

# Department of Public Health

## *Findings on Reportable Conditions*

### **Finding Number 6: GAAP Receivable System Needs Improvement**

Central Office personnel have the responsibility of oversight and guidance for the hospitals to ensure that the manner in which the balances are being recorded are consistent between facilities and consistently between years. Consequently, specific written standards and protocols in consultation with the hospitals' CFO's relative to GAAP reporting requirements and the handling of receivable as it relates to BARS, have been established. Central Office, in conjunction with the hospitals' CFO's and the Office of the Comptroller, developed an *Accounts Receivable Policies and Procedures Manual* to develop consistent handling of hospital receivable and allowance for uncollectibles.

In order to enhance the consistency in handling receivables throughout the year as well as in the preparation of the GAAP report, the Department held a training workshop, which was conducted by the Office of the Comptroller for the Department's Hospitals. The purpose of this workshop was to receive additional training specific to the unique GAAP accounts receivable issues at the hospitals. This workshop was instrumental in establishing consistent standards for handling account receivables and reporting them in the annual GAAP report. In addition, it allowed the Office of the Comptroller to better understand the unique situations encountered in the four public health hospitals relative to various situations and to jointly work with us on establishing consistent reporting standards.

During a site visit to one hospital and through conversations with finance personnel at the three other hospitals, it was noted that the balances that were being recorded as BARS and non-BARS adjustments and as the uncollectible allowance remained inconsistent between all hospitals. All hospitals recorded Medicaid receivables at gross, but three of the hospitals continued to record the allowance at the end of the year in the GAAP package. Additionally, the use of the non-BARS and BARS adjustments portion of the GAAP package, as well as the uncollectible allowance column of the GAAP package continue to be used differently. For example, one hospital used the non-BARS adjustment to record the May and June receivables balances that had not yet been recorded in BARS, while a second hospital used this adjustment to record the uncollectible portion of the receivables that is normally not included in BARS as it relates to the paid account factor (PAF) percentages and the state Medicaid percentage that will not be collected and a third hospital used this adjustment to record the reconciliation of the estimate to actual of June receivables in BARS.

Although the Department has implemented a new Accounts Receivable Policy and Procedure Manual, there still remains the inconsistency between the hospitals regarding the calculation of the balance. One of the four hospitals calculates the uncollectible balance to only be receivables over 180 days old. This is partially in compliance with the policy manual. Another hospital calculates the uncollectible balance in

accordance with the Office of the Comptrollers' new policy in the State fiscal year 1998 GAAP Package.

The second part of the aging analysis that is required to be performed by the hospitals in accordance with the Accounts Receivable Policy and Procedures Manual, is to analyze the receivable balance in 30-day increments up to 180 days by developing an estimated collection percentage by payer and by aging bucket. Two of the four hospitals perform this analysis. Management has indicated that the other two hospitals that do not perform this analysis either do not need to because there is mainly only one payer (e. g. Medicaid) or the hospital performs the analysis in accordance with the Office of the Comptrollers' policy. (*Fiscal Year 1997 Report Finding 2*)

### **Recommendation:**

We recommend that the Department review the GAAP receivables prior to submission to the Comptroller's Office to ensure that the new policies have been properly implemented. Also, additional training on the new policies should be provided to reinforce the specific issues noted. The training should include the assistance of the Comptrollers' Office.

### **Department corrective action plan:**

The Department will review the DPH Accounts Receivable Policy Manual to ensure consistency with policies established by the Office of the State Comptroller and update this manual as necessary to comply with future Comptroller requirements. In addition, the Department will establish a training session for facility personnel with appropriate staff from the Office of the Comptroller to focus on reporting GAAP receivables in an accurate and consistent manner across facilities. The DPH person responsible for implementation is Edward Thurman, Director of Finance. Expected implementation is no later than April 30, 1999.

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