

**STATE OF LOUISIANA  
LEGISLATIVE AUDITOR**

**Reporting, Managing, and Collecting  
Receivables in Louisiana**

March 1994



***Performance Audit***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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# **Reporting, Managing, and Collecting Receivables in Louisiana**

**March 1994**



**Performance Audit  
Office of Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**

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**March 30, 1994**

Honorable Samuel B. Nunez, Jr.,  
President of the Senate  
Honorable John A. Alario, Jr.,  
Speaker of the House of Representatives  
and  
Members of the Legislative Audit Advisory Council

Dear Legislators:

This is our report of the performance audit of Reporting, Managing, and Collecting Receivables in Louisiana, as requested by the Senate Committee on Economy and Efficiency. This audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards.

The report presents our findings, conclusions, and recommendations. Also included as Appendix I are the responses of the Commissioner of Administration and the Attorney General to the audit as well as our comments.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DGK/jl

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# Office of Legislative Auditor

## Executive Summary

### Performance Audit Reporting, Managing, and Collecting Receivables in Louisiana

#### Audit Objectives

The Senate Committee on Economy and Efficiency and the Legislative Audit Advisory Council requested a performance audit of Louisiana's receivables. Accordingly, the audit focus is on statewide practices for reporting, managing, and collecting receivables. The audit objectives were to:

- ♦ Determine the amount of actual receivables at June 30, 1992.
- ♦ Identify ways the state, as a whole, can improve collection practices to increase revenues for the state.
- ♦ Identify state agencies that could implement or improve their collection practices or implement procedures to keep delinquent receivables from recurring.

#### Reporting Receivables

The State of Louisiana does not require complete reporting of the total amount of receivables owed to it. At June 30, 1992, estimated total receivables are \$884 million for general fund appropriated agencies, proprietary funds, colleges, and universities. This amount does not include receivables from

the federal government or interagency transfers. The Division of Administration knows that at least \$501 million of this amount was collected within 45 days after the end of the fiscal year. However, there is no consistent reporting information on the collectibility of the remaining \$383 million. Furthermore, \$10 million of this amount was not disclosed in any financial reports of the state.

Complete reporting is hampered because the current statewide accounting system is not able to identify all receivables. Also, individual agency receivables reporting systems do not always provide meaningful information. Furthermore, there is an inconsistency between statutory provisions and Division of Administration policies relating to reporting. Legal provisions require considerably less reporting than that required by the federal government and other states studied.

By not requiring complete information on receivables, the state does not know where to concentrate collection efforts to yield additional available cash to the state. (Pages 18-21)

We recommended that the Division of Administration consider bringing its policies in line with state law to require disclosure of all revenues due and not collected.

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### **Matter for Legislative Consideration 2.1**

The legislature may wish to consider enacting legislation that provides for periodic full disclosure, in a standardized format, of all receivables and debt owed to the state. Similar to other states, such disclosure should include information on receivables as to age, collectibility, and periodic billing and collection activity. A central oversight agency within the executive branch as well as the legislative fiscal and budget staffs should receive these reports for analysis. The state should use such information for financial decision-making purposes.

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## **Managing and Collecting Receivables**

Record keeping and collection activities for Louisiana state agencies, including the write-off of receivables, are performed at the agency level with no central statewide oversight. Louisiana's statutes do not specifically designate any state official or agency with responsibility for overseeing statewide collection activities. Although receivables management at the agency level is desirable, there should be some guidance for receivables management at the statewide level.

Louisiana state agencies' collection practices vary. Louisiana's legal provisions for pursuing delinquent receivables are limited. Some of the other states surveyed have laws that provide a full range of collection options for state agencies to use. Less than a third of Louisiana's officials responsible for revenue collection activities in surveyed state agencies say they use methods similar to other states surveyed to recover delinquent debt. Some other states surveyed centralize the debt collection function through states' executive agencies or the Attorney General's office.

Effective receivables management and collection practices help keep receivables from becoming delinquent, protect assets, and increase usable cash. We recommend that should the legislature enact legislation for the management and collection of receivables, governing rules for individual state agencies should ensure prompt and accurate recording of receivables as well as a well-conceived internal collections process. (Pages 23-32)

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### **Matter for Legislative Consideration 3.1**

The legislature may wish to consider enacting statewide laws for enforcing the collection of receivables. Similar to some surveyed states, these provisions could include, but not be limited to, the following:

- 1. The promulgation of rules and regulations**
- 2. Administrative offset procedures**
- 3. Charging interest and collection costs for delinquent and partial payments**
- 4. Charging penalties for receipt of checks returned for nonsufficient funds**

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# Glossary

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<b>Abatement</b>	A complete or partial cancellation of a levy imposed by a governmental unit. Abatements usually apply to tax levies, special assessments, and service charges.
<b>Accounts Receivable</b>	Money owed to a public or private entity for various purposes when the intent is to collect the money in a relatively short period of time.
<b>Aging of Receivables</b>	Classifying the account balances of all receivables according to whether the amount is not yet due or past due by varying lengths of time.
<b>Allowance for Estimated Uncollectible</b>	That portion of an outstanding receivable which it is estimated will never be collected.
<b>Compromise</b>	The statutory authority granted certain state agencies to negotiate a settlement of a debt between the debtor and the agency.
<b>Current Account</b>	An account which is within terms and has not become past due.
<b>Delinquent Account</b>	An account in which one or more scheduled payments have not been made.
<b>Enterprise Fund</b>	A governmental fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

<b>General Fund</b>	The General Fund is the principal operating fund of the state and was established administratively to provide for the distribution of funds appropriated by the state legislature for the ordinary expenses of state government. Transactions relating to resources, which are not accounted for in other funds, are accounted for in the General Fund. Revenues are provided from the direct deposit of federal grants and the transfer of state revenues from the Bond Security and Redemption Fund after debt requirements are met.
<b>Income Not Available</b>	The classification used in Louisiana for revenue collections of governmental units of any miscellaneous monies. These revenues are not available (not appropriated) to the governmental unit to use in its operations and must be deposited to the state General Fund through the Bond Security and Redemption Fund.
<b>Internal Service Fund</b>	A governmental fund to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis.
<b>Major State Revenues</b>	The classification used in Louisiana for revenue collections of governmental units that are not available to finance the governmental unit's operations. This is because these revenues are deposited to the state General Fund through the Bond Security and Redemption Fund. The amount collected is not part of the governmental unit's budget. Accordingly, the collection of these revenues is commonly known as non-appropriated revenue activity. Most of the major state revenues are collected by five state departments: Revenue and Taxation; Public Safety and Corrections, Public Safety Services; Natural Resources; Insurance; and Treasury.
<b>Notes Receivable</b>	Money owed to a public or private entity for various purposes when the intent is to collect the money over a period of time.
<b>Proprietary Funds</b>	A governmental fund used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (enterprise and internal service funds).
<b>Self-Generated Revenues</b>	The classification used in Louisiana for revenue collections of governmental units that are available to finance the governmental unit's operations. These revenues are appropriated in the governmental unit's budget.
<b>Write-Off</b>	Accounting procedures for removing uncollectible charges from receivable balances.

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# Chapter One: Introduction

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## Report Conclusions

Louisiana has no comprehensive receivables reporting, management, and collection program. At June 30, 1992, estimated total receivables are \$884 million for general fund appropriated agencies, proprietary funds, colleges, and universities. This amount does not include receivables from the federal government or interagency transfers. The Division of Administration knows that at least \$501 million of this amount was collected within 45 days after the end of the fiscal year. However, there is no consistent reporting information on the collectibility of the remaining \$383 million. Furthermore, at least \$10 million of this amount was not disclosed in any financial reports of the state.

Legal provisions in Louisiana require considerably less reporting of receivables than is required by the federal government and other surveyed states. Existing receivables reporting procedures are not applied consistently for all state agencies. Also, these procedures serve only to report receivables at year end. As a result, there is little information available to evaluate receivables characteristics and collectibility.

Louisiana's legal provisions for pursuing delinquent receivables are limited. Some of the other states have laws that provide a full range of collection options for state agencies to use. Louisiana state agencies' collection practices vary. Effective receivables management and collection practices help keep receivables from becoming delinquent, protect assets, and increase usable cash.

Record keeping and collection activities for Louisiana state agencies, including the write-off of receivables, are performed at the agency level with no central statewide oversight. Although receivables management at the agency level is desirable, there should be some guidance for receivables management at the statewide level.

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## **Audit Initiation and Objectives**

The Senate Committee on Economy and Efficiency and the Legislative Audit Advisory Council requested a performance audit of Louisiana's receivables. To fulfill this request, this audit's focus is on statewide practices for reporting, managing, and collecting receivables. In an effort to provide both committees with objective, accurate, and useful information, the audit had the following three objectives:

- ◆ Determine the amount of actual receivables at June 30, 1992.
- ◆ Identify ways the state, as a whole, can improve collection practices to increase revenues for the state.
- ◆ Identify state agencies that could implement or improve their collection practices or implement procedures to keep delinquent receivables from recurring.

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## **Overview of Receivables**

Generally, receivables are monies owed for various purposes and not yet collected. From the public sector standpoint, receivables are monies owed to governmental units, such as state agencies, colleges, and universities. These governmental receivables are owed by individuals, firms, corporations, or other public agencies. Most receivables can be categorized as follows:

- ◆ Legally enforceable claims for taxes, licenses, and amounts owed for services provided and goods furnished by the state to individuals and other outside parties
- ◆ Delinquencies, assessments for underpayments, overpayments of claims, reimbursements due, checks returned as nonsufficient funds, loans, authorized penalty and interest assessments, advances, and commissions earned

The federal government and several states have initiated efforts for improving the management and collection of receivables. These governmental entities have found that

effective receivables management provides several benefits as follows:

- ♦ An established system of receivables management provides a reasonable measure of performance and public accountability.
- ♦ In a cash crisis, a comprehensive analysis of receivables identifies assets that are easily and quickly convertible to cash. Likewise, a receivables analysis reveals the existence of slow-moving accounts that may be symptomatic of a deeper problem relating to management practices.

Accountability, standardization, and performance measurement are key ingredients to establishing good management and collection practices for receivables. Current literature on receivables management suggests that the establishment of a results-oriented revenue recovery program should include at least five basic elements:

- (1) fair reporting of the value of outstanding receivables;
- (2) prompt and accurate recording of amounts due and identification of debtor;
- (3) accounting systems that provide management with timely information;
- (4) a well-conceived internal collections process; and
- (5) write-off or debt compromise of accounts that clearly are not collectible.

Although Louisiana's receivables reporting process attempts to achieve the first basic element, the process does not identify total revenue outstanding. Depending on governing provisions, Louisiana state agencies can either report all earned revenue or limit identification to revenues that are immediately available. As compared to some other states, Louisiana's present reporting process limits accountability, fosters reporting inconsistencies, and does not establish indicators for performance measurement.

Besides reporting problems, receivables management and collection practices among Louisiana agencies are as numerous

and diverse as the agencies themselves. Most state agencies have individual governing statutes listing their general powers for the recovery of outstanding debts. As a result, each state agency is responsible for handling individual collection activities.

Over the last five years, the Legislative Auditor and the state Inspector General have reported numerous deficiencies in state agencies' receivables management. In particular, these reports have cited an absence or weakness in four of the five basic elements essential for receivables management.

**Failure to establish prompt and accurate recording of amounts due and identification of debtor.** There is a need to improve the recording of charges incurred for patients not eligible for state subsidized medical services at the Medical Center of Louisiana at New Orleans. This finding was reported for four consecutive years (1989-1992) by the Legislative Auditor through the annual review of financial activities of state agencies. Ineligible patients' billings for the four year period totaled approximately \$221 million. As noted in the 1991 legislative audit report, a random file review disclosed a 100 percent discrepancy rate between patients' billings and services rendered. Failure to promptly record the services rendered results in some receivables being overlooked and ultimately lost revenues.

A June 1992 Inspector General's report of the Department of Insurance concluded that the department lost \$2 million. This loss was the result of the department's inability to maintain proper identification procedures of surplus line brokers who failed to pay insurance premium taxes. The report disclosed that a significant dollar variance existed in 1991 between the amount of premiums on policies written by insurance carriers and the amount reported to the department by the surplus line brokers. The report recommended the department conduct desk audits to compare premiums reported on production reports with information supplied on tax statements. Tax notices should then be sent to all brokers identified as not paying taxes on premiums.

**Failure to establish accounting systems that provide management with timely information.** From 1990 through 1992, the Legislative Auditor reported there is no statewide recording and summary reporting capability for receivables. Numerous instances have also been noted of inadequate accounting systems for capturing information on receivables at the agency level. For instance, a 1992 legislative audit reported the Department of Revenue and Taxation did not collect \$1,227,030. This loss occurred because the department's

management information system did not provide timely updates on certain tax cases. These tax cases were close to the statutory time limit, after which the assessed taxes were no longer enforceable.

**Failure to maintain a proper internal collections process.** In the 1992 single audit, the Legislative Auditor noted problems with the collection procedures used by the Department of Public Safety and Corrections, Corrections Services, Prison Enterprises. Management of this agency bypassed established procedures for collection of receivables for two corporations totaling \$117,659. In addition, the report noted that the absence of late fees or interest assessments on past due amounts provided no incentive for the corporations to pay timely.

A 1992 Inspector General's review of the Department of Environmental Quality found weaknesses in the control over the extension of credit. The report says that three of the seven departmental divisions have deviated from fee payment procedures found in governing administrative rules. The deviations involved a lack of adherence to procedures for installment payments and waiver of advance payment requirements. The report says that the proper collection of and accounting for these fees is essential to the department's funding. This is because at least 50 percent of the department's funding is comprised of self-generated fees. According to the report, in fiscal years 1992 and 1993, these dedicated fees amounted to \$27.5 million and \$35.3 million, respectively.

A 1988 legislative audit revealed the lack of procedures for timely billing of receivables at 32 percent of the state agencies and universities examined. Recent studies on aging of receivables conclude the older an account becomes, the less likely it is to be collected.

**Failure to establish procedures for writing off or compromising debt for uncollectible accounts.** The receivables balance as of June 30, 1992, was approximately \$5 million for all seven divisions of the Department of Environmental Quality. This represents amounts owed for fiscal years 1989 through 1991; according to a report issued by the Inspector General's office in 1992. The report stated there is no specific policy for adjusting balances and writing off aged and uncollectible receivables. The report recommended that some of these balances needed to be adjusted or written off because they are uncollectible or erroneous.

## **Other States Have Improved Management and Collection of Receivables**

Several states have initiated efforts to centralize oversight and establish statewide procedures to strengthen receivables management and collection activities. Specifically, Kansas, Washington, and Illinois have statutes that give central oversight of receivables to a specific state agency. For these three states, oversight responsibility is vested in either the director of accounts and reports, the director of financial management, or the state comptroller. These oversight responsibilities focus on developing statewide policies and procedures. Such policies and procedures specify accountability, standardized reporting and collection practices, and establishment of indicators for performance measurement. Currently, Louisiana has no agency responsible for statewide management and collection of receivables.

Recognizing the need for accountability, standardization, and performance measurement, Senate Concurrent Resolution No. 43 of the 1993 Regular Legislative Session was passed. The resolution requested a study to ultimately develop a uniform statewide procedure for the management and collection of receivables. The Legislative Auditor is to assist the attorney general and other major state departments with the study. This report is the first step in identifying issues relating to the total amount of receivables outstanding, the current reporting process, and recommendations for improvement.

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### **Scope and Methodology**

This audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

Preliminary audit work began in August 1992 and fieldwork was completed in July 1993. We used the fiscal year ended June 30, 1992, because this was the most recent completed period when the audit began.

We identified the 103 state agencies, colleges, and universities, which have revenue collection activity, as listed in Appendix C. Each agency represents a separate unit of state government that prepares a set of financial statements to report

the results of its operations for a specific period of time. The identified total consisted of 76 general fund appropriated agencies, 11 proprietary funds, and 16 colleges and universities. These agencies were selected because they collect revenue from a variety of non-governmental sources, such as private citizens or business activities. Revenue obtained from these sources includes, but is not limited to, taxes, service fees, or tuition payments.

In addition, we included any receivables activity at the 103 agencies resulting from delinquencies, assessments for underpayments, and overpayments of claims and other expenditures. Returned checks, loans, penalty and interest assessments, reimbursements due, advances, and commissions earned were other categories of receivables included in our scope. Accordingly, our review focused on revenue classified as a net gain to the state that could be used to either finance agency operations or deposited directly into the state General Fund through the Bond Security and Redemption Fund.

We obtained and reviewed financial statement information of the 103 agencies to identify total revenues collected and receivables outstanding and reported as of June 30, 1992. We also surveyed the 103 agencies to verify the existence of receivables, identify management and collection practices, and obtain the amount of monies owed at June 30, 1992. Only 9 of the 103 agencies did not have any receivables activity within the scope of this audit for the fiscal year 1992. A copy of the survey document is reproduced as Appendix A. The survey results were compiled and analyzed and are an integral part of this report (See Appendix B). We received 204 surveys, 101 more than were originally sent, because some agencies have more than one revenue collection activity (See Appendix C).

To validate the survey responses, we compiled and reviewed budget information found in the state's executive budget. This procedure provided us with another source to verify the various types of revenue collection activities identified for the 103 agencies. In instances where there were variations between survey information and the validation process, we resolved the discrepancy with responsible agency officials. We interviewed our financial and compliance auditors and reviewed audit reports and related workpapers. We also reviewed previous Legislative Auditor performance audit and Inspector General reports relating to receivables.

We used two procedures to address the second audit objective relating to improvements in statewide collection practices. First, we reviewed existing state statutes governing establishment of collection processes for receivables. Then, we examined applicable debt collection and reporting laws and regulations in selected other states. The methodology for the selection of the other states is further described in Appendix D page D.4.

We gathered various journal articles pertaining to receivables and collection activity for delinquent debt. In addition, we obtained a total of 36 studies performed by the United States General Accounting Office and other state audit agencies on the subject of receivables management.

We interviewed numerous state officials who are charged with managing receivables for their respective state agency. We also interviewed executive branch officials at the Division of Administration, Attorney General's office, and State Treasurer's office. In addition, we conducted interviews with the Legislative Fiscal Office, members of the Cash Management Review Board, and the Economic and Budget Policy Advisor for the Louisiana House of Representatives.

**Audit Limitations.** Our scope did not include revenues obtained from the federal government and interagency transfers. Federal revenues were excluded because collection methods for these revenues are different from those needed for payments owed by individuals or businesses. General fund interagency receivables were omitted because they represent money owed from one state agency to another state agency. Accordingly, interagency transfers are not consistent with our audit scope on revenues resulting in a net gain to the state.

Because of the audit limitations mentioned above, the legislature may wish to further study other aspects of receivables management and collection practices. The issues for further study may include, but are not limited to, the following:

- ◆ The management and collection of federal revenues
- ◆ The expanded use of collection agencies or credit reporting agencies
- ◆ Providing incentives for state agencies to retain a portion of revenues collected

- ♦ The feasibility of establishing a centralized collection program

We did not look for fraud and abuse in this audit. The only computer generated data we relied upon was financial information from the Division of Administration's Financial Accountability Control System (FACS). The internal controls relating to this system are subject to separate study by this office. We relied on this study for assessing the reliability of evidence from computer-based systems in accordance with government auditing standards.

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## Report Organization

The remainder of this report is organized as follows:

- ♦ Chapter Two addresses Louisiana's present reporting process.
- ♦ Chapter Three addresses statewide collection activities.
- ♦ Appendix A provides a copy of the survey document sent to the 103 state agencies.
- ♦ Appendix B provides a listing of the state agencies' responses to the survey document.
- ♦ Appendix C provides a list of the 103 state agencies who received the survey document and of the 204 collection activities identified by the survey respondents.
- ♦ Appendix D provides a list of federal government and other states' legal provisions for the collection of receivables.
- ♦ Appendix E provides a listing of agencies and the amount of their receivables at June 30, 1992, that were not reported to the Division of Administration.
- ♦ Appendix F provides a listing of how central collection activities operate in the surveyed states.
- ♦ Appendix G provides a listing of revenues earned, but not collected at June 30, 1992.

- ♦ **Appendix H** provides a listing of receivables not collected within 45-day period at June 30, 1992.
- ♦ **Appendix I** provides agency responses and Legislative Auditor's comments.

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# Chapter Two: Reporting Receivables

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## Chapter Conclusions

The State of Louisiana does not require complete reporting of the total amount of accounts and/or notes receivable owed to it. Legal provisions in Louisiana require considerably less reporting than the federal government and surveyed states. Furthermore, there is an inconsistency between statutory provisions and Division of Administration policies relating to reporting. There is little consistent reporting information available to evaluate receivables characteristics and collectibility for at least \$383 million in receivables at June 30, 1992.

Existing receivables reporting procedures are limited and not applied consistently for all agencies and serve only to report receivables at year end. There was at least \$10 million of undisclosed receivables at June 30, 1992. Complete reporting is hampered because the current statewide accounting system is not able to identify all receivables. Also, individual agency receivables reporting systems do not always provide meaningful information. By not requiring complete information on receivables, the state does not know where to concentrate collection efforts to yield additional available cash to the state.

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## Current Reporting of Receivables Needs Improvement

### Louisiana's Financial Reporting Requirements for Outstanding Revenues are Conflicting

The primary legal provision on reporting receivables is Louisiana Revised Statute (LSA-R.S.) 39:79(A) which was enacted in 1982. In addition, Policy and Procedure Memorandum (PPM) 68, issued by the Division of Administration in June 1984, gives further guidance on receivables reporting. Both of these legal provisions provide guidance on the reporting of revenue at fiscal year end for governmental fund types.

Although LSA-R.S. 39:79(A) requires the reporting of all revenue due and not collected, PPM 68 limits reporting to certain receivables. Eleven proprietary fund agencies and 16 colleges and universities, within the scope of our audit, follow the provisions of LSA-R.S. 39:79(A).

These governmental units report all receivables because they depend on these revenues to directly fund their operations, similar to a private sector business enterprise. In contrast, the remaining 76

All state agencies and component reporting units shall furnish to the Commissioner of Administration between the first and forty-fifth day following the close of the fiscal year (emphasis added) a sworn statement of all monies received and from what sources, all monies expended and for what purposes, all revenue due and not collected (emphasis added) . . .

*LSA-R.S. 39:79 (A)*

general fund appropriated agencies follow the provisions of PPM 68, which requires reporting of only certain receivables at year end.

PPM 68 represents a departure from the inclusive requirements found in LSA-R.S. 39:79(A). In a May 15, 1984, memorandum to the general fund appropriated agencies, the Commissioner of Administration outlined a policy requiring the state's financial reporting process to conform to established national accounting standards. The policy change was based on the recommendations of a task force assembled to examine the state's current revenue and expenditure recognition process. By conforming to national accounting standards, the directive's ultimate objective was to ensure continued acceptance of bond issues for major capital projects and for the receipt of federal funds.

The new directive, which eventually became known as PPM 68, focused on the reporting of revenues and expenditures associated with economic activity during the fiscal year. Earned revenue accrued under this reporting concept must satisfy three criteria for inclusion on financial statements: available, measurable, and material.

- ♦ Available revenue is classified as monies collected by June 30 or during the 45-day final reconciliation period following the fiscal year end. Revenues available during the 45-day period must be earned in the preceding fiscal year to satisfy incurred expenditures.

- ♦ **Measurable** is categorized as the ability to estimate the amount of the expected revenue collected during the 45-day period after the end of the fiscal year with an acceptable degree of accuracy.
- ♦ **Material** is a dollar limit threshold that recognizes the magnitude of the amount of revenues collected during the 45-day period after the end of the fiscal year. As defined in PPM 68, materiality for inclusion of revenue on annual financial statements must be at least one-half of one percent of the total estimated revenues of that fund.

Although the receivables reporting provisions of LSA-R.S. 39:79(A) and PPM 68 conflict, they are consistent with generally accepted accounting principles for their respective fund type. Specifically, LSA-R.S. 39:79(A) provisions are in accordance with accounting standards that require proprietary and college and university fund types to report earned revenue on a full accrual basis of accounting, whereas PPM 68 provisions are in accordance with accounting standards that require general fund agencies to report earned revenue on a modified accrual basis of accounting.

Both financial reporting requirements provide decision makers with accurate information on financial position at fiscal year end. However, PPM 68 limits the disclosure of the total amount of revenue earned and not collected. Moreover, neither of the reporting requirements provide a framework for assessing the effectiveness of statewide collection efforts. Without an adequate reporting process to manage or evaluate recovery efforts for uncollectible monies, Louisiana risks losing millions of dollars.

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### **Federal and State Governments Require Reporting of All Receivables**

### **Louisiana Requires Less Reporting of Receivables Than Federal and Some State Governments**

There is no comprehensive reporting of outstanding revenue due to Louisiana. Though consistent with generally accepted accounting principles, Louisiana's present reporting process limits the ability to effectively manage receivables. Legal provisions in some states and the federal government require periodic reporting of all uncollectible monies and related recovery efforts. In particular, legal provisions for the federal government and the states of Kansas, Illinois, and Washington

contain specific requirements for accountability, standardized reporting, and performance measurement.

**The Federal Debt Collection Act of 1982 was passed to increase the efficiency of government-wide efforts to collect debts owed to the United States. As specified in the law, each federal agency must periodically report information on outstanding amounts owed, age, and expected date of repayment to the Office of Management and Budget (OMB) and the Department of Treasury. In addition, the law requires the OMB to analyze the reports of each agency. The OMB must then report annually to the Congress on the management of individual agency debt collection activities.**

**Kansas state law requires the Department of Administration to establish and implement a system of centralized accounting for receivables. Specifically, the law requires the system to include standards for collection and reporting of receivables data. The receivables data must be sufficient to analyze receivables and the effectiveness of collection procedures. Accordingly, each agency is to submit a monthly form designed to report receivables activity, aging, and the estimated uncollectibles amount.**

**The Illinois Collection Act of 1986 requires agencies to report to the Comptroller information concerning their receivables and uncollectible claims. Each state agency is to maintain internal records of receivables based on the Comptroller's established procedures. In addition, the procedures require each agency to submit a quarterly summary report of receivables activity and uncollectible accounts, no later than 45 days after the end of each quarter. Furthermore, the act requires the Comptroller to report annually to the Governor and the General Assembly. The annual report shall include the amount of all delinquent debt owed to each state agency as of December 31 of the previous calendar year.**

**Washington state law authorizes the Office of Financial Management to develop both accounting and reporting procedures relating to receivables. These procedures require the production of monthly receivables aging reports in categories that meet each agency's management needs. In addition, agencies are to report, in a prescribed format, receivables aging and write off information to the office on a semiannual and annual basis.**

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**Receivables  
Reporting  
Lacks  
Information on  
Collectibility**

There is no consistent reporting information on the collectibility of receivables totaling \$383 million of the estimated total receivables of \$884 million at June 30, 1992. A total of \$188 million of this amount relates to the general fund appropriated agencies adhering to PPM 68 reporting requirements. The remaining \$195 million pertains to the proprietary funds, colleges, and universities that report consistent with the requirements of LSA-R.S. 39:79(A).

**Limited Reporting Requirements Have Prevented Louisiana From Identifying All Revenues Earned and Not Collected**

PPM 68 reporting requirements have prevented the state from identifying millions of dollars in outstanding monies. There are at least \$188 million in receivables that were not collected within 45 days after June 30, 1992, for the 76 agencies receiving appropriations from the state general fund and adhering to PPM 68. A total of \$177.8 million of this amount was disclosed in a footnote schedule submitted with some agencies' annual financial reports. However, footnote schedules do not report the characteristics of receivables or provide information on the performance of individual agency collection activities. The remaining \$10 million of the \$188 million was not disclosed in any agency's financial report.

As noted previously, disclosure requirements for the federal government and surveyed states provide information on at least three aspects of receivables management. These aspects are typically receivables age, collectibility, and billing and collection activity. Also, these jurisdictions are required to submit this information periodically during a fiscal year. When compared to these jurisdictions, Louisiana's current reporting process focuses on revenue collection activity only at fiscal year end.

Our survey of agencies adhering to PPM 68 reporting requirements identified the following receivables categories:

1. The amount of receivables that were required to be reported in accordance with PPM 68 criteria for the fiscal year ended June 30, 1992. These criteria require reporting of receivables that are available, measurable, and material during the 45-day final reconciliation period.
2. The amount of receivables not available during the 45-day final reconciliation period after June 30, 1992, but were

disclosed in the agency's footnotes to the financial statements.

3. The amount of receivables not available during the 45-day reconciliation period after June 30, 1992, and not disclosed on the agency's annual financial statements or footnotes.

Table I shows the amount of receivables as of June 30, 1992, in the three receivables categories described previously. Column B receivables represent available money owed and collected between July 1 and August 14 of the ensuing fiscal year as PPM 68 requires. Twenty-three of 76 general fund agencies went beyond the requirements of PPM 68 to report significant earned revenues, not available during the 45-day period, in footnote schedules. As shown in column C, this amount of receivables totaled \$177.8 million. Receivables identified, for this category, mainly include ineligible patient fees for state subsidized medical services, taxes, and parental contributions for foster children. See Appendix H for a listing of these amounts.

A	B	C	D	E
Major Revenue Sources	Amount Collected in the 45-day Period	Amount Not Collected in 45-Day Period but Reported in Footnotes	Amount Not Collected in 45 Days and Not Reported	Totals
Major state revenues	\$483,492,255	\$126,779,266	NONE	\$610,271,521
Self-generated	16,620,764	47,138,943	\$ 3,030,080	66,789,787
Other	1,260,030	3,868,125	7,189,839	12,317,994
<b>Totals</b>	<b>\$501,373,049</b>	<b>\$177,786,334</b>	<b>\$10,219,919</b>	<b>\$689,379,302</b>
<p><b>Source:</b> Legislative Auditor's staff analysis of survey and financial statement information. This table does not include colleges and universities, internal service funds, and enterprise funds because these agencies do not report receivables under the provisions of PPM 68.</p>				

Receivables in Column D are not disclosed on agency financial statements or footnotes but are maintained within each agency's accounting systems. A total of \$10.2 million was identified for this category. This amount was identified either through responses to the questionnaire or additional audit work resulting from our survey. While only \$437,000 of the \$10.2 million was identified from the questionnaires, additional audit work revealed receivables of \$9.7 million from the Department of Natural Resources; Department of Economic Development, Louisiana Economic Development Corporation; Department of Public Safety and Corrections, Public Safety Services; Department of Transportation and Development; and Vocational Technical Education, Regional Management Center I. Management at these agencies said they did not disclose these amounts because PPM 68 reporting requirements do not require inclusion. Appendix E depicts the details of these receivables and reasons provided for nondisclosure.

The \$10.2 million of undisclosed receivables was identified because these agencies maintain accounting systems sufficient to track receivables totals. However, for some agencies the amount of undisclosed receivables are not known. This is because there is no centralized record keeping system for receivables at these agencies. Quite conceivably, the \$10.2 million total may represent a small portion of unreported receivables. Appendix E also lists agencies identified with "unknown" amounts of receivables.

### **Agencies Who Report All Revenues Earned Lack Information on Collectibility**

Receivables at June 30, 1992, totaled \$195,209,341 for 11 of the 16 colleges and universities and 11 proprietary funds identified in our scope (See Appendix G for a listing of these amounts). For these agencies, Division of Administration reporting instructions coincide with the requirements of LSA-R.S. 39:79(A). The reporting instructions for both fund types require disclosure of the total collectible receivables. However, the disclosure requirements do not request information on receivables as to age, collectibility, and periodic billing and collection activity. Consequently, the required disclosure is not in a standardized format useful for reporting or measuring performance of individual agency or statewide collection activities.

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**Current Process  
for Evaluating  
Receivables  
Needs  
Improvement**

**Present Accounting Systems Do Not Provide  
Management With All Information Necessary for  
Reporting Characteristics and Measuring  
Performance**

The present statewide accounting system does not provide information on receivables. The Financial Accountability and Control System (FACS), developed in 1976, was originally designed to include a receivables transaction code that affected the fund level only. However, the receivables code is not used because recording receivables is not consistent with the system's emphasis on revenue reporting by major appropriation/cost center allocation. Accordingly, information relating to receivables activity resides in accounting systems located within individual agencies.

Individual agency receivables systems are not maintained in a manner that provides management with meaningful information for reporting and assessing the effectiveness of collection efforts. Offices within the Department of Public Safety and Corrections, Public Safety Services maintain separate accounting systems. Some systems are computerized while others are manual. At least three divisions--Liquefied Petroleum Gas Commission, State Police Training Academy, and Alcoholic Beverage Control Board--each has its own accounting system and only reports cash receipts to the department's finance section. As a result, department management acknowledged that it does not know the total receivables owed.

The Department of Natural Resources and the Department of Insurance do not maintain accounting systems that provide sufficient information on receivables. For these departments, maintaining adequate accounting systems is critical to their role as major revenue collection agents for the state. In particular, receivables at Natural Resources for underpaid oil and gas royalties and interest on late payments are not maintained on the department's centralized accounting system. Instead of centralized recording of all underpayments, each auditor accounts for his own audit billings. Acknowledging this problem, department officials say they are currently developing an internal accounting system to record and age these receivables.

Insurance department officials said that the current accounting system does not have a centralized recording of the value of all receivables. For the fiscal year 1993, department

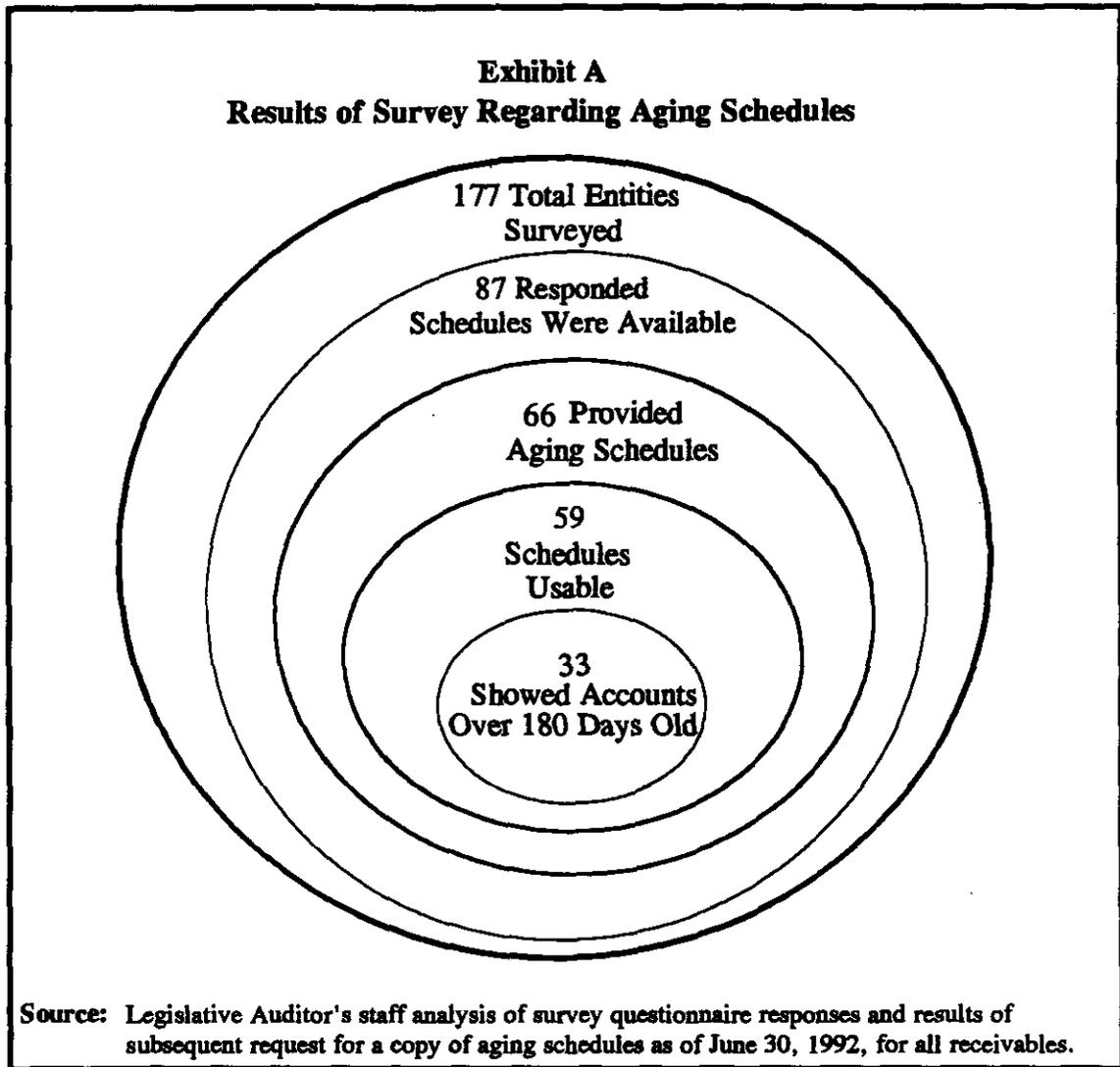
officials noted that each division manually tracks their receivables. Receivables reports identifying the total amounts outstanding and age characteristics are provided to management by each division on a weekly basis. The department acknowledged that it is in the process of modifying the computer system to provide centralized recording of all receivables. Appendix E provides a detailed listing of the limited features of several agency accounting systems.

### **Information Needed to Analyze the Age of Outstanding Receivables Is Limited**

Nearly half of the respondents to our questionnaire said they did not maintain aging schedules. Less than 20 percent, or 33 survey respondents, provided aging schedules that are useful for statewide management purposes. The ability of an accounting system to provide an aging of receivables is essential in determining the effectiveness of collection efforts. Aging categorizes accounts according to the length of time the payment has been due. This procedure allows management to concentrate collection efforts on recoverable accounts. This is because studies show older accounts are less collectible. For the 103 agencies responding to our survey questionnaire, we identified 177 revenue collection activities that can use aging schedules.

Nearly half, or 87, of the 177 survey respondents said aging schedules were available, but only 59 provided usable aging schedules. These results are illustrated in Exhibit A. The remaining 28 respondents either did not submit schedules or submitted documents that had unreliable information. See Table II for an explanation.

We attempted to analyze the 59 usable aging schedules to determine the amount of statewide debt over 180 days old (6 months). This analysis proved to be unproductive. Only 33 of these aging schedules could be used to calculate the amount of debt over 180 days old. Unlike other states, Louisiana does not have a statewide procedure that establishes the aging benchmarks and other variables needed for uniformly evaluating receivables.



**Table II**  
**Reasons for Unreliable Aging Schedules**

Number	Reason
10	Aging schedules were not submitted
11	Sent information that did not constitute an aging schedule
4	Sent aging schedules with arithmetical and formatting mistakes
2	Sent aging schedules without collection netted against the appropriate aging category
1	Sent an aging schedule with documented unreported receivables
28	Total Difference

**Source:** Legislative Auditor's staff analysis of receivables aging schedules.

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## **Matter for Legislative Consideration**

**The legislature may wish to consider enacting legislation that provides for periodic full disclosure in a standardized format of all receivables and debt owed to the state. Similar to other states, such disclosure should include information on receivables as to age, collectibility, and periodic billing and collection activity. A central oversight agency within the executive branch as well as the legislative fiscal and budget staffs should receive these reports for analysis. The state should use such information for financial decision making purposes.**

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## **Recommendation Number 1**

**As a result of the amount of unreported receivables identified, the Division of Administration should consider bringing PPM 68 in line with the provisions of LSA-R.S. 39:79(A) to require disclosure of all revenues due and not collected.**



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# Chapter Three: Managing and Collecting Receivables

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## Chapter Conclusions

*Louisiana's legal provisions for pursuing delinquent receivables are limited. Some other states have laws that provide a full range of collection options for state agencies to use. Some of these states have found that centralization of debt recovery activities is a viable option for collecting receivables. Louisiana state agencies' collection practices vary. Effective receivables management and collection practices help keep receivables from becoming delinquent, protect assets, and increase usable cash.*

*Record keeping and collection activities for Louisiana state agencies, including the write-off of receivables, are performed with no central oversight. Less than one-third of Louisiana's officials responsible for revenue collection activities in surveyed state agencies say they use methods similar to other states surveyed to recover delinquent debt. Two-thirds of the officials say they write off receivables relating to agency revenue collection activities. Louisiana's statutes do not specifically designate any state official or agency with responsibility for overseeing statewide collection activities. Although receivables management at the agency level is desirable, there should be some guidance for receivables management at the statewide level.*

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## State Collection Enforcement Needs Improvement

### Louisiana Laws for Pursuing Delinquent Receivables Are Limited

Currently, Louisiana's statewide collection enforcement laws are limited to (1) debt compromise, (2) assessing service fees on insufficient funds checks, and (3) restricting use of administrative offset to certain agencies. Under state law, each agency is responsible for management and collection of its own receivables; therefore, methods vary. Unlike Louisiana, several other states have enacted laws to strengthen the collection of delinquent receivables. These laws specify a range of enforcement alternatives.

At least eight of the 50 states established laws expanding the authority of individual state agencies to collect delinquent receivables. These states have established administrative rules to recover delinquent receivables. These promulgated rules focus on expanding the collection authority of individual state agencies. These collection methods concentrate on uniform procedures, stronger revenue recovery options, and involvement of private attorneys and collection agencies. Appendix D provides a detailed list of surveyed states' debt collection laws and prescribed enforcement efforts.

We compared collection methods of other states to those used in Louisiana. We found that most of the other states' collection methods are used in Louisiana, but only by less than one-third of Louisiana's revenue collection activities. However, almost two-thirds, or 65 percent, of survey respondents say they write off uncollectible receivables. Table III summarizes the use of these collection methods by Louisiana revenue collection activities.

Collection Methods Used in Other States and Louisiana	Number Who Can Use Method (see Note A below)	Number Who Said They Used Method	Percentage
Administrative Rules and Regulations	177	37	21%
Administrative Offsets	177	22	12%
Charging Interest and Collection Costs	175	57	33%
Assessing a Penalty for Collecting NSF Checks	175	11	6%
Compromise Provisions	176	24	14%
Additional Debtor Information	176	54	31%
Credit Reporting Agencies	176	24	14%
Collection Agencies	176	50	28%
Outside Attorneys	176	28	16%
Write Off of Uncollected Accounts	164	106	65%
Source: Prepared by Legislative Auditor's staff using information in survey questionnaire responses.			
Note A: For the 204 revenue collection activities identified in our survey questionnaire, we identified the number in this column as revenue collection activities that can use the identified collection method.			

**Absence of statewide administrative rules for collection of delinquent receivables.** In Louisiana, there are no specific statewide rules or regulations specifying uniform collection procedures. Officials of the Division of Administration say the task of collection enforcement is the responsibility of the individual state agencies. Only 37 of the 177 survey respondents that can publish administrative rules and regulations for debt collection say they do so.

**Publishing statewide administrative regulations** standardizes recovery procedures, establishes a process for accountability, and increases awareness of the need to maximize revenues and minimize cost. Other states have laws requiring the promulgation of statewide administrative rules and regulations for the collection of receivables. In particular, the states of Arkansas, Colorado, Illinois, Kansas, Virginia, and Washington designate a specific agency to develop the necessary rules and regulations to implement these laws.

**Louisiana law limits the use of administrative offsets to specific agencies and collections.** An administrative offset program allows a state governmental agency to offset monies the state owes debtors against monies owed to the state. Administrative offsets typically take place after customary efforts to collect have failed. Of the 177 survey respondents that can use revenue offsets to collect past due amounts, only 22 said they do so.

LSA-R.S. 47:299.1 through 47:299.41 establishes offsets against **individual income tax refunds only**. Income tax refunds can be offset against certain state receivables such as delinquent student loans, child support payments, and others. Six state agencies can use the features of this statute. LSA-R.S. 47:9026 also provides for the withholding of lottery winnings of persons who have outstanding child support payments as reported by any agency.

In contrast, four states we identified and the federal government have laws that allow the expanded use of offset as a collection tool. For instance, some of these jurisdictions offset salaries, vendor payments, unemployment benefits, retirement benefits, as well as income tax refunds, against state receivables. Kansas state officials say that their administrative offset program has collected approximately \$35 million in delinquent revenues since 1981. Illinois requires state agencies to develop internal procedures to offset any future payment to the debtor. The State

of Virginia can withhold state services to debtors who refuse to pay their debts.

**Louisiana lacks statewide laws and regulations that require the assessment of interest and other collection costs on delinquent receivables.** Only one-third or 57 of the 175 survey respondents that can charge interest and other collection costs replied that their governing statutes authorize such charges. At least two states and the federal government have recognized the need for timely payment. This is because the government entity is not only losing revenue, but additional costs are incurred for collection activity. For example, for revenues other than taxes, New York state law requires interest be charged or a late payment penalty be assessed on amounts over 30 days past due. The Virginia Debt Collection Act allows state agencies and institutions to charge interest, administrative costs, and late fees on all past due receivables.

**Of the 175 revenue collection activities that can assess a penalty to collect checks returned for nonsufficient funds (NSF), only 11 survey respondents said they do so.** The NSF penalty assessed by the 11 respondents to our survey ranges from \$10 to \$50 with the most common charges being \$15 and \$20. LSA-R.S. 9:2782 allows any recipient of a NSF check to charge the greater of a service charge of \$15 or 5 percent of the check. The statute gives a specific format for making this written request and further provides for damages if the check is not honored after 30 days. State agencies can use this law to collect NSF checks.

One of the 11 respondents, the Department of Revenue and Taxation, follows a specific law, LSA-R.S. 47:1604.2, that allows it to collect the greater of 1 percent of the check amount or \$20. At the Department of Public Safety and Corrections, Public Safety Services two of nine budget units, the Office of Motor Vehicles and the Alcoholic Beverage Control Board, also charge an additional amount for NSF checks under this same special provision. New York has recently enacted specific laws for all state agencies to assess a returned check charge.

**Louisiana collects insufficient information on debtors.** Obtaining complete and accurate identification information gives the agency the ability to know who to collect from and how to locate that person. Of the 176 survey respondents that can collect debtor information, 54 said they require additional identifying information beyond what they normally collect. The states of Virginia and Illinois and the City of San Diego have recognized that improved collections of

receivables is contingent upon complete and accurate debtor information.

In particular, Virginia state law requires that each agency and institution collect minimum identification information. Such information shall include the federal employer identification number of partnerships; proprietorships; and corporate clients, debtors, and payees. The City of San Diego has been cited for success in several governmental publications for its significantly increased collections. One method they say attributed to their success was using "address correction requested" envelopes. This instructs the post office to return the envelope with the person's new address.

Less than one-third of the survey respondents say they use credit reporting agencies, collection agencies, and outside attorneys. Laws in at least three states either allow or require using collection agencies or outside attorneys once the state has exhausted its collection efforts. Virginia state law requires each state agency and institution to take all appropriate and cost-effective actions to aggressively collect its receivables. These agencies can use, but are not limited to, credit reporting bureaus; collection agencies; garnishments, liens, and judgments; and administrative offset.

On the other hand, the Debt Collection Board in Illinois contracts with collection agencies and attorneys to centralize collection services. Research suggests these methods of collection are costly. Before consideration, agency management should evaluate the cost-effectiveness of using these methods to collect receivables.

Louisiana's State Constitution requires the establishment of a statewide process for compromising uncollectible debt. We found at least ten Louisiana legal provisions relating to compromise and settlement for various state agencies. Of the 176 survey respondents that can compromise debt, 24 say they do compromise some debts. The statutory provisions vary as to who approves the compromise and settlement of uncollectible debt.

In Colorado, the statutes specifically authorize the compromise of any debt due the state. In accordance with rules and regulations, the comptroller, with the state treasurer's consent, can compromise any debt due Colorado. In Arkansas, the statutes provide for abatement of part of the debt. This means the state settles for less than the full amount owed and the

remainder is forgiven. However, Arkansas's Chief Fiscal Officer must receive debts referred for abatement.

**Most Louisiana state agencies write off uncollectible receivables without involvement from outside parties.** Sixty-five percent, or 106 of the 164, survey respondents that can write off uncollected receivables said they do so. Because of the lack of statewide laws and regulations for write-off, each state agency that collects state revenues establishes its own write-off policies and procedures.

Virginia state law authorizes the Department of Accounts to promulgate regulations for write-offs. State agencies in Illinois are required to request the Attorney General to certify claims or receivables of \$1,000 or more as uncollectible. For claims or receivables of less than \$1,000, the Illinois state agency can certify them as uncollectible in accordance with rules of the Comptroller. Laws in Arkansas, Colorado, and Kansas prescribe procedures for write-offs. These states' laws all require formal approvals by officials outside of the agency not involved in the collection function.

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**Internal  
Collection  
Processes Need  
Improvement**

**Louisiana State Agencies Lack Procedures for  
Billing and Collection**

Improved statewide collection enforcement requires strong internal agency procedures for billing and collecting. As noted in previous audit reports, Louisiana has experienced numerous breakdowns in its ability to properly bill and collect revenues at the agency level. During this audit, we identified instances where various agencies did not properly bill and collect receivables.

**The Department of Transportation and Development, Real Estate Section did not establish procedures for awarding and collecting loans.** In November 1992, we discovered that the Real Estate Section at the Department of Transportation and Development had made loans relating to right-of-way acquisitions. Four loans totaling approximately \$65,000 were identified. Because there were no procedures for managing the loans, repayment of the loans is uncertain. This condition increases the risk of fraudulent or undesirable loans, loans written off without proper authorization, and improper reporting of interest earnings. Department officials informed us that

procedures for last resort housing real estate loans were developed in August 1993, were approved, and are now in place.

Louisiana's administrative regulations do not provide for the establishment of billing and collection procedures in cases where the statutes require fee collection. In 1992, the Legislative Auditor reported that the Louisiana Commission on Law Enforcement's Drug Abuse Education and Treatment Fund did not collect statutorily required fees from drug offenders. The report noted that the commission did not collect these fees from 34 of the state's 64 parishes. As a result, the report concluded that the commission has not collected an undeterminable but significant amount of funds. Commission officials said that the fees were not collected because the original legislation did not provide any sanctions for nonpayment of fees. In addition, the budget unit responsible for monitoring of sentences did not receive any funding for fiscal year 1992, according to commission officials.

In a similar occurrence, the Department of Public Safety and Corrections, Public Safety Services did not comply with statutory requirements to collect fees assessed for person's convicted of DWI (driving while intoxicated). The Code of Criminal Procedure Article 887(C) requires the court system to charge offenders a fee up to \$75. All or a portion of this fee is earmarked for the department, dependent upon the use of the state's specialized breath test equipment and personnel to check intoxication levels. However, no reporting and collection procedures exist to ensure that all amounts due to the agency are received. In addition, many local authorities use state equipment in determining intoxication levels of suspected drunk drivers. Department officials stated that some court systems are either not aware of the fee, do not charge the fee, or, if collected, do not forward it to the department. Failure to collect this fee results in a loss of revenue to the state.

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### **Matter for Legislative Consideration 3.1**

The legislature may wish to consider enacting statewide laws for enforcing the collection of receivables. Similar to

some other states, these provisions could include, but not be limited to, the following:

1. The promulgation of rules and regulations
2. Administrative offset procedures
3. Charging interest and collection costs for delinquent and partial payments
4. Charging penalties for receipt of checks returned for nonsufficient funds
5. Debtor information
6. Disclosure to credit reporting agencies, referral to collection agencies, and/or outside attorneys when it is cost-effective
7. Specific compromise provisions
8. Write-off provisions that hold someone outside the collection function accountable

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## Recommendation Number 2

If legislation is enacted for the management and collection of receivables, governing rules for individual state agency management should ensure the establishment of these essential elements:

1. Prompt and accurate recording of amounts due and identification of debtor.
2. A well-conceived internal collections process. This includes timely billing and collection procedures.

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## Louisiana Lacks Oversight Responsibility for Receivables Management

### Individual Agencies Are Not Provided With Any Guidance for Managing Receivables Activities

Louisiana's statutes do not specifically designate any state official or agency with responsibility for overseeing statewide collection activities. A few statutory provisions elude to three agencies which have some responsibility for reporting and collecting debts owed to the state. The Commissioner of

**Administration is charged with the responsibility of being the state's general accountant. The Cash Management Review Board reviews the state's cash management practices. Finally, the Attorney General's office collects student loans and tuition repayments.**

**Division of Administration (DOA) officials say they have no responsibilities relating to statewide management and collection of the state's receivables. However, LSA-R.S. 39:334 charges the Commissioner of Administration with being the state's general accountant. In addition to issuing annual statewide financial reporting procedures, the Commissioner is required to audit, adjust, and settle the accounts of each person who collects state revenues. The Commissioner is also required to keep all public accounts and direct prosecutions in relation to the assessment, collection, and payment of revenue against all debtors of the state. These officials say their only procedures, relating to receivables, are for the DOA's internal operations, such as the State Land Office and State Purchasing.**

**The Cash Management Review Board does not include receivables within its review scope. Act 468 of 1990 (LSA-R.S. 39:371) created Louisiana's State Cash Management Review Board consisting of the state treasurer, the commissioner of administration, and the legislative auditor. The board currently does not include billing and collection in its purview of managing the state's cash. This board's primary focus has been managing cash after its receipt. This focus is contrary to current trends on cash management that suggests the inclusion of the billing and collecting cycles within cash management functions.**

**The State Attorney General's collection efforts are limited to student loans and tuition repayments. Act 17 of 1976 created the Collections Section within the Attorney General's office to collect delinquent student loans. At June 30, 1992, this division was pursuing approximately \$15 million in delinquent student loans. The Attorney General charges the debtor collection costs of 33 percent, which is retained to operate the Collections Section. The principal amount is returned to the referring agency.**

**Louisiana law also requires the Collection Section to collect delinquent tuition repayments from teachers participating in the continuing education program. At the time of our review, officials of the Attorney General's office acknowledged that the Department of Education has not referred any of the defaults to**

the Attorney General's office. At June 30, 1992, the defaults total \$139,893.

Continuing education program officials at the Department of Education stated that the Attorney General has placed a \$200 referral limit on individual defaults. According to department officials, the Attorney General said recoupment efforts for low-dollar delinquents are cost-prohibitive. As a result of this limitation, the Department of Education is internally pursuing the defaulted tuition repayments that total \$175,011 as of December 1993. Department officials stated this amount represents 893 accounts with an average default of \$196.

Louisiana statutes authorize the Attorney General to collect delinquent tuition repayments from teachers participating in the professional improvements program. As of June 30, 1992, the Department of Education reported total receivables of \$993,151 for this program, which was terminated in June 1989. According to Department of Education officials, as of December 1993, the receivables totaled \$690,226. Education officials said that 250 accounts have been referred to the Attorney General's office. Furthermore, of the 200 accounts remaining to be collected, the department sends 15 to the Attorney General's office each month after all internal collection procedures have been exhausted.

Louisiana law also authorizes the Attorney General's Civil Division to provide legal services for collecting money owed to the state. While the Attorney General does not collect directly for other agencies, that office does appoint private attorneys to represent the state to collect money owed. Private attorneys have been appointed for the charity hospital system and the Department of Transportation and Development, according to Attorney General officials. Information as to the potential debt amounts or number of cases being pursued by the Civil Division was not available during this audit.

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### **Matter for Legislative Consideration 3.2**

The legislature may wish to consider enacting legislation that will consolidate the responsibility for overseeing the management and collection of receivables with one state official or agency.

**Centralized  
Collection  
Programs  
Provide Many  
Advantages**

**Louisiana Needs to Establish a System for  
Receivables Management That Will Ultimately  
Achieve Efficiency and Accountability**

Centralized accountability for managing receivables and evaluating performance of recoupment activities serve as key elements to improve financial management of state revenues. With \$884 million in receivables at June 30, 1992, coupled with limited resources, Louisiana needs to explore alternative cost-effective measures for recovering outstanding monies owed. Information obtained from other states provide possible options for improved collection management.

Surveyed state governments have found centralization of debt recovery activities a viable option for collecting receivables. Centralized collection alternatives can include assigning recoupment activities under one government agency and/or promulgating laws or regulations standardizing reporting and collection

procedures among individual agencies. Thus far, this report has addressed the latter alternative. There are many advantages to assigning recoupment activities to one government agency. We identified 12 states with centralized collection activities for delinquent debt. Some are more highly centralized than others. Also, there are variations among the

states in the placement of the collection function within state government, the funding, and the collection responsibility. Appendix F provides a detailed listing of the information we obtained.

Surveyed states vary in the placement of the centralized collection function within the state government structure. Five states have centralized collection functions within the Attorney General's office. We found seven states that have centralized collection activities placed in executive or

**Advantages of a Centralized  
Collection Program**

- A dedicated, expert staff: knows the law and can be objective.
- A more prominent image through use of specialized letters.
- Consolidation of accounts.
- Offsetting of debts with reduced payments to debtors.
- Refusal of services to chronic debtors.
- Use of credit reporting service becomes feasible.
- Discouragement of ad hoc collection methods.
- Improvement in overall financial management.

Source: *Government Finance Review*: February 1991

legislative agencies. Four of the seven states place the centralized collection function in the main administrative oversight agency. Of the remaining three states, the centralized collection function is established in the Treasurer's office, the State Auditor's office, and the Department of Revenue.

**There are differences in the way surveyed states fund the centralized collection programs.** To offset collection costs, two centralized collection programs in Attorney Generals' offices retain 9 percent and 30 percent of the revenue received from recoupment of outstanding revenue. The remaining three Attorney General collection programs are funded by the general fund.

Six of the seven states with centralized programs in executive or legislative agencies charge a percentage of the amount collected. The percentage varies from 10 percent to 22 percent with the average being 15 percent. The State of Michigan's percentage varies depending on the expenses each year. At year end, the percentage collected is adjusted to equal expenses and any overage is rebated to the Michigan state agencies. Only the State of Connecticut funds the centralized collection function with general fund money.

**Surveyed states' centralized collection programs extend collection enforcement to most state debt.** Collections within these programs range from \$1.2 million to \$100 million per year. The minimum receivable pursued by the centralized collection programs is generally set at a higher level for programs placed in Attorney General's offices, as opposed to those placed in other government functions. Centralized programs within the surveyed states' Attorney Generals' offices set a minimum referral amount that ranges from \$0 to \$3,000. On the other hand, programs in executive or legislative agencies' minimum referral amount ranges from \$0 to \$100.

Some centralized collection functions prescribe a minimum past due time period before they receive the referral. Three of the twelve states have set a minimum past due time period of 90 days. These states require the agency to take certain steps to collect before the debt is sent to centralized collections. After the debt is 90 days old, the agency refers the debt to the centralized collection function.

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### **Matter for Legislative Consideration 3.3**

**After the suggested changes in law, noted throughout this study, are made to standardize reporting and collection procedures among individual agencies, the legislature may wish to consider enacting legislation to study in more detail the feasibility of a centralized collection program for delinquent debt within a state agency.**



# Appendixes

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# Appendix A

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## Survey Questionnaire

Agency Practices for Managing  
and Collecting Accounts Receivable

**SURVEY QUESTIONNAIRE**

**AGENCY PRACTICES FOR MANAGING  
AND COLLECTING ACCOUNTS RECEIVABLE**

**Agency Name:** \_\_\_\_\_

**Budget Schedule Number(s):** \_\_\_\_\_

(Note: Include all budget schedule numbers for which accounts receivable are managed and collected in the same manner. Make a copy of the questionnaire to use for other accounts receivables that are managed and collected in a different manner. See cover letter for budget schedule numbers to include in the questionnaire.)

**Person to Contact for Further Information:** \_\_\_\_\_

**Title of Contact Person:** \_\_\_\_\_

**Telephone Number of Contact Person:** \_\_\_\_\_

**Date Questionnaire Completed:** \_\_\_\_\_

**Part A:** This part of the questionnaire deals with information relating to the accounting system(s) used to manage accounts receivable from establishment to collection or write-off. If your accounts receivable are managed differently depending on the type of receivable, make extra copies of this part and complete for each type of system used. Please note the type of receivable for each copy of the questionnaire completed. A management system can be either manual or automated. Respondents should answer all questions as completely and accurately as possible. If additional space is needed please attach separate sheets and reference the question number.

(Circle one number for each question unless otherwise indicated.)

1. Do the statutes under which the agency operates provide for the establishment of charges for services and/or to enforce collections?

- Yes . . . . . 1
- No . . . . . 2

1a. If yes, please identify the legal citation(s) of the statute.

2. Do the statutes under which the agency operates provide for the establishment of additional charges, such as fees, fines, penalties, interest, other collection cost, or other sanctions for all types of collections in which the agency is responsible, which also includes late royalty payments or lease/contract payments?

- Yes . . . . . 1
- No . . . . . 2

(Circle one number for each question unless otherwise indicated.)

3. If your answer to question number 2 is yes, please explain the following for each charge:

3a. What is the amount or rate of each additional charge?

3b. How is it assessed?

3c. At what point are additional charges assessed?

3d. Are these charges calculated manually or automatically calculated and added to the bill via a computer system?

3e. Under what conditions, if any, can these additional charges be waived? What is the authority for waiver?

4. For all recorded accounts receivable, what data is available from the record-keeping system. (Circle as many as apply)

- 4a. Summary data . . . . . 1
- 4b. Detail data by account . . . . . 2
- 4c. Aging schedules . . . . . 3
- 4d. Uncollectible accounts . . . . . 4

5. If aging reports are maintained, do the aging reports show the status of receivables by aging category? (Status means the processing phase, in which the account is in such as bankruptcy, bill monthly, etc.)

- Yes . . . . . 1
- No . . . . . 2

6. Relating to your accounting system, please circle the item that best describes your accounts receivable system that is used to manage receivables.

- 6a. Fully automated . . . . . 1
- 6b. Manual and automated . . . . . 2
- 6c. Fully manual . . . . . 3

(Circle one number for each question unless otherwise indicated.)

7. If fully or partially automated, please circle the item below that best describes your accounts receivable system software and provide the name and title of who could give us more details concerning the automated system.

- 7a. Purchased . . . . . 1
- 7b. Developed internally . . . . . 2

Name and Title: \_\_\_\_\_

8. How many staff are employed at the agency? . . . . . \_\_\_\_\_

9. How many staff are assigned to:

- 9a. Total accounting . . . . . \_\_\_\_\_
- 9b. Accounts receivable . . . . . \_\_\_\_\_
- 9c. Collections . . . . . \_\_\_\_\_

**Part B:** This part of the questionnaire deals with your agency's actual accounts receivable collection practices. If you use different collection practices depending on the type of receivable, make extra copies of this part and complete for each type. Please note the type of receivable for each copy of the questionnaire completed. Respondents should answer all questions as completely and accurately as possible. If additional space is needed please attach separate sheets and reference the question number.

10. Please circle the item that best describes your collection function.

- 10a. Centralized . . . . . 1
- 10b. Decentralized . . . . . 2
- 10c. Number of locations, if decentralized . . . . . \_\_\_\_\_
- 10d. If decentralized, does each location use (circle one)
  - 10d1. Their own policies and procedures . . . . . 3
  - 10d2. Uniform policies and procedures applicable to all locations . . . . . 4

11. Which units of the agency are responsible for the collection function? Please provide the number of staff for each and the name and title of the contact person for each collection unit.

12. What methods of collection are used by your agency? (Circle as many as apply) For each circled item, please give us the name and phone number of the individual responsible for the collection method, on the blank line provided.

- 12a. preparing demand letters . . . . . 1
- \_\_\_\_\_
- 12b. continuous billing of delinquent debtors . . . . . 2
- \_\_\_\_\_
- 12b1. If 12b. is circled, please circle 3 if this is a computerized tracking and billing system . . . . . 3
- 12c. telephoning debtors . . . . . 4

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12c1. If 12c. is circled, please circle 5 if this is an automated calling system . . . . .	5
12d. referral to outside collection agencies . . . . .	6
<hr/>	
12e. use of an off-set procedure or intercept procedure . . . . .	7
<hr/>	
12f. collection assistance by the in-house legal staff . . . . .	8
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12g. collection assistance by an outside attorney . . . . .	9
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12h. collection assistance by the Attorney General . . . . .	10
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12i. entering into litigation . . . . .	11
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12j. allowing installment payments . . . . .	12
<hr/>	
12k. interviewing debtors or site visits . . . . .	13
<hr/>	
12l. suspending licenses or privileges, such as liquor licenses, professional licenses, occupational licenses, motor vehicle registration, etc. . . . .	14
<hr/>	
12m. liquidating collateral . . . . .	15
<hr/>	
12n. referring to credit bureaus . . . . .	16
<hr/>	
12o. levies or garnishment of wages or bank accounts . . . . .	17
<hr/>	
12p. tax liens placed on personal or real property . . . . .	18
<hr/>	
12q. administrative hearing process . . . . .	19

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12r. property seizures/foreclosures . . . . .	20
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12s. allowing payment with credit cards . . . . .	21
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12t. file claims for damages . . . . .	22
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12u. skip tracing (a procedure to trace a debtor who has moved or changed addresses. This can be done by employing the use of "address correction requested" envelopes which instruct the post office to return the envelope with the forwarding address of any addressee who has moved. Also, if a credit reporting service has been subscribed to, when the skipped debtor applies for credit, the debtors new address will be reported by the credit reporting service.) . . . . .	23
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12v. collection of judgements in small claims court . . . . .	24
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12w. enforcement of the state's treble damage penalty on bad checks not redeemed within a prescribed period . . . . .	25
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12x. monitoring the status of debtors in the event of a possible bankruptcy filing . . . . .	26
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12y. use of electronic fund transfers and/or wire transfers . . . . .	27
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12z. access to other state databases . . . . .	28
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12aa. publishing administrative rules and regulations for the collection of debt, that clarifies procedures and includes criteria to be used in granting extensions, installments, waivers, write-offs, compromises, assessment of additional charges to off-set the cost of collection, etc. . . . .	29
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12ab. requiring additional identifying information when the account is established such as the name of the individual, rather than only the company name; the driver's license number, the place of employment, etc. . . . . 30

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12ac. cooperative endeavors with other entities responsible for collection . . . . . 31

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12ad. other types of alternative collection procedures. Please describe. . . . . 32

12ae. estimating the amount owed in cases where there is a lack of information from the debtor . . . . . 33

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12af. enforcing/keeping current judgements . . . . . 34

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12ag. system for negotiating or compromising the amount of debt owed . . . . . 35

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13a. When the collection is received, are there procedures to assure the accuracy of the collection amount received?

Yes . . . . . 1

No . . . . . 2

13b. If yes to 13a., what measures are taken?

14. How do you define a delinquent debt in terms of time period?

15. If collection is never received, is the account receivable written-off?

Yes . . . . . 1

No . . . . . 2

16. How many attempts are made at collection, before an account is deemed uncollectible and written off? . . . . . \_\_\_\_\_

17. Have there been any changes made to any receivables practices that helped improve the collection process or reduce the amount of receivables?

Yes . . . . . 1  
 No . . . . . 2

17a. If so, please describe what was changed and the effect of the change. Please also give us the name and phone number of the person responsible for implementing the new change.

**Part C:** This part of the questionnaire deals with basic information pertaining to accounts receivable. Respondents should answer all questions as completely and accurately as possible.

18. Please provide schedules of the total value of all receivables and total revenues (including receivable amount) from all sources, broken down by source, as of **June 30, 1992** as prescribed in the following paragraphs for your agency type. See cover letter for the definition of an accounts receivable and the types of receivables that should be included, at a minimum. Please explain the reason for the receivable (i.e. checks returned NSF, unpaid taxes, benefit overpayments, student fees, advances, user charges, etc.)

- a. **If modified accrual basis of accounting is used (i.e. all state agencies who received memorandum SA-92-39 from the Division of Administration for general appropriated funds), please include the information requested in the following two paragraphs:**
  - 1. A copy of the Annual Financial Report schedules of all appropriated and non-appropriated receivables and total revenues recognized in accordance with the 45 day accrual period mandated by the Division of Administration's Office of Statewide Reporting and Accounting Policy. This is Schedule 1(both types), 3, 3-1, 4, and any footnotes relating to receivables completed for the Annual Financial Reporting Package. Please note if the amounts are audited or unaudited. If audited amounts are available, please use these amounts and note such.
  - 2. A schedule of all appropriated and non-appropriated receivables, net of uncollectibles, that existed at June 30, 1992 but were not collected in the 45 day accrual period and were not otherwise recognized on the agency annual financial statements, schedules, and footnotes sent to the Division of Administration. Use the attached Schedule A or a similar format to provide this information. Feel free to make copies for extra space. Please describe how much was netted out as uncollectible and the method used to determine uncollectibles. Please note if the amounts are audited or unaudited. If audited amounts are available please use these amounts and note such.
- b. **For all colleges and universities, boards and commissions, various state authorities, state's district/authority, proprietary funds, Dept. of Transportation and Development - Capital Outlay Permanent Appropriation please include the following items:**
  - 1. A copy of the balance sheet(s) prepared for the Annual Financial Report, as required in the Division of Administration's Statewide Reporting and Accounting Policy letter dated June 1, 1992.
  - 2. A copy of one page of the detailed schedule(s) that supports all receivables, reported on the balance sheet, due the state from sources outside of the state, including the Federal government. Please note if amounts on this example detailed schedule are net of uncollectibles.
  - 3. Please note if the amounts in No. 1 through 2 are audited or unaudited. If audited amounts are available please use these amounts and note such.

19. For all agency/fund types, please provide totals of any amounts due the state, even if not material, that is within the function of the agency but are not included in the value of receivables shown in #18a. and #18b. Use the attached Schedule A or a similar format to provide this information. Please summarize the reason for these receivables and why they are not included in receivables shown in #18a and #18b. How are these receivables recorded and accounted for and who is responsible for recording and tracking them?

20. Please make any other comments that may be helpful in explaining your accounts receivable system. Also, if you have any flowcharts that describe your system please enclose a copy.

21. If you would like to receive a copy of this audit report when it is completed, please provide the following information:

Name and Title \_\_\_\_\_

Agency \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_  
**Thank you for responding to our questionnaire. Please return the response by January 22, 1993 to the following address:**

**Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397**

**Attention: Cheryl A. Tucker-Smith**

**For your convenience, a return label is enclosed.**

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# Appendix B

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**Listing of Survey Responses:  
Agency Practices for  
Managing and Collecting  
Accounts Receivable**

## Appendix B: Listing of Survey Responses: Agency Practices for Managing and Collecting Accounts Receivable

### Part A: Accounting Systems Used to Manage Accounts Receivable

1. Do the statutes under which the agency operates provide for the establishment of charges for services and/or to enforce collections?

Yes	154	84.62%
No	28	15.38%
Did not respond	22	
	<b>204</b>	<b>100.00%</b>

2. Do the statutes under which the agency operates provide for the establishment of additional charges, such as fees, fines, penalties, interest, other collection cost, or other sanctions for all types of collections in which the agency is responsible, which also includes late royalty payments or lease/contract payments?

Yes	57	32.57%
No	118	67.43%
Did not respond	29	
	<b>204</b>	<b>100.00%</b>

3. If your answer to question 2 is yes, please explain the following for each charge:

- 3a. What is the amount or rate of each additional charge?  
 3b. How is it assessed?  
 3c. At what point are additional charges assessed?

Note: Responses to questions 3a, 3b, and 3c were too voluminous to incorporate here.

- 3d. Are these charges calculated manually or automatically calculated and added to the bill via a computer system?

Manual	31	64.58%
Automated	17	35.42%
Did not respond	156	
	<b>204</b>	<b>100.00%</b>

3e. Under what conditions, if any, can these additional charges be waived? What is the authority for waiver?

Can be waived	38	79.17%
Cannot be waived	10	20.83%
Did not respond	156	
	<b>204</b>	<b>100.00%</b>

4. For all recorded accounts receivable, what data is available from the record-keeping system (Circle as many as apply).

Summary data	151
Detail data by account	166
Aging schedules	87
Uncollectible accounts	100

Note: Some revenue collection activities have more than one type of data available from its record-keeping system.

5. If aging reports are maintained, do the aging reports show the status of receivables by aging category? (Status means the processing phase in which the account is in such as bankruptcy, bill monthly, etc.)

Yes	37	33.04%
No	75	66.96%
Did not respond	92	
	<b>204</b>	<b>100.00%</b>

6. Relating to your accounting system, please circle the item that best describes your accounts receivable system that is used to manage receivables.

Fully automated	14	7.82%
Manual and automated	121	67.60%
Fully manual	44	24.58%
No response	25	
	<b>204</b>	<b>100.00%</b>

7. If fully or partially automated, please circle the item below that best describes your accounts receivable software and provide the name and title of who could give us more details concerning the automated system.

Purchased	51	25.00%
Developed internally	76	37.25%
Both	10	4.90%
Not applicable	67	32.84%
	<b>204</b>	<b>100.00%</b>

Note: Names and titles of those with details concerning the automated systems are not included here.

8. How many staff are employed at the agency? 83,679

9. How many staff are assigned to:

9a. Total Accounting	1,748
9b. Accounts Receivable	884
9c. Collections	1,136

Note: The figures in questions 8 and 9 are total figures received from the agencies within the scope of this audit.

**Part B: Collections Practices**

10. Please circle the item that best describes your collection function.

Centralized	151	80.75%
Decentralized	36	19.25%
a. Number of locations, if decentralized		
6 or more	19	
Less than 6	17	
Total	36	
b. If decentralized, does each location use:		
(circle one)		
Their own policies?	12	
Uniform policies and procedures applicable to all locations?	24	
Total	36	
No Response	18	
	<b>205</b>	<b>100.00%</b>

Note: One agency has both a centralized and a decentralized collection function.

11. Which units of the agency are responsible for the collection function? Please provide the number of staff for each unit and the name and title of the contact person for each collection unit.

Note: Responses to question 11 were too voluminous to incorporate here.

12. What methods of collection are used by your agency? (Circle as many as apply.)

Preparing demand letter	152
Continuous billing of delinquent debtors	128
Computerized tracking and billing system	65
Telephoning debtors	98
Automated calling system	1
Referral to outside collection agencies	50
Use of an off-set procedure or intercept procedure	22
Collection assistance by the in-house legal staff	73
Collection assistance by an outside attorney	28
Collection assistance by the Attorney General	35
Entering into litigation	36
Allowing installment payments	94
Interviewing debtors or site visits	51
Suspending licenses or privileges, such as liquor licenses, professional licenses, occupational licenses, motor vehicle registration, etc.	50
Liquidating collateral	8
Referring to credit bureaus	24
Levies or garnishment of wages or bank accounts	16
Tax liens placed on personal or real property	12
Administrative hearing process	16
Property seizures/foreclosures	10
Allowing payment with credit cards	22
File claims for damages	5
Skip tracing (a procedure to locate a debtor who has moved)	38
Collection of judgments in small claims court	9
Enforcement of the state's treble damage penalty on bad checks not redeemed within a prescribed period	3

Monitoring the status of debtors in the event of a possible bankruptcy filing . . . . .	30
Use of electronic fund transfers and/or wire transfers . . . . .	23
Access to other state databases . . . . .	41
Publishing administrative rules and regulations for the collection of debt . . . . .	37
Requiring additional identifying information when the account is established such as the name of an individual, rather than only the company name . . . . .	54
Cooperative endeavors with other entities responsible for collection . . . . .	26
Other types of alternative collection procedures . . . . .	8
Estimating the amount owed in cases where there is a lack of information from the debtor . . . . .	9
Enforcing/keeping current judgments . . . . .	13
System for negotiating or compromising the amount of debt owed . . . . .	24

Note: Some agencies employ more than one type of collection method and may have selected several of the methods listed above.

13. When the collection is received, are there procedures to assure the accuracy of the collection amount received?

Yes . . . . .	181	100.00%
No . . . . .	0	0.00%
Did not respond . . . . .	23	
	<u>204</u>	<u>100.00%</u>

14. How do you define a delinquent debt in terms of time period?

Has a definition . . . . .	153	98.71%
Does not have a definition . . . . .	2	1.29%
Did not respond . . . . .	49	
	<u>204</u>	<u>100.00%</u>

15. If collection is never received, is the account receivable written-off?

Yes	106	64.63%
No	58	35.37%
Did not respond	40	
	<b>204</b>	<b>100.00%</b>

16. How many attempts are made at collection before an account is deemed uncollectible and written-off?

1-3	46	22.55%
4-6	18	8.82%
7-9	1	0.49%
10-12	13	6.37%
More than 12	8	3.92%
No response or not quantifiable	20	9.80%
Not applicable	98	48.04%
	<b>204</b>	<b>100.00%</b>

17. Have there been any changes made to any receivables practices that helped improve the collection process or reduce the amount of receivables?

Yes	69	42.86%
No	92	57.14%
No response	43	
	<b>204</b>	<b>100.00%</b>

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# Appendix C

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**List of Survey Agencies and  
Revenue Collection Activities  
Included in This Audit**

## Appendix C: List of Survey Agencies and Revenue Collection Activities Included in This Audit

Item	Agency Name	Item	Revenue Collection Activity
1	Executive Office/Office of the Governor	1	Executive Office/Office of the Governor
2	Division of Administration	2	Division of Administration
		3	Community Development Block Grant
3	Louisiana Patients' Compensation Fund	4	Louisiana Patients' Compensation Fund
4	Louisiana Commission on Law Enforcement and Administration of Criminal Justice	5	Louisiana Commission on Law Enforcement and Administration of Criminal Justice
5	Office of Women's Services	6	Office of Women's Services
6	Board of Tax Appeals	7	Board of Tax Appeals
7	Department of Veterans Affairs and Louisiana War Veterans' Home	8	Department of Veterans Affairs
		9	Louisiana War Veterans' Home
8	Governor's Office of Elderly Affairs	10	Governor's Office of Elderly Affairs
9	Department of Military Affairs	11	Department of Military Affairs
10	Secretary of State	12	Fees, Annual Reports, Service of Process
		13	Uniform Commercial Code
		14	Elections
11	Office of the Attorney General (Department of Justice)	15	Collections Section
		16	Claims Recovery
12	Department of Elections and Registration	17	Annual Canvass
		18	Election Expenses
		19	Voter List Sales
13	Office of Lieutenant Governor	20	Office of Lieutenant Governor
		21	Culture Recreation, and Tourism - Management and Finance
14	Office of the Treasurer	22	Treasury
15	Louisiana Public Service Commission	23	Louisiana Public Service Commission
16	Agriculture and Forestry	24	Agriculture and Forestry
		25	State Market Commission
17	Department of Insurance	26	Financial Examination Fees
		27	Insurance Rating Assessment
		28	Taxes

Item	Agency Name	Item	Revenue Collection Activity
18	Department of Economic Development	29	Department of Economic Development
		30	Financial Institutions
		31	Louisiana Economic Development Corporation
19	Department of Culture, Recreation and Tourism	32	Office of State Library
		33	Office of State Museum
		34	Office of State Parks
		35	Cultural Development
		36	State Museum's Irby Trust
		37	Film and Video
		38	Office of Tourism
		39	Management and Finance
20	Department of Transportation and Development	40	Other Collections
		41	Weights and Standards
21	Department of Public Safety and Corrections, Corrections Services	42	Corrections Services - Except Probation and Parole
		43	Corrections Services - Probation and Parole
22	Department of Public Safety and Corrections, Public Safety Services	44	State Police - Video Poker
		45	Public Safety Services - General
		46	Motor Vehicles
23	Department of Health and Hospitals	47	Ineligible Patient Fees
		48	Medicaid Provider Overpayments/Audit Receivable
		49	Title XVIII And XIX Receivables
		50	Recovery Home Loans
		51	Federal Grants and Contracts
		52	Third Party Liability
		53	Provider Fees and Miscellaneous Fees
54	Drug Rebates		
24	Louisiana Health Care Authority	55	Louisiana Health Care Authority
25	Medical Center of Louisiana at New Orleans	56	Medical Center of Louisiana at New Orleans
26	Earl K. Long Medical Center	57	Earl K. Long Medical Center
27	E. A. Conway Medical Center	58	E. A. Conway Medical Center
28	University Medical Center	59	University Medical Center
29	Leonard J. Chabert Medical Center	60	Leonard J. Chabert Medical Center
30	Huey P. Long Medical Center	61	Huey P. Long Medical Center
31	W. O. Moss Regional Medical Center	62	W. O. Moss Regional Medical Center

Item	Agency Name	Item	Revenue Collection Activity
32	Washington-St. Tammany Regional Medical Center	63	Washington-St. Tammany Regional Medical Center
33	Lallie Kemp Regional Medical Center	64	Lallie Kemp Regional Medical Center
34	Office of Public Health	65	Federal Grants, Contracts, and Title V
		66	Fees Collected at Parish Health Units
		67	Local Funds
		68	Engineering Services
		69	Sanitation Services - Permits
		70	Sanitation Services - Food and Drug Unit
		71	Vital Records/Burial Permits
		72	Lab Certification
73	Emergency Medical Services		
35	New Orleans Home and Rehabilitation Center	74	New Orleans Home and Rehabilitation Center
36	Villa Feliciana Chronic Disease Hospital and Rehabilitation Center	75	Villa Feliciana Chronic Disease Hospital and Rehabilitation Center
37	Central Louisiana State Hospital	76	Central Louisiana State Hospital
38	East Louisiana State Hospital	77	East Louisiana State Hospital
39	Southeast Louisiana State Hospital	78	Southeast Louisiana State Hospital
40	Greenwell Springs Hospital	79	Greenwell Springs Hospital
41	Feliciana Forensic Facility	80	Feliciana Forensic Facility
42	New Orleans Adolescent Hospital	81	Insurances
		82	Self Pay
43	Peltier-Lawless Developmental Center	83	Peltier-Lawless Developmental Center
44	Metropolitan Developmental Center	84	Metropolitan Developmental Center
45	Hammond Developmental Center	85	Hammond Developmental Center
46	Northwest Developmental Center	86	Northwest Developmental Center
47	Pinecrest Developmental Center	87	Pinecrest Developmental Center
48	Ruston Developmental Center	88	Ruston Developmental Center
49	Columbia Developmental Center	89	Columbia Developmental Center
50	Southwest Developmental Center	90	Southwest Developmental Center
51	Department of Social Services	91	Office of Secretary
		92	Office of Family Security-Fraud and Recovery Section
		93	Support Enforcement Services
		94	Office of Community Services
		95	Rehabilitation Services
52	Department of Natural Resources	96	Department of Natural Resources

Item	Agency Name	Item	Revenue Collection Activity
53	Department of Revenue and Taxation	97	Department of Revenue and Taxation
		98	Louisiana Tax Commission
54	Department of Environmental Quality	99	Department of Environmental Quality
55	Department of Labor	100	Worker's Compensation - Second Injury Board
		101	Office of Worker's Compensation
		102	Employment and Training
		103	Overpayments
56	Department of Wildlife and Fisheries	104	Department of Wildlife and Fisheries
57	Department of State Civil Service	105	Department of State Civil Service
		106	Ethics Administration Program
58	Board of Regents	107	Board of Regents
59	Louisiana Universities Marine Consortium	108	Louisiana Universities Marine Consortium
60	Louisiana State University	109	LSU - System and Overview
		110	LSU - Law Center and Bursar - Baton Rouge
		111	LSU - Baton Rouge - Grants and Contracts
		112	LSU - Baton Rouge - Athletic
		113	LSU - Baton Rouge - Daily Reveille
		114	LSU - Baton Rouge - Continuing Education
		115	LSU - Baton Rouge - Instructional Support
		116	LSU - Baton Rouge - Faculty Club
		117	LSU - Baton Rouge - Graphic Services
		118	LSU - Baton Rouge - Veterinary Diagnostic Lab
		119	LSU - Baton Rouge - Union
		120	LSU - Baton Rouge - Middleton Library
		121	LSU - Baton Rouge - Student Aid and Scholarships
		122	LSU - Baton Rouge - Student Health Center
		123	LSU - Baton Rouge - SNCC
		124	LSU - Baton Rouge - University Press
		125	LSU - Baton Rouge - Veterinary Clinics
		126	LSU - Alexandria
		127	LSU - Eunice
128	LSU - Baton Rouge - Agricultural Center		
129	Pennington Biomedical Research Center		
61	University of New Orleans	130	University of New Orleans

Item	Agency Name	Item	Revenue Collection Activity
62	Louisiana State University Medical Center - New Orleans	131	Overview
		132	Clinical Management Systems
		133	Eye Center
		134	Faculty Dental Practice
		135	Auxiliary Enterprises
		136	Account Service/Sponsored Projects
63	Louisiana State University Medical Center - Shreveport	137	Physician and Surgery Billing
		138	Hospital Billing
		139	Account Service
64	Louisiana State University - Shreveport	140	Louisiana State University - Shreveport
65	Southern University	141	Student Receivables
		142	Nonstudent Receivables
66	Nicholls State University	143	Nicholls State University
67	Grambling State University	144	Grambling State University
68	Louisiana Tech University	145	Student/Other Receivables
		146	National Direct Student Loans/Perkins Loans
69	McNeese State University	147	McNeese State University
		148	Financial Aid Loan Collections
70	Northeast Louisiana University	149	Northeast Louisiana University
71	Northwestern State University	150	Student Accounts Receivable
		151	Nonstudent Accounts Receivable
		152	Student Loans Receivable
72	Southeastern Louisiana University	153	Grants
		154	Student, Auxiliary, and Loan Receivable
73	University of Southwestern Louisiana	155	Operations
		156	Students - Nonfederal
		157	Federal Perkins Loans
		158	Federal Nursing Loans
74	Delgado Community College	159	Delgado Community College
75	Elaine P. Nunez Community College	160	Elaine P. Nunez Community College
76	Regional Management Center 1, New Orleans	161	Regional Management Center 1, New Orleans
77	Regional Management Center 2, Baton Rouge	162	Regional Management Center 2, Baton Rouge
78	Regional Management Center 3, Houma	163	Regional Management Center 3, Houma
79	Regional Management Center 4, Lafayette	164	Regional Management Center 4, Lafayette
80	Regional Management Center 5, Lake Charles	165	Regional Management Center 5, Lake Charles

Item	Agency Name	Item	Revenue Collection Activity
81	Regional Management Center 6, Alexandria	166	Regional Management Center 6, Alexandria
82	Regional Management Center 7, Shreveport	167	Regional Management Center 7, Shreveport
83	Regional Management Center 8, Monroe	168	Regional Management Center 8, Monroe
84	Louisiana School for the Deaf	169	Louisiana School for the Deaf
85	Louisiana Special Education Center	170	Louisiana Special Education Center
86	Louisiana School for Math, Science, and the Arts	171	Louisiana School for Math, Science, and the Arts
87	Office of Student Financial Assistance	172	Federal Guarantee Fee
		173	Federal Reinsurance and Cost Allowance
		174	Paul Douglas Scholarship Program
		175	Rockefeller Scholarship Program
		176	Defaulted Student Loans
88	Louisiana Educational Television Authority	177	Louisiana Educational Television Authority
89	Council for Development of French in Louisiana	178	Council for Development of French in Louisiana
90	Board of Elementary and Secondary Education	179	Board of Elementary and Secondary Education
91	State Advisory Council for Vocational Education	180	State Advisory Council for Vocational Education
92	Department of Education	181	Federal Funds and General
		182	Academic Programs, Continuing Education, Professional Improvement Programs
		183	Academic Programs, Tuition Exemption Program
		184	Academic Programs, Post Baccalaureate Scholarship Program
		185	Academic Programs, Education Majors
		186	Food and Nutrition Service - Self-Generated Revenue
		187	Research and Development - Self-Generated Revenue
		188	Special Education - Self-Generated Revenue
		189	Job Training Partnership Act - Self-Generated Revenue
		190	Educational Support Services - Self-Generated Revenue
		191	Educational Support - Auxiliary
		192	Vocational Education - Proprietary Schools Fees

Item	Agency Name	Item	Revenue Collection Activity
<b>INTERNAL SERVICE FUNDS</b>			
93	State Employees Group Benefits Program	193	Fiscal Section
		194	Claims Processing, Quality Assurance, and Legal
94	Office of Risk Management	195	Subrogations Receivable
95	Administrative Services	196	Administrative Services
96	Louisiana Property Assistance Agency	197	Louisiana Property Assistance Agency
97	Federal Property Assistance Agency	198	Federal Property Assistance Agency
98	Office of Telecommunications Management	199	Office of Telecommunications Management
99	Office of State Mail Operations	200	Office of State Mail Operations
100	Office of Aircraft Services	201	Office of Aircraft Services
101	Prison Enterprises	202	Prison Enterprises
<b>ENTERPRISE FUNDS</b>			
102	Louisiana Stadium and Exposition District	203	Louisiana Stadium and Exposition District
103	Louisiana Lottery Corporation	204	Louisiana Lottery Corporation
<sup>1</sup> Department of Culture, Recreation and Tourism's Office of Management and Finance handles the Lieutenant Governor's office also.			

**Source:** Agency names were determined by the Legislative Auditor's staff for appropriated revenue sources from the general appropriations act (Act 13 of 1992) and the ancillary appropriations act (Act 844 of 1992). Non-appropriated revenue sources were derived from the House Legislative Services State and Local Government in Louisiana An Overview published in January 1992, and the overview section of the executive budget document for the 1991-1992 fiscal year.

Revenue collection activity is based on the completed surveys received by the Legislative Auditor's staff from the 103 governmental units. We received 204 surveys, 101 more than sent, because some agencies have more than one revenue collection activity.

**Note:** Each agency represents a separate unit of state government which prepares a set of financial statements to report the results of its operations for a specific period of time.



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# Appendix D

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## Legal Provisions for Collection of Receivables in Other Jurisdictions

## Appendix D: Legal Provisions for Collection of Receivables in Other Jurisdictions

Issue	Description	Jurisdiction	Statutory Cite
<b>Purpose of Statute</b>	Avoid unnecessary litigation by providing for the collection of claims of the United States. To increase the efficiency of government-wide efforts to collect debts owed the United States and to provide additional procedures for the collection of debts . . .	Federal Government	Federal Claims Collection Act of 1966; Debt Collection Act of 1982
	To aggressively pursue the collection of accounts or claims due and payable to the state through all reasonable means.	Illinois	Illinois Compiled Statutes 30-210/3 (Illinois State Collection Act of 1986)
	To achieve efficient and effective administration of accounting for resources of state agencies . . . to establish procedures for various state agencies . . . to "charge off" or cancel uncollectible monies owed to them.	Arkansas	Arkansas Statutes Annotated 19-2-301 through 19-2-307 (Accounts and Notes Receivable Abatement Act for the State of Arkansas)
	All state agencies shall take all appropriate and cost-effective actions to aggressively collect all receivables.	Virginia	Virginia Code 2.1-727 (Virginia Debt Collection Act)
	To establish as policy that state agencies shall cooperate in identifying debtors who owe money to the state and procedures be established for setting off against debtors.	Kansas	Kansas Statutes Annotated 75-6201
	To achieve the prompt collection of debts due such agencies.	Colorado	Colorado Revised Statutes 24-30-202.4(1)

Issue	Description	Jurisdiction	Statutory Cite
<b>Administrative Offset</b>	To set off an amount owed to the governmental entity against any money held for, or any money owed to, such debtor by the state or any state agency.	California	California Statutes Article 2, Section
		Federal	Debt Collection Act of 1982
		Illinois	Illinois Compiled Statutes 30-210/5(c)
		Kansas	Kansas Statutes Annotated 75-6204
		Virginia	Virginia Code 2.1-733(4)
<b>Charging Collection Costs</b>	To provide authority to charge additional amounts that approximate administrative costs to collect past due receivables.	Federal Government	Debt Collection Act of 1982
		New York	New York Statutes Article 2, Section 18.5
		Virginia	Virginia Code 2.1-732
<b>Charging Interest and Penalties</b>	To provide authority to charge interest and penalties for past due receivables.	Federal Government	Debt Collection Act of 1982
		New York	New York Statutes Article 2, Section 18.3
		Virginia	Virginia Code 2.1-732
<b>Compromise</b>	To settle receivables or other debt for less than the full amount.	Federal Government	Federal Claims Collection Act of 1966
		Colorado	Colorado Revised Statutes 24-30-202.4(3)(c)
		Arkansas	Arkansas Statutes Annotated 19-2-306(a)
<b>Debtor Information</b>	To provide for each agency to collect minimum prescribed identification information from clients, debtors, et cetera.	Illinois	Illinois Compiled Statutes 30-205/2(b)
		Virginia	Virginia Code 2.1-734
<b>Disclose to Credit Agencies</b>	To provide authority to disclose to consumer or credit reporting agencies that an individual is responsible for a receivable or other debt.	Federal Government	Debt Collection Act of 1982
		Virginia	Virginia Code 2.1-733
		Washington	Revised Code of Washington 43.88.175
<b>Outside Attorney</b>	To procure services of an outside attorney for the collection of a receivable.	Arkansas	Arkansas Statutes Annotated 19-2-305(b)(2)
		Colorado	Colorado Revised Statutes 24-30-202.4(2) and (6)
		Illinois	Illinois Compiled Statutes 30-210/7

Issue	Description	Jurisdiction	Statutory Cite
<b>Promulgation of Rules and Regulations</b>	For the management and collection of receivables in state agencies.	Arkansas	Arkansas Statutes Annotated 19-2-307
		Colorado	Colorado Revised Statutes
		Illinois	Illinois Compiled Statutes 30-210/4(a)
		Kansas	Kansas Statutes Annotated 75-3728j
		Virginia	Virginia Code 2.1-727 to 2.1-729
		Washington	Revised Code of Washington 43.88.160
<b>Refer to Collection Agency/Service</b>	To procure service of a licensed collection agency/service for the collection of receivables and other debts.	Federal Government	Debt Collection Act of 1982
		Arkansas	Arkansas Statutes Annotated 19-2-305(b)(2)
		Colorado	Colorado Revised Statutes 24-30-202.4 (2) and (6)
		Illinois	Illinois Compiled Statutes 30-210/8
		Virginia	Virginia Code 2.1-733
<b>Salary Offset</b>	To set off an amount owed to the governmental entity against earnings of the debtor, which includes the governmental entity's own employees.	Federal Government	Debt Collection Act of 1982
		Kansas	Kansas Statutes Annotated 75-6205
<b>Tax Refund Offset</b>	To set off an amount owed to the governmental entity against an overpayment of tax made by the debtor.	Arkansas	Arkansas Statutes Annotated 19-2-305(b)(3)
		California	California Statutes Article 2, Section 12419.2
		Colorado	Colorado Revised Statutes 24-30-202.4(3)(a)(II)
		Kansas	Kansas Statutes Annotated 75-6201
		New York	New York Statutes Article 1, Section 171-f(2)
<b>Withhold State Services</b>	To provide certain state services to be delayed or withheld to those persons who refuse to pay their debts.	Virginia	Virginia Code 2.1-735
<b>Write-Off</b>	Removal from accounting records of a receivable that management has determined to be uncollectible.	Illinois	Illinois Compiled Statutes 30-205/2
		Arkansas	Arkansas Statutes Annotated 19-2-306(a)
		Colorado	Colorado Revised Statutes 24-30-202.4 (3)(c)
		Kansas	Kansas State Annotated 75-3728a-d
		Virginia	Virginia Code 2.1-726 and 2.1-728

**Source:** Legislative Auditor's staff research of federal government and other states' legal provisions. Twenty-two percent (11 of 50) of the states were selected to review any legal provisions pertaining to the management and collection of receivables. Four of the eleven states were selected because similar studies of the management and collection of receivables had been conducted—Illinois, Kansas, Washington, and Colorado. Texas, New York, California, and Pennsylvania were selected because being larger states, there maybe a greater likelihood of established receivables legal provisions. Arkansas, Virginia, and Florida were selected as southern states to compare Louisiana to other southern states. We found legal provisions pertaining to the management and collection of receivables for eight of the eleven states. Our review did not reveal any such legal provisions for Texas, Pennsylvania, and Florida.

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# Appendix E

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Receivables  
Not Reported by Agencies  
as of June 30, 1992

## Appendix E: Receivables Not Reported by Agencies as of June 30, 1992

Agency	Source of Revenue	Amount	Reason for Not Reporting and Other Information
Department of Natural Resources	<i>Self-generated revenue:</i> Derived from the sale of data processing information and geological maps and fees for various permits and applications.	\$598,000	Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.
Department of Natural Resources	<i>Major state revenues:</i> underpaid oil and gas royalties and for interest on late payments.	Unknown	There is no centralized system where all billings are recorded and tracked; each auditor tracks his own audit billings. Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.
Department of Insurance	<i>Self-generated revenues and major state revenues:</i> premium taxes, assessments, and other fees.	Unknown	There are no centralized records of all receivables owed to the department. The department is in the process of changing its computer system to provide this information. After June of 1992, weekly manual reports are provided to management of the amount and age of receivables.
Department of Public Safety and Corrections, Public Safety Services, Office of State Police	<i>Self-generated revenues:</i> Chemical Analysis Fee derived from fee that should be assessed for administering breath analysis test for possible DWI convictions.	Unknown	Receivables are not established because (1) inadequate logging of information into the department's computer system, (2) some judges are not ordering these costs to be paid, and (3) lack of knowledge of the fee's existence. The department has no means of auditing the courts to determine if the fees are being collected.
Department of Public Safety and Corrections, Public Safety Services, Office of Motor Vehicles, and Office of State Police	<i>Self-generated revenues and major state revenues:</i> Derived from traffic accident reports in the Office of State Police and on-line driving records and checks returned as nonsufficient funds in the Office of Motor Vehicles.	\$1,012,128	Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.

Agency	Source of Revenue	Amount	Reason for Not Reporting and Other Information
Department of Public Safety and Corrections, Corrections Services, Adult Probation and Parole	<i>Self-generated revenues:</i> Derived from supervision fees collected from those individuals who are on probation and parole to partially reimburse the agency for the cost of their supervision.	Unknown	The accounting system did not provide information on total delinquent accounts for all districts until August 1993. Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.
Department of Transportation and Development	<i>Self-generated revenues:</i> Various self-generated revenues and real estate loans.	\$913,858	Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68. However, the department does have a centralized recording system to track these receivables.
Department of Environmental Quality	<i>Self-generated revenues and major state revenues:</i> Various fees and permits.	Unknown	The current system is not capable of extracting information on prior dates, as time period information is not maintained. The department is continuing to work towards implementation of a new receivables system that will provide better reporting. Unreported receivables do not meet requirements for disclosure under the provisions of PPM 68.
Department of Economic Development, Louisiana Economic Development Corporation	<i>Direct and Guaranteed Loans</i>	\$7,152,992	Division of Administration did not require disclosure of the loans for fiscal year 1992. The amount of these loans was disclosed in the fiscal year 1993 annual financial report in a footnote.
Department of Labor, Office of Workmen's Compensation	<i>Self-generated revenues:</i> Assessed against companies writing workmen's compensation insurance in the state.	Unknown	Receivables were not reported because the amount uncollected is so small there is no need to report it. Also, it has not been required to report it in the past. The department is currently reviewing this and changes will be made. Information will be provided in the next financial report.

Agency	Source of Revenue	Amount	Reason for Not Reporting and Other Information
Department of Labor, Office of Employment Security	<i>Self-generated revenues:</i> Penalty and interest assessments from underpayments of employment taxes.	Unknown	The penalty and interest owed is not calculated until the tax payment is received. There is no way to determine amount receivable under this method because the amount changes daily with all transactions processed. Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.
Vocational-Technical Education-Regional Management Center I, New Orleans	<i>Self-generated revenues:</i> Reimbursement from the City of New Orleans for funds expended for JTPA programs.	\$105,467	Unreported receivables do not meet the requirements for disclosure under the provisions of PPM 68.
	<b>Total</b>	<b>\$9,782,445</b>	
<b>Sources:</b> Legislative Auditor's analysis of aging schedules, survey questionnaires, Financial and Compliance Division audit findings, and financial and budget information. Subsequent follow-up interviews with department officials.			



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# Appendix F

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**Detailed Listing Identifying  
Central Collection Functions  
Found in Other States**

# Appendix F

## Detailed Listing Identifying Central Collection Functions Found in Other States

### Central Collection Functions Not Placed in the Attorney General's Office

State	Placement in Governmental Structure	Source of Funding	Minimum Referral Amount	Minimum Post-Due Time Period Before Automatic Referral?	Are Referrals Ever Rejected?	Approximate Collections per Fiscal Year	Comments
Colorado	Division of Central Services	22% of amount collected	None	30 Days	No (see comments)	\$7 million - \$9 million	Certain agency steps required before referral
Connecticut	Department of Administrative Services - Bureau of Collection Services	General fund	\$50 or \$100 (will lower minimum if sent a large number of small accounts)	No	If an account is uncollectible	Delinquencies - \$1.3 million Public and Medical Assistance Recoveries - \$10.7 million	Performs all billing, collection, and recovery for persons cared for in state facilities. A grand total of \$358.7 million collected in fiscal year 91-92 for various programs.
Kansas	Department of Administration - Division of Accounts and Reports	15% of amount collected	\$25	No	Lack of information (no Social Security number or Federal Employer identification number)	\$7 million	This is a centralized set-off program only. Delinquent child support is biggest item collected.
Maryland	Department of Budget and Fiscal Planning - Central Collection Unit	17% of amount collected	No, however accounts less than \$30 are abated	90 days	Lack of information with which to track the debtor	\$12 million	Collects everything owed to the state except taxes and child support.

**Detailed Listing Identifying Central Collection Functions Found in Other States**

**Central Collection Functions Not Placed in the Attorney General's Office**

State	Placement in Governmental Structure	Source of Funding	Minimum Referral Amount	Minimum Past Due Time Period Before Automatic Referral?	Any Referrals Ever Rejected?	Approximate Collections per Fiscal Year	Comments
Michigan	Department of the Treasury	Percentage of amount collected - except restricted funds	None	No	Attorney General has not confirmed it is a state debt or due process was not followed.	Not available	Revenues adjusted to equal expenses at year end. Agencies are rebated funds after the fiscal year.
Montana	Office of the State Auditor	12% of amount collected	\$25, but flexible	Not applicable as service is not mandatory	Very seldom	\$1.5 million since inception (1974)	Last year's profit used to reduce this year's collection percentage.
Oregon	Department of Revenue - Other Agency Accounts	10% of amount collected	\$50 (note: just raised to \$50 from \$25)	No	The debtor has not exhausted all his or her appeal rights.	\$7.5 million	

Source: Legislative Auditor's staff telephone inquiry with each state. A transcript of the conversation was mailed to the state to verify accuracy. Only two states did not return the document. We did not obtain any official cost reports to determine the economy of a centralized collection function.

# Appendix F

## Detailed Listing Identifying Central Collection Functions Found in Other States

### Central Collection Functions Within the Attorney General's Office

State	Placement in Governmental Structure	Source of Funding	Minimum Referral Amount	Minimum Past Due Time Period Before Automatic Referral?	Are Referrals Ever Rejected?	Approximate Collections per Fiscal Year	Comments
Indiana	Office of the Attorney General	General fund	\$200. \$100 if it is easy.	Varies	No	\$1.2 million	Department of Revenue handles its own collections.
North Carolina	Office of the Attorney General	General fund	No	90 days	No	Not available	Primarily collects student loans.
Ohio	Office of the Attorney General	9% of amount collected	No	No	No	\$100+ million	
Pennsylvania	Office of the Attorney General	General fund	\$50 except if entered on-line by agency.	Varies	Not applicable	\$33.7 million	Department of Revenue handles its own collections.
Virginia	Office of the Attorney General	Up to 30% of amount collected	\$3,000, but certain exceptions can be made.	At least 90 days	Not above minimum amount. Lack of information.	\$9.5 million	

Source: Legislative Auditor's staff telephone inquiry with each state. A transcript of the conversation was mailed to the state to verify accuracy. Only two states did not return the document. We did not obtain any official cost reports to determine the economy of a centralized collection function.



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# Appendix G

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Revenues Earned,  
But Not Collected at  
June 30, 1992

## Appendix G: Revenues Earned, But Not Collected at June 30, 1992

Agency	Amount
<b>Colleges and Universities</b>	
Louisiana State University System* . . . . .	\$110,247,006
Southern University . . . . .	20,021,992
Nicholls State University . . . . .	591,467
Grambling State University . . . . .	4,537,477
Louisiana Tech University . . . . .	6,613,580
McNeese State University . . . . .	2,536,279
Northeast Louisiana University . . . . .	5,725,521
Northwestern State University . . . . .	4,420,788
Southeastern Louisiana University . . . . .	4,215,528
University of Southwestern Louisiana . . . . .	8,708,408
Delgado Community College . . . . .	2,502,325
Total - Colleges and Universities	<u>\$170,120,371</u>
<b>Internal Service Funds</b>	
State Employees Group Benefits Program . . . . .	\$8,111,886
Office of Risk Management . . . . .	1,240,055
Administrative Services . . . . .	408,773
Louisiana Property Assistance Agency . . . . .	49,041
Federal Property Assistance Agency . . . . .	92,527
Office of Telecommunications Management . . . . .	3,435,616
Administrative Support . . . . .	126,019
Flight Maintenance Operations . . . . .	34,662
Total - Internal Service Funds	<u>\$13,498,579</u>
<b>Enterprise Funds</b>	
Prison Enterprises . . . . .	\$2,628,315
Louisiana Lottery Corporation . . . . .	6,500,914
Louisiana Stadium and Exposition District . . . . .	2,461,162
Total - Enterprise Funds	<u>\$11,590,391</u>
 GRAND TOTAL	 <u>\$195,209,341</u>

Source: Legislative Auditor's staff analysis of surveys and financial statement information.



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# Appendix H

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**Receivables Not Collected  
Within 45-Day Period at  
June 30, 1992**

## Appendix H: Receivables Not Collected Within 45-Day Period at June 30, 1992

(Reported in Footnotes of Annual Financial Reports)

Agency	Uncollected, but Reported Receivables at June 30, 1992	Revenue Source of Receivables
Agriculture and Forestry	\$8,521,388	Self-generated
Medical Center of La. at New Orleans	2,298,362	Self-generated
Earl K. Long Medical Center	974,144	Self-generated
E. A. Conway Medical Center	403,287	Self-generated
University Medical Center	732,412	Self-generated
L. J. Chabert Medical Center	194,259	Self-generated
W. O. Moss Medical Center	124,627	Self-generated
Washington-St. Tammany Medical Center	72,685	Self-generated
Lallie Kemp Medical Center	50,534	Self-generated
New Orleans Home and Rehabilitation	1,238	Self-generated
Villa Feliciana Geriatric Hospital	253,402	Self-generated
East Louisiana State Hospital	65,451	Self-generated
Southeast Louisiana State Hospital	262,054	Self-generated
Greenwell Springs Hospital	480,769	Self-generated
New Orleans Adolescent Hospital	241,594	Self-generated
Hammond Developmental Center	357,894	Self-generated
Southwest Developmental Center	2,706	Self-generated
Department of Social Services	31,401,718	Self-generated
Department of Revenue and Taxation	126,504,909	Taxes receivable
Department of Wildlife and Fisheries	274,357	Major state revenue
Department of Education	1,557,112	Income not available
Department of Health and Hospitals	3,011,432	Self-generated and other sources
<b>TOTAL</b>	<b>\$177,786,334</b>	

Source: Legislative Auditor's staff analysis of surveys and financial statement information.



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# Appendix I

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## Agency Responses and Legislative Auditor's Comments

# Agency Responses



EDWIN W. EDWARDS  
GOVERNOR

State of Louisiana  
DIVISION OF ADMINISTRATION  
OFFICE OF THE COMMISSIONER

84 MAR 2 P3:48

RAYMOND J. LABORDE  
COMMISSIONER OF ADMINISTRATION

February 28, 1994

Mr. David K. Greer  
Director of Performance Audit  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Greer:

Re: Draft-Reporting, Managing and Collecting Account  
Receivables

I want to thank you for the opportunity to review a draft of your study entitled "Reporting, Managing, and Collecting Accounts Receivable." The need for, and benefits of, a statewide accounts receivable management program cannot be denied. However, there are several points made in this report to which we would like to respond, and in some cases take exception to.

1. There are several errors concerning the legal flow of funds. Specifically, the definitions for income not available and major state revenues in the glossary and a similar statement on page 7 refer to revenues being deposited directly into the general fund. Legally, most revenue, excluding those contained under Article VII Section 9 of the 1974 Constitution, must first be deposited into the Bond Security and Redemption Fund prior to disposition to any other fund type.
2. It is unclear how much of this information is based on audit findings, and how much is based on surveys and telephone interviews. Given the limited time provided we are unable to verify certain reported items with information contained in the state's CAFR, or with the report, or its appendixes.

Mr. David D. Greer  
February 28, 1994  
page 2

3. We have to take exception with the comment on page three that "...Louisiana state agencies can either report all earned revenue or limit identification to revenues that are immediately available." The implication is that the reporting of accounts receivable at year end depends on the arbitrary choice of the reporting agency. This is not the case. Title 39 gives the authority to the Division of Administration to issue PPM 68 and reporting entities are mandated to comply with it.
4. Page 5 cites an example of weaknesses in the Department of Environmental Quality and others. This appears to be a case of having the controls and procedures in place but an agency not adhering to the policy. This would fall within the spectrum of the audit function.
5. PPM 68 clearly states that its purpose is to establish the criteria for information to be included in the CAFR. These guidelines are in conformance with generally accepted accounting principles and apply only to "...governmental fund types of the general and special revenue nature for financial reporting purposes..." This is the reason that the proprietary fund agencies and colleges would instead report within the guidance of Title 39 (i.e. full accrual). PPM 68 has been in effect since 1984. Title 39 mandates that the Legislative Auditor advise the legislature if accounting policies are inadequate. PPM has served the purpose for which it was established. Page 13 acknowledges that both provisions are in conformance with GAAP.

Although initiated to fulfill a financial statement reporting function, it is erroneous to imply that this directive cannot be construed as prohibiting further action to achieve full disclosure of all receivables at any point in time.

6. Page 15 accuses PPM 68 of "...preventing the state from identifying millions of dollars in outstanding monies." As acknowledged on pages 12 and 13, the PPM satisfies GAAP and ensures continued acceptance of bond issues for major capital projects and receipt of federal funds. Page 16 goes on to describe the reporting (or lack thereof) of three types of receivables. The report concedes that

Mr. David K. Greer  
February 28, 1994  
page 3

while \$177.8 million was not collected in the 45 days but instead reported in the footnotes, the majority of this amount consisted of ineligible patient fees. The existence of an amount outstanding for these fees while quite large is not unusual, has never gone unnoticed, and is realistically recognized as generally uncollectible.

The \$10.2 million shown on page 16 as not collected in the 45 days and not reported consisted mostly of \$7 million in loan guarantees from the La. Economic Development Corporation. This figure is also shown on page 2 of Appendix E. While the appendix acknowledges that the omission was corrected in 1993, the table on page 16 and the following narrative make no mention that the majority of the \$10 million problem has already been corrected. There will always be problems and errors that will be uncovered through the audit process regardless of how much policy is instituted.

It is our position that PPM 68 should be construed as the starting place to advance the effort towards more accountability for accounts receivable rather than being portrayed as the cause of the problem.

7. Page 17 describes the notes included in the annual financial report, which is submitted by the agencies for year end financial reporting purposes, as incomplete in its treatment of accounts receivable. It has to be reiterated that the annual financial report packet is intended to provide information necessary for inclusion in the CAFR.

This page also addresses the deficiencies of FACS in this area. As you may be aware the state is in the process of implementing a new Integrated Statewide Information (and Management) System (deemed ISIS). This system will of course include an extensive accounts receivable module and should eliminate deficiencies of the current system.

As a correction to the report, I would point out that while FACS was developed with an Accounts Receivable Transaction Code that affected the Fund Level only, it never was designed to incorporate a true receivables module. The report implies the existence of a reporting module that simply does not exist.

Mr. David K. Greer  
February 28, 1994  
page 4

8. Page 25 states that "Only 37 of the 177 survey respondents that can publish administrative rules and regulations for debt collection say they do so." The implication is that this is resulting in large volumes of unreported and managed assets. As there is no mention made of whether the remaining 140 respondents are large either in size or amount of money collected and/or outstanding this implied finding should be modified.
9. Appendix E includes several examples of omissions but follows with statements that the problem was corrected in the subsequent year. The impression given in the report is that gross errors have occurred and are still unresolved. The fact is that one item comprises 75% of the reported total in Appendix E, and that item has been corrected during the last reporting cycle.

The primary focus of this report appeared to be Louisiana's status as compared to three other states and the federal government, a activity which we feel both worthwhile and needed. As we are unfamiliar with the other states referenced we are unable to comment as to the applicability of the referenced material.

However, we believe a more positive report which strongly advocated of dedicating resources necessary to identify this state's needs, assess the resources currently available as well as those being developed, and then using the experience of others to develop, implement and manage a proactive program could have been written.

Obviously, it would be beneficial to concentrate efforts immediately on the largest departments with consistently large accounts receivable balances. Besides the obvious goal of collecting more money, the experience would pave the way for establishing a program for the smaller agencies. Ineligible patient fees would be a very good place to begin. Expanding the state bureaucracy with a "central oversight agency" should be a last resort.

As stated earlier, the Division agrees that there is a need for a coordinated effort to improve collection of accounts receivable. However, we do not concur that PPM 68 has generated reporting issue problems, nor do we concur it should be a focus of the report.

Mr. David K. Greer  
February 28, 1994  
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We appreciate your allowing us to review the draft of your report and look forward to working with your office on this project in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Raymond J. Laborde".

Raymond J. Laborde  
Commissioner of Administration



RICHARD P. IEYOUB  
ATTORNEY GENERAL

RECEIVED  
State of Louisiana

DEPARTMENT OF JUSTICE

Baton Rouge

70804-9005

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March 2, 1994

Mr. David K. Greer, CPA, CFE  
Director of Performance Audit  
Office of the Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Greer:

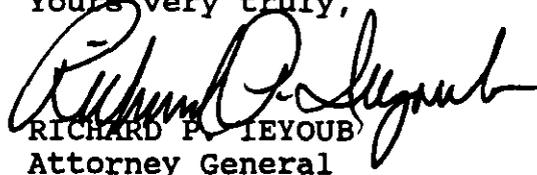
We have received and reviewed the preliminary draft of your study of Reporting, Managing and Collecting Accounts Receivable. I would like to commend you and your staff for a thorough and concise review of the issues.

On page 32 of the study, please note that while the Attorney General's Civil Division is authorized to "provide legal services for collecting money owed to the state", there are no general fund dollars appropriated for this purpose and accordingly no personnel have been assigned these specific duties. Moreover, this office is not currently authorized to retain any portion of the proceeds for collection of sums due the state with the exception of student loans/educational benefits.

With no general fund support and no authority for retaining fees from monies collected, appointing private attorneys to represent the state is the only available resource. These attorneys are appointed upon the request of state agencies and their respective contracts authorize them to retain a percentage of the money collected for services rendered. Once they are appointed, the requesting agency determines the number and value of accounts placed for collection. As such, the Department of Justice does not maintain information as to the potential debt amounts or number of cases being pursued.

We appreciate the opportunity to respond and look forward to working with you in the future to improve the accounts receivable mechanism within the state.

Yours very truly,

  
RICHARD P. IEYOUB  
Attorney General

RPI/CGW:ssc

# **Legislative Auditor's Comments**



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
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March 7, 1994

**Mr. Raymond J. Laborde**  
Commissioner of Administration  
Division of Administration  
Post Office Box 94095  
Baton Rouge, Louisiana 70804-9095

Dear Mr. Laborde:

Thank you for your prompt response to the draft of our performance audit report on Reporting, Managing, and Collecting Receivables in Louisiana. Your response gives us greater insight into the issues affecting accounts receivable.

We have made some minor changes to the report based on your comments regarding deposits into the general fund and the FACS accounts receivable transaction code. We appreciate your bringing these items to our attention. In your response, you also make reference to some exceptions to items presented in this report draft. Most of these exceptions appear to be in regard to our statements concerning Policy and Procedure Memorandum (PPM) 68. You state in your letter as we do in the report that PPM 68 reporting provisions are consistent with generally accepted accounting principles. The point to be made is that PPM 68 is the only guidance being used by certain agencies to report receivables, therefore certain receivables are not being reported. Our recommendations ask the Division of Administration to consider amending PPM 68 to require disclosure of all revenue earned and not collected.

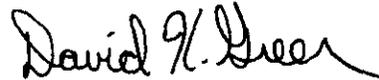
As stated in this report, there is no comprehensive program for reporting, management, and collection of receivables. The receivables that are reported are only reported at year end. It is difficult to manage receivables if we do not have timely information on the amount, age, and collectibility of these receivables. Without this information, we cannot know the status of collection efforts or for that matter on which accounts to concentrate collection efforts.

You are correct in your statement on page 3 of your response that PPM 68 should be construed as the starting place to advance the effort towards more accountability for accounts receivable. However, the Division of Administration should pursue a more complete reporting of receivables to achieve accountability.

Mr. Raymond Laborde  
March 7, 1994  
Page 2

We will issue the report with your complete response attached. We will also attach a copy of this letter. Once again, thanks for your prompt response concerning a very important issue.

Sincerely,

A handwritten signature in cursive script that reads "David K. Greer".

David K. Greer, CPA, CFE  
Director of Performance Audit

DKG/jl

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