# FSCU

## Fiscal Systems and Consulting Unit

**DEPARTMENT OF FINANCE**

STATE OF CALIFORNIA

# ACCOUNTS RECEIVABLE AND REIMBURSEMENT RECONCILIATION

Month-End Close Training — February 2024

# COURSE OBJECTIVE

To obtain the essential knowledge and skills necessary to perform accounts receivable and reimbursement reconciliations.

# ACCOUNTS RECEIVABLE ACCOUNTING

❖ Statewide Policies and Procedures

❖ Basic Rules of Accounts Receivable

❖ Accounts Receivable Journal Entries

❖ Treatment of Accounts Receivable at Year-End

❖ Reports and Queries

❖ Accounts Receivable Reconciliation Tips

# STATEWIDE POLICIES AND PROCEDURES

- State Administrative Manual (SAM) Section 7901 – Reconciliations will be prepared monthly within 30 days of the preceding month, except for property reconciliations.

- SAM Section 8294 – Accounts receivable (AR) should be recorded in a manner that allows for aging analysis. The account balances of all receivables should be classified by the amounts due or past due by varying lengths of time, allowing departments to monitor and manage receivables. All departments must complete accounting, aging analysis, and reconciliation of outstanding receivables at month-end.

# STATEWIDE POLICIES AND PROCEDURES

- Reconciliation benefits include:
  - Prompt and accurate billing
  - Routine customer account monitoring
  - Minimizing discrepancies between the general ledger and subsidiary ledgers
- Government Code section 16583.2 requires departments to submit accounts receivable information to the State Controller's Office (SCO) detailing its accounts receivables.

# BASIC RULES OF ACCOUNTS RECEIVABLE

- SAM Section 8291 – AR is defined as a claim against a debtor, such as a person, business, or governmental entity for money owed to the state.

- Characteristics common to all ARs:
  o Legal authority exists to bill for the amount owed.
  o The amount due is derived from the mathematical calculation, fees, or other method to arrive at the amount.
  o Sufficient documentation exists to support the AR.

- An invoice or other type of claim document will be prepared and sent as soon as practical and within 30 days after the event, giving rise to the AR.

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

*Billed revenue:*

Debit 1200000 Accounts Receivable – Revenue

Debit 124XXXX Due From Other Funds/Appropriations*

Debit 126XXXX Due From Other Governments

    Credit 41XXXXX Revenue

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

*Billed reimbursements:*

Debit 1200050 Accounts Receivable – Reimbursements

Debit 124XXXX Due From Other Funds/Appropriations*

Debit 126XXXX Due From Other Governments

      Credit 48XXXXX Reimbursements

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

*Billed abatements:*

Debit 1200100 Accounts Receivable – Abatements

Debit 124XXXX Due From Other Funds/Appropriations*

Debit 126XXXX Due From Other Governments

     Credit 5XXXXXX Expenditure

\*   Account 124XXXXX must include values in the Affiliate (BU) and Fund Affiliate (Fund) fields. The information will be included in the Year-End (YE) Subsidiaries on File Report generated from FI$Cal. Adding the Affiliate and Fund Affiliate on both the debit and credit lines will be helpful for research purposes.

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

Alternate journal entries to record billed deferred receivables for revenue and certain types of reimbursements, abatements, and accounts receivable-other.

*Billed deferred revenue, reimbursements, abatements, and other receivables invoices:*

Debit 1200000 Accounts Receivable – Revenue

Debit 1200050 Accounts Receivable – Reimbursements

Debit 1200100 Accounts Receivable – Abatements

Debit 1209900 Accounts Receivable – Other

      Credit 1290000 Provision for Deferred Receivables **

** The Alternate Accounts for Account 1290000 Provision for Deferred Receivables are standardized statewide-level COA values and must not exceed the related accounts receivable recorded in the system. The YE Subsidiaries on File Report generated from FI$Cal will include the information.

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

Account 1290000 – Provision for Deferred A/R Authorized Alternate Accounts

| Account | Alternate Account | Description |
|---------|-------------------|-------------|
| 1290000 | 1200000998 | Provision for Deferred A/R-Revenue |
|  | 1200050998 | Provision for Deferred A/R-Reimbursement |
|  | 1200100998 | Provision for Deferred A/R-Abatement |
|  | 1200150998 | Provision for Deferred A/R-Dishonored Checks |
|  | 1200200998 | Provision for Deferred A/R-Cash Short |
|  | 1209100998 | Provision for Deferred A/R-Audit Except |
|  | 1209400998 | Provision for Deferred Contingent A/R |
|  | 1209900998 | Provision for Deferred A/R-Other |

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

SAM Section 8201 - Income and receivable transactions are closely related, and many policies address both types of accounts.

- Ensure all receipts are processed and deposited timely.

- Record income and receivables timely, with the correct amounts, and in the proper accounts.

- Review and monitor income and receivables in a timely manner.

- Monitor billed and collected receivables and analyze variances.

- Develop internal policies and procedures to ensure that amounts due to the state are correctly identified, tracked, managed, and collected on time.

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

*Cash payment is applied for revenue, reimbursements, and abatements (no invoice was issued - unbilled):*

Debit 1109300 Pending Cash Transfers – AR

Credit 41XXXXX Revenue

Credit 48XXXXX Reimbursements

Credit 5XXXXXX Expenditure

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

***Billed revenue, reimbursements, and abatements cash payment is applied:***

Debit 1109300 Pending Cash Transfers – AR

      Credit 1200000 Accounts Receivable – Revenue

      Credit 1200050 Accounts Receivable – Reimbursements

      Credit 1200100 Accounts Receivable – Abatements

      Credit 124XXXX Due From Other Funds/Appropriations

      Credit 126XXXX Due From Other Governments

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

*Billed deferred revenue and certain types of reimbursements and abatements cash payment is applied (payment was received in the same fiscal year):*

Transaction 1: Record the cash receipt as Revenue, Reimbursements, and Expenditures using the Direct Journal Payment (DJP) application method.

Debit 1109300 Pending Cash Transfers – AR

    Credit 41XXXXX Revenue

    Credit 48XXXXX Reimbursements

    Credit 5XXXXXX Expenditure

           AND

Transaction 2: Reverse/Reduce the AR

Debit 1290000 Provision for Deferred Receivables

    Credit 1200000 Accounts Receivable – Revenue

    Credit 1200050 Accounts Receivable – Reimbursements

    Credit 1200100 Accounts Receivable – Abatements

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

***Billed accounts receivable - other cash payment is applied before appropriation reverts:***

Transaction 1: Record the cash receipt as Reimbursements or Expenditures using the DJP application method.

Debit 1109300 Pending Cash Transfers – AR

      Credit 48XXXXX Reimbursements

      Credit 5XXXXXX Expenditure

            AND

Transaction 2: Credit the AR-Other.

Debit 1290000 Provision for Deferred Receivables

      Credit 1209900 Accounts Receivable – Other

# ACCOUNTS RECEIVABLE JOURNAL ENTRIES

***Billed accounts receivable - other cash payment is applied after appropriation reverts:***

Transaction 1: Record the cash receipt as Refunds to Reverted Appropriations using the DJP payment application method.

Debit 1109300 Pending Cash Transfers – AR

      Credit 5901000 Refunds to Reverted Appropriations <span style="color:red">\*\*\*</span>

<span style="color:red">\*\*\* Use the Prior Year ENY to record the accounting entry for a direct journal payment.</span>

<p align="center">AND</p>

Transaction 2: Reverse/Reduce the AR-Other

Debit 1290000 Provision for Deferred Receivables

      Credit 1209900 Accounts Receivable – Other

# TREATMENT OF ACCOUNTS RECEIVABLE AT YEAR-END

Reverting Appropriations

Subsidiaries on File

# TREATMENT OF ACCOUNTS RECEIVABLE AT YEAR-END

## Reverting Appropriations

Prior to the year-end closing process, AR abatements and reimbursements for reverting appropriations not collected by June 30 must be reclassified to Account 1209900 – Accounts Receivable-Other and offset by Account 1290000-Provision for Deferred Receivables. See Year-End A-4 Entry and SAM Section 10603.

The State Controller's Office Agency Reconciliation Report provides appropriation reversion dates. Identify reverting appropriations that contain any date within the fiscal year-end (commonly June 30) in the Reversion Date column.

## Subsidiaries on File

Account 124XXXX – Due from Other Funds/Appropriations must include values in the "Affiliate" (BU) and "Fund Affiliate" (Fund) fields.

The Alternate Account used for Account 1290000 - Provision for Deferred Receivables must not exceed the amount of the related accounts receivable.

# REPORTS AND QUERIES

## *For Reconciliation:*

- Trial Balance Report

  o Shows a snapshot of the balances of each general ledger account at a point in time. The report includes cumulative totals of the debits and credits posted to each account.

  o Main Menu > FI$Cal Processes > FI$Cal Report > GL Reports > Trial Balance Reports

- DFQ_AR_21_ITEM_AGING

  o Categorizes unpaid AR Items into intervals based on the payment status. Typical intervals are current (not overdue), 1-30, 31-60, 61-90, and over 90 days overdue.

- DFQ_AR_09_CUSTOMERS_ACCT_HIST

  o Displays customer item balances and any adjustments (i.e., payments, credit memo applications, write-offs) applied to the item.

# REPORTS AND QUERIES

*For Research:*

- ZZ_PAR_ITEM_REASON

  o Used to validate and identify common errors for SCO Collections of Payroll Accounts Receivable and SCO Transfer of State Share from Payroll Revolving Fund interfaced into FI$Cal.

  o Assist with determining if the AR Item Processor needs to adjust the employee Payroll AR Item balance for SCO collection posted to Account 590100 - Refunds to Reverted Appropriations.

- DFQ_AR_13_CASH_RECEIPT_DETAIL

  o Used for researching billed and unbilled cash receipts and remittances.

- DFQ_AR_04_ITEMS_VALIDATION

  o Used to obtain a list of AR item transactions.

# ACCOUNTS RECEIVABLE RECONCILIATION TIPS

- Identify and research any differences between source documents and the AR Item Account, Alternate Account, and Fund/Fund Affiliate used.

- Reconcile detailed accounts receivable subsidiary amounts with the general ledger control totals.

- Reconcile cash receipt postings to accounts receivable subsidiary records.

- Review and reconcile the employee ARs recorded in the department's books to SCO records.

# ACCOUNTS RECEIVABLE RECONCILIATION TIPS

- Review and reconcile the employee ARs recorded in the department's books to SCO records.

- Review and reconcile ARs maintained in departmental records (e.g., program records, payroll records, etc.) with the accounting records.

- Review AR reports monthly to ensure there is ongoing collection activity.

- Retain AR source documents (e.g., invoices), collection effort documentation, payment history, and adjustment for at least four years following the payment of the receivables.

# REIMBURSEMENT RECONCILIATION WITH PROJECT COSTING

❖ Project Costing For Reimbursement Billing

❖ Reports and Queries

❖ Reimbursement Reconciliation Tips

# PROJECT COSTING FOR REIMBURSEMENT BILLING

- Project Costing (PC) accounting for reimbursement accumulates all accounting data in one place for a specific function, activity, or contract, even though multiple appropriations, programs, and/or funding sources may have been included.

- PC accounting usually requires:
  o Maintaining and reporting accounting information for a period that overlaps several appropriation years
  o Reporting period different from the state fiscal year

# REPORTS AND QUERIES

*For Reconciliation:*

- DFQ_KK_16_REIMB_RECON
  - Data are from C_DTL_REC, C_DTL_EXP, and C_DTL_ENC utilizing project costing for reimbursements.
  - Fields include Fund, ENY, Program, Appropriation Reference, Project, Activity, and Source Type.

- Final Budget Report, Report No. 6
  - Provides a summary status of appropriations, including expenditures, encumbrances, reimbursements, transfers, and balances as of a specified period for each appropriation.
  - Main Menu > FI$Cal Processes > FI$Cal Report > GL Reports > Final Budget Report

# REPORTS AND QUERIES

| Report No. 6 Financial Elements – Reimbursements (F – Account) | |
|---|---|
| Appropriations | Normal balance is a Debit for Scheduled and Miscellaneous Reimbursements. Unscheduled Reimbursements should have zero in this column. |
| Expenditures | Account 48XXXXX. The normal balance is a Credit for earned reimbursements. |
| Encumbrances/Allocated Encumbrances | Zero - not applicable. |
| Prior Year Encumbrance Reversals | Zero - not applicable. |
| Budgetary Expenditures | Same as the Expenditures column. |
| Balance | Calculated as the sum of Appropriations (Adjusted) and Budgetary Expenditures. Normal balance is a Debit for Scheduled and Miscellaneous Reimbursements, and a Credit for Unscheduled Reimbursements. |

# REPORTS AND QUERIES

*For Research:*

- DFQ_KK_01_ACTIVITYLOG_SUP_PROJ
  - Provides detailed data on all project-related transactions.
  - Assists with determining if the AR Items established contain or do not contain the correct Project and Activity.

- DFQ_AR_13_CASH_RECEIPT_DETAIL
  - Used for researching billed and unbilled cash receipts and remittances.

# REIMBURSEMENT RECONCILIATION TIPS

- A difference between DFQ_KK_16_REIMB_RECON and Final Budget Report, Report No. 6, usually means that Commitment Control has reimbursement transactions with no project and activity.

- Reimbursements should not be higher than expenditures. If it is, run the DFQ_KK_01_ACTIVITYLOG_SUP_PROJ query to review the entries. Some of the causes may include:
    - Expenditure transactions with no project and activity.
    - Duplicate entries from AR Items and AR Payments.

# QUESTIONS

Contact the FSCU Hotline.

FSCU Hotline Phone: (916) 324-0385

Email: FSCUHotline@dof.ca.gov

# SURVEY