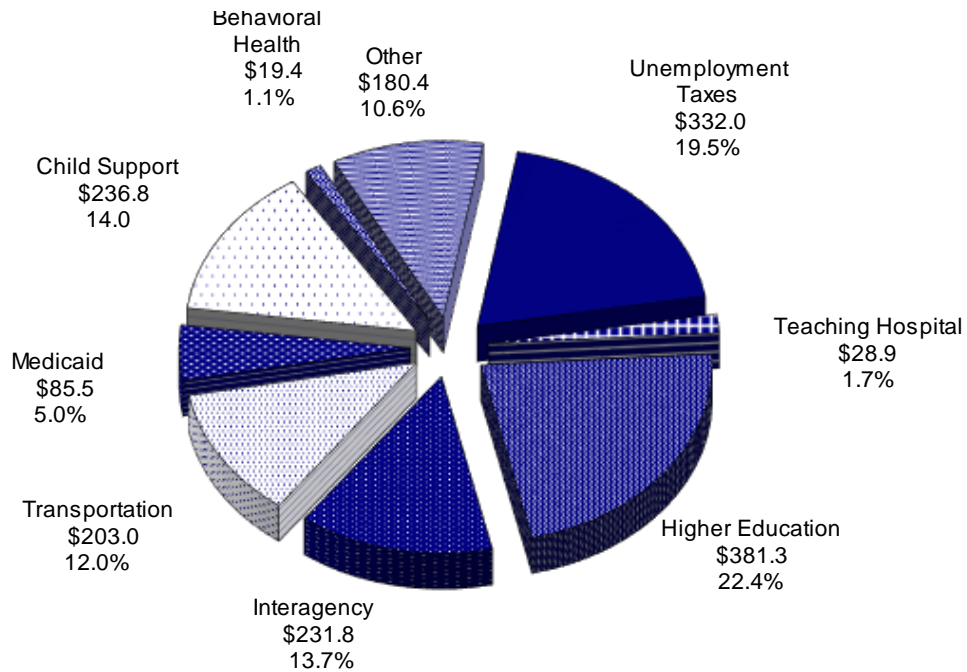
*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2017



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2017



Not counting Taxation and the Courts, ten agencies account for 84 percent of the Commonwealth's adjusted gross and 76

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, 2017

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 383,452,796	\$ 47,389,626	\$ 336,063,170
Department of Social Services	660,981,510	415,895,702	245,085,808
Department of Transportation	227,621,927	4,036,266	223,585,661
Virginia Polytechnic Institute and State University	98,959,250	1,647,360	97,311,890
Department of Medical Assistance Services	123,892,971	38,415,735	85,477,236
Virginia Commonwealth University	78,107,779	6,155,423	71,952,356
University of Virginia - Academic Division	70,470,635	1,631,800	68,838,835
Virginia Lottery	67,231,475	-	67,231,475
University of Virginia Medical Center	532,595,311	477,912,132	54,683,179
Virginia Information Technologies Agency	48,092,539	-	48,092,539
Total	\$ 2,291,406,193	\$ 993,084,044	\$ 1,298,322,149
All Other Agencies	444,765,031	43,984,667	400,780,364
Grand Total	\$ 2,736,171,224	\$ 1,037,068,711	\$ 1,699,102,513

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 \$120.1 million during the quarter ended March 31, 2017. The Division of Debt Collection contributed \$2.0 million. Private collection agencies collected \$3.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$114.6 million.

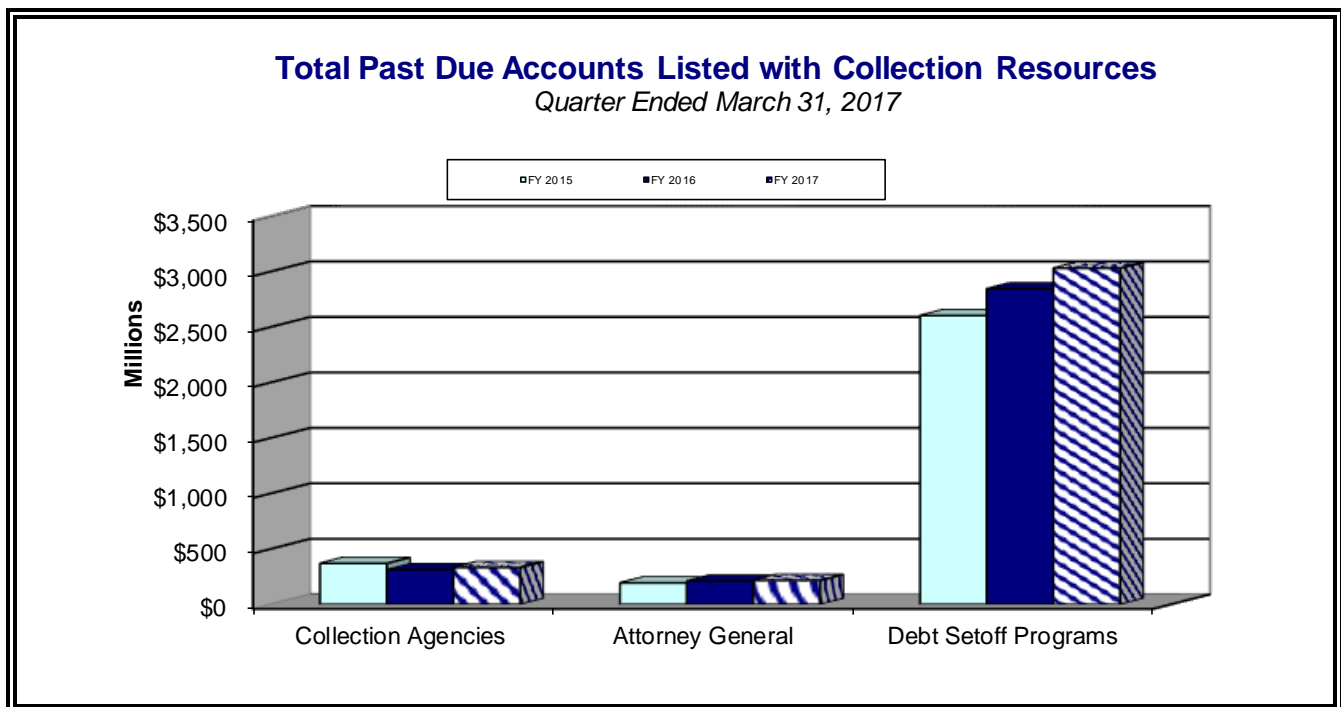
Private collection agencies returned \$17.2 million of accounts to agencies, and the Division of Debt Collection discharged \$8.9 million of accounts and returned \$1.2 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due

*Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2017*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 240,808,336	\$ 10,322	\$ 54,332	\$ 240,743,682
Department of Medical Assistance Services	73,157,817	43,144	558,891	72,555,782
Virginia Employment Commission	54,829,836	8,405,564	17,373,028	29,051,244
University of Virginia Medical Center	53,586,063	-	-	53,586,063
Department of Behavioral Health and Developmental Services	24,053,442	-	-	24,053,442
Department of Transportation	11,985,473	522,555	10,854,180	608,738
Virginia Commonwealth University	10,476,637	150,859	268,623	10,057,155
George Mason University	9,359,022	2,060,762	221,412	7,076,848
University of Virginia - Academic Division	9,152,011	238,912	44,247	8,868,852
Old Dominion University	6,406,124	1,972,870	-	4,433,254
TOTAL	\$ 493,814,761	\$ 13,404,988	\$ 29,374,713	\$ 451,035,060
All Other Agencies	62,301,326	6,235,781	9,193,891	46,871,654
TOTAL OVER 60 DAYS	\$ 556,116,087	\$ 19,640,769	\$ 38,568,604	\$ 497,906,714
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	3,581,461,203	332,975,566	217,680,379	3,030,805,258
TOTAL COLLECTION EFFORTS	\$ 4,137,577,290	\$ 352,616,335	\$ 256,248,983	\$ 3,528,711,972

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. The amount for CDS is now reported annually and totaled \$11.3 million collected through FY 2017.

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 3/31/17	Comparative	
		Percent 3/31/16	Percent 3/31/15
Department of Medical Assistance Services	59%	31%	37%
Department of Behavioral Health and Developmental Services	48%	45%	36%
Department of Social Services	36%	36%	36%
George Mason University	22%	21%	22%
Virginia Employment Commission	14%	14%	13%
Old Dominion University	13%	13%	12%
Virginia Commonwealth University	13%	16%	18%
University of Virginia - Academic Division	13%	14%	12%
University of Virginia Medical Center	10%	13%	14%
Department of Transportation	5%	13%	39%
Statewide Average - All Agencies	20%	20%	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 76 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, 2017, the state collected one dollar and two cents. This rate is the same as last year and one percent higher than two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/17	Comparative	
		Percent 3/31/16	Percent 3/31/15
Virginia Commonwealth University	315%	227%	325%
University of Virginia - Academic Division	250%	280%	252%
Virginia Polytechnic Institute and State University	218%	219%	205%
Department of Social Services	106%	100%	96%
Virginia Information Technologies Agency	100%	98%	97%
Virginia Lottery	99%	101%	101%
Department of Transportation	95%	98%	111%
Department of Medical Assistance Services	65%	51%	54%
University of Virginia Medical Center	27%	26%	26%
Virginia Employment Commission	26%	28%	23%
Statewide Average - All Agencies	102%	102%	101%

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 \$85.5 million at March 31, 2017, is a \$1.9 million decrease over the \$87.4 million reported at March 31, 2016. Over the same period, total past due receivables of \$75.9 million have increased by \$32.5 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 \$54.7 million at March 31, 2017, were a \$675.6 million decrease from the \$730.3 million reported the previous year. Past due receivables decreased by \$96.6 million to \$176.0 million at March 31, 2017.

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 \$336.1 million at March 31, 2017, a decrease of \$24.7 million from the previous year. Total past due receivables were \$81.6 million, a \$19.2 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, 2017, of \$48.1 million, which is an increase of \$2.6 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2017, \$844,449 was over 60 days past due, an increase of \$164,871 from the previous year.

Virginia Lottery (VL)

The Virginia Lottery 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 Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At March 31, 2017, the Virginia Lottery reported net receivables of \$67.2 million, a \$5.8 million decrease from the previous year. Billings decreased by \$997,981 and collections decreased by \$6.8 million during the March 31, 2017 quarter when compared to the March 31, 2016 quarter. At March 31, 2017, the Virginia Lottery had \$285,813 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, 2017, 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, 2017, the University reported net collectible receivables of \$97.3 million, an increase of \$6.3 million over the prior year. At the same time, total past due receivables of \$8.3 million decreased by \$569,306 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2017, VPISU had \$5.3 million of accounts over 60 days past due. \$921,865 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 14 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, 2017, the Department reported collectible receivables of \$19.4 million, a \$370,977 increase over the previous year. \$33.0 million was past due, with \$24.1 million being over 60 days past due. Total past due receivables decreased by \$970,003 over the year, and accounts over 60 days past due increased by \$576,017. At March 31, 2017, the Department had a total of \$11.1 million of accounts placed with the Attorney General and \$1.4 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, 2017, VDOT reported \$223.6 million of collectible receivables, an increase of \$152.0 million from the prior year. VDOT also reported \$23.2 million total past due and \$12.0 million being over 60 days past due. Past due receivables increased by \$3.3 million over the year, while receivables over 60 days past due increased by \$2.1 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 \$10.9 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 119 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, 2017, DSS reported gross receivables of \$661.0 million, an allowance for doubtful accounts of \$415.9 million and collectible receivables of \$245.1 million. Past due receivables totaled \$244.6 million, of which \$240.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$621.6 million (94 percent) of the gross receivables, \$384.8 million (93 percent) of the allowance for doubtful accounts and \$236.8 million (97 percent) of the collectible receivables.

From March 31, 2016 to March 31, 2017, gross receivables increased by \$22.2 million and collectible receivables increased by \$4.4 million. Total past due receivables increased by \$10.6 million and receivables over 60 days past due increased by \$10.4 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, 2017, DRPT had gross and net receivables of \$18.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported \$1.8 million of past due receivables at March 31, 2017.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 225 degree programs to over 31,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2017, VCU had \$72.0 million of collectible receivables, a \$15.4 million increase from March 31, 2016. Total past due accounts were \$11.6 million, a \$1.0 million decrease from March 31, 2016. Accounts over 60 days past due (\$10.5 million) increased by \$454,180 from the prior year. Billings decreased by \$53.7 million to \$86.8 million and collections decreased by \$46.3 million to \$273.2 million for the March 31, 2017 quarter, when compared to the March 31, 2016 quarter.

The following table is prepared to present the March 31, 2017, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.88 billion past due accounts receivable at March 31, 2017. Another 18 agencies accounted for 26 percent (\$748.8 million), leaving 58 other agencies to comprise the last one percent at \$39.5 million.

Taxation and the Circuit and District Courts accounted for 73 percent (\$2.09 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2017

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,724,868,539	\$ 141,772,515	122,318,700	1,460,777,324
Localities' Circuit and District Courts	367,895,282	37,931,039	66,113,736	263,850,507
Total - Taxation Assessments and Court Fines and Fees	\$ 2,092,763,821	\$ 179,703,554	\$ 188,432,436	\$ 1,724,627,831
All Other Large Dollar Agencies:				
Department of Social Services	244,638,407	11,744,903	11,671,210	221,222,294
University of Virginia Medical Center	175,998,292	158,076,853	13,842,485	4,078,954
Virginia Employment Commission	81,560,506	32,844,316	9,054,428	39,661,762
Department of Medical Assistance Services	75,915,076	7,986,362	4,756,208	63,172,506
Department of Behavioral Health and Developmental Services	32,987,606	23,996,791	35,756	8,955,059
Department of Transportation	23,176,555	12,379,484	2,242,193	8,554,878
University of Virginia - Academic Division	21,189,098	18,102,787	1,998,565	1,087,746
George Mason University	14,155,828	11,702,973	1,825,262	627,593
Virginia Community College System	12,852,131	10,995,822	1,011,315	844,994
Virginia Commonwealth University	11,558,016	5,226,932	1,761,112	4,569,972
Old Dominion University	8,461,847	6,876,402	1,229,952	355,493
Virginia Polytechnic Institute and State University	8,254,851	6,927,994	675,872	650,985
Virginia Information Technologies Agency	8,105,986	7,673,983	326,219	105,784
Department of State Police	7,812,936	2,668,398	1,405,039	3,739,499
Virginia Workers' Compensation Commission	6,394,522	2,297,135	1,601,594	2,495,793
Department of General Services	6,053,764	2,410,407	941,075	2,702,282
Norfolk State University	5,895,793	3,402,871	191,684	2,301,238
Department of Labor and Industry	3,805,914	712,917	544,083	2,548,914
Total - Largest Dollar Volume Agencies	\$ 748,817,128	\$ 326,027,330	\$ 55,114,052	\$ 367,675,746
All Other Agencies	39,533,610	25,166,882	5,419,487	8,947,241
Grand Total Past Due Receivables	\$ 2,881,114,559	\$ 530,897,766	\$ 248,965,975	\$ 2,101,250,818

