



85.54 Receivables

85.54.10

July 1, 2012

About receivables

- 85.54.10.a Receivables are defined as the amounts to be collected from private individuals, businesses, agencies, accounts, or other governmental units.
- 85.54.10.b Agencies are to promptly record receivables when the asset or revenue recognition criteria have been met or the underlying accounting event has occurred and the amount is determinable. Refer to Subsection 80.30.20.
- 85.54.10.c Agencies are to record receivables in the general ledger by account and general ledger code. Subsidiary records are also required. Refer to Subsection 85.54.65.

Agencies may either maintain an in-house receivable subsidiary system with the approval of the Office of Financial Management, Office of the Chief Information Officer (OCIO) (refer to Subsection 80.30.88), or utilize the central accounts receivable system, which is available through the Department of Enterprise Services.

Detailed receivable subsidiary ledgers are to be established and maintained on an open item basis (i.e., an entry or entries in the subsidiary ledger for each outstanding amount due). However, existing balance forward systems may continue to operate with approval from the OCIO.

85.54.15

July 1, 2009

Taxes receivable

- 85.54.15.a By fiscal year end, all taxes receivable that are considered measurable, available and due within twelve months, are recorded as debits in GL Code 1311 "Taxes Receivable" and GL Code 1328 "Tax Liens Receivable," the related amounts estimated to be uncollected as credits in GL Code 1341 "Allowance for Uncollectible Taxes Receivable", and the difference as credits to revenue.
- 85.54.15.b In governmental fund type accounts, not all taxes due to the state meet the GAAP criterion of being available and objectively measurable; therefore, taxes receivable recognized as revenue are generally limited to:

Accounting Procedures

- Property taxes that are collectible within 60 days.
- Taxes imposed on exchange transactions, such as gross receipts and taxes, when the underlying exchange transaction occurs.
- Other taxes as reported by, or levied on, the taxpayer but not yet paid to the state.
- Amounts erroneously underpaid by taxpayers.
- Interest and penalties on taxes.

85.54.15.c

Taxes receivable that are measurable, but are not due within twelve months, are recorded as debits to the long-term GL Code 1611 "Taxes Receivable" and the related amounts estimated to be uncollectible as credits to GL Code 1641 "Allowance for Uncollectible Taxes Receivable."

In governmental fund type accounts, since the net amount of long-term taxes receivable does not meet the GAAP criterion of available, it is recorded as a credit to GL Code 5292 "Deferred Revenues." Refer to Subsection 85.65.30 for an illustrative entry.

85.54.20

July 1, 2004

Due from federal government

85.54.20.a

By fiscal year-end, all balances involving receivables from the federal government are recorded as debits to GL Code 1351 "Due From Federal Government." This includes amounts that are due within twelve months from all federal government agencies for such items as:

- Expenditures incurred by the state, which qualify for reimbursement from the federal government. Refer to Subsection 85.65.34.a and b for illustrative entries.
- The federal government's share of monies expended by the state to finance a project which, either by law or by contractual agreement, is to be financed on a matching basis with the federal government.
- Amounts due from the federal government in a governmental fund type account which are in dispute at the end of the accounting period. The revenues associated with these receivables are not recognized until the dispute is settled. Disputed receivables are offset by credits to GL Code 5192 "Deferred Revenues." Refer to Subsection 85.65.34.c for an illustrative entry.

- 85.54.20.b Amounts due from the federal government, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1651 "Due From Federal Government." In governmental fund type accounts, revenues associated with long-term receivables that are not considered available are deferred by crediting GL Code 5292 "Deferred Revenues."

85.54.25

June 1, 2011

Due from other governments

- 85.54.25.a Other governments are defined as any separate governmental units and include: other state governments; Native American tribes; county governments; municipal governments; school districts; and any other political subdivisions. This does **not** include agencies of Washington State government or the federal government.
- 85.54.25.b By fiscal year-end, all balances involving loans to local governments and other receivables from other governments that are due within twelve months are recorded as debits to GL Code 1352 "Due From Other Governments."
- 85.54.25.c Amounts due from other governments, that are not due within twelve months, are to be recorded as debits to the long-term GL Code 1652 "Due From Other Governments."
- In governmental fund type accounts, if the receivable arises from a revenue transaction and the amount is not considered available, the associated revenue is to be deferred by crediting GL Code 5292 "Deferred Revenue." If the receivable arises from an advance or loan, an entry is required to reserve a portion of fund balance to indicate that long-term receivables are not available for appropriation. This is accomplished by debiting the appropriate fund equity GL code and crediting GL Code 9131 "Nonspendable Receivables - Long-Term."

85.54.30

July 1, 2009

Due from other accounts

- 85.54.30.a By fiscal year-end, all balances involving activity or loans between accounts **within an agency**, that are due/payable within twelve months, are recorded as debits to GL Code 1353 "Due From Other Funds" on the general ledger of the account making the loan and as credits to GL Code 5153 "Due To Other Funds" on the general ledger of the account owing the debt.

Accounting Procedures

- 85.54.30.b Amounts due from other accounts, that are not due within twelve months, are recorded as debits to the long-term GL Code 1653 “Due From Other Funds” on the general ledger of the account that will collect the amount due, and as a credit to GL Code 5253 “Due To Other Funds” either on the general ledger of a proprietary fund type account that owes the amount or in Account 999 “General Long-Term Obligations Subsidiary Account” if a governmental fund type account owes the amount. Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.
- 85.54.30.c Amounts advanced from one account to another account are recorded as GL Code 1350 “Due From Other Funds - Advances” on the general ledger of the account making the advance and as GL Code 5150 “Due To Other Funds - Advances” on the general ledger of the account that is receiving the advance.
- 85.54.30.d All interfund receivables (GL Codes 1350, 1353, and 1653) and payables (GL Codes 5150, 5153, & 5253) are to be in balance within an agency (i.e., interfund receivables must equal interfund payables). To facilitate this, agencies are required to include subsidiary coding on the GL codes indicating the account which the receivable/payable is due from/to.

85.54.35

July 1, 2009

Due from other agencies

- 85.54.35.a Agencies supplying goods and services to other agencies are to establish procedures for the timely billing to other agencies for such goods and services provided, and for the timely recording of these receivables and accrued revenues.
- Billings are to include enough information to provide for maintenance of subsidiary ledgers in accordance with Subsection 85.54.65.
 - Billings are to be prepared on a regular basis, at least quarterly, except for instances where a written contract or regulation requires a different schedule.
 - Billings are to incorporate sufficient detail to adequately document the goods or services provided. Source documentation should be retained by the billing agency and be available, upon request, for review by the billed agency.

- 85.54.35.b By fiscal year-end, all balances involving amounts due from one agency to another agency, that are due within twelve months, are recorded as debits to GL Code 1354 “Due From Other Agencies” on the general ledger of the agency providing the goods or services, and as credits to GL Code 5154 “Due To Other Agencies” on the general ledger of the agency receiving the goods or services.
- 85.54.35.c Amounts due from other agencies, that are not due within twelve months, are recorded as debits to the long-term GL Code 1654 “Due From Other Agencies” on the general ledger of the agency that will collect the amount, and as either a credit to GL Code 5254 “Due To Other Agencies” on the general ledger of a proprietary fund type account that owes the amount or in Account 999 “General Long-Term Obligations Subsidiary Account” if the amount is owed by a governmental fund type account. Revenues of governmental fund type accounts associated with long-term receivables are deferred because they are not considered available.
- 85.54.35.d All interagency receivables (GL Codes 1354 and 1654) and payables (GL Codes 5154 and 5254) are to be in balance between agencies. To facilitate this, agencies are required to include subsidiary coding on the GL codes indicating the agency which the receivable/payable is due from/to. Sufficient communication is to be maintained among agencies to ensure that interagency receivables and payables are in balance statewide at fiscal year-end.

85.54.40

June 1, 2011

Notes and loans receivable

- 85.54.40.a Monies lent by agencies in the form of notes or loans to private entities (e.g., economically disadvantaged areas) or individuals (e.g., student loans) that are due within twelve months, are classified as GL Code 1313 “Notes Receivable” or GL Code 1314 “Loans Receivable,” as appropriate.
- 85.54.40.b By fiscal year-end, all balances involving amounts due from private entities or individuals on loans that are not due within twelve months, are recorded as debits to the long-term GL Code 1614 “Loans Receivable”, and the related amounts estimated to be uncollectible as credits to the GL Code 1644 “Allowance for Uncollectible Loans Receivable.”

Accounting Procedures

85.54.40.c For governmental fund type accounts, fund balance is reserved for net long-term receivables other than student loans. GL Code 9131 “Nonspendable Loans Receivable - Long-Term” is adjusted through the appropriate fund equity GL code to equal net long-term non-student loans receivable. Refer to Subsection 85.65.36 for illustrative entries for both budgeted and non-budgeted long-term receivables.

For higher education agencies, an entry is required to reserve a portion of fund balance to indicate that net long-term student loan receivables (GL Codes 1614 and 1644) do not represent available spendable resources. GL Code 9130 “Nonspendable Student Loans Receivable” is adjusted through the appropriate fund equity GL code so that the balance of GL Code 9130 equals net long-term student loans receivable.

85.54.42

July 1, 2004

Private donation pledges

85.54.42.a By fiscal year-end, all balances involving donation pledges due within one year are recorded as debits to GL Code 1320 “Donations/Pledges Receivable.” They are recorded in the period when all applicable eligibility requirements are met to the extent that they are measurable, unconditional, and probable of collection.

85.54.42.b Pledges that are not due within twelve months are to be recorded as debits to the long-term GL Code 1620 “Donations/Pledges Receivable.” In governmental fund type accounts, revenues associated with long-term receivables are deferred because they are not considered available.

85.54.44

July 1, 2010

Travel advances receivable

85.54.44.a Travel advances are recorded to GL Code 1383 “Travel Advances” in the account for which the applicable travel will be incurred. Refer to Subsection 10.80.60 for policies related to the administration of travel advances. Refer to Subsection 85.65.33 for illustrative entries.

85.54.44.b Agencies are to maintain detailed documentation by employee for travel advances and reconcile it monthly to GL Code 1383.

85.54.45

July 1, 2004

Other receivables

85.54.45.a

By fiscal year-end, all balances involving receivables other than those outlined above, which are due within twelve months, are recorded as debits to GL Code 1312 "Accounts Receivable" (refer to Subsection 85.65.32.a for an illustrative entry); GL Code 1316 "Interest and Dividends Receivable" (refer to Subsections 85.65.18 and 85.65.20 for illustrative entries); or under the general category of GL Code 1319 "Other Receivables."

Other Receivables include such items as:

- Overpayments by an agency subject to refund (does not include overpayments to other governmental units).
- Miscellaneous receivables which may arise during an agency's course of operation.

85.54.45.b

Other long-term receivables, which are measurable but are not due within twelve months, are recorded to the long-term GL Code 1619 "Other Receivables" and the related amount estimated to be uncollectible in GL Code 1649 "Allowance for Uncollectible Other Receivables."

85.54.50

January 1, 2012

Receivable collection procedures

85.54.50.a

Agencies with more than \$50,000 in past due receivables are to prepare **aging reports** at least monthly. Aging reports are required to be reviewed by management and such review documented on the report.

85.54.50.b

Written procedures are to be developed and followed to ensure that past due receivables are followed up promptly and in a manner that is cost effective for the overall collection program.

These procedures are to provide for the full range of collection procedures to be used as appropriate, including issuance of statements and dunning letters, phone and personal interviews, filing of suits and liens, referral to private collection agencies or letter services, etc. Agencies that do not have special statutory collection authority or specialized collection operations are encouraged to use collection agencies after receivables become 90 days past due. Accounts receivable records may contain personal information about citizens.

Accounting Procedures

Privacy Notice: Safeguarding and disposition of personal information must be consistent with Executive Order 00-03, April 25, 2000; and RCW 42.56.210.

85.54.50.c

Interest of one percent per month is to be charged on past due receivables in accordance with RCW 43.17.240, except when one of the following conditions are met:

- Charging interest conflicts with the provisions of a contract or with any other law.
- The debt is to be paid by other governmental unit.
- The debt became due prior to July 28, 1991.
- Interest is waived based upon rules adopted by OFM found at Chapter 82-06 WAC describing the conditions under which interest may be waived on past due receivables.

85.54.50.d

RCW 19.16.500 and 82.32.265 allow the use of collection agencies for the purpose of collecting public debts. Agencies are encouraged to use collection agencies whenever they determine that this will be more cost effective than internal collection efforts. Debts may be assigned to a collection agency when all of the following conditions have been met:

- A written contract has been established with the collection agency;
- There has been an attempt to notify the debtor of the existence of the debt and the fact that the debt may be assigned to a collection agency for collection if the debt is not paid; and
- At least thirty days have elapsed from the attempted notice.

The Department of Enterprise Services maintains a statewide contract for “collection agency services.” This contract may be used by state agencies and satisfies the requirements of this section.

Collection agency services are not to be used for the collection of receivables in the following categories: Due From Federal Government, Other Governments, Other Funds, and Other Agencies.

Agencies should be aware that the assignment of accounts to “letter services,” which send debtors a series of letters but do not actually collect monies for the state, is not subject to the above requirements. Agencies may use such “letter services” as part of their collection efforts whenever they determine such services to be cost effective. The same is true of “pre-collect” services that send the 30-day notice but do not collect money for the state.

- 85.54.50.e The Office of the Attorney General has a Bankruptcy and Collection Unit (BCU) specializing in bankruptcy cases and other collection situations. Use of BCU services can be cost effective and should be coordinated through the assistant attorney generals assigned as agency general legal counsels.
- 85.54.50.f Agencies are to document all efforts made toward the collection of receivables.

85.54.52
January 1, 2012

Collecting NSF Checks

Agencies are encouraged to take advantage of the Uniform Commercial Code (UCC) provisions for dealing with NSF checks. This may be accomplished by agency collection procedures or through use of state contracts from the Department of Enterprise Services (DES) for letter writing services and NSF collection services. In either case, the UCC provisions found at RCW 62A.3-515 through 62A.3-525 are applicable.

1. Under the provisions of the UCC, agencies must send a notice of dishonor meeting statutory requirements that are contained in RCW 62A.3-520.
2. After sending notice of dishonor, under the provisions of the UCC, agencies may:
 - Collect a reasonable handling fee for each NSF check. Agencies must establish their handling fee by rule. Agencies that intend to use the state contract for NSF check collections through DES should establish fees consistent with the rates in the state contract.
 - After 15 days notice, charge interest at the rate of 12 percent per year.

Accounting Procedures

3. If the matter goes to court, collect reasonable attorney fees, and damages of three times the face amount of the check or three hundred dollars, whichever is less. Agencies should consult with legal advisors regarding any question as to how the UCC provisions coordinate with other enforcement provisions available to the agency. Agency statutes may supersede, supplement, or otherwise affect the operation of the UCC provisions.

85.54.55

July 1, 2008

Uncollectible receivables

- 85.54.55.a The allowance method of accounting for uncollectible receivables is to be used by agencies.
- 85.54.55.b Estimates of total uncollectible receivables are to be made at least quarterly and adjusting entries are to be recorded in the agency's accounting records to the allowance for uncollectible receivables. Refer to Subsection 85.65.32.b and c for illustrative entries.
- 85.54.55.c Generally accepted accounting principles require that a determination be made between receivables deemed to be collectible and those considered not economically collectible, including those not collectible at all.
- Agencies are to develop and follow written criteria for the determination of uncollectibility. Receivables determined to be uncollectible are to be written off promptly against the appropriate allowance account (GL Code Series 134X). Refer to Subsection 85.65.32.d for an illustrative entry.
- 85.54.55.d Prior to or promptly after the write-off of uncollectible receivables occurs, the write-off is subject to management review using procedures developed by the agency in cooperation with the Office of the Attorney General. These procedures may call for the Attorney General's review of certain types of receivables to ensure that no cost-effective legal means of collecting the receivables remain. After management review, any account determined to have been inappropriately written off is to be returned to the accounting records by reversing the write-off entries.
- 85.54.55.e Agencies may find it cost effective to pursue minimal collection actions for certain types of accounts after the write-off has occurred. Examples of minimal collection actions include routine periodic computer matches with new accounts and allowing student or client records to remain "flagged" for receivables.

85.54.55.f In cases where an allowance account does not have a sufficient balance or where an agency fails to establish an allowance account, agencies are to write off uncollectible receivables as follows:

- In governmental fund type accounts, the uncollectible receivable should generally be written off by reversing the coding that was used when the receivable was established. In situations where the receivable relates to the accrual of federal or private/local revenue, agencies should contact their OFM Accounting Consultant for assistance.
- In proprietary fund type accounts, the accounts receivable should be written off to GL Code 6515 "Bad Debts Expense." However, if the proprietary account is budgeted and the receivable originated through an offset to expenditures, then the adjustment to write down the receivable should be a reversal of the original entry.

When the write off involves the receivable of federal or private/local revenues, agencies should contact their assigned OFM Accounting Consultant.

85.54.60

May 1, 1999

Documentation

Transactions affecting receivables are to be supported by documents indicating all pertinent information relating to the transactions. Detailed postings of these documents are to be recorded and maintained in the subsidiary ledgers for all outstanding receivables. Detailed postings are to be summarized and entered in the general ledger control account. Typical transactions affecting receivables include the following:

85.54.60.a **Establishment of receivables.** Sequentially numbered billing documents (invoices) are to be used. Upon completion of transactions, invoices are to be prepared and sent to debtors. Invoices are to contain at a minimum: a description of the goods or services provided; the date(s) provided; the amount of the debt; and the invoice due date. Files of these documents are to be maintained by the agency. These files are to include a means of sequentially accounting for billing documents.

85.54.60.b **Recording of receipts.** Daily receipts applicable to receivables are to be entered in detail to a daily cash record. Detail listings are to support summary totals. The detail is to disclose the name of the payee or account number, amount received, invoice number if available, mode of payment, and check number if applicable.

Accounting Procedures

- 85.54.60.c **Adjustments of receivables.** Any adjustment increasing or decreasing the amount of receivables carried on the books of an agency is to be supported by a revised billing document, a credit memorandum, or other appropriate documentation. Written procedures are to be developed and followed to ensure that only authorized adjustments are recorded.
- 85.54.60.d **Valuation of receivables.** Valuation of receivables using the allowance method is to be made at least quarterly and at fiscal year-end to reflect the amount of receivable balances estimated to be collectible. This transaction is to be documented by means of a Journal Voucher (A7). Refer to Subsection 85.65.32.b and c for illustrative entries.
- 85.54.60.e **Collection efforts.** A written record is to be kept, by account, on collection efforts. However, general system documentation may support billing and past due notices produced by automated systems.
- 85.54.60.f **Write-offs of uncollectible receivables.** For accounting and financial reporting purposes, write-offs of uncollectible receivables are to be made against the appropriate allowance accounts (GL Code Series 134X or Series 164X).
- Transactions are to be documented by means of Journal Vouchers (A7). Refer to Subsection 85.65.32.d for an illustrative entry. The name of the debtor, the date of inception of the account, and the amount of the account being written-off are to be part of the supporting documentation for the Journal Voucher (A7).
- 85.54.60.g **Records retention for write-offs.** The records regarding uncollectible accounts are subject to retention, archival, and destruction according to the applicable statutes and the agency's records retention policies.

85.54.65

July 1, 2012

Subsidiary ledgers

85.54.65.a

Agencies are to establish and maintain a detailed subsidiary ledger on an open item basis (i.e., an entry in the subsidiary ledger for each outstanding amount due). The following specific information, at a minimum, is to be maintained:

- Name of debtor
- Account number of debtor (or Unified Business Identifier number), if assigned
- Address of debtor, if available
- General ledger control code (or equivalent indicator)
- Account code (or equivalent indicator)
- Description of each outstanding charge and/or credit*
- Invoice or document number*
- Date of invoice or document*
- Invoice due date (if different from date of invoice)*
- Amount of each charge and/or credit*

* In open item systems, these items are maintained in supporting documentation **for paid items only**. In previously existing balance forward systems, which may be used only with approval from OFM's Office of the Chief Information Officer, these items should be maintained in supporting documentation to the subsidiary ledger.

85.54.65.b

Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly.

85.54.65.c

Current subsidiary ledgers are to be periodically purged of accounts/items which are no longer outstanding. For example, accounts/items that have been paid should not be retained on the current subsidiary ledger file but should be moved to a historical file for retention purposes.