



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Accounts Receivable

Sub-section: Establishing and Managing a Receivable

Effective Date: 10/01/2015**Revision Date:** 08/11/2015**Index:**[Policy Summary](#)[Business Process Policy Requirements](#)[Accounting Treatment](#)[Authority](#)[Applicability](#)[Definitions](#)[Forms and Attachments](#)**Policy Summary:**

Accounts receivable represent debts owed to the state for goods or services that the state has sold or provided to its customers. These debts are short term and are normally expected to be paid in 30 days with no interest charge.

Each State organization is responsible for establishing, managing and collecting any receivable (also known as debt 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 its accounts receivable balances.

The purpose of this policy is to provide State organizations with general definitions and guidelines for maintaining accurate records of each receivable, 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.

Business Process Policy Requirements:

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

- Establishing the receivable
- Collections
- Aging, Analysis, & Reporting

Establishing the Receivable

Two criteria are essential to create a receivable – the transaction must be completed to the extent that payment is the only remaining act (i.e., goods have been provided or services have been rendered), and secondly, the amount due must be measurable.

The following characteristics and examples provide additional guidance on when to establish a receivable:

- 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. 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 an organization.
- Fines and penalties would become receivables when assessed, even if the assessment is being protested.
- Monies owed to the State for licenses and permits would typically *NOT* represent a receivable if the privilege being granted would not become effective until payment is received.
- Receiving a promise for future revenues does *NOT* generally constitute a receivable under generally accepted accounting principles. 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 receivable 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.

A receivable does not have to be currently due since recognition is generally not related to cash payment. An invoice that becomes due in, for example 30 days, is still a receivable, even though the amount owed is not yet due to the State. Similarly, a student loan would represent a receivable even though payments may not begin until some future date.

Collections

State organizations should establish a series of customer accounts with unique identification numbers to track receivable activities and balances. 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 contact information and remittance information.
- Execute on collections activities where practical via either internal resources or third party vendors.
- Utilize debt offset provisions when statutorily available
- Services are discontinued for delinquent customers (such as driver's license) and holds are placed 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 receivables.
 - 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.
- 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.
- Provide management reports on the collection status of past-due accounts.
- Recognize and report receivables in accordance with generally accepted accounting principles (GAAP).
- Comply with federal and other contractual regulations regarding the accounting, reporting, and managing of receivables.
- Maintain a record of year-end receivable balances for annual financial reporting, in compliance with SAO year-end reporting requirements.
- Provide for the accrual of interest and penalties as allowed or as required by law.

Internal Control

To promote the accuracy of accounts receivable records and to discourage fraudulent manipulation of the accounting records, departments should incorporate the following internal control measures for accounts receivable:

- Regular billings should be made to all customers on account.
- An aging of all accounts and a review of past due accounts should be performed at least quarterly.
- A reconciliation of individual account balances to the control balance should be performed monthly.
- An employee other than the employee who receives payments should handle items disputed by customers.
- An employee who does not handle cash receipts should approve payment of credit balances and credit adjustments to the account balance.
- Where possible, the duties of the accounts receivable specialist and the employee who receives payment should be separated.
- Accounts receivable write-offs should be approved by an employee who does not handle cash receipts.
- Routine collection procedures should be documented in writing.
- Access to receivable ledgers should be appropriately restricted.

Compliance Reporting Requirements

Write-off of Receivables – The aging of all receivable balances should be reviewed periodically by organization management. Aging information must be collected, maintained, reported, and acted upon in a standardized and consistent manner. Refer to the “*Process to Write-off Receivables*” sub-section of the Accounting Policy Manual for quarterly requirements for reporting the write-off of accounts receivable to SAO.

Certification – A letter of certification of compliance with State accounts receivable management policy and control requirements must be executed by State organizations and provided to SAO on an annual basis.

Accounting Treatment:

Refer to the *Revenues and Receivables* section of the Accounting Policy Manual for comprehensive accounting guidance related to accounts receivable. Generally, proper accounting treatment includes:

- Recognizing receivables for financial reporting purposes when the related revenue is recognized. If an organization earns revenues for which it has not received payment, a receivable exists and must be recorded.
- Recording all receivables in the organization’s general ledger system.
- Maintaining and recording billings, payments, and account adjustments in a subsidiary ledger such as the receivables module of the statewide accounting system or an equivalent system.
- If the organization is using customer accounts, advance payments should be recorded to the subsidiary ledger as a credit against the customer balance.
- Segregating receivables due from other State organizations and interfund receivables from receivables of customers outside the State reporting entity.
- Periodically reconciling 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. Documentation confirming these reconciliations should be maintained in the organization’s files for at least three (3) years.
- Recognizing receivables as soon as:
 - o Reimbursable expenditures are incurred,
 - o Goods are delivered,
 - o Services are provided, or
 - o Taxes and fees have been assessed for which payment has not been received.
- Federal receivables and State appropriations – Refer to the current Accounting Procedures Manual for accounting treatment of federal receivables and State appropriations by accessing the following page on the [SAO website](#):
 - o [Policies > Accounting Procedures Manual](#)
 - o Under Table of Contents, click on Section 3-4-3 captioned “[Unallotted State Appropriations, Federal, Local Government and Other Grants and Contracts Approved.](#)”

Authority:

OCGA 50-5B-3, *State Accounting Office, 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:

Receivable - A current asset account reflecting 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.

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 aged more than one hundred eighty (180) days from the due date are no longer probable for collection. Specific accounts may become uncollectible in fewer than one hundred eighty (180) days under certain circumstances.

Due Date – the date upon which the debt 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 receivable that remains unpaid and outstanding after the due date.

Collection Activities - Consists of the activities that take place after an account 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 PeopleSoft Business Process Document on Accounts Receivable Reconciliation Procedures for the PeopleSoft Financials System is available at the following page:
 - [Systems > Financials > Accounts Receivable > Reconciliation Procedures](#)
 - Click the “Accounts Receivable Reconciliation Procedures” link to familiarize yourself with PeopleSoft AR Subsystem reconciliation procedures.
- The current list of PeopleSoft Accounts Receivable Queries is available at the following page:
 - [Systems > Financials > Accounts Receivable > Queries](#)
 - Click the “Accounts Receivable” link to open the Queries file.
- The current list of PeopleSoft Accounts Receivable reports is available at the following page:
 - [Systems > Financials > Accounts Receivable > Reports](#)
 - Click the “Accounts Receivable” link under “Financials - Report Listing by Module” to open the Reports file.
- The current list of PeopleSoft Accounts Receivable forms is available at the following page:
 - [Systems > Financials > Accounts Receivable > Forms](#)
 - Click any link under “Accounts Receivable” to work with a form.
- PeopleSoft Accounts Receivable Training is available through the PeopleSoft User Productivity Kit (UPK). The UPK is the primary PeopleSoft 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:
 - [Training > Financial Systems > FS PeopleSoft Computer Training](#)
 - Choose the “On Demand Website for Financials Training” link.
 - Click “All” to view available modules.
 - Select Module 3 – Accounts Receivable to view all available lessons on Accounts Receivable.