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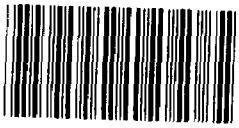
BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Mayor Of The District Of Columbia

Accounts Which Will Never Be Paid Are Included In District's Accounts Receivable

Some District accounts receivable, primarily for medical services, are unnecessarily high because they include amounts which District officials knew from the outset were not collectable. Accounts receivable are inflated, the District's collection effort looks worse than warranted, and the extent of medical services provided to residents is not highlighted. The District needs to make sure amounts are reasonably collectable before recording them as accounts receivable. Further, several District agencies were not including in accounts receivable the amounts of dishonored checks not repaid.



GAO/GGD-83-21
FEBRUARY 16, 1983

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-203834

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia
Washington, D.C. 20004

Dear Mayor Barry:

Some District accounts receivable are unnecessarily high because they include large amounts which District officials knew from the outset were not collectable. Further, in several agencies accounts receivable are understated because the agencies did not record dishonored check amounts as receivables.

Under current conditions, amounts which are recorded as receivables, though uncollectable, find their way into an allowance for uncollectable accounts and are ultimately written off as uncollectable. Thus, it makes the District appear less able to collect its debts than is justified. Charging such amounts to a medical charity account at the outset instead of to accounts receivable would seem a more appropriate course of action. Such changes would reduce the amount heretofore included as uncollectable, and would highlight a major service the city provides to its citizens, namely, medical care to the poor regardless of ability to pay.

Accounts receivable represent a significant portion of the District's current assets. For our analytical purposes, funds due from the Federal Government were excluded from the current assets as shown in the District's balance sheet. As of September 30, 1981, current assets totaled $305.8 million, and included net receivables of $136.2 million. Although the District's 1981 annual report did not show the allowance for uncollectable accounts, prior reports did and the extent of these allowances was highlighted in congressional hearings and in the local press. The following schedule shows the balances of net current assets, net accounts receivable, and the allowance for doubtful accounts for fiscal years 1979, 1980, and 1981.

Fiscal year	Net current assets	Net accounts receivable	Allowance for doubtful accounts
1979	$290,000,000	$118,704,000	$ 92,810,000
1980	226,267,000	139,185,000	133,224,000
1981	305,756,000	136,209,000	not available

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies states that receivables representing amounts due from others are accounted for as assets from the time the acts giving rise to such claims are completed until they are collected, converted into other resources, or determined to be uncollectable. Because much of the medical care provided by the District is made available at no charge or at significantly reduced charges, the District must take extra care to ensure that only amounts which are reasonably expected to be collected are recorded as accounts receivable.

We found problems at seven organizations. Amounts which were never collectable were included as receivables, and accounts receivable were not recorded for dishonored checks. Although the District has taken steps to improve the reporting, billing, processing, and collecting functions, more needs to be done.

District officials commented on a draft of this report by letter dated December 30, 1982. The District agreed with our finding that accounts receivable were understated because some agencies were not recording dishonored check amounts and pointed out the corrective action being taken. The District did not agree that some accounts receivable were unnecessarily high or that some accounts receivable should be reclassified as some type of medical charity. The District's comments are included as an appendix to this report and are discussed in detail beginning on page 10.

OBJECTIVES, SCOPE, AND METHODOLOGY

We undertook this review to determine the reasonableness of the District's accounts receivable, their collectability, and whether the receivables are fairly stated. This work was part of our overall evaluation of the District's efforts to record, bill, and collect accounts receivable; and this report is one of a series dealing with accounts receivable and related activities. The following organizations were included in our review:

--Department of Human Services (DHS)
--District of Columbia Treasurer
--Department of Finance and Revenue (DFR)

--D.C. General Hospital
--Department of Housing and Community Development
--Department of Environmental Services (DES)
--Department of Licenses, Investigations and Inspections
--Department of Transportation
--Department of Insurance
--Recorder of Deeds

We made no review of financial records at DFR, which had net accounts receivable of over $76 million for fiscal year 1981. Most of DFR's revenues are derived from D.C. self-assessed tax payments, and we do not have access to information obtained from these District tax returns.

At the other eight District agencies and the hospital, we reviewed files, financial records, and reports pertaining to receivables to evaluate the reasonableness of the accounts receivable, whether they were overstated or understated, and the reasons for these circumstances. We took a sample of patient accounts at St. Elizabeths Hospital, for which DHS is responsible, to determine whether the outstanding amounts were reasonable, what collections were made on these accounts, and how long charges were being accrued for these accounts. Because St. Elizabeths has more than 12,000 accounts, we limited our sample to all active accounts with outstanding balances exceeding $100,000 based on full rate charges. We determined which accounts had an agreed (reduced) payment plan and how much the payor(s) owed. We analyzed these sample accounts for reasonableness and collectability. Our work was performed in accordance with generally accepted government auditing standards.

ACCOUNTS RECEIVABLE INCLUDES LARGE AMOUNTS NEVER CONSIDERED COLLECTABLE

At DHS, primarily for St. Elizabeths Hospital patients, accounts totaling about $36.5 million were carried as receivables as of September 30, 1981, although they were not considered collectable from the outset. Recording these amounts as accounts receivable unnecessarily inflates the accounts receivable. Also, the city's collection efforts look bad because it appears that the city is unable to collect these amounts and must write them off as bad debts, when in fact the amounts were not collectable in the first place.

District policy on provision of and payment for medical services

The District's policy is to provide medical care to the poor, regardless of ability to pay. In some cases patients are covered by Medicare, Medicaid, or private insurance companies. In other cases, patients have no coverage but have sufficient funds to cover the cost of services provided. In the majority of cases where the patient has no coverage, however, the patient has either no funds or only enough funds to pay for a small portion of the cost of medical services.

In cases involving destitute patients, particularly at D.C. General Hospital and at DHS health clinics, the District generally charges the entire cost to a medical charity account. In cases where the patient can pay a portion of the cost, the entire cost is recorded as an account receivable, and the unpaid amount is ultimately considered as an uncollectable account.

Insurance companies, Medicare, and Medicaid are billed for the full cost of services rendered but seldom pay the full amount billed. Most of the patients involved have limited resources, and their coverage is usually the only source of payment available to the District. The District ultimately writes these unpaid amounts off as uncollectable accounts.

Payability determination

One of the steps taken by the District during the course of providing medical service to residents is to ascertain who will pay for the patient's care. As pointed out earlier, payment can come from several sources.

Patient eligibility for medical charity is determined by DHS' Bureau of Eligibility Determination. Individuals who have little or no income, other than welfare benefits, and cannot afford their own insurance are eligible for Medicaid. Individuals who have little income, cannot afford their own insurance, and are not eligible for Medicare or Medicaid are eligible for medical charities; the District pays for all medical charity accounts. The Division of Interstate Services, a part of DHS' Mental Health Administration, determines payability of St. Elizabeths patients.

Patients may also be eligible for a reduced billing. To qualify, patients cannot be covered by private health insurance, cannot be eligible for benefits under a Government health services program (Medicare or Medicaid), and cannot qualify as a medical charity patient. Income scales are used

to determine how much patients should pay for their medical care. DHS' Division of Interstate Services is authorized to reduce the patient's billing; that is, it determines how much the patient can afford to pay or, in the case of St. Elizabeths, how much the patient's relatives can afford to pay.

Department of Human Services accounts receivable includes large amounts which were never collectable

DHS gross accounts receivable as of September 30, 1981, included large amounts that were never collectable. The gross accounts receivable included amounts that St. Elizabeths charged for which there was no payability and accruals for charges that seemed greater than anyone can reasonably pay. These amounts were ultimately classified as estimated uncollectables in preparing the District's financial report for fiscal year 1981. Some of these receivables are similar to those which the Inspector General had previously determined were not valid receivables.

Accounts receivable should include only amounts that the District can reasonably expect to collect. By including known uncollectable amounts as receivables, the District unnecessarily inflates its accounts receivables and fails to highlight a significant medical service provided to residents. Furthermore, the city is unable to collect these amounts and must write them off as uncollectable because these amounts never were collectable.

As of September 30, 1981, DHS had about $36.5 million outstanding as gross receivables for services rendered either at their facilities or to District residents at St. Elizabeths. A great portion of these receivables involve St. Elizabeths Hospital patients, for which the gross receivables totaled $31.7 million; $28.9 million for self-pay patients and $2.8 million for patients with Medicare and insurance coverage. Of this amount, about 96.6 percent--the entire $28.9 million and $1.7 million of the $2.8 million--were estimated to be uncollectable. The remaining $4.8 million in accounts receivable related to activities at various DHS facilities such as neighborhood health clinics, mental health clinics, and home health care, of which $4.2 million was classified as uncollectable. Some of these accounts are similar to the $6.4 million of inactive St. Elizabeths patient accounts which the Inspector General said were erroneously classified as accounts receivable.

Reasons for high uncollectable amounts

DHS' Division of Interstate Services determines payability of St. Elizabeths patients. Public Law 89-183 (D.C. Code Sec. 21-586, 1981) authorizes the District, through DHS, to bill and collect from immediate relatives of St. Elizabeths patients if medical services are not completely covered by Medicare or insurance companies. Interstate sends out a form letter informing the patient's relatives of their financial obligation to pay the costs of medical care. The relatives are supposed to advise Interstate of the amount they can contribute to the cost of the patient's medical care. If the relatives do not respond, Interstate bills the relatives at full cost. If the relatives respond, Interstate will determine how much they are able to pay per month and enters into agreements with the relatives. If the relatives dispute the amount or refuse to pay, DHS can go to court and attempt to obtain a judgment or court order directing the relatives to pay. After determining ability to pay, Interstate notifies DHS' Bureau of Payments and Collections (BPC) of the amount to bill the relatives. In many instances, relatives are not able to pay anything, but the amounts are recorded as receivables. Such amounts are not collectable and serve to distort the city's financial records, confuse and burden the city's collection efforts, and fail to recognize the cost of a substantial service the city provides its residents.

In October 1981, we took a sample of active St. Elizabeths patient accounts to determine whether the outstanding amounts were reasonable, what collections had been made, and how long charges had been accrued. Our sample included 227 accounts amounting to $20.4 million. Of these, 197 accounts involving $18.9 million did not appear to be collectable, but charges were still accruing.

We found 115 accounts amounting to $13.2 million (or 64.6 percent of the total) which had "no payability"; that is, no one was considered able to pay the bill. There were several reasons: the patient had no family, the patient's relatives did not have sufficient income to contribute to the cost of medical care, or the responsible relative was deceased. Medical charges were still being accrued as receivables at the time of our review.

For the remaining 82 accounts totaling $5.7 million, we found 59 accounts, involving $3.6 million, where the last payment was received prior to September 30, 1980. For the other 23 accounts amounting to $2.1 million, there was at least one payment after September 30, 1980. For all 82 accounts however, the outstanding amounts (an average of about $69,500)

seemed too large to reasonably expect payment in full. Current charges on these 82 accounts were still being accrued as receivables. DHS had not received any payments on some St. Elizabeths accounts for a long period of time; in some cases, since the accounts were first established.

Table I shows a summary of the 197 patient accounts previously discussed.

TABLE I

Category	No. of accounts	Amount outstanding	Percentage of amount sampled
"No payability"	115	$13,204,007	64.6
Last payment received prior to 9/30/80	59	3,613,870	17.7
At least one payment received after 9/30/80	23	2,086,967	10.2
	197	$18,904,844	92.5

A large portion of St. Elizabeths accounts initially requested for write-off was not considered to represent true accounts receivable. DHS submitted for write-off approval accounts totaling $7.8 million; however, the D.C. Office of Inspector General, which reviews requests to write off uncollectable accounts, only recommended $1.4 million for write-off. These accounts, many of which were from 4 to over 20 years old, were for patients who were deceased or discharged from St. Elizabeths prior to October 1, 1976. The $1.4 million amount was approved for write-off by the Mayor on April 17, 1981. The remaining accounts amounting to $6.4 million were not considered to be receivables according to the Inspector General official responsible for the review. This official said that these amounts should not have been recorded as accounts receivable because there was no payability established for them. As of October 26, 1982, no final action had been taken by DHS to deal with the $6.4 million according to a DHS/BPC official.

Accounts for which viable sources of payment are not identified should not be recorded as receivables; instead they should be considered as a District expense. DHS officials told us that accounts which cannot be collected should not be treated as receivables. If, at a later date, some viable

source of repayment is identified, the District could begin billing that source. DHS officials said that, currently, all patient accounts are billed initially, but additional collection efforts are only devoted towards Medicare, insurance companies, probate, or persons who agree to pay. Most of the accounts in our sample have more than 10 years of accruals, one beginning as early as 1903. Collections on these accounts have been minimal. Accounts are accrued at full cost of the medical services or at the agreed (reduced) payment rate, if any; collectable accounts are identified and subtracted from the gross receivables, and the difference is categorized as an allowance for uncollectable accounts. During fiscal year 1981 however, only Medicare and insurance companies were billed because, according to DHS officials, DHS ran out of billing forms.

According to DHS officials and an auditor from the CPA firm that conducted the District's annual audit, the $36.6 million amount for the St. Elizabeths accounts receivable as of September 30, 1980, was an estimate, based on the September 30, 1979, accounts receivable balance plus an estimate of accounts receivable for fiscal year 1980. A DHS official further stated that there are no guidelines as to what should be recorded in the accounts receivable as far as collectability is concerned. We believe that known uncollectable amounts should have been charged to an expense account rather than to accounts receivable.

DHS' accounts receivable was also overstated $3.4 million for fiscal year 1981 because of uncollectable accounts due to neighborhood health clinics ($1.9 million), mental health clinics ($1.2 million), and home health care ($0.3 million). The total amount declared uncollectable on these accounts amounted to 89 percent of the reported $3.8 million accounts receivable. The reasons for the high uncollectable rate are similar to those discussed previously for St. Elizabeths patient accounts.

DISHONORED CHECKS NOT RECORDED AS RECEIVABLES

Several District agencies were not recording receivables for as much as $400,000 in dishonored checks for fiscal year 1981. Several of these agencies assumed that the D.C. Treasurer was carrying the dishonored checks as receivables, but the D.C. Treasurer carried the amounts as receivables only until the checks were returned to the agencies for collection. Only two of the nine operating agencies we reviewed treated dishonored checks as accounts receivable.

The D.C. Treasurer, who initially received the $3.5 million in dishonored checks, recorded the dishonored checks as

accounts receivable at the time the checks were received from the banks and later recovered about $1.0 million. When the uncollected checks amounting to about $2.5 million were forwarded to the appropriate District operating agencies, the D.C. Treasurer reversed the accounts receivable entry for the amount of checks forwarded. The operating agencies should have entered the amount of returned checks as a receivable, but only DES did this. Although we did not have access to DFR's records to verify the recording of dishonored checks as accounts receivable, DFR personnel told us, and a D.C. Treasury official confirmed, that the amount of a dishonored check is added to the check writer's tax bill if no restitution is made.

The other agencies did not record anything unless checks were repaid. Thus, dishonored checks returned to the agencies are not accounted for in agency accounting records, and accordingly receivables are understated, as shown in table II.

TABLE II

District agency	Amount of dishonored checks
Department of Transportation	$298,526
Department of Licenses, Investigations and Inspections	61,303
Department of Housing and Community Development	29,978
Recorder of Deeds	20,050
Department of Human Services	12,791
D.C. General Hospital	2,566
Department of Insurance	760
	$425,974

Dishonored checks should be properly recorded in agency accounting records. Without such information, there is no way to control and accurately value losses resulting from dishonored checks, and dishonored checks will continue to understate accounts receivable.

CONCLUSIONS

District accounts receivable include large amounts which were never collectable. Thus, the city's collection efforts appear less successful than they really are, and a significant service provided to city residents is not disclosed. The city should consider recording these amounts as a medical charity

and reduce its accounts receivable substantially. In contrast some city agencies were not recording dishonored checks as accounts receivable and thus were understating their receivables.

RECOMMENDATIONS

The Mayor should direct department and agency heads to:

1. Analyze accounts receivable and, as appropriate, reclassify as medical charities those for which there is no payability.

2. Determine collectability of current charges before recording them as accounts receivable.

3. Record dishonored checks as accounts receivable.

AGENCY COMMENTS

The District agreed with our recommendation to record dishonored checks as accounts receivable and said that since our review agencies had been provided instructions for recording, controlling, and processing dishonored checks.

With respect to our recommendation to analyze accounts receivable and, as appropriate, reclassify as medical charities those for which there is no payability, the District said that DHS is in the process of hiring a collection agency to review the collectability of outstanding receivables and that agency will be responsible for pursuing those accounts deemed collectable. Those deemed uncollectable will be presented to the District Inspector General and Corporation Counsel for write-off. The District did not agree with our recommendation concerning reclassification of accounts as medical charity expenses, on the basis that the allowance method currently in use is proper and has the same effect as our recommendation. In our view this latter statement is only partially true, and in the context of the District's case is only true with respect to year-end financial reporting. It is only partially true because although both methods would result in the same net accounts receivable balance, our method would result in a significantly smaller allowance for doubtful accounts and a significantly larger medical charities balance. Further, the allowance method is used primarily for adjusting the gross accounts receivable amount for financial statement purposes. Individual accounts are not adjusted, and the large uncollected balances in individual accounts are carried forward from year to year. Except for sporadic efforts to write off some old accounts as uncollectable, the individual accounts remain

unchanged or, as discussed in the body of this report, continue to increase.

We do not argue with the acceptability of the District's current method for valuing valid accounts receivable. The major issue, in our view, is whether all amounts being charged to the accounts meet the test of a "valid receivable" which the District can reasonably expect to collect. This report points out that some District residents who are currently long-term patients at St. Elizabeths hospital, and have amassed bills exceeding $100,000, are still having daily charges made to their accounts even though the District has never received any payments on these accounts or has not received a payment for many years (see p. 7.). It seems somehow self-defeating to continue to accrue charges to accounts receivable for these accounts and then periodically undertake a massive effort to find out which ones are collectable and attempt to write off the remainder as stated in the District's comments. In this connection we point out on page 7 that such a write-off is not automatic and that the Inspector General has refused to recommend write-off of $6.4 million because these amounts were not considered to be valid receivables. If the District continues to recognize these as receivables and the Inspector General continues to disallow write-offs, the District will be faced with a significant balance representing invalid receivables. Accordingly, we believe our recommendation should be implemented.

The District said that it agreed that guidelines and standards should be developed to determine the collectability of current charges and that the District's Office of the Controller would prepare such guidelines and procedures. The District said it did not agree with our recommendation that this determination be made before recording a charge as an account receivable because, at the time medical services are provided, it is not known which specific accounts will be uncollectable. We believe our recommendation continues to have merit as discussed below.

The District's policy is to provide medical care to its needy residents regardless of ability to pay, and the District already expends significant effort in determining whether and how much residents can afford to pay toward the cost of services provided. This policy places the District in a somewhat different position from private health care providers. Much care is provided by the District at no cost to the recipient or at a reduced cost. We agree that there are cases wherein valid accounts receivable ultimately become uncollectable. This fact gives rise to the need for and use of various means to value accounts receivable. Our concern is with the large

number of cases which do not constitute valid accounts receivable; that is, cases where unseemingly large amounts continue to grow because of current charges, although no payments have been made on the accounts for many years, and there is no foreseeable source of payment in the future. We are also concerned about the large number of cases where the District has already determined that there is no payability or only limited payability, yet charges continue to accrue as accounts receivable only to be ultimately identified as uncollectable accounts. As discussed earlier, we do not believe the District should continue to charge accounts receivable for amounts for which there is no payability.

We would also like to point out that a practice of not recording a receivable until its validity is established would not be unique to the District. A recent GAO report 1/ on internal control activities at the Veterans Administration states:

> "VA officials explained that possible third-party claims should not be recorded as receivables when the treatment is rendered because of the uncertainty at that time about whether a third party is liable for the treatment. However, the officials concurred that receivables could be recorded when the amount of payment is agreed upon by the district counsels and the third party."

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Section 715(c)(1) of Title 31, United States Code, as recently codified by Public Law 97-258, formerly section 736(b) of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198, requires the Mayor, within 90 days after receiving our audit report, to state in writing to the District Council what has been done to comply with our recommendations and to send a copy of the statement to the Congress. Section 442(a)(5) of Public Law 93-198, requires the Mayor to report, in the District of Columbia's annual budget request to the District Council, on the status of efforts to comply with such recommendations.

1/"Internal Control Weaknesses at the Veterans Administration" (GAO/AFMD-83-25) December 3, 1982.

We are sending copies of this report to interested congressional committees; the Director, Office of Management and Budget; and to each member of the Council of the District of Columbia.

Sincerely yours,

W.J. Anderson

William J. Anderson
Director

APPENDIX

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE

OFFICE OF THE CITY ADMINISTRATOR

1350 E STREET, N.W. -- ROOM 507
WASHINGTON, D.C. 20004

DEC 3 0 1982

Mr. William J. Anderson
U.S. General Accounting Office
Washington, D.C. 20548

Re: Draft Report "Accounts Which Will Never Be Paid Included in District's Accounts Receivable"

Dear Mr. Anderson:

The draft report referenced above has been reviewed by the District. This letter presents our views on the major points addressed regarding overstated accounts receivable with respect to medical services and understated accounts receivable relating to dishonored checks. An action plan is also presented for implementing the recommendations made with which we agree.

1. Overstated Accounts Receivables from Medical Services

The draft report states that "some District accounts receivable are unnecessarily high because they include large amounts which District officials knew from the outset were not collectable... this unnecessarily inflates the accounts receivable." The report specifically addressed the Department of Human Services accounts receivable for:

- St. Elizabeth's Patients
- Health Clinics

The District's policy is to use the allowance method in accounting for its accounts receivable. This method uses the valuation account-allowance for uncollectable accounts to properly state the net accounts receivable. Consequently, the gross receivable balance is offset by the estimated uncollectable portion to produce the net expected cash collections. The estimated amount uncollectable is presented as a deduction of revenue.

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This practice is in accordance with generally accepted accounting principles (GAAP), and is widely used by governmental units.

In addition, the AICPA audit guide for hospitals requires this treatment of bad debts for medical services for hospitals to be in conformity with GAAP. Consequently, we believe that our accounting in this regard is proper.

We agree with your assessment that collection of the accounts receivable for medical services is extremely remote and that they should be written-off. By District law, write-off is dependent upon review by the District Office of Inspector General and approval of the District Corporation Counsel. Our write-off procedure is to eliminate the accounts receivable balances and to charge the allowance for uncollectable accounts account.

2. Understatement of Accounts Receivable for Dishonored Checks

We agree with your findings regarding dishonored checks not being recorded as accounts receivable by certain operating agencies. Since your review, we have clarified and enhanced our procedures, including instructions to agencies for recording, controlling and processing dishonored checks to avoid future occurrences of this problem.

3. Action Plan

Your draft report made certain recommendations with respect to the areas discussed above. Our action plan for implementing the recommendations are as follows:

a. Analyze accounts receivable and reclassify as medical charities

The Department of Human Services is in the process of engaging the services of a collection agency to review the outstanding accounts receivable balances to determine their collectability. The collection agency will assume responsibility for accounts considered collectable. Those items identified as uncollectable will be presented to the District Inspector General and Corporation Counsel for write-off.

As to reclassification as medical charity expenses, it is our position that the allowance method, currently in use, is proper and has the same effect as your recommendation. Consequently, we will continue to record uncollectable accounts for medical services as deductions from revenue in accordance with the AICPA audit guide for hospitals and GAAP for governmental units. As explained earlier, this method does not inflate accounts receivable since the gross receivable is offset against the

APPENDIX

allowance account and only the net receivable is presented. In estimating the allowance, deductions from medical services revenue would be charged rather than medical charities expense.

b. Determine collectability of current charges before recording receivables.

We agree that guidelines and standards should be developed to determine the collectability of current charges.

The District's Office of the Controller will prepare guidelines for determining collectability for distribution to the appropriate District agency officials. These guidelines will include procedures for:

- Evaluation of the debtors' financial position
- Collection of pertinent data on the debtor at the time the service is rendered (e.g., employer, length of employment, home address and business address)
- Analysis of past experience based on available data.

However, we disagree with your recommendation that this determination be made before recording an account receivable. Estimates of collectability are based on past experience and management judgement. At the time medical services are provided, it is not known which specific accounts will be uncollectable. The allowance method, as previously explained, allows for recordation of the estimated uncollectable accounts and the related deduction of revenue for all accounts. The allowance account is evaluated periodically and increased or decreased accordingly. Consequently, net accounts receivable are fairly stated at any point in time. Further, the deduction of revenue for medical service bad debts can be separately disclosed to highlight the District's provision of medical services to its indigent citizens.

c. Record dishonored checks as accounts receivable.

We agree fully with this recommendation. Further, we have developed specific policies and procedures for dishonored checks. These procedures have been distributed to each District agency.

We appreciate the opportunity to present these comments for your consideration.

Sincerely,

Elijah B. Rogers
City Administrator

24315

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