

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 \$3.12

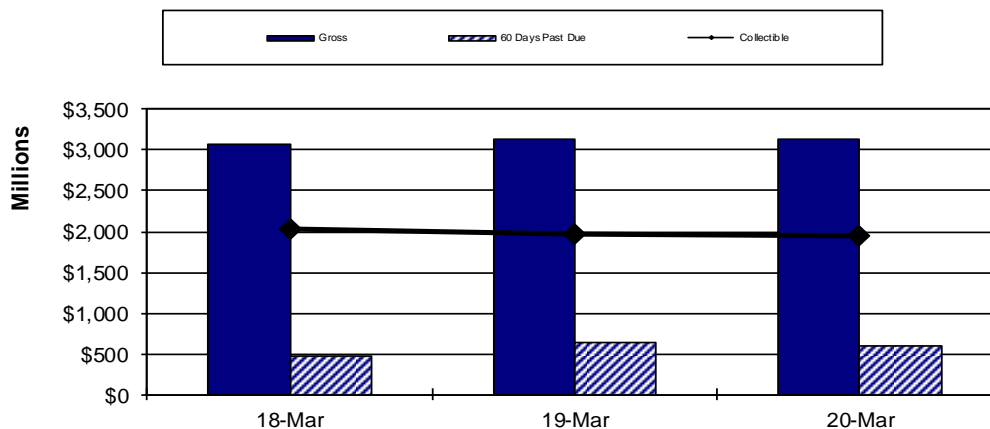
billion at March 31, 2020, with \$1.96 billion considered collectible. Receivables over 60 days past due as of March 31, 2019, totaled \$606.6 million. Of that amount, \$58.2 million was placed with private collection agencies, \$33.7 million was placed with the Division of Debt Collection and \$514.7 million was retained in-house for additional collection efforts.

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

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

Gross, Past Due, and Collectible Receivables

March 18- March 20



As of March 31, 2020, agencies expected to collect \$1.96 billion (63 percent) of the \$3.12 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 fund.

Collectible Receivables by Fund

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

As of March 31, 2020

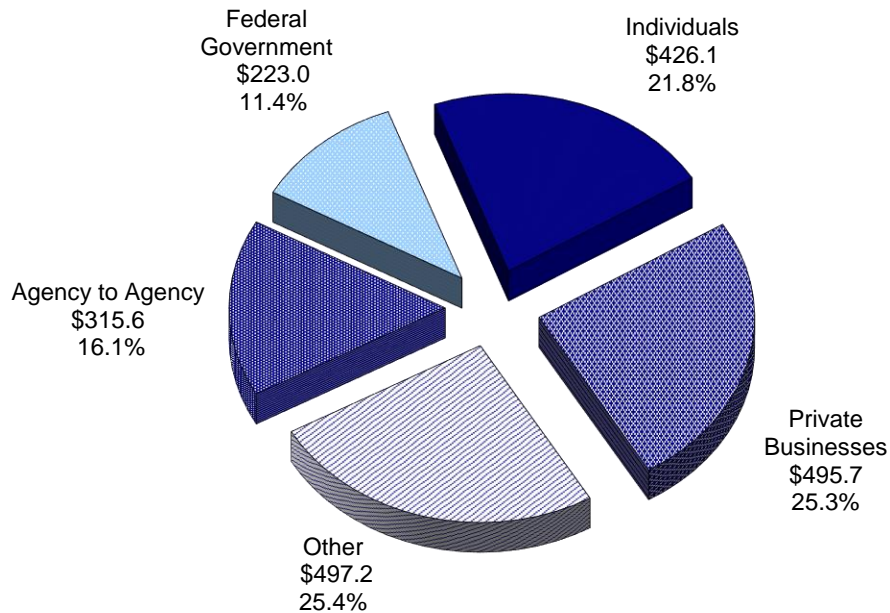
Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 14,466,494	55%
	Social Services	3,473,192	13%
	State Police Permits	5,034,096	18%
	Military Affairs	1,291,034	5%
	Labor and Industry Inspections	1,379,950	5%
	Other	708,974	3%
	Subtotal	24,935,792	99%
	Agency to Agency Receivables	1,565,082	6%
	Total General Fund Collectible	\$ 26,500,874	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 62,542,719	3%
	Medicaid - Federal Reimbursements	10,613,584	1%
	Unemployment Taxes *	227,109,887	12%
	Transportation	145,500,930	8%
	Child Support Enforcement	266,918,561	14%
	Federal Government	57,145,282	3%
	DBHDS Patient Services	9,953,356	1%
	Hospital	215,986,117	11%
	Enterprise	98,188,011	5%
	Higher Education	409,823,907	21%
	Other	111,812,418	6%
	Subtotal	1,615,594,772	84%
	Agency to Agency Receivables	315,585,868	16%
	Total Nongeneral Fund Collectible	\$ 1,931,180,640	100%
All Funds	Grand Total	\$ 1,957,681,514	100%

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

Summary of Receivables by Source

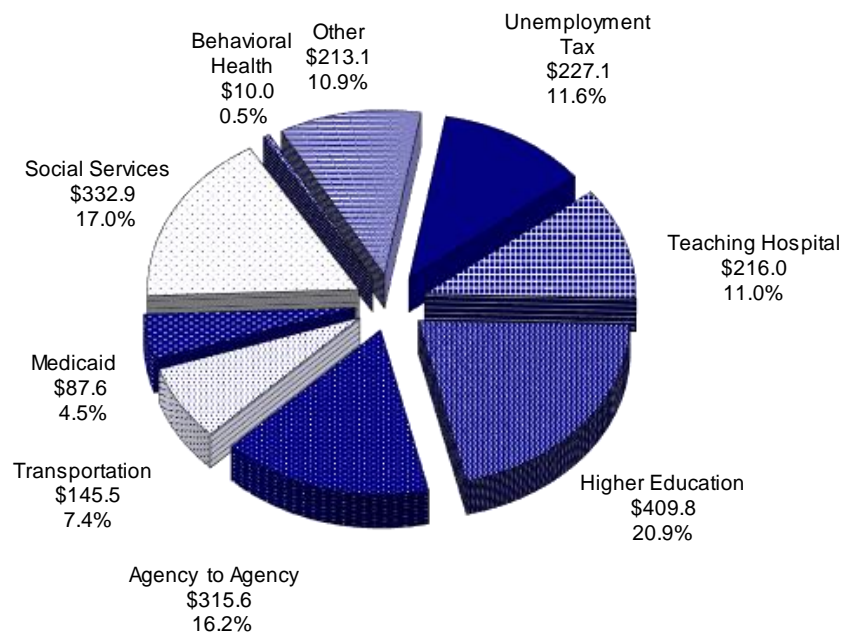
Sources of Collectible Receivables by Debtor (dollars in millions)

As of March 31, 2020



Sources of Collectible Receivables by Type (dollars in millions)

As of March 31, 2020



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, 2020

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Social Services	\$ 796,973,739	\$ (464,121,673)	\$ 322,534,145
University of Virginia Medical Center	857,982,365	\$ (543,839,691)	\$ 314,142,674
Virginia Employment Commission	267,050,497	\$ (35,889,839)	\$ 231,160,658
Department of Transportation	152,077,378	\$ (5,300,190)	\$ 146,777,188
Virginia Polytechnic Institute and State University	133,673,272	\$ (1,643,884)	\$ 132,029,388
Virginia Information Technology Agency	92,150,275	\$ -	\$ 92,150,275
Department of Medical Assistance Services	121,698,329	\$ (34,075,532)	\$ 87,622,797
University of Virginia - Academic Division	83,956,611	\$ (2,150,063)	\$ 81,806,548
Virginia Lottery	81,744,091	\$ -	\$ 81,744,091
George Mason University	71,066,705	\$ (2,971,241)	\$ 68,095,464
Total	\$ 2,658,373,262	\$ (1,089,992,113)	\$ 1,568,381,149
All Other Agencies	464,519,619	(75,366,388)	389,153,231
Grand Total	\$ 3,122,892,881	\$ (1,165,358,501)	\$ 1,957,534,380

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 \$10 million during the quarter ended March 31, 2020. The Division of Debt Collection contributed \$2.1 million. Private collection agencies collected \$5.3 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$2.5 million.

Private collection agencies returned \$37.2 million of accounts to agencies, and the Division of Debt Collection discharged \$463.1 thousand of accounts and returned \$1.9 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due

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

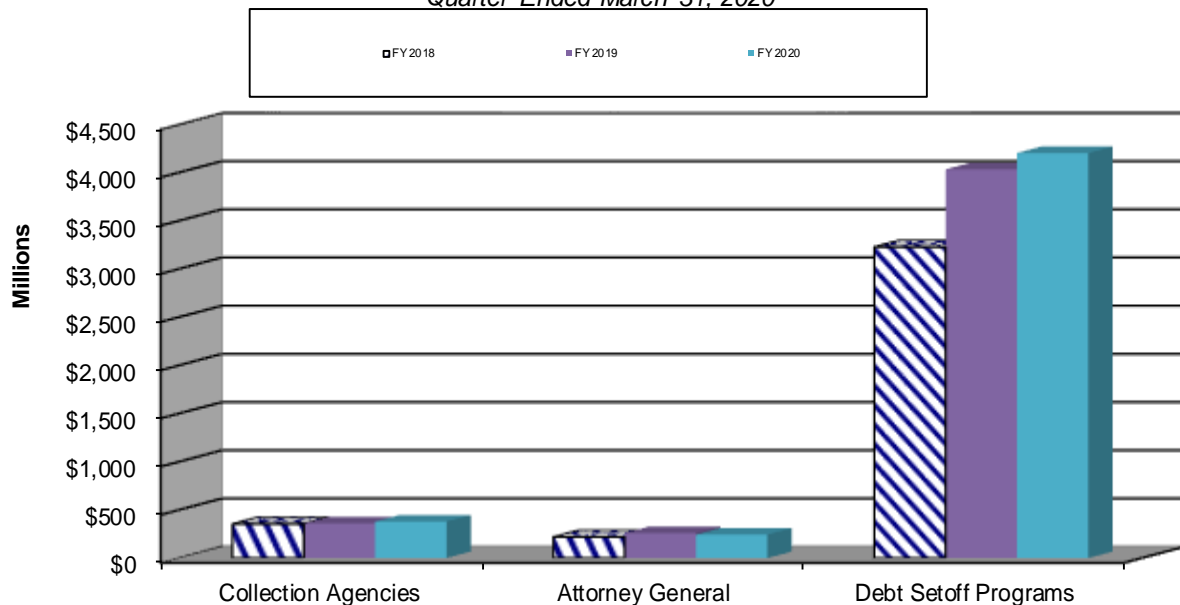
As of March 31, 2020

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 271,018,433	\$ 4,945	\$ 49,755	\$ 270,963,733
Virginia Employment Commission	59,772,498	20,980,787	13,231,892	25,559,819
Department of Transportation	49,193,407	1,127,589	12,914,438	35,151,380
University of Virginia Medical Center	27,812,610	22,122,853	30,818	5,658,939
Department of Medical Assistant Services	27,669,815	550,822	555,060	26,563,933
Department of Behavioral Health and Developmental Services	23,346,856	-	-	23,346,856
Virginia Polytechnic Institute and State University	17,814,003	660,028	91,970	17,062,005
George Mason University	16,608,689	3,301,528	73,405	13,233,756
Old Dominion University	12,103,088	3,749,298	-	8,353,790
University of Virginia	11,206,343	849,577	44,247	10,312,519
TOTAL	\$ 516,545,742	\$ 53,347,427	\$ 26,991,585	\$ 436,206,730
All Other Agencies	90,093,638	4,891,650	6,680,502	78,521,486
TOTAL OVER 60 DAYS	\$ 606,639,380	\$ 58,239,077	\$ 33,672,087	\$ 514,728,216
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	4,217,676,353	320,869,249	209,895,332	3,686,911,772
TOTAL COLLECTION EFFORTS	\$ 4,824,315,733	\$ 379,108,326	\$ 243,567,419	\$ 4,201,639,988

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

Total Past Due Accounts Listed with Collection Resources

Quarter Ended March 31, 2020



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 \$10.4 million in FY 2020. 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 3/31/20	Comparative	
		Percent 3/31/19	Percent 3/31/18
Old Dominion University	61%	64%	27%
Department of Behavioral Health and Developmental Services	49%	48%	50%
Department of Social Services	34%	34%	34%
Department of Transportation	32%	13%	15%
George Mason University	23%	26%	23%
Department of Medical Assistance Services	23%	17%	31%
Virginia Employment Commission	22%	20%	16%
University of Virginia - Academic Division	13%	15%	13%
Virginia Polytechnic Institute and State University	13%	5%	6%
University of Virginia Medical Center	3%	14%	16%
Statewide Average - All Agencies	19%	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 82 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 75 percent indicates that for every dollar billed during the quarter ended March 31, 2020, the state collected seventy-five cents. This rate is the ten percent higher than last year and seven percent higher than two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/20	Comparative	
		Percent 3/31/19	Percent 3/31/18
University of Virginia - Academic Division	289%	262%	261%
Virginia Polytechnic Institute and State University	244%	225%	222%
Virginia Information Technologies Agency	107%	93%	130%
Virginia Lottery	104%	100%	99%
Department of Social Services	102%	98%	110%
Department of Transportation	97%	107%	117%
George Mason University	92%	94%	97%
Department of Medical Assistance Services	32%	113%	63%
Virginia Employment Commission	28%	28%	27%
University of Virginia Medical Center	26%	26%	26%
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 \$87.6 million at March 31, 2020, is a \$88.5 million decrease over the \$176.1 million reported at March 31, 2019. Over the same period, total past due receivables of \$32 million have decreased by \$6.2 million from \$38.2 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 612-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 \$314.1 million at March 31, 2020, was a \$1.3 million increase from the \$312.8 million reported the previous year. Past due receivables decreased \$240.5 million to \$66.8 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 \$231.2 million at March 31, 2020, a decrease of \$24.3 million from the previous year. Total past due receivables were \$62.2 million, a \$1.1 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, 2020, of \$92.2 million, which is an increase of \$33.1 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2020, \$4.2 million was over 60 days past due, an increase of \$3.6 million from the previous year.

Virginia Lottery (VAL)

The Virginia Lottery is an independent agency responsible for operating the state's lottery gaming, including the sale and profits from scratch and draw game tickets. The Virginia Lottery actively participates in national and regional games including Mega Millions, Powerball, and Cash 4 Life. 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, 2020, the Virginia Lottery reported net receivables of \$81.7 million, a \$3.4 million increase from the previous year. Billings decreased by \$28.2 million and collections decreased by \$19.6 million during the March 31, 2020 quarter when compared to the March 31, 2019 quarter. At March 31, 2020, 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, 2020, 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, 2020, the University reported net collectible receivables of \$132 million, an increase of \$5 million over the prior year. At the same time, total past due receivables of \$24.5 million increased by \$13.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2020, VPISU/ID had \$17.8 million of accounts over 60 days past due. Of that amount, \$660,028 was placed with private collection agencies, and \$17.1 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, 2020, DBHDS reported collectible receivables of \$10 million, a \$6 million decrease over the previous year. \$35.5 million was past due, with \$23.3 million being over 60 days past due. Total past due receivables decreased by \$5.8 million over the year, and accounts over 60 days past due decreased by \$4.7 million. At March 31, 2020, the Department had a total of \$15.3 million of accounts placed with the Attorney General and \$0.8 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, 2020, VDOT reported \$146.8 million of collectible receivables, an increase of \$44.2 million from the prior year. VDOT also reported \$84.3 million total past due and \$49.2 million being over 60 days past due. Past due receivables increased by \$61.2 million over the year, while receivables over 60 days past due increased by \$34.7 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 \$12.9 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, 2020, DSS reported end gross receivables of \$797 million, an allowance for doubtful accounts of \$464.1 million and collectible receivables of \$322.9 million. Past due receivables totaled \$275.4 million, of which \$271 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, \$433.8 million (93 percent) of the allowance for doubtful accounts and \$267 million (80 percent) of the collectible receivables.

From March 31, 2019 to March 31, 2020, end gross receivables increased by \$26.3 million and collectible receivables increased by \$0.4 million. Total past due receivables increased by \$10.2 million and receivables over 60 days past due increased by \$10 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, 2020, DRPT had gross and net receivables of \$7.4 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported no past due receivables at March 31, 2020.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 225 degree and certificate programs through VCU's 13 schools and one college to over 31,000 students. VCU is designated as a research university with very high research activity by the Carnegie Foundation. A broad array of university-approved centers and institutes of excellence, involving faculty from multiple disciplines in public policy, biotechnology and health care discoveries, supports the University's research mission.

At March 31, 2020, VCU had \$49.1 million of collectible receivables, a \$1.8 million increase from March 31, 2019. Total past due accounts were \$12.2 million, a \$0.5 million increase from March 31, 2019. Accounts over 60 days past due (\$10.5 million) decreased by \$238,280 from the prior year. Billings decreased at March 31, 2020 by \$7.0 million to \$73.4 million and collections decreased by \$1.9 million to \$292 million for the March 31, 2020 quarter, when compared to the March 31, 2019 quarter.

The following table is prepared to present the March 31, 2020, 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, 2020. Another 18 agencies accounted for 21 percent (\$745.4 million), leaving 77 other agencies to comprise the last one percent at \$43.3 million.

Taxation and the Circuit and District Courts accounted for 78 percent (\$2.8 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2020

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,937,748,534	251,120,814	125,861,799	1,560,765,921
Localities' Circuit and District Courts	879,061,444	59,727,944	64,098,600	755,234,900
Total - Taxation Assessments and Court Fines and Fees	\$ 2,816,809,978	\$ 310,848,758	\$ 189,960,399	\$ 2,316,000,821

All Other Large Dollar Agencies:

Department of Social Services	275,363,130	13,327,705	13,427,758	248,607,667
Department of Transportation	84,275,842	45,352,808	2,136,258	36,786,776
University of Virginia Medical Center	66,843,131	55,805,621	7,198,777	3,838,733
Virginia Employment Commission	62,175,310	5,739,137	7,769,883	48,666,290
University of Virginia - Academic Division	38,683,374	34,509,203	2,188,792	1,985,379
Department of Behavioral Health and Developmental Services	35,479,270	29,729,949	28,513	5,720,808
Department of Medical Assistance Services	31,982,233	7,438,005	2,749,655	21,794,573
Virginia Polytechnic Institute and State University	24,498,227	23,022,669	896,703	578,855
Virginia Information Technologies Agency	23,900,861	23,520,897	272,805	107,159
George Mason University	21,274,174	17,549,612	2,691,549	1,033,013
Virginia Community College System	15,685,498	11,629,446	1,888,838	2,167,214
Old Dominion University	13,300,571	10,683,452	2,239,641	377,478
Department of State Police	12,813,822	4,408,968	3,657,544	4,747,310
Virginia Commonwealth University	12,150,421	5,361,603	517,516	6,271,302
Department of General Services	7,271,948	2,718,886	1,323,331	3,229,731
Norfolk State University	6,745,438	5,047,052	181,659	1,516,727
Department of Motor Vehicles	6,520,689	3,575,527	2,945,162	-
Virginia Workers' Compensation Commission	6,439,099	1,698,152	1,906,515	2,834,432
Total - Largest Dollar Volume Agencies	\$ 745,403,038	\$ 301,118,692	\$ 54,020,899	\$ 390,263,447
All Other Agencies	43,312,779	22,006,826	6,027,240	15,278,713
Grand Total Past Due Receivables	\$ 3,605,525,795	\$ 633,974,276	\$ 250,008,538	\$ 2,721,542,981

