

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 Judy Fitzgerald Assistant Secretary / Chief Financial Officer Facilities, Finance, and Analytics Administration

Purpose

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

Scope

This policy applies to all 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

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 - A 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).

Chief officer, for the purpose of this policy, is the chief of staff, chief financial officer, or chief information officer in the DSHS executive administration.

Client is a person who received services offered by the department based on their individual or family need.

Department refers to the Department of Social and Health Services (DSHS).

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

Expenditure authority code - The three-character code assigned by the Office of Financial Management (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).

Prior-prior biennium recoveries are those recoveries for periods for which no appropriation authority exists. When these recoveries occur, a transaction is recorded that debits cash and credits revenue source code "0486-XXXXXX" "recovery of prior expenditure authority."

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.

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 the department 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. Parent pay monies from the juvenile rehabilitation administration
 - l. Taxes collected by the department of revenue and remitted to the Department
 - m. Collection of fines and penalties
 - n. 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 the department could receive.
 - a. Rebates and refunds (e.g., computer, software, or pharmaceutical companies)

- b. Overpayments recovered from providers, vendors, or clients (see AP [19.85.53](#))
 - 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 the department (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 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** program 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** program 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**, program 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 program 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, program 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, program 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 the Department has no appropriation authority, the recovery is posted as revenue using 04/86/XXXXXX (recovery of prior prior expenditure authority).

Note: Programs 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 the Department can acknowledge the return of federal funds on the claims.

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