



State Administrative and Accounting Manual

85.54 Receivables

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85.54.10 About receivables

May 1, 1999

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 the Chief Information Officer (OCIO) (refer to [Subsection 80.30.88](#)), or utilize the central accounts receivable system, which is available through the Office of Financial Management.

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 Taxes receivables

July 1, 2009

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:

- Property taxes that are collectible within 60 days.



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- 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 "Unavailable Revenues." Refer to [Subsection 85.65.30](#) for an illustrative entry.

85.54.20 Due from federal government

June 1, 2013

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 twelvemonths from all federal government agencies for such items as:

- Expenditures incurred by the state which qualify for reimbursement from the federal government. Refer to [Subsections 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 5190 "Unearned 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 not recognized until they are considered available. Long-term receivables from the federal government are offset by crediting GL Code 5292 "Unavailable Revenues."



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85.54.25 Due from other governments

June 1, 2013

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 not to be recognized. Receivables considered unavailable are offset by crediting GL Code 5292 "Unavailable 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 balance GL code and crediting GL Code 9131 "Nonspendable Receivables - Long-Term."

85.54.30 Due from other accounts

July 1, 2009

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.

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



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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 Due from other agencies

July 1, 2009

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



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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 Notes and loans receivable

June 1, 2011

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."

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 balance 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 adjust the nonspendable 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 Loan Receivable" is adjusted through the appropriate GL code so that the balance of GL Code 9130 equals net long-term student loans receivable.

85.54.41 Lease receivable and deferred inflow on leases

July 1, 2021



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85.54.41.a

A lease is a contract that conveys control of the right to use another entity's capital asset, as specified in the contract, for a period of time in an exchange or exchange-like transaction. When the state is the lessor, a lease receivable and deferred inflow of resources must be recorded for leases that meet the state's capitalization policy. Refer to [Subsection 30.20.35.c](#).

85.54.41.b Valuing the Lease Receivable

At the commencement of the lease term, the lease receivable should be recorded at the present value of lease payments expected to be received during the lease term.

Variable payments based on future performance of the lessee or usage of the underlying asset (such as a percentage of revenue generated from use of the asset) should not be included in the measurement of the lease receivable. Rather, those variable payments should be recognized as revenue in the period in which it was earned using Revenue Source Code 0437 "Leased Property Variable Income."

The future lease payments are to be discounted using the interest rate the lessor charges the lessee. If the rate is not specifically stated, then the current interest rate the lessor would be charged at the inception of the lease to borrow the funds necessary to purchase the asset should be used.

The deferred inflow on leases should equal the sum of the initial measurement of the lease receivable and any lease payments received from the lessee at or before the commencement of the lease term that relate to future periods (for example, the final month's rent), less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

85.54.41.c Lease Accounting for Lessors

At commencement of the lease term, the lease is recorded in the appropriate account by debiting GL Codes 1321 and 1621 "Lease Receivable" and crediting GL Code 5295 "Deferred Inflows on Right-to-Use Leases." Any lease payments received from the lessee at or before the commencement of the lease term that relate to future periods are to be added to the deferred inflow. Any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term are to be deducted from the deferred inflows.

Periodic lease payments are to be allocated to principal and interest based on the lease amortization schedule. The lease receivable is reduced by the principal portion of the payment by crediting GL Code 1321 "Lease Receivable." The interest portion of the payment is recorded by crediting GL Code 3210 "Cash Revenue" using Revenue Source Code 0435 "Income from Leased Property."

The deferred inflow on leases (revenue) is recognized on a straight-line basis over the lease term. The entry is to be recorded by debiting GL Code 5295 "Deferred Inflows on Right-to-Use Leases" and crediting GL Code 3210 "Cash Revenue" using Revenue Source Code 0435 "Income from Leased Property."

By fiscal year-end, all balances involving amounts that are not due within twelve months are to be recorded as debits to the long-term GL Code 1621 "Lease Receivable." In addition, the amounts estimated to be uncollectible are to be recorded by debiting GL Code 5295 "Deferred Inflows on Right-to-Use Leases" and crediting GL Codes 1345 and 1645 "Allowance for Uncollectible Lease Receivable."



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Refer to [Subsection 85.85.40](#) for illustrative entries.

85.54.41.d

Discounted rent provided to the lessee for capital assets or improvements to the leased asset, paid for by the lessee, must be recorded at the gross amount due offset by an expense equal to the discount provided.

85.54.41.e

Short-term leases and leases that do not meet the state's capitalization threshold should be recorded as revenue as the payments are received using Revenue Source Code 0402 "Income from Property."

85.54.42 Private donation pledges

July 1, 2004

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.

85.54.43 Public-private and public-public partnerships receivables and deferred inflows

July 1, 2022

85.54.43.a

Public-private and public-public partnerships (PPPs) are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. When the state is the **transferor**, if applicable, a receivable for installment payments and deferred inflow of resources must be recorded for PPPs that meet the state's PPP threshold. Refer to [Subsection 30.20.20](#).

In addition, if ownership of a new asset (the underlying PPP asset) will be transferred from the operator to the transferor at the end of the PPP term, the transferor should recognize a receivable for the underlying PPP asset and a deferred inflow of resources when the asset is placed into service.



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85.54.43.b Receivable for Installment Payments

At the commencement of the PPP term, the installment payments receivable should be recorded at the present value of PPP payments expected to be received during the PPP term, reduced by any provision for estimated uncollectible amounts. Measurement of the receivable for installment payments should include the following, if required by a PPP:

- a. Fixed payments,
- b. Variable payments that depend on an index or a rate (such as the Consumer Price Index or other), initially measured using the index or rate as of the commencement of the PPP term,
- c. Variable payments that are fixed in substance, and
- d. Residual value guarantee payments that are fixed in substance.

Variable payments, including payments related to revenue sharing arrangements, based on future performance of the operator, usage of the underlying PPP asset, or variable factors other than an index or a rate, should not be included in the measurement of the receivable for installment payments. Rather, those variable payments should be recognized as revenue in the period in which it was earned using Revenue Source Code 0438 "Income from PPPs" and reported to OFM at fiscal year-end.

The future PPP payments are to be discounted using the interest rate the transferor charges the operator. If the rate is not specifically stated, then the interest rate implicit in the contract should be used.

85.54.43.c Receivable for the Underlying PPP Asset

If an underlying PPP asset is a new asset purchased or constructed by the operator and the PPP does *not* meet the definition of a service concession arrangement, the transferor should recognize a receivable for the underlying PPP asset to be received from the operator when the underlying PPP asset is placed into service. Measurement of the receivable should be based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership from the operator.

85.54.43.d Deferred Inflow of Resources

The transferor initially should measure the deferred inflow of resources related to a PPP as the sum of the following assets when the related assets are recognized:

- a. The amount of the initial measurement of the receivable for installment payments,
- b. PPP payments received from the operator at or before the commencement of the PPP,
- c. The amount of the initial measurement of the underlying PPP asset,
- d. The amount of the initial measurement for improvements to the underlying PPP asset, and
- e. The amount of the initial measurement of the receivable for the underlying PPP asset.



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85.54.43.e PPP Accounting for Transferors

Installment payments. At commencement of the PPP term, the PPP installment payments are recorded by the transferor in the appropriate account by debiting GL Codes 1322 and 1622 “PPP Installment Payments Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs.” Any payments received from the operator at or before the commencement of the PPP term are to be added to the deferred inflow of resources amount.

The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term. The entry is to be recorded by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 32+20 “**Non**cash Revenues” using Revenue Source Code 0438 “Income from PPPs.”

By fiscal year-end, all balances involving amounts that are not due within twelve months are to be recorded as debits to the long-term GL Code 1622 “PPP Receivable.” In addition, any amounts estimated to be uncollectible are to be recorded by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Codes 1349 and 1649 “Allowance for Uncollectible Other Receivables.”

Capital assets. When (a) an improvement to the underlying PPP asset is placed into service by the operator or (b) when the PPP meets the definition of a service concession arrangement and a new asset (the underlying PPP asset) purchased or constructed by the operator is placed into service, the transferor should recognize the asset or the improvement to the PPP asset at acquisition value as follows:

- a. In **governmental fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”
- b. In **proprietary and trust fund type accounts**, the asset or the improvement is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.

The transferor should apply all other accounting and financial reporting requirements relevant to the underlying PPP asset and should depreciate these assets using the straight-line method over the PPP term. However, if the PPP arrangement requires the operator to return the underlying PPP asset in its original condition, the transferor should not depreciate the asset.

When the PPP does not meet the definition of a service concession arrangement and a new asset (the underlying PPP asset) purchased or constructed by the operator is placed into service, the transferor should recognize the PPP asset as follows:

- a. In **governmental fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs” in Account 997 “General Capital Assets Subsidiary Account.”
- b. In **proprietary and trust fund type accounts**, a receivable for the PPP asset is recorded by debiting GL Code 1694 “Capital Asset Receivable” and crediting GL Code 5296 “Deferred Inflows on PPPs” in the acquiring account.



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The deferred inflow on PPPs (revenue) is recognized on a straight-line basis over the PPP term. [as follows:](#)

- a. [In governmental fund type accounts](#), ~~The entry revenue is to be recorded~~[recognized](#) by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3220~~2~~ “Noncash Revenues” using Revenue Source Code 0438 “Income from PPPs.” [in Account 997 “General Capital Assets Subsidiary Account.”](#)
- b. [In proprietary and trust fund type accounts](#), revenue is recognized by debiting GL Code 5296 “Deferred Inflows on PPPs” and crediting GL Code 3220 “Noncash Revenues” using Revenue Source Code 0438 “Income from PPPs” in the acquiring account.

At the end of the PPP term, when ownership of the underlying PPP asset is transferred from the operator to the transferor, the transferor records the receipt of the title, based on the estimated carrying value, as follows:

- a. In **governmental fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 1694 “Capital Asset Receivable” in Account 997 “General Capital Assets Subsidiary Account.”
- b. In **proprietary and trust fund type accounts**, the asset is recorded by debiting GL Code Series 2XXX “Capital Assets” and crediting GL Code 1694 “Capital Asset Receivable” in the acquiring account.

Refer to [Subsection 85.65.63](#) for illustrative entries.

85.54.44 Travel advances receivable

July 1, 2010

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 Other receivables

July 1, 2004

85.54.45.a



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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 Receivable collection procedures

June 1, 2014

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. **Privacy Notice: Safeguarding and disposition of personal information must be consistent with [Executive Order 16-01, January 5, 2016](#); [OCIO Policy 141](#); 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:



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- 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 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 Collecting NSF checks

Jan. 1, 2012

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.

Under the provisions of the UCC, agencies must send a notice of dishonor meeting statutory requirements that are contained in [RCW 62A.3-520](#).

- 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.

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 Uncollectible receivables

July 1, 2008

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.



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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 Documentation

May 1, 1999

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:



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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.

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



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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 Subsidiary ledgers

July 1, 2012

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.

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

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.