

\$4.7 BILLION

(CERTIFIED PAST DUE FY15)

Accounts Receivable

Aging – Reconciliation – Collections



Checks & Balances

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Cohort 6 - 2016

Problem Statement



- Billions of dollars are received annually
- Non-standardization
- Inconsistencies within the AR process



Non-Standardization

- AR software
- Monitoring/reporting tools
- Invoicing systems
- Reconciliation processes
- Notification letters
- Collection processes

OAKS Financials vs Legacy Systems

- OAKS Financials module is the primary accounting system (accounts payable – purchasing – budgeting)
 - OBM has policies & standardized procedures for these functions
 - Transitioning of systems utilized for AR functions
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Project Research

- Office of Budget & Management
- OAKS Business Intelligence
- Ohio Department of Health
- Ohio Department of Medicaid
- Ohio Shared Services
- Ohio Attorney General
- Public Sector Entities
- Private Sector Entities

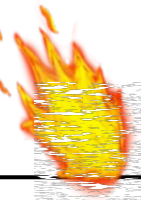


Office of Budget & Management Recommendations

- Standardization of accounts receivable
- Utilize OAKS AR Billing module
- Reconcile to general ledger

OAKS Business Intelligence

- Reporting tool for OAKS Financials
- Contains several canned reports
- Maintained by OAKS BI team



AR Aging Report Prompt Page

AR-0013 AR Aging Report Prompt Page

Business Unit	<div><div><input type="radio"/> AAM01</div><div><input type="radio"/> ACC01</div><div><input type="radio"/> ADA01</div><div><input type="radio"/> ADJ01</div><div><input type="radio"/> AFC01</div><div><input type="radio"/> AGE01</div><div><input type="radio"/> AGO01</div><div><input type="radio"/> AGR01</div><div><input type="radio"/> AIR01</div><div><input type="radio"/> AMB01</div><div><input type="radio"/> ARC01</div><div><input type="radio"/> ART01</div></div>	<div><div></div><div></div></div>
Report Level	<div><div><input type="checkbox"/> By Department and Fund</div><div><input type="checkbox"/> By Customer and Item</div><div><input type="checkbox"/> By Department, Customer, and Item</div><div><input checked="" type="checkbox"/> By Customer and All Chartfields</div><div><input type="checkbox"/> By Customer Greater than 60 Days</div></div>	
Entry Type	<div><div></div><div>Populate Entry Types for Selected BU's</div></div>	
Customer ID	<div><div>Use Customer Pick List</div><div></div></div>	
Department:	<div><div>Use Department Starts With Multi-Select</div><div></div></div>	<div><div>Department Grouping Size:</div><div>If you select 4, the report will be grouped by the first 4 characters of the department. 3 will group for the entire agency, etc.</div><div>9</div></div>
Fund:	<div><div></div><div>Insert</div><div>Remove</div></div>	<div><div>Choices:</div><div></div><div>Select all Deselect all</div></div>

OAKS Business Intelligence AR Aging Report (AR-0013)

Utilized to monitor aging receivables

- Customer name
- Funding source
- Dispute reason
- Aging period

Ohio Department of Health

- \$126 million collected annually on licensing & fees
- 145,000 customers of which 50% are one time customers
- Utilize internal accounts receivable software



Ohio Department of Health Agency Specific Requirements

- Process payment at customer level without creating customer record
- Streamline revenue entry process
- Upload customer electronic payments
- Automated invoice creation initiated by program systems
- Program's ability to see customer payment in their systems

Ohio Department of Medicaid Reconciliation

- Coding of AR at agency level = GL inconsistencies
- Misapplied payments caused compounding errors in balances
- Year-end adjustments by OBM impacted the GL balance
- AR transactions incorrectly credited to wrong agency





Ohio Shared Services Past Due Receivables Research

- OBM sent questionnaire to 26 cabinet level agencies
- Focus on accounts 30 to 45 days past due
- Over \$8 million recovered in past due child support payments

Ohio Shared Services Past Due Receivables Service

- Partnered with DebtNext
- Created user friendly software
- Use multiple debt collection agencies
- Debtor makes direct payment via internet
- 6% collection fee
- Accounts tracked by debtor & state agency



Ohio Attorney General's Office Certification Process

- Aging accounts certified at 45 days
- Larger agencies interface directly with AGO
- Smaller agencies forward spreadsheets
- Processed in order received
- Categorized by type of debt



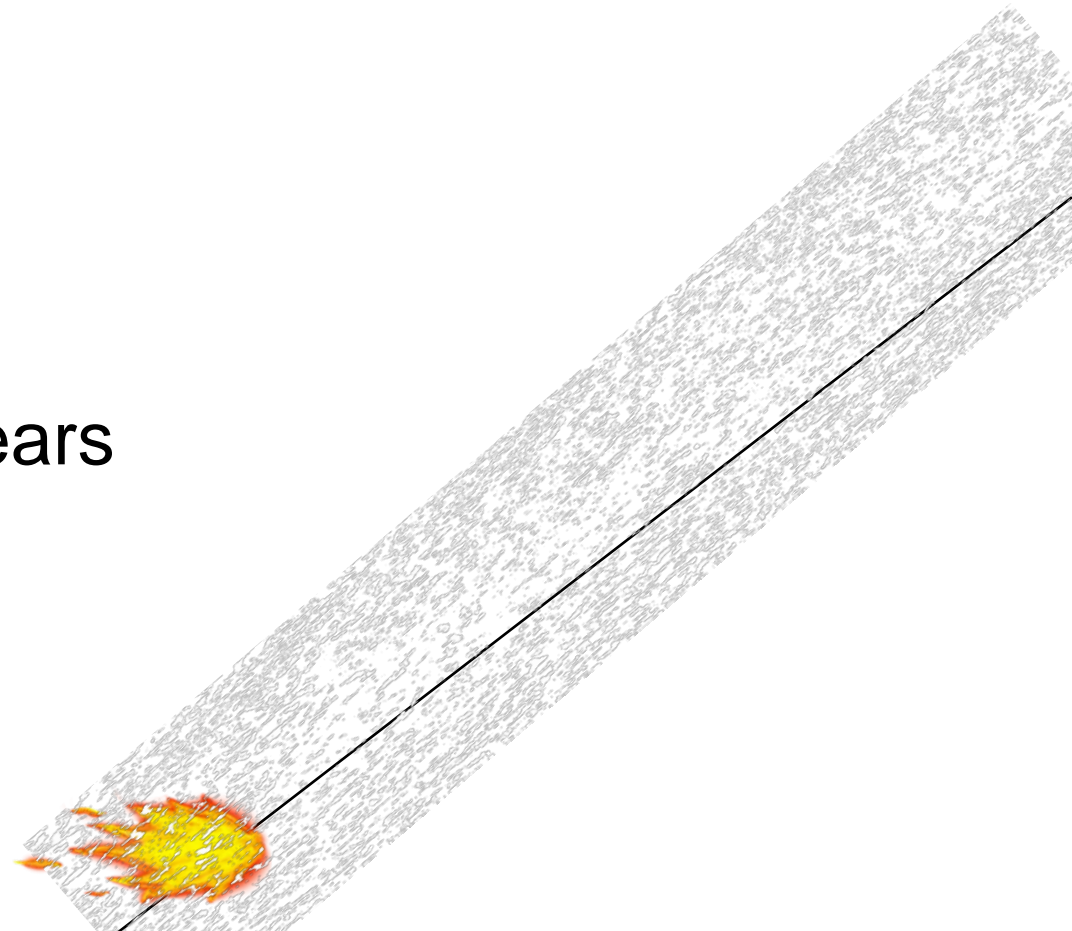
Ohio Attorney General's Office Collection Process

- Assigned to internal collection staff, third party collection firms or special counsel
- Certifying agency works with AGO on terms & settlements
- By statute, up to 11% fee of amounts collected is retained by AG



Ohio Attorney General's Office Fiscal Year 2015 Statistics

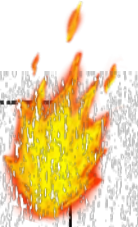
- \$4.7 billion certified
- \$450 million collected
for both current & past fiscal years





Public Sector Franklin County

- Policies implemented to prevent aging receivables
- Recovery of debt is handled by county prosecutor
- Services discontinued if payment is not received



Public Sector State of Kentucky

- Initiates collection process with standard letter at 45 days
- Accepts payments up to 60 days past due
- Department of revenue has the authority to collect debt
- Unpaid tax bills can be sold to debt collection agencies

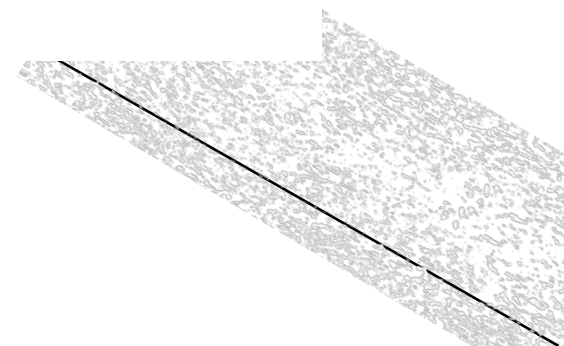


Public Sector State of Pennsylvania

- Debts under \$100 can be written off
- Debts over \$100 are referred to attorney general
- AG sends dunning letters
- Sent to first collection agency at 180 days
- Sent to second collection agency at 380 days



Public Sector State of Pennsylvania

- If still not collected, debt cancelled at AG as exhausted
 - Returned to originating agency to determine further action
 - Referred to office of comptroller operations for write-off
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Public Sector The Ohio State University

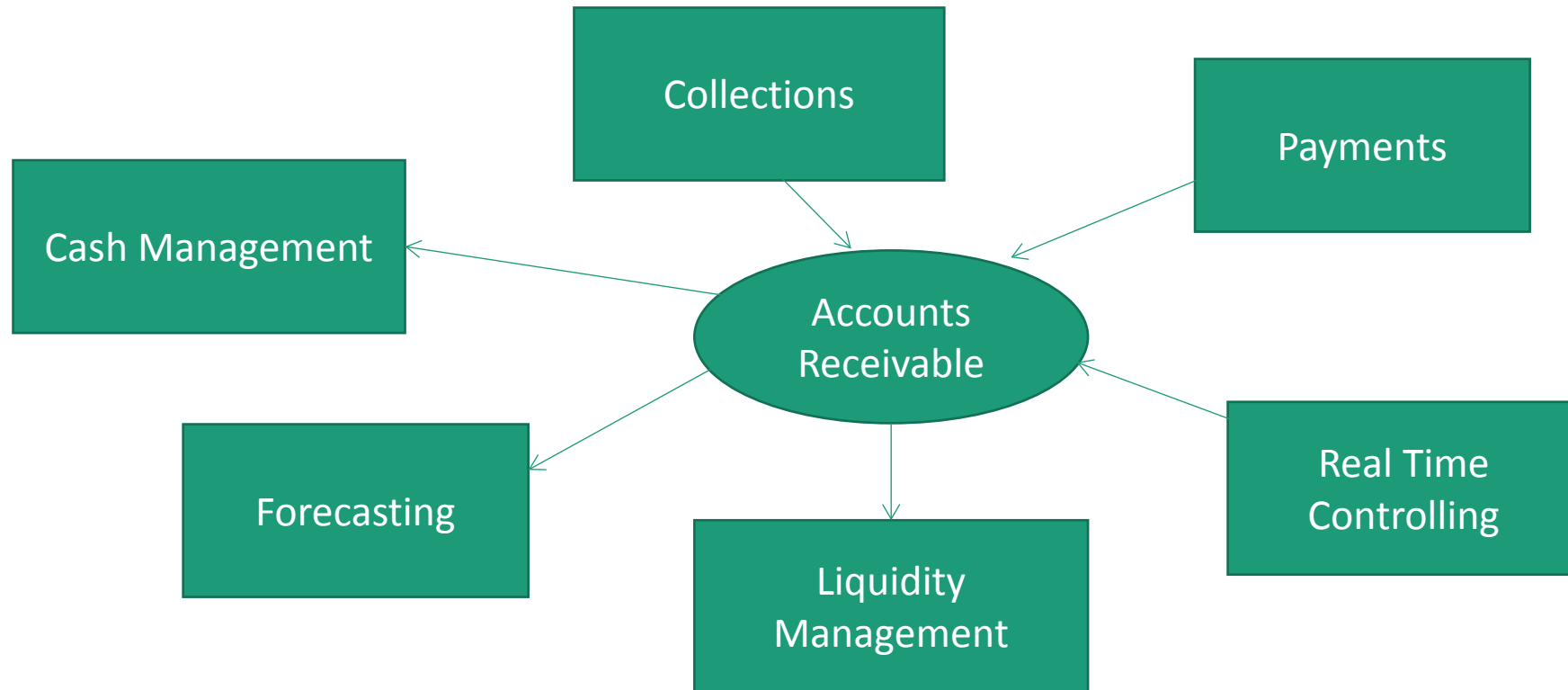
- Main Campus
Tuition, fees, licensing & sporting events – handled by bursar
- Medical Center
Medical expenses – handled by in-house AR department
- Sponsored Programs
Grants & awards – handled by in-house AR department

Public Sector US Federal Government

- Congress receives detailed reports on receivables
 - Majority are student loans, small businesses & farmers categorized as non-tax receivables
 - Spends \$1 to collect \$53.16
 - AWG, PCA, TOP, DOJ & repayment agreements are used to collect receivables
 - Cir A-129 requires write-off of debts 2 years delinquent
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Private Sector

Accounts Receivable is
Center of Liquidity Management, Forecasting & Cash Management



Private Sector

- Strategies to collect AR use technology, research & uniform guidelines
- Historical data is used to formulate mathematical analysis & create collection equations of CEI & DSO

$$\frac{\text{Beginning receivables} + \text{Credit sales} - \text{Ending total receivables}}{\text{Beginning receivables} + \text{Credit sales} - \text{Ending current receivables}} \times 100$$

Summary

- State of Ohio agencies are governed by ORC & must certify past due accounts to Attorney General
 - Other public sector agencies discontinue service or sell unpaid accounts to collection agencies
 - Standardization across State of Ohio deserves examination and exploration
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Recommendations

- Standardization of past due notification letters & AGO certification letter
- Create a report that integrates BI data and data from other systems
- Require monthly reconciliation of AR accounts to general ledger

Possibilities for the Future

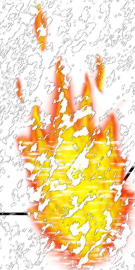
- Develop a billing module that would allow integration of other systems for standardized monitoring and reporting
- Develop AR training based on the new standardized module
- Consider LEAN process for standardization

Roadblocks

- Public vs. Private
- Volume of accounts receivable
- Differences among agencies
- Software utilization

Project Goals

- Gain a better understanding of the State of Ohio's current accounts receivable processes.
- Highlight the importance of accurately monitoring, collecting & reconciling receivables





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