

BUDGET POLICY AND REPORTING MANUAL

<i>date</i> 4/1/93	<i>subject</i> ESTABLISHING AN ACCOUNT RECEIVABLE	<i>item</i> K-020
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A. Purpose and Scope

This item establishes policies and procedures prescribed by the Director of the Budget for all State agencies regarding the recognition of accounts receivable and applicability of Chapter 55 of the Laws of 1992 to accounts receivable. Additionally, this item prescribes the data requirements necessary when establishing accounts receivable.

B. Recognition of an Account Receivable

Accounts receivable represent amounts or claims owed to a State agency by any individual or entity. These claims are for the future payment for the sale of goods or services or other types of transactions. There are two criteria essential to the creation of an account receivable:

1. The transaction has been initiated to the extent that payment is required; and
2. The claim is measurable in terms of monetary value.

In cases of civil fines, agency penalties, or audit findings, the receivable is recognized when the agency first assesses the penalty, fine, or disallowance.

C. Types of Debtors

The methods used by a State agency to collect a non-tax debt depend on both the type of debtor and the type of debt. Most State agencies can separate their non-governmental debtors into two basic groups: individual and business.

1. **Individual debtors** — incur debt for goods and services meant for personal use or as a result of a penalty or fine that has been imposed. While a third party may pay for all or part of the debt, as in the case of medical or educational debt, the ultimate responsibility for the debt lies with the individual. Thus, if the third party refuses to pay any portion of the debt, the individual is responsible for payment.
2. **Business debtors** — incur debt for goods and services meant for business use or as a result of a fee, penalty, or fine. Business Corporation Law determines the party ultimately responsible for the debt.

D. Categories of Non-Governmental Accounts Receivable

Just as the type of debtor will influence the collection approach, the category of an account receivable also influences the approach that the State agency takes in collecting the debt.

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Collection techniques for education debts, for example, differ from collection methods for a debt incurred due to a penalty or fine.

State agencies' non-governmental accounts receivable fall into five major categories:

Goods and Services (001)	Licenses, Permits and Fees (002)
Penalties and Fines (003)	Damages (004)
Education (005)	

Medical Accounts Receivable are not included in these non-governmental accounts receivable categories.

Every State agency must establish internal guidelines for centrally categorizing its accounts receivable so that the categorization is consistent across its regions, programs, campuses, etc. Categorization of accounts receivable is also necessary for the quarterly and annual reports submitted to the Division of the Budget. (See Item K-023.)

1. Goods and Services Accounts Receivable

Goods and Services accounts receivable refer to any tangible goods or professional services including financing services, except medical services, that a State agency provides to individuals or businesses. Additionally, these receivables refer to amounts owed as a result of erroneous overpayments to individuals or businesses for tangible goods or professional services.

Examples: soil testing, automated data processing, surplus sale of trees and automobiles, leasing of office space, and economic development loans

2. Licenses, Permits and Fees Accounts Receivable

Licenses, permits and fees accounts receivable represent charges that a State agency imposes on recipients for authorization or usage or regulation. Most licenses, permits, and fees involve cash transactions, and, therefore do not establish accounts receivable. Exceptions, however, do exist.

Examples: concession agreements and certain professional licensing

3. Penalties and Fines Accounts Receivable

Penalties and fines accounts receivable are recognized when a State agency determines that a law, rule or regulation of that agency has been violated.

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Examples: environmental fines for pollution, penalties for unclean restaurants, and insurance industry fines

4. Damages Accounts Receivable

Damages accounts receivable refer to payments owed for the tangible damage or destruction of New York State property administered by a State agency or authority, a breach of certain contracts, loss or injury to the State or its citizens due to misconduct (including overpayments to individuals or businesses for goods or services not actually provided), and audit disallowances.

Examples: damage to a guardrail, bridge or light pole; vandalism; and fraud in service delivery, such as billing Medicaid for services not provided

5. Education Accounts Receivable

Education accounts receivable refer to tuition, fees, other charges, and overpayments of financial aid awards owed to institutions of higher education by students. Also included in this category are loans owed to the Higher Education Services Corporation.

Examples: SUNY and CUNY tuition, student services fees, and library fines

Each type of non-governmental accounts receivable has a code (e.g., 001 or 002) for reporting purposes. The code for the type of accounts receivable should be included in every accounts receivable file.

E. Medical Accounts Receivable

Medical accounts receivable include debts for medical or health-related services. These services include inpatient, outpatient and ancillary services provided by State hospitals and other institutions administered by State agencies, such as, but not limited to, the State University, the Department of Health, the Office of Mental Health, and the Office of Mental Retardation and Developmental Disabilities. While State hospitals and other facilities bill third party payers, such as Medicare, Medicaid, and commercial health insurance carriers, the patient or patient guarantor is ultimately responsible for the medical debt. The portion of medical accounts receivable paid by government programs, such as Medicaid and Medicare, is not subject to Chapter 55 of the Laws of 1992.

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F. Receivables Not Subject to Chapter 55 of the Laws of 1992

Many State agencies derive revenue from receivables that are not subject to Chapter 55 of the Laws of 1992. While State agencies must maximize the collection of all accounts receivable, it is important to note that certain receivables are not subject to Chapter 55 of the Laws of 1992. Thus, these receivables are not subject to interest, collection fees, returned check charge, authority to not renew, and offset of State moneys — unless these actions are provided for in another statute or regulation or pursuant to the Comptroller's constitutional authority.

The accounts receivable categories that are not subject to Chapter 55 of the Laws of 1992 include interagency receivables, governmental receivables and overpayment of Department of Social Services (DSS) grants.

1. Interagency Accounts Receivable

Interagency receivables are amounts owed to a State agency by another State agency for goods and services or any other type of transaction.

Example: internal service funds or a loan to a public authority

2. Governmental Accounts Receivable

Governmental receivables are amounts owed to a State agency by a local government, the Federal government, other state government, foreign government, or other governmental entities, generally arising from goods, services, permits or licensing privileges, or penalties imposed by State agencies.

3. Recovery of overpayment of DSS grants and allowances of public assistance

Recoveries of certain overpayment of DSS grants and allowances of public assistance are specifically exempt from Chapter 55 of the Laws of 1992.

a. Section 105 (a) of Chapter 55 of the Laws of 1992

Nothing contained in sections sixty-seven through one hundred four of this act shall be deemed to apply to grants and allowances of public assistance provided to recipients of such grants and allowances by social services districts pursuant to sections 131-a, 131-s, 301 and 350-j of the social services law.

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b. Description of Relevant Sections of the Social Services Law

- i. Section 131-a establishes monthly grants and allowances of public assistance;
- ii. Section 131-s establishes payments made for utility service for recipients of public assistance benefits, supplemental security income benefits or additional State payments;
- iii. Section 301 establishes emergency assistance for aged, blind, and disabled persons; and
- iv. Section 350-j establishes emergency assistance to needy families with children, including migrant workers with families.

Appendix B of these Guidelines provides greater detail on the above sections of the Social Services Law.

G. Data Requirements Necessary When Establishing Accounts Receivable

When a State agency establishes an account receivable, it should collect certain information concerning both the debt and the debtor. Without this information, the State agency's efforts to substantiate and collect a debt is impaired.

To aid efficiency, the relevant account information should be kept in one computer file or in multiple computer files that can be bridged easily.

1. Debt Information

a. Components of Recordkeeping

At a minimum, each State agency must use its best efforts to collect the following information for each account receivable when it is established:

- i. Amount of debt — dollar value;
- ii. Nature of debt (revenue object code and accounts receivable category code);
- iii. Date incurred — date that the State agency records for the occurrence of a transaction;
- iv. Billing date — date that the State agency sent a billing invoice as it appears in the invoice, if applicable;

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- v. Due date — date that the State agency requests payment; and
- vi. Fund code — attribute debt to the State Comptroller's specific 5-digit code.

b. State Agency Responsibilities

The above information validates the State agency's claim that a debt is owed. If a State agency cannot document when the debt was established or the nature of the debt, then its claim for payment is weakened — especially in the event of a debtor protest (e.g., an individual's claim that the debt never existed).

In addition, this information is necessary both for the calculation of interest and other penalties, if required, and for later collection efforts.

2. Debtor Information

a. Components of Recordkeeping

At a minimum, each State agency must use its best efforts to collect the following information concerning a debtor when an account receivable is established:

Individual

- i. Name — last name, first name, middle initial;
- ii. Social Security Number — this number is an essential data element (see Subsection 2.c. for Disclosure of Social Security Number);
- iii. Date of birth;
- iv. Address — home, complete with zip codes (the use of P.O. Box numbers should be avoided);
- v. Telephone numbers — home and work (if available), complete with area codes; and
- vi. Place of employment — including name of employer and address, if possible.

Business

- i. Legal business name;
- ii. Employer Identification Number — this number is an essential data element;

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- iii. Business type (sole proprietorship, partnership, corporation, non-profit organization, etc.);
- iv. Address;
- v. Official business telephone number;
- vi. Name(s) of authorized representative(s);
- vii. Title(s) of authorized representative(s); and
- viii. Telephone number of authorized representative.

b. State Agency Responsibilities

The availability of debtor information is crucial for later efforts to collect payment. Without the above information, collection efforts by the State agency itself or outside collection entities, such as a private collection agency, the Attorney General's Office or the Department of Taxation and Finance, will be extremely difficult.

Social Security Numbers or Employer Identification Numbers are particularly important. These numbers are crucial in the offset of State payments, such as tax refunds and contract payments. The Department of Taxation and Finance cannot accept debtor information that does not include the Social Security Number or Employer Identification Number of the debtor.

To ensure that the debtor is providing the correct information, the State agency should request verification of identification when the debt is established, if practicable.

Upon request, agencies can explain to an individual the advantages of furnishing a Social Security Number, such as the avoidance of a billing error or reducing the possibility of crediting payments to the wrong person.

c. Disclosure of Social Security Number

i. Federal Privacy Act

The Federal Privacy Act of 1974 places restrictions on a State agency regarding its request that an individual disclose her/his Social Security Number, except where specifically required by Federal law.

The Privacy Act states that it is unlawful for a State agency to deny any individual any right, benefit, or privilege provided by law because of that individual's refusal to disclose her/his Social Security Number.

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The Privacy Act does exempt certain cases:

- ! Disclosures that are required by Federal statute; and
- ! Disclosures which are based on an agency's pre-existing requirements and system of records in existence and operating before January 1, 1975.

The Privacy Act does not prohibit any State agency from requesting an individual to provide a Social Security Number. However, a State agency must inform an individual (debtor) whether disclosure is mandatory or voluntary.

A request for a disclosure that is mandatory must also indicate under what statutory authority or other authority the Social Security Number is being requested. In the case of both mandatory and voluntary requests, State agencies must indicate to the individual what uses will be made of the number.

ii. Chapter 295 of the Laws of 1987

Chapter 295 of the Laws of 1987 added a new Section 5 to the State Tax Law, which requires State agencies to obtain an individual's Social Security Number or Federal Employer Identification Number in cases where the individual is licensed by the State or is doing business with the State.

iii. Summary

In summary, billing and collection of debts are measurably enhanced by the use of a universally identifiable number such as the Social Security Number or Employer Identification Number.

State agencies should request an individual's Social Security Number (or Employer Identification Number when appropriate) at the point of transaction between the agency and the individual (i.e., application, license form, etc.), since there is no prohibition against asking an individual to provide this number on a voluntary basis. In certain instances, agencies have specific statutory authority to require that their debtors disclose their Social Security number. Agencies should consult with their counsels to determine if they have statutory authorization.

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Disclosure, however, must be provided that informs the individual whether this is a voluntary or mandatory request, and the individual must be informed about how the number will be used.

Disclosure restrictions regarding Employer Identification Numbers (EIN) differ from Social Security requirements and agencies' counsels should be consulted regarding the appropriate disclosures required when requesting EIN's.

iv. Identification Numbers in Lieu of Social Security Number

If the individual debtor refuses to provide a Social Security Number and is not statutorily required to do so, it is recommended that the agency request other identification in lieu of the Social Security Number. For example, a driver's or non-driver's identification, license, passport, government benefit card, or student identification card could be suitable alternative forms of identification.

3. Additional Information Sources for Debts Established Prior to Establishment of These Guidelines

There are several sources that are useful for obtaining missing debtor information, especially for receivables that were established prior to January 1, 1993. It is important to note, however, that these sources may not provide all the necessary information.

a. Individual Debtor Information

For individual debtor information, several sources of information exist:

- i. Telephone directories and other directories;
- ii. Department of Motor Vehicles

The Department of Motor Vehicles (DMV) has "Search Systems" available to other State agencies for the retrieval of information that can be legally provided. Searches can be performed on DMV's three major files, including the Driver License file, the Vehicle Registration file, and the Vehicle Identification Number file. For these searches, the State agency must know the debtor's name, date of birth and sex, or the driver's license number.

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The "Dial-in Inquiry System" was developed by DMV to provide access to motor vehicle information via a computer terminal. State agencies must have the necessary equipment to support the dial-in service. A printer is needed if the State agency wants to make hard copies of the documents retrieved. A State agency should have a modem by which to dial-in. Software is readily available and a few of these emulator programs are described in a very useful DMV instruction packet. (See Appendix C for this instruction packet.)

State agencies may establish a Search account with DMV to request information by mail or direct computer access. DMV will provide State agencies with an account number and password to be used when requesting motor vehicle information.

iii. The United States Postal Service

The Postal Service offers three types of services for the retrieval of information.

! Forwarding Address Form

A State agency may find that it does not have a large number of requests for address information. In this instance, State agencies may contact the local Post Office to obtain a Forwarding Address Form. With the debtor's name and last known address, State agencies can complete the form and return it to the Post Office to obtain a forwarding address. The U.S. Postal Service offers this service for a nominal fee. State agencies should find this method relatively easy and inexpensive, though it is labor intensive.

! Address Change Service

The Postal Service also has a more extensive Address Change Service, which is an automated electronic enhancement to the traditional manual process. The Address Change Service works by sending last known address information to the Computerized Forwarding System to attempt a search for a match with the name and address of a forwarding order or carrier. If a match is attained, the Postal Service will send a change of address notification.

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To use this service, State agencies will be required to configure the debtor information from the file and have appropriate matching software. For more information on the Address Change Service and fees charged, State agencies should contact the U.S. Postal Service.

! National Change of Address

The Postal Service has a National Change of Address program. With this service, a State agency can periodically send a tape of all debtors to a Postal Service licensee in order to receive any changes of address. The National Change of Address program is more preventive than other Postal services and is best suited for State agencies that send large mass mailings.

iv. Credit bureaus

Credit bureaus can furnish such information as a current address and telephone number. This service is particularly useful in cases of substantial debt. Since utilizing credit bureaus is costly, it is important to obtain complete and accurate information when the account receivable is established.

b. Business Debtor Information

For information concerning business debtors, DMV and the U.S. Postal Service are potential sources of information. In addition, Dun & Bradstreet issues a publication which can provide certain business information.

State agencies may also use the informational resources of the other State agencies, such as the State Comptroller, the Department of State, the Office of Business Permits, and the State Education Department.