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Receivable Recognition and Reconciliation Policy

Effective: July 1, 2004
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Executive Summary

In certain circumstances, revenue should be recognized only when cash is collected. In other situations, it is necessary to record earned revenue/accounts receivable transaction when goods or services have been provided but payment has not yet occurred. Full accounting, recording, and reporting of earned revenue/accounts receivable due to the Commonwealth is accomplished through the Commonwealth's Enterprise Financial Accounting and Reporting System - Mosaic. It is essential that a single standard for reporting of earned revenue/accounts receivable is adhered to by departments.

Mosaic provides much of the required data to produce the Statutory Basis Financial Report (SBFR) and the Comprehensive Annual Financial Report in accordance with state finance law and generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Considerations

Mosaic is the official record of statewide receivables and customer information. Departments must ensure that the information that is entered into Mosaic related to detail or summary receivables is accurate and complete.

Policy

All earned revenue/accounts receivable activity must be recorded in Mosaic using Receivable Event (RE) transactions. Earned Revenue/Accounts Receivable is defined as the full, measurable value of the services or goods provided by a department. The transaction must be completed and legally enforceable to the extent that payment is the only uncompleted act. Revenue is earned at the time when goods or services are delivered or performed and billable.

A department must recognize a debtor's obligation to pay when the goods are delivered or services performed, or when the Commonwealth's claim for future cash is reasonably estimable and/or law or statute authorizes the pursuit of collection. All such revenue will be recorded as earned revenue/accounts receivable if payment is not submitted either prior to the revenue event or simultaneously with the delivery of the goods or completion of the service. For example, when an assessment is issued and the department has a reasonable basis for issuing the assessment, it should be reported as an earned revenue/accounts receivable transaction. Departments are required to report all earned revenue/accounts receivable activity either in detail or summary fashion in Mosaic, unless otherwise statutorily exempt.

Detailed Reporting

Departments are required to utilize Mosaic or their approved delegated billing and accounts receivable systems to record all earned revenue/accounts receivable activity at the detailed transaction level. Departments must obtain Comptroller approval to record these detailed transactions in their delegated billing and accounts receivable systems.

Summary Reporting

Departments that have approved delegated billing and accounts receivable systems are required to utilize Mosaic to maintain one summary receivable that accurately represents the net value of the earned revenue/accounts receivable by each revenue source code, across fiscal years. Departments are required to maintain their approved delegated accounts receivable systems at a sufficient level of detail to verify the accuracy of summary reporting. By the close of each accounting period each department is required to adjust the summary receivable amount. Adjustments that are supported in Mosaic are:

- Cash collections, which reduce the summary receivable, using a Cash Receipt (CR) transaction;
- Increases in the receivable amount for new services, claims, etc., for the month or to record errors resulting in increases, which are accomplished by creating a new version of the existing Receivable Event (RE) transaction;
- Decreases in the receivable amount to record errors resulting in decreases or other downward adjustments, which are accomplished by creating a new version of the existing Receivable Event (RE) transaction; and
- Uncollectible amounts approved by the Office of the Comptroller (CTR) for write off, using a Write Off (WO) transaction.

Summary receivables should not be adjusted for factors affecting the ability to collect, such as historical collection experience, deferred revenues, disallowances, or write offs at the time the receivable is created. Departments (or CTR for write offs) will reduce the summary receivable during the fiscal year for such collection factors by using the appropriate transaction – in Mosaic.

Reconciliation

Daily system assurance must be performed by departments to ensure that there is a matching deposit for each cash transaction. This process involves comparing the results from all sources that produce or contain payments and deposit information and ensuring that they match. These information sources should include any delegated system reports, all relevant Enterprise Financial Accounting and Reporting tables, Commonwealth Information Warehouse query documents, Mobius View reports, bank portals or statements, etc. Reconciliation is required to verify that all transactions are properly accounted for in a timely manner and must be conducted in conformance with existing internal control guidelines.

Reconciliations are performed daily for the core depository and disbursement accounts. All other cash accounts are reconciled monthly. Reconciliation of the master disbursement account is limited to daily net activity on checks and EFT transactions. It does not include daily adjustments to outstanding checks. This is completed monthly as separate reconciliation.

Earned Revenue/Accounts Receivable Tolerances

Departments are authorized to accept, as payment in full, amounts greater or less than the original RE amount based on tolerances established by CTR. The tolerance threshold is the lesser of the short payment amount or short payment tolerance entered on the Systems Options Table (SOPT), which is one percent or five dollars. Overpayments made to a receivable that are greater than the tolerance threshold must be refunded back to the customer or transferred to another debt that was paid by the same customer within the same department. Departments will not be allowed to set up their own tolerance requirements.

Records Management

The department is the record keeper of the official record copy of all receivable information. Mosaic is the official record of accounts receivable entered by the department and will supersede any paper copies of the same information. The department must maintain any supporting or back up documentation related to a receivable entered in the system. The department is responsible for retaining and archiving accounts receivable records in accordance with the disposal schedules issued by the Secretary of State Records Conservation Board.

Retention Period

Departments can obtain the most current Statewide Records Retention Schedules, guidelines for documenting record keeping systems, procedures, and relevant forms from the Secretary of the Commonwealth's Records Management Unit and Records Management Resources.

Records that are subject to audit must be retained for the appropriate period after the resolution of the results of the audit (i.e., when all findings are resolved). This refers to the Statewide Single Audit, federal audits, and audits performed by the Office of the State Auditor. Consideration should also be given to federal records retention requirements for federal programs administered by the Commonwealth, which may be longer. Consideration should also be given to ongoing investigations by the Office of the Attorney General and other law enforcement agencies, including federal government investigations.

Data Privacy and Security Standards Internal Controls for Records Management

Fiscal records may contain sensitive or personally identifiable data that must be protected from unauthorized disclosure. Internal controls should include risk assessments and mitigating controls for ensuring the security and privacy of these records and the systems (department or third-party vendor) that hold this type of data.

Information Sources

Related Policies

- CTR Department Head Signature Authorization Policy
- CTR Vendor / Customer File And Form W-9 Policy
- CTR Cash Recognition And Reconciliation Policy
- CTR Electronic Payments Data Security Policy
- CTR Fiscal Records Management Policy

Legal Authority

- M.G.L. c. 7A
- M.G.L. c. 29
- M.G.L. c. 30 § 27
- M.G.L. c. 10 § 17B
- M.G.L. c. 29 § 29D
- M.G.L. c. 7A § 3
- Massachusetts Constitution Article LXIII Section 1
- 815 CMR 9.00
- M.G.L. c. 7A § 18

Attachments

- Receivable Modification Request Form

Contacts

- CTR Solution Desk

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