Administrative Policy No. 19.85.25

Subject:	Determination of Revenue and Recovery of Expenditures
Information Contact:	Chief, Office of Accounting Services MS 45842 (360) 664-5716
Authorizing Sources:	State Administrative & Accounting Manual (SAAM) 85.20.30, Non-Revenue Receipts
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Approved By:	**Original signed by Richard Pannkuk** Assistant Secretary / Chief Financial Officer Facilities, Finance, and Analytics Administration

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Purpose

This policy documents the accounting rules for revenue and recovery of expenditures.

Scope

This policy applies to all Department of Social and Health Services (DSHS) employees, administrations, and institutions.

This policy only applies to treasury funds.

Additional Guidance

State Administrative & Accounting Manual (SAAM)
   75.70, object/subobject/sub-subobject Codes
DSHS Forms Picker:
   Form 01-012, Transmittal of Funds

Definitions

Administration means the affected DSHS administration, including the division, office,

or staff designated by the assistant secretary or chief officer as being responsible for compliance with this policy.

Accrual means to record revenues and expenditures/expenses when they meet the recognition criteria of the fund type involved regardless of when the cash activity occurs (state administrative and accounting manual (SAAM)).

Agency financial reporting system (AFRS) is the State of Washington's official accounting system.

Appropriation means legislative authorization for an agency to make expenditures for specific purposes from designated resources available or estimated to be available during a specified time (SAAM).

Client is a person who receives services offered by DSHS based on their individual or family need.

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

Disbursement means payment by cash, warrant, check, journal voucher, ACH, or any other technological payment method approved by the Office of Financial Management (OFM) (SAAM).

Expenditure authority code is the three-character code assigned by the OFM to identify each legislative or executive authorization to incur expenditures. Agencies are to use only those expenditure authority codes authorized in writing by OFM. The assigned codes are valid only for the biennium for which they are established (SAAM).

Expenditures are decreases in net current financial resources. Expenditures include disbursements and accruals of the current period. Expenditures do not include encumbrances (SAAM).

Liquidation is a payment of debt, cancellation of encumbrance, or conversion into cash.

Prior-prior biennium recoveries are those recoveries for periods for which no appropriation authority exists.

Provider is any individual, medical professional, paraprofessional, or business that provides individual medical care services or personal care services to a DSHS client and is paid by DSHS. A provider's tax reportable payments are reported on an IRS form 1099 or W2 depending on the

type of services provided.

Program means an agency, organization, or entity with a primary purpose to enhance and assist citizens with economic and social risks and to improve their opportunities and well-being. For example, a program like the Supplemental Nutrition Assistance Program (SNAP).

Recovery of expenditures means those receipts which represent the recovery of expenditures, and which are offset against the appropriate period for which the expenditures were incurred. DSHS maintains a "third year waiver"; which allows the agency to record accruals for estimated liabilities and continue liquidating against those accruals in the ensuing fiscal year and biennium (For example: expenditures are accrued in FY16 and liquidated in FY17, FY18 and FY19).

Revenue, for governmental fund type accounts, means increases in net current assets and are recognized in the accounting period in which they become measurable and available. In proprietary fund and trust fund type accounts, revenue means increases in net total assets and are recognized in the period in which they are earned and become measurable (SAAM).

Unanticipated receipt means money received which has not been appropriated by the legislature. The Governor has the authority to approve the allotment of such money within the guidelines of the intent in which they were received (SAAM).

Vendor is any person, business, non-profit, or government entity who provides goods or services to DSHS or its clients. A vendor may or may not have a contractual agreement.

Policy

A.   Revenue

1. The following types of financial transactions must be processed as revenue. The examples below are not an exhaustive listing of all the types of revenue that DSHS could receive.
   a. Interest income on state monies
   b. Earnings on investments that is restricted to a specific purpose
   c. Grants/agreements from federal, state, or private sources
   d. Charges to customers for sale of goods and services
   e. Fees charged for certification or licensure
   f. Funds received for work under contract
   g. Food assistance program incentives
   h. Food assistance program high performance bonus
   i. Social Security Administration (SSA) incentives for reporting on confined individuals
   j. Donations received from outside entities that are restricted to a specific purpose
   k. Taxes collected by the Department of Revenue and remitted to DSHS

        l.   Collection of fines and penalties

        m. Rental income

2. Revenue must be recorded in the period in which it was earned.

3. Administrations must determine if an unanticipated receipt is required.

4. The Office of Accounting Services (OAS) will manage federal revenue accruals for the department.

5. Administrations will manage local and private revenue accruals.

B.   **Recovery of expenditures**

1. The following types of financial transactions must be recorded as **recovery of expenditures**. The examples below are not an exhaustive listing of all the types of recovery of expenditures that DSHS could receive.
   a. Rebates and refunds (e.g., computer, software, or pharmaceutical companies)
   b. Overpayments recovered from providers, vendors, or clients
   c. Canceled warrants and refunds of forgeries
   d. Supplemental security income (SSI) recoveries from the federal government
   e. Reimbursements from other state agencies (using Object S)
   f. Expenditure transfers within DSHS (using Object T)
   g. Client payment for full or partial reimbursement of equipment

2. Receipts for recovery of expenditures must be recorded in the period (month and fiscal year) in which they were expended and against the appropriate appropriation authority. If the appropriate appropriation authority no longer exists, the receipt must be recorded as prior-prior biennium recovery, see procedure, section C below.

Procedure

A.   **Revenue**

1. Current revenue
   a. To record private and local revenue received by a program in the **current fiscal year** administration fiscal staff complete a transmittal of funds (form 01-012) to the cash unit with the following account coding:
      i. Account (fund)
      ii. Program index (e.g. F0000)
      iii. Major source, source, and subsource
   b. To record private and local revenue received by automated clearing house or electronic funds transfer (ACH/EFT) in the **current fiscal year** OAS ACH/EFT

receipting unit will record the revenue with the following account coding:
  i. Account (fund)
  ii. Program index (e.g. F0000)
  iii. Major source, source, and subsource
c. To record federal revenue received by a program in the **current fiscal year** administration fiscal staff complete a transmittal of funds (form 01-012) to the OAS cash unit with the following account coding:
  i. Account (fund)
  ii. Program index (e.g. F0000)
  iii. Major source, source, and subsource
d. To record federal revenue received by ACH/EFT in the **current fiscal year** OAS ACH/EFT receipting unit will record the revenue with the following account coding:
  i. Account (fund)
  ii. Program index (e.g. F0000)
  iii. Major source, source, and subsource

2. Accruals
  a. To record private and local **revenue earned, but not received**, administration fiscal staff enter revenue accruals at the end of each fiscal year using the following coding:
    i. AFRS transaction code 013
    ii. Account (fund).
    iii. Program index (e.g. F0000).
    iv. General ledger
    v. Major source, source, and subsource
  b. To record federal **revenue earned, but not received**, OAS staff enter federal revenue accruals at the end of each fiscal year using the following account coding:
    i. AFRS transaction code 051
    ii. Account (fund)
    iii. Program index (e.g. F0000)
    iv. General ledger 1351
    v. Major source, source, and subsource

Note: The administration must liquidate the funds received by applying the funds against the original accrual.

3. Prior period revenue
When funds are received in the subsequent fiscal year(s), a transmittal of funds (form 01-012) must be completed, noting on the transmittal of funds the general ledger account that these monies are to be applied against using the following account coding:
  a. Account (fund)

      b.   Program index (e.g., F0000)
      c.   Major source, source, and subsource
      d.   General ledger

B.   Recovery of expenditures

To record receipts for recovery of expenditures, administration fiscal staff complete a transmittal of funds (form 01-012) with the following account coding:

1. Account (fund)

2. Appropriation index. (For current year use current appropriation and for prior use prior year appropriation, for example, if the recovery is for the first year of the previous biennium, use 011)

3. Program index

4. Subobject and sub-subobject

5. Organization index

6. Allocation code

7. Month of Service

8. Project Code, agreement ID, and general ledger, if applicable

C.   Receipts of prior-prior biennium expenditures

To record receipts for recovery of expenditure for a **prior-prior biennium** appropriation, administration fiscal staff complete a transmittal of funds (form 01-012) with a complete line of expenditure coding as defined in policy point B.1 above.

Because the expenditure is from a period in which DSHS has no appropriation authority, the recovery is posted as revenue using 04/86/XXXXXX (recovery of prior prior expenditure authority).

Note: Administrations are responsible for ensuring a sub source is established for 04/86 and their federal funds.

Information is sent to OAS monthly from the cash receipting systems that summarizes the expenditure information by the appropriate period and funding source. This information is used to establish negative expenditures against the appropriate cost objectives that will be

used during the preparation of federal claims so DSHS can acknowledge the return of federal funds on the claims.