



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Accounts Receivable
Sub-section: Identifying and Managing Accounts Receivable and
Other Amounts Due to the State

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Policy Summary:

The State receives funds from a wide variety of sources for services provided and goods furnished by State organizations and other operations including taxes, grants, fees, fines and interest and other investment income. Organizations included in the State reporting entity are required to maintain their accounting records in a manner which will provide for the preparation of budgetary statements and/or GAAP financial statements. Day-to-day operations may be accounted for using one basis of accounting (a budgetary reporting basis) and year-end reporting information may be prepared to accommodate reporting on a different basis of accounting (a GAAP basis).

Transactions are recorded within the general ledger system of the financial accounting records in accordance with the particular basis of accounting applicable to the fund to which the receipts belong (for example the Budget Fund or the State Revenue Collections Fund).

Circumstances can arise in which amounts are owed to the State for goods and/or services provided, but for which recognition criteria have not yet been met requiring the recording of the amounts owed within the general ledger. An example of these circumstances would be when a fine which would be recorded in the State Revenue Collections Fund (which is accounted for on the cash receipts and disbursements basis) is due to the State because a law has been violated and a party has been cited for this violation, however the fine has not yet been paid (there is no cash receipt). Even though the transaction is not required to be recorded in the general ledger on the State Revenue Collection Fund's basis of accounting until cash is received, the organization responsible for the fine must keep track of the transaction as the fine would be recognized as revenue to the State on a GAAP basis of accounting.

Each State organization is responsible for identifying, managing and collecting any receivable and any other amount due to the State (collectively known as debts owed to the State within this policy) for which a claim is being made. In fulfilling this responsibility, a State organization shall establish internal policies

and procedures for the overall management of debts owed to the State, **whether or not these amounts have been recorded on the financial accounting records as accounts receivable.**

The purpose of this policy is to provide State organizations with general definitions and guidelines for maintaining accurate records of each debt owed to the State, providing accurate and timely customer statements and obtaining timely payment of amounts owed to the State. State organizations may have more stringent restrictions than this policy requires.

Refer to the *Inflows of Resources* section of the Accounting Policy Manual for comprehensive accounting guidance related to the criteria required for recognizing accounts receivables on the statutory, GAAP modified accrual or GAAP full accrual basis of accounting. (<http://sao.georgia.gov/accounting-policy-manual>).

Business Process Policy Requirements:

In order to effect early conversion of debts owed to the State to cash and to minimize revenue losses, each State organization must maintain a diligent program for managing debts owed to the State. The debt owed to the State management function consists of:

- Identifying accounts receivable and other amounts due to the State (collectively known as Debts Owed to the State within this policy)
- Collections
- Aging, Analysis, & Reporting
- Compliance Reporting Requirements
- Internal Controls

Identifying Debts Owed to the State

Accounts receivable should be recorded in accordance with the recognition criteria established in policies included in the *Inflows of Resources* section of the Accounting Policy Manual.

In addition to the recognition criteria applicable to the basis of accounting on which the State organization's general ledger is maintained, State organizations should be aware of and have processes in place to keep track of amounts due to the State which do not meet accounts receivable recognition criteria, but which meet recognition criteria of GAAP basis of accounting. The recognition for the applicable GAAP basis of accounting have also been established in policies included in the *Inflows of Resources* section of the Accounting Policy Manual. State organizations should carefully consider all types of funds collected in all general ledger funds maintained, paying particular attention to the timing of the recognition of each type of collection.

The following characteristics and examples provide additional guidance on identifying circumstances under which debts may be owed to the State:

- The State has provided goods or services to a customer.
- The execution of contracts, leases, and other legal agreements may trigger the need to record a receivable. State organizations must consult with the SAO financial reporting group and legal counsel when in doubt.
- A specific legal debt exists against a specific individual or a State organization.
- Fines and penalties would become debts owed to the State when assessed, even if the assessment is being protested.
- Monies owed to the State for licenses and permits would typically *NOT* represent a debt owed to the State if the privilege being granted would not become effective until payment is received.
- Receiving a promise for future revenues does *NOT* generally constitute a debt owed to the State. Therefore, the recording of anticipated revenues from State appropriations and federal grant

awards must be segregated from the recording of receivables in accordance with accounting policy statements issued from time-to-time by SAO.

A debt owed to the State should be linked to a specific debtor and supported by documentation identifying the name of the debtor, the amount of the debt, the nature of the debt, and the date the debt is due.

Collections

State organizations should establish a series of customer accounts with unique identification numbers to track the activities and balances of debt owed to the State in a subsidiary ledger, such as the accounts receivable module of the statewide accounting system or an equivalent system. In conjunction with applicable state law and federal guidelines, State organizations are required to:

- Prepare and send timely billing statements.
- Prepare and send clear and complete billing statements that include State organization contact information and remittance information.
- Execute collection activities where practical via either internal resources or third party vendors.
- Utilize debt offset provisions when statutorily available.
- Discontinue services for delinquent customers (such as driver's license) and place holds on the release of documents when appropriate (such as student transcripts).

Management should take into consideration the cost of executing collection activities and refrain from collection efforts when the cost to collect exceeds the amount owed.

Aging, Analysis, and Reporting

- Maintain an aging report of all debt owed to the State.
 - The following aging categories are used for statewide reporting: 1-30 days, 31-60 days, 61-90 days, 91-120 days, and 121 days and over.
- Provide for the accrual of interest and penalties as allowed or as required by law.
- Maintain information relative to specific collection efforts on each past-due account.
- Maintain realistic estimates of, and properly account for, doubtful accounts and provide adequate documentation of the methodology used (e.g., allowance method, direct write-off method, etc.) to estimate doubtful accounts. Collectability should be considered even for accounts which cannot be legally written off for statutory basis reporting.
- Provide management reports on the collection status of past-due accounts.
- Recognize and report debt owed to the State in accordance with policies included in the *Inflows of Resources* section of the Accounting Policy Manual.
- Comply with federal and other contractual regulations regarding the accounting, reporting, and managing of receivables.
- Maintain a record of year-end debt owed to the State balances for annual financial reporting, in compliance with SAO year-end reporting requirements.

Compliance Reporting Requirements

Write-off of Receivables – The age of all accounts receivable balances should be reviewed periodically by State organization management. Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. Refer to the *Accounts Receivable* sub-section of the Business Process Policies for quarterly requirements for reporting the write-off of accounts receivable to SAO.

Internal Controls

Refer to the *Internal Controls* section of the Accounting Policies and Procedures portion of the SAO website for comprehensive guidance on internal controls. To promote the accuracy of records related to debts owed to the State and to discourage fraudulent manipulation of the accounting records, state organizations should incorporate certain internal controls procedures and document these procedures for the:

- Identification, management and collection of the debts owed to the State.
- Reconciliations of the individual account balances to the control balance periodically.
- Segregation of Duties over custody of assets and authorization and recording of transactions, which should consider such things as:
 - Have an employee other than the employee who receives payments handle items disputed by customers.
 - Have an employee other than the employee who receives payments approve payment of credit balances and credit adjustments to the account balance.
 - Where possible, have the duties of the accounts receivable specialist and the employee who receives payment separated.
 - Have accounts receivable write-offs approved by an employee who does not receive payments.
- Restriction of access to receivable ledgers, as appropriate.

Accounting Treatment:

Refer to the *Inflows of Resources* section of the Accounting Policy Manual for comprehensive accounting guidance related to recognition of accounts receivable. Generally, proper accounting treatment includes:

- Recognition of receivables for financial reporting purposes when the related revenue is recognized in accordance with the relevant basis of accounting. If a State organization earns revenues for which it has not received payment, a receivable exists and must be recorded.
- Maintenance of billings, payments, and account adjustments in a subsidiary ledger such as the receivables module of the statewide accounting system or an equivalent system for all debt owed to the State regardless of whether accounts receivable and/or revenue have been recognized.
- Identification and segregation of debts owed to the State due from other State organizations and interfund receivables from debts owed to the State from customers outside the State reporting entity.
- Periodic reconciliation of the accounts receivable sub ledger (detail) to the corresponding balances in the general ledger. A monthly reconciliation is suggested, with a quarterly reconciliation being required. See AR Reconciliation Procedures in the Teamworks section of the SAO website. Documentation confirming these reconciliations should be maintained in the State organization's files for at least three (3) years.

Authority:

OCGA 50-5B-3, *Duties of the state accounting officer; recommendations for improving cash management practices; implementing policies*

Applicability:

This policy applies to all organizations of state government meaning, without limitation, any organization, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia.

Definitions:

Accounts Receivable – A current asset account recognized in the accounting records for amounts due from individuals, firms, corporations, or other organizations for goods and services furnished by an organization of the State.

Customer – Governmental entities, private businesses or private individuals who owe State organizations for goods or services rendered are considered to be customers.

Debts Owed to the State – Accounts Receivable recognized in the accounting records and other amounts due to the State which may not yet be susceptible to recognition on the basis of accounting on which the organization's day-to-day accounting records are maintained.

Inter-agency Receivables – Internal transactions where monies are owed from one State organization to another.

Interfund Receivables – Monies owed between funds within an organization of the State.

State Organization – Without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. The term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity.

Uncollectible Accounts – Generally, debts owed to the State aged more than one hundred eighty (180) days from the due date are no longer probable for collection. Specific debts owed to the State may become uncollectible in fewer than one hundred eighty (180) days under certain circumstances.

Due Date – The date upon which the debt owed to the State is due to be paid. The due date is generally thirty (30) days after the invoice date or as agreed in a legally binding contract or transaction invoice.

Delinquent Account – A debt owed to the State that remains unpaid and outstanding after the due date.

Collection Activities – Activities that take place after a debt owed to the State becomes delinquent to obtain the monies owed to the State. These activities may include letters, phone calls, collection agencies, placing a lien on property, debt offset programs, legal actions, and payment plans.

Debt Offset – Statewide and organization-based programs that permit reducing amounts payable to a specific individual or business by the amount of delinquent accounts receivable due from that same individual or business.

Forms and Attachments:

The following tools, specific to users of the statewide financial system, are available on the [SAO website](#):

- The SAO Teamworks Business Process Document on Accounts Receivable Reconciliation Procedures for the Teamworks Financials System is available at the following page:
 - o [TeamWorks > Financials > Accounts Receivable > AR Reconciliation Procedures](#)
 - o Click the “here” link to familiarize yourself with Teamworks/PeopleSoft AR Subsystem reconciliation procedures.
- The current list of Teamworks Accounts Receivable Queries is available at the following page:
 - o [TeamWorks > Financials > Accounts Receivable > AR Queries](#)
 - o Click the “Accounts Receivable Queries” link to open the Queries file.
- The current list of Teamworks Accounts Receivable reports is available at the following page:
 - o [TeamWorks > Financials > Accounts Receivable > AR Reports](#)
 - o Click the “Accounts Receivables Reports” link under to open the Reports file.
- The current list of Teamworks Accounts Receivable forms is available at the following page:
 - o [TeamWorks > Financials > Accounts Receivable > AR Forms](#)
 - o Click any link under “Forms” to work with a form.
- Teamworks Accounts Receivable Training is available online, and is the primary Teamworks training and support tool used by the State Accounting Office. This tool allows all users online training at their convenience and is available to users of the statewide financial system at the following page:
 - o [Training&Calendars > TeamWorks Training](#)
 - o Choose the “Teamworks Financials Online Training” link.
 - o Select Teamworks Accounts Receivable to view all available lessons on Accounts Receivable.