



# Commission for a New Georgia

## Receivables Task Force Executive Summary

*January 25, 2005*



# Task Force Members

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<b>Donna Hyland, Chair</b> <b>Children's Healthcare of Atlanta</b>	<b>Don Heroman</b> <b>Equifax</b>
<b>Frank Askew</b> <b>Washington EMC</b>	<b>Jerry Nix</b> <b>Genuine Parts</b>
<b>Phillip Faircloth</b> <b>Farmer's Furniture</b>	<b>Kris Nordholz</b> <b>Wilheit Packaging</b>
<b>Harry Goldberg</b> <b>BellSouth</b>	<b>Ann Stallard</b> <b>Graphic Communications</b>
<b>David Hanna</b> <b>CompuCredit</b>	<b>Lynn Wentworth</b> <b>BellSouth</b>

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# Receivables Task Force Guiding Principles

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## *Scope*

- Increasing cash flow with existing receivables
- Reducing the cost of collection process
- Reducing the risk of noncompliance of cash collections

## *Vision*

Developing recommendations that can be implemented in the shortest period of time that bring about the greatest improvements in increasing revenues and collections for the State of Georgia.

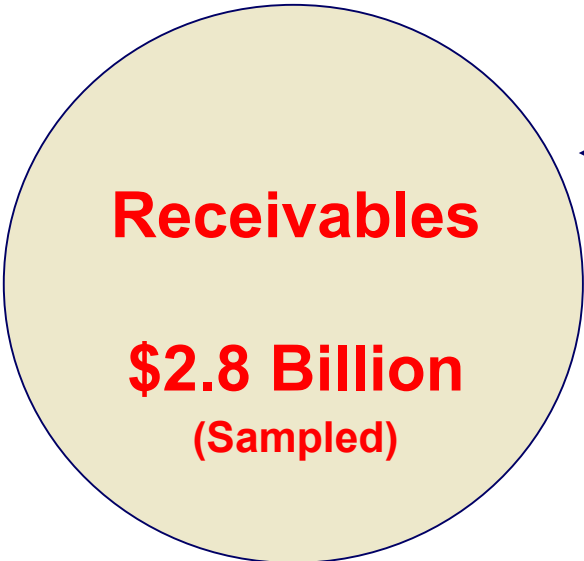


# Potential Economic Opportunities ... Show Me The Money!

Sampled 10 State Departments/Agencies representing approximately 69% of total.

**\$2.3 Billion (82%)** is over 120 days →

**\$207 Million** over \$50,000, made up of only 2,580 accounts →



← **\$68 Million** in Intergovernmental Transactions

**Additional \$126 Million** in DCH advance payments



# Potential Economic Opportunities ... Show Me The Money!

Consolidate 2,000 bank accounts - sampled 443 accounts representing 22% of total.

Investment return potential, estimated 75 - 145 basis point improvement

**\$2.4M to \$5.5M on \$377 Million (sampled)** →

Reduced maintenance fees, estimated savings of **\$1.3M - \$1.8M annually** →



← **Reduced labor costs with fewer accounts**

← **Reduced risk of loss**



# Key Findings

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- **No Statewide policies for aged accounts receivables, high dollar amount, intergovernmental receivables, write-offs, and use of 3<sup>rd</sup> party collection agencies**
- **Varying definitions of “receivables” among State departments**
- **Receivables data unavailable or very difficult to produce**
- **No Statewide monitoring programs to ensure timely cash collections at State departments**
- **Collection activities and efforts vary at each department**
- **No Statewide policies on advance payments made by departments**
- **No Statewide cash management or cash forecasting policies to control cash accounts at departments**



# Recommendations

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## Receivables Management

- ***Structure and Systems***
  - Policies/Guidelines
  - Measurement/Monitoring
  - Technology
  - State CFO and CAO position
- ***Short Term Focus on Results (Consider third party assistance)***
  - Focus on over 120 days - \$2.3 Billion sampled
  - Focus on over \$50,000 - \$207 Million sampled
  - Collect intergovernmental - \$68 Million sampled
  - DCH prospective payment balances - \$126 Million

## Cash Accounts

- Reduce accounts
- Cash forecasting to achieve predictability and accountability



# Recommendations – Receivables Management

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***Develop and implement a Statewide policy on receivables/collections that provides a monitoring program and emphasis on high dollar and significantly aged receivables and directs the Interfund and Intergovernmental receivables and collections process.***

***Seek legislative and programmatic changes to effectively aid Statewide collection efforts to utilize industry practices in a consistent manner: Allow for write-offs, use of third party collections, and authority to assess penalties and fees.***

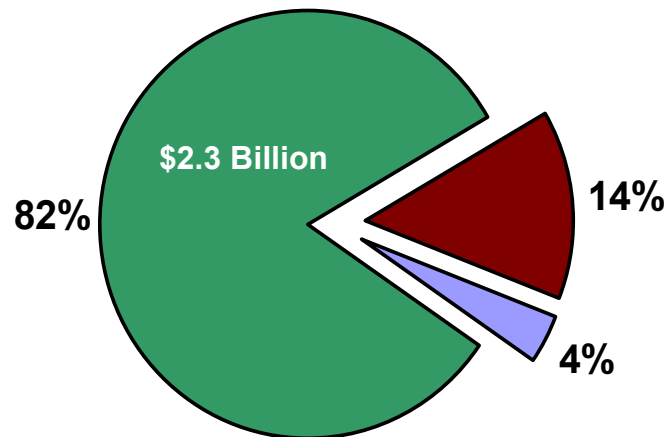
***Seek legislation to establish the positions of Chief Financial Officer and Chief Accounting Officer as permanent roles that ensure effective coordination and management of the State's financial affairs.***



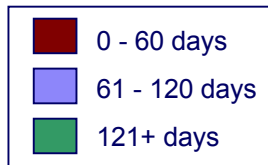
# Recommendations – Receivables Management

## Total Receivables Dollars Grouped by Aging Expressed as a Percentage

(10 of 10 Departments Reporting)

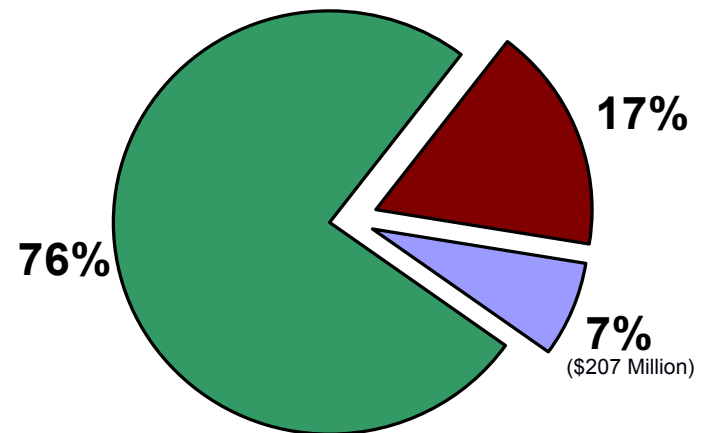


Total Receivables = \$2.8B

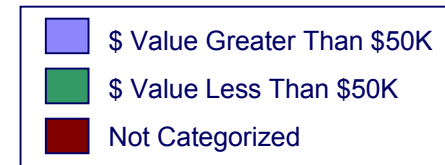


## Receivables Greater Than \$50K Expressed as a Percentage of Total Receivables

(10 of 10 Departments Reporting)



Total Receivables = \$2.8B



# Recommendations – Receivables Management

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***Seek legislative and programmatic changes to effectively aid Statewide collection efforts to utilize industry practices in a consistent manner: Allow for write-offs, use of third party collections, and authority to assess penalties and fees.***

***Seek legislation to establish the positions of Chief Financial Officer and Chief Accounting Officer as permanent roles that ensure effective coordination and management of the State's financial affairs.***

***Consider utilizing third party or dedicated teams to focus on aged receivables over 120 days and accounts greater than \$50,000 to derive maximum short-term impact.***

***The Chief Financial Officer should immediately take custody of DCH Prospective Payment Program and remove it from departmental control. The original process of netting owed funds from future payables over a 90 day period should be strictly enforced.***

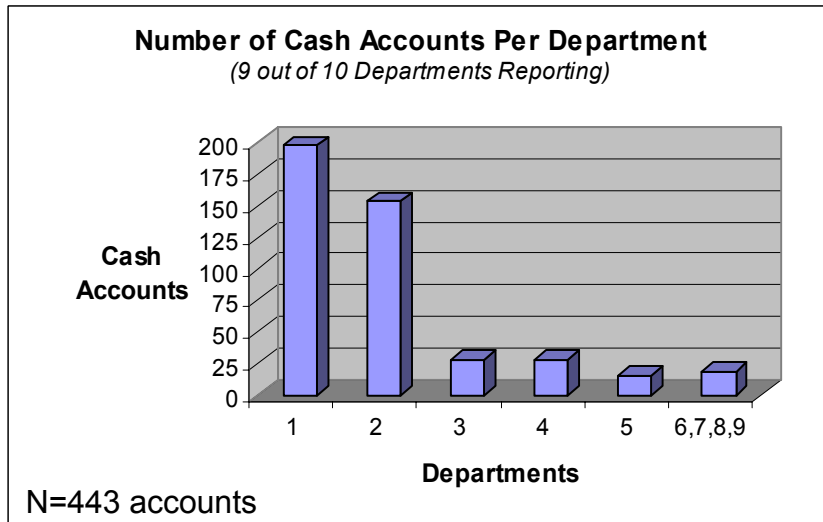


# Recommendations – Cash Accounts

*Develop and implement cash management policies that begin cash account consolidation starting with payroll accounts.*

*Cash collection forecasts should be completed by State departments to predict future cash flow and monitor cash collections.*

## Based on the Data Received:



Department	Largest Cash Account Cash Balance	Restricted or Unrestricted
1 DCH	\$ 202,354,839.45	Not Provided
2 DOR	\$ 117,072,375.30	Not Provided
3 DHR	\$ 18,147,798.84	Not Provided
4 DNR	\$ 17,096,772.94	Not Provided
5 DOT	\$ 13,558,590.19	Not Provided
6 GTA	\$ 4,995,661.59	Not Provided
7 DAS	\$ 3,511,206.01	Not Provided
8 GBA	\$ 932,339.46	Not Provided
9 DMVS	Not Provided	N/A
10 GSFC	Not Provided	N/A



# Other Opportunities

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The Task Force identified additional opportunities for further study:

- User Fees
- Cash/Investment Management
- Payables

