

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.

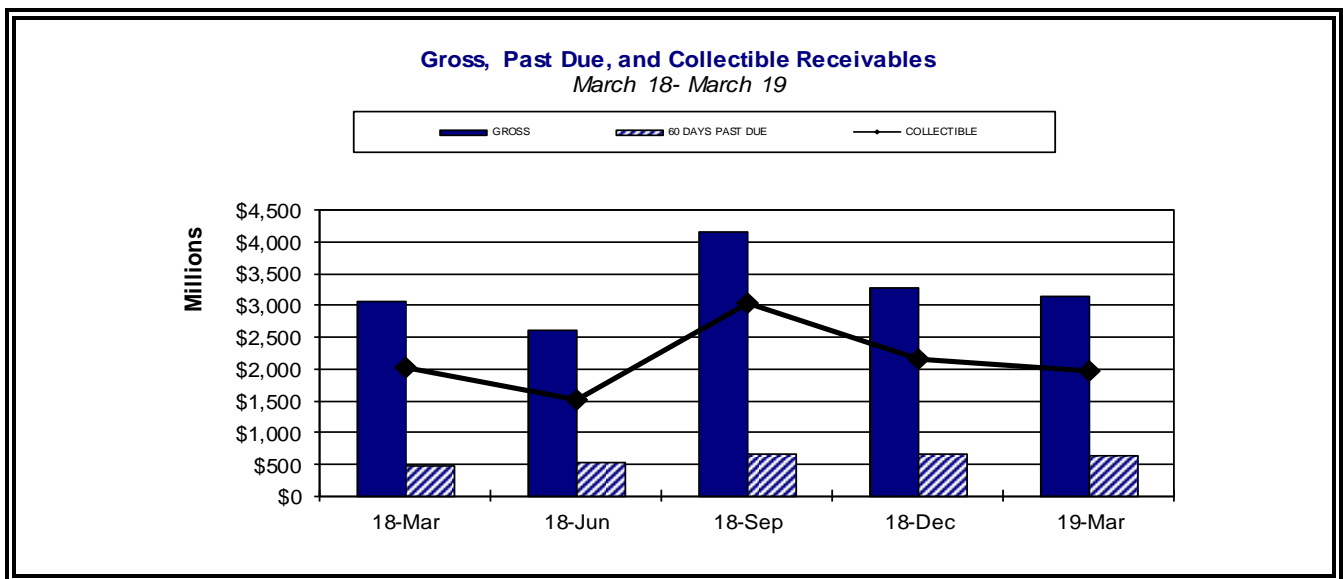
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$3.1

billion at March 31, 2019, with \$2.0 billion considered collectible. Receivables over 60 days past due as of March 31, 2019, totaled \$643.7 million. Of that amount, \$23.3 million was placed with private collection agencies, \$44.4 million was placed with the Division of Debt Collection and \$576.0 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, 2019, agencies expected to collect \$2.0 billion (63% percent) of the \$3.14 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, 2019

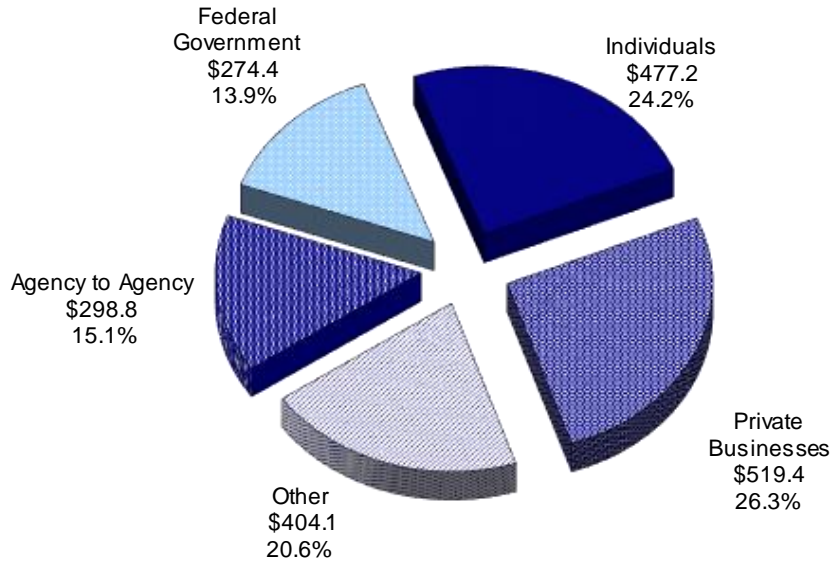
Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 15,893,211	53%
	Social Services	3,452,522	12%
	State Police Permits	5,998,434	20%
	Military Affairs	1,098,140	4%
	Labor and Industry Inspections	1,438,847	5%
	Other	239,982	1%
	Subtotal	27,641,172	94%
	Agency to Agency Receivables	2,259,277	8%
	Total General Fund Collectible	\$ 29,900,449	100%
	Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 153,704,048
Medicaid - Federal Reimbursements		6,536,049	1%
Unemployment Taxes *		255,473,297	13%
Transportation		113,849,515	6%
Child Support Enforcement		257,175,162	13%
Federal Government		432,472	0%
DBHDS Patient Services		15,953,405	1%
Hospital		233,881,397	12%
Enterprise		97,909,624	5%
Higher Education		401,591,377	20%
Other		110,884,070	6%
Subtotal		1,647,390,416	85%
Agency to Agency Receivables		296,503,367	15%
Total Nongeneral Fund Collectible	\$ 1,943,893,783	100%	
All Funds	Grand Total	\$ 1,973,794,232	100%

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

Summary of Receivables by Source

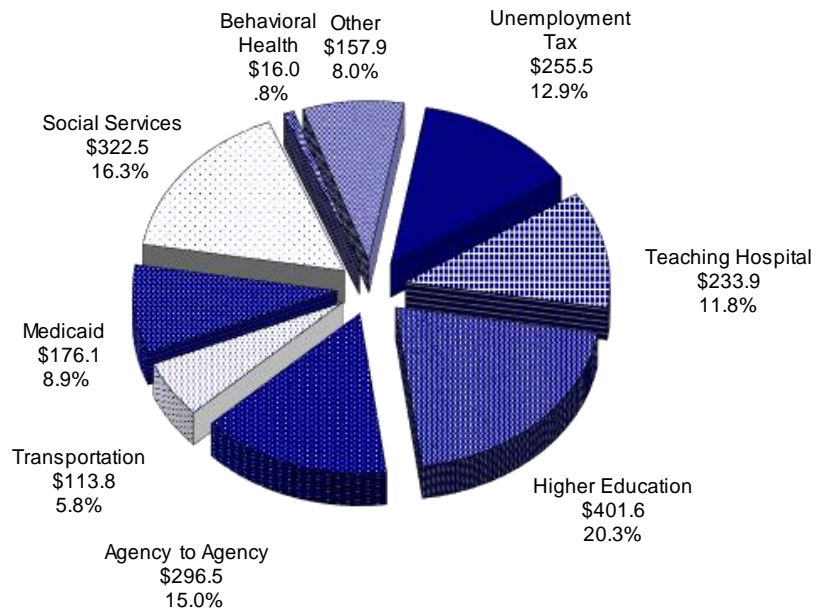
Sources of Collectible Receivables by Debtor

(dollars in millions)
As of March 31, 2019



Sources of Collectible Receivables by Type

(dollars in millions)
As of March 31, 2019



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 80

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, 2019

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Social Services	\$ 770,668,812	\$ (448,134,667)	\$ 322,534,145
University of Virginia Medical Center	871,132,404	\$ (558,309,812)	\$ 312,822,592
Virginia Employment Commission	294,397,223	\$ (35,313,095)	\$ 259,084,128
Department of Medical Assistance Services	210,651,247	\$ (34,517,939)	\$ 176,133,308
Virginia Polytechnic Institute and State University	128,913,239	\$ (1,864,685)	\$ 127,048,554
Department of Transportation	107,305,430	\$ (4,735,327)	\$ 102,570,103
University of Virginia - Academic Division	84,708,915	\$ (2,587,620)	\$ 82,121,295
Virginia Lottery	78,260,554	\$ -	\$ 78,260,554
Virginia Information Technology Agency	59,101,786	\$ -	\$ 59,101,786
George Mason University	54,662,860	\$ (2,769,415)	\$ 51,893,445
Total	\$ 2,659,802,470	\$ (1,088,232,560)	\$ 1,571,569,910
All Other Agencies	483,029,693	(80,805,371)	402,224,322
Grand Total	\$ 3,142,832,163	\$ (1,169,037,931)	\$ 1,973,794,232

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 \$104.7 million during the quarter ended March 31, 2019. The Division of Debt Collection contributed \$2.1 million. Private collection agencies collected \$2.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$99.7 million.

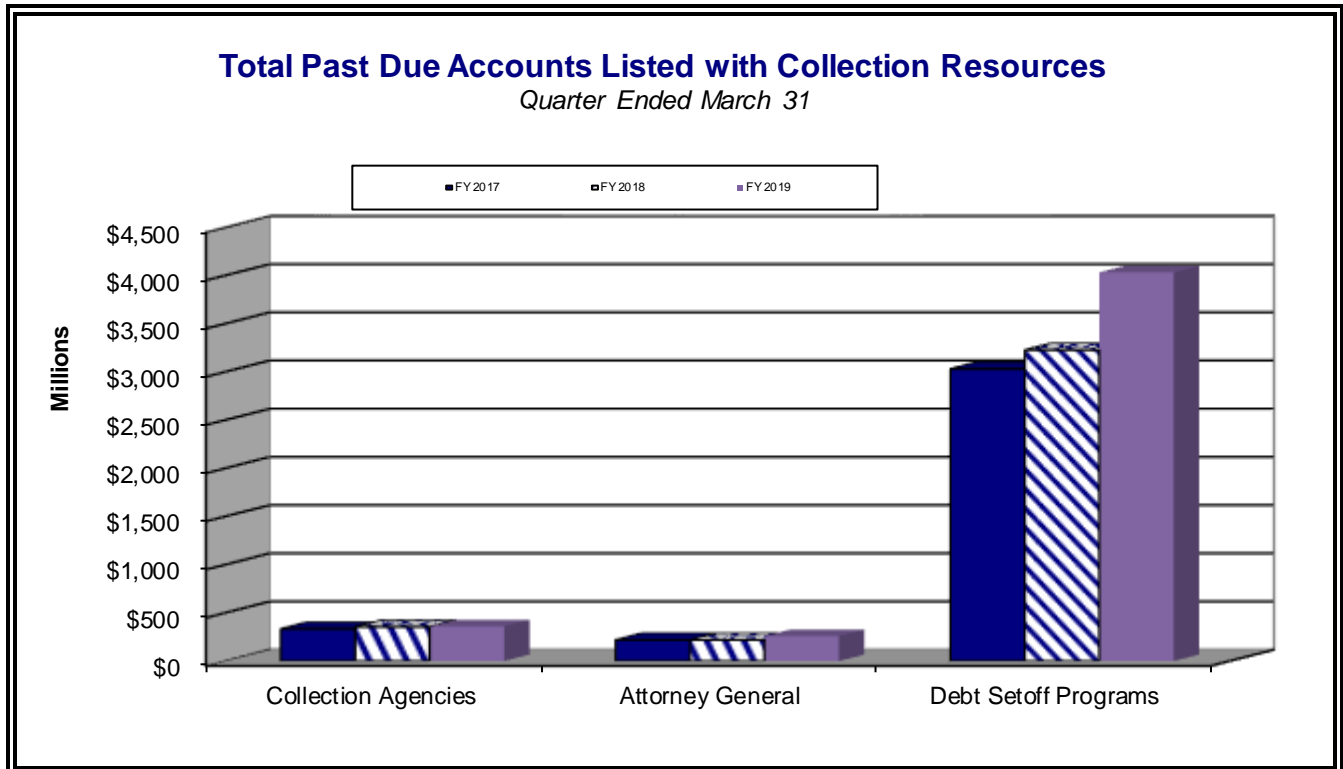
Private collection agencies returned \$30.0 million of accounts to agencies, and the Division of Debt Collection discharged \$3.9 million of accounts and returned \$2.4 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due

*Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2019*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 260,979,708	\$ 4,945	\$ 49,397	\$ 260,925,366
University of Virginia Medical Center	121,031,531	10,773,555	2,072,582	108,185,394
Virginia Employment Commission	57,655,920	-	11,202,246	46,453,674
Department of Medical Assistance Services	35,025,569	596,061	996,039	33,433,469
Department of Behavioral Health and Developmental Services	28,024,175	-	-	28,024,175
Department of Transportation	14,469,752	-	13,031,213	1,438,539
George Mason University	14,347,167	3,182,410	42,454	11,122,303
University of Virginia	12,441,728	699,967	44,247	11,697,514
Old Dominion University	10,837,739	2,929,341	-	7,908,398
Virginia Commonwealth University	10,760,434	255,438	7,870,912	2,634,084
TOTAL	\$ 565,573,723	\$ 18,441,717	\$ 35,309,090	\$ 511,822,916
All Other Agencies	78,115,071	4,883,095	9,089,567	64,142,409
TOTAL OVER 60 DAYS	\$ 643,688,794	\$ 23,324,812	\$ 44,398,657	\$ 575,965,325
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	4,008,991,801	337,760,609	214,621,701	3,456,609,491
TOTAL COLLECTION EFFORTS	\$ 4,652,680,595	\$ 361,085,421	\$ 259,020,358	\$ 4,032,574,816

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 a total of \$10.5 million in FY 2019. 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 3/31/19	Comparative	
		Percent 3/31/18	Percent 3/31/17
Old Dominion University	64%	27%	13%
Department of Behavioral Health and Developmental Services	48%	50%	48%
Department of Social Services	34%	34%	36%
George Mason University	26%	23%	22%
Virginia Commonwealth University	20%	16%	13%
Virginia Employment Commission	20%	16%	14%
Department of Medical Assistance Services	17%	31%	59%
University of Virginia - Academic Division	15%	13%	13%
University of Virginia Medical Center	14%	16%	10%
Department of Transportation	13%	15%	5%
Statewide Average - All Agencies	20%	20%	20%

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 80 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 65 percent indicates that for every dollar billed during the quarter ended March 31, 2019, the state collected sixty-five cents. This rate is the three percent lower than last year and three percent lower than two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/19	Comparative	
		Percent 3/31/18	Percent 3/31/17
University of Virginia - Academic Division	262%	261%	250%
Virginia Polytechnic Institute and State University	225%	222%	218%
Department of Medical Assistance Services	113%	63%	65%
Department of Transportation	107%	117%	95%
Virginia Lottery	100%	99%	99%
Department of Social Services	98%	110%	106%
George Mason University	94%	97%	96%
Virginia Information Technologies Agency	93%	130%	100%
Virginia Employment Commission	28%	27%	26%
University of Virginia Medical Center	26%	26%	27%
Statewide Average - All Agencies	106%	106%	102%

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 \$176.1 million at March 31, 2019, is a \$88.0 million increase over the \$88.1 million reported at March 31, 2018. Over the same period, total past due receivables of \$38.2 million have decreased by \$2.8 million from \$41 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 \$312.8 million at March 31, 2019, were a \$332.3 million decrease from the \$645.1 million reported the previous year. Past due receivables decreased by \$121.1 million to \$307.3 million over the previous year.

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 \$255.5 million at March 31, 2019, a decrease of \$45.9 million from the previous year. Total past due receivables were \$61.1 million, a \$3.7 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, 2019, of \$59.1 million, which is an increase of \$12.1 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2019, \$0.6 million was over 60 days past due, a decrease of \$0.7 million from the previous year.

Virginia Lottery (VAL)

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, 2019, the Virginia Lottery reported net receivables of \$78.3 million, a \$6.3 million increase from the previous year. Billings decreased by \$8.1 million and collections decreased by \$6.3 million during the March 31, 2019 quarter when compared to the March 31, 2018 quarter. At March 31, 2019, the Virginia Lottery had \$0.3 million 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, 2019, 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/ID)

VPISU/ID is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2019, the University reported net collectible receivables of \$127.0 million, an increase of \$19.9 million over the prior year. At the same time, total past due receivables of \$10.9 million increased by \$2.0 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2019, VPISU/ID had \$5.8 million of accounts over 60 days past due. Of that amount, \$677,231 was placed with private collection agencies, and \$5.0 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS operates 13 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, 2019, DBHDS reported collectible receivables of \$16.0 million, a \$1.8 million increase over the previous year. \$41.3 million was past due, with \$28.0 million being over 60 days past due. Total past due receivables increased by \$1.1 million over the year, and accounts over 60 days past due decreased by \$1.1 million. At March 31, 2019, the Department had a total of \$14.2 million of accounts placed with the Attorney General and \$1.9 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, 2019, VDOT reported \$102.6 million of collectible receivables, an increase of \$16.3 million from the prior year. VDOT also reported \$23.1 million total past due and \$14.5 million being over 60 days past due. Past due receivables decreased by \$1.9 million over the year, while receivables over 60 days past due increased 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 \$13.0 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, 2019, DSS reported gross receivables of \$770.7 million, an allowance for doubtful accounts of \$448.1 million and collectible receivables of \$322.5 million. Past due receivables totaled \$265.2 million, of which \$261.0 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$675.2 million (88 percent) of the gross receivables, \$418.0 million (93 percent) of the allowance for doubtful accounts and \$257.2 million (80 percent) of the collectible receivables.

From March 31, 2018 to March 31, 2019, gross receivables increased by \$36.0 million and collectible receivables increased by \$22.9 million. Total past due receivables increased by \$8.5 million and receivables over 60 days past due increased by \$8.3 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, 2019, DRPT had gross and net receivables of \$13.5 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported \$10.6 million of past due receivables at March 31, 2019.

Virginia Commonwealth University (VCU/AD)

VCU/AD, based in Richmond, offers more than 200 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, 2019, VCU/AD had \$47.3 million of collectible receivables, a \$9.3 million decrease from March 31, 2018. Total past due accounts were \$11.7 million, a \$1.2 million decrease from March 31, 2018. Accounts over 60 days past due (\$10.8 million) increased by \$0.8 million from the prior year. Billings decreased at March 31, 2019 by \$5.5 million to \$80.4 million and collections increased by \$21.8 million to \$293.9 million for the March 31, 2019 quarter, when compared to the March 31, 2018 quarter.

The following table is prepared to present the March 31, 2019 aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$3.6 billion past due accounts receivable at March 31, 2019. Another 18 agencies accounted for 25 percent (\$914.8 million), leaving 79 other agencies to comprise the last one percent at \$52.3 million.

Taxation and the Circuit and District Courts accounted for 74 percent (\$2.7 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2019

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,857,431,958	188,795,227	152,110,188	1,516,526,543
Localities' Circuit and District Courts	806,669,823	53,697,071	43,295,606	709,677,146
Total - Taxation Assessments and Court Fines and Fees	\$ 2,664,101,781	\$ 242,492,298	\$ 195,405,794	\$ 2,226,203,689

All Other Large Dollar Agencies:

University of Virginia Medical Center	307,305,979	255,091,238	33,295,264	18,919,477
Department of Social Services	265,167,479	12,787,820	12,727,495	239,652,164
Virginia Employment Commission	61,146,821	7,287,241	9,013,331	44,846,249
University of Virginia - Academic Center	42,839,144	38,499,501	2,079,419	2,260,224
Department of Behavioral Health and Developmental Services	41,334,106	34,379,524	28,171	6,926,411
Department of Medical Assistance Services	38,187,297	5,969,570	3,383,525	28,834,202
Department of Transportation	23,068,435	10,533,948	4,328,067	8,206,420
Virginia Community College System	20,029,719	17,372,294	1,704,498	952,927
George Mason University	17,595,855	13,879,537	2,823,886	892,432
Department of Health	13,361,954	13,028,280	111,635	222,039
Old Dominion University	12,975,408	10,702,316	2,051,074	222,018
Department of State Police	11,889,735	5,343,830	1,120,053	5,425,852
Virginia Commonwealth University	11,665,827	5,450,371	2,046,704	4,168,752
Virginia Polytechnic Institute and State University	10,900,850	9,785,096	643,387	472,367
Virginia Information Technologies Agency	10,881,180	10,615,098	201,600	64,482
Department of Rail and Public Transportation	10,579,825	10,579,825	-	-
Department of General Services	9,926,771	2,940,542	3,487,468	3,498,761
Virginia Military Institute	5,909,708	5,679,344	2,348	228,016

Total - Largest Dollar Volume Agencies	\$ 914,766,093	\$ 469,925,375	\$ 79,047,925	\$ 365,792,793
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All Other Agencies	52,329,402	29,791,226	6,848,141	15,690,035
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Grand Total Past Due Receivables	\$ 3,631,197,276	\$ 742,208,899	\$ 281,301,860	\$ 2,607,686,517
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