

OFFICE OF ACCOUNTS AND CONTROL

OAC-ACCOUNTS RECEIVABLE ACCRUALS – FISCAL CLOSE

OFFICE OF ACCOUNTS & CONTROL

**ACCOUNTS RECEIVABLE ACCRUALS –
FISCAL CLOSE
POLICY A-78**

Division Contact :
Louise Sawtelle
401-222-2704
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Effective 4/12/2023

1. Purpose

To provide guidance to State personnel regarding the appropriate recording of accounts receivable transactions.

2. Definitions

- a. Revenue (subject to modified accrual basis): income earned during the fiscal year but not yet billed/received. Revenue should be recognized in the period when it becomes susceptible to accrual – which is to say it’s been earned and is both measurable and available to finance that period’s expenditures.
- b. Office: The Office of Accounts and Control (A&C) within the Department of Administration
- c. Fiscal Close Timetable: annual communication from the Office to all agency Chief Financial Officer’s (CFO’s) highlighting the activities and related deadlines required to be met for fiscal close. It is also posted on the Office website.
- d. Revenue recognition criteria: “earned” “measurable” and “available”
 - i. Earned– revenues are recognized based on the satisfaction of a performance obligation. Earned revenues occur upon the satisfaction of a performance obligation when one party (the State) transfers control of a resource (a distinct ‘good’ or ‘service’) to the other party.
 - ii. Measurable – the value, i.e., dollar amount, is easily identifiable
 - iii. Available– either legally available for use during the period and collected within the period or within 60 days of the next period to be used to pay the liabilities of the period.
- e. Accounts Receivable Journal Cover Form: form that confirms all revenue amounts that are accrued as of June 30th. If no accruals are applicable, the form must still be filled out and signed by the applicable agency personnel to confirm this.
- f. *Fund Balance Reporting and Governmental Fund Type Definitions*: Constraints are imposed upon resources when reporting fund balance in governmental funds. Source restricted (03), transfers (05), and other (09) are not legally allowed to be in a cash shortage position as of June 30th.

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3. Applicability

This Policy shall apply to all departments and agencies of State government utilizing the State financial system.

4. Timing of Revenue Recognition

- a. Revenue should be recognized immediately upon receipt of funds, or as soon as reasonably possibly thereafter.
- b. Revenue accruals (recorded as accounts receivable) at year end should be recognized when they are earned and are both “measurable” and “available.”
 - i. For example, if revenue is earned by June 30th, but the State will not receive the funds until after June 30th, it can be accrued as a receivable at year-end if the following criteria are true:
 - It is “measurable” – i.e., the exact amount is known, or it can be reasonably estimated AND
 - It is “available” – the amount will be collected within 60 days post June 30th.
- c. Revenue and accounts receivable should be posted before the June period closes. Note: the June period typically closes the middle of July. Refer to the annual fiscal close timetable for exact date.

5. Process for Recording Accounts Receivable at Year End

- a. Accounts receivable that are earned, measurable and available as of June 30th, but not yet received must be recorded using the process set forth below. Agency personnel must:
 - i. Complete, sign, and submit Accounts Receivable Journal Cover Form and ADI spreadsheet to the Office by date specified on annual fiscal close timetable. Detailed backup must include but is not limited to copies of invoices and/or detailed expense transactions and/or accounts that support amounts for which the State will receive funds. These must be included with ADI spreadsheet submissions.
 - ii. Report individual account items that equal or exceed the threshold listed in the fiscal close timetable, or totals for a single line sequence that equal or exceed

State of Rhode Island
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the threshold listed in the fiscal close timetable, or total that exceed 20% of the individual federal award

- iii. Report any valid receivable amount for the purpose of ensuring a source 03 (restricted), 05 (operating transfer) or 09 (other funds) account is not in a cash shortage position as of June 30th.
- iv. Provide a justification if submitting an accounts receivable for an amount less than the threshold listed in the fiscal close timetable. Note: this will be considered if it represents a material (significant) part of that agency. the Office will consider recording each of these smaller accounts receivable on a case-by-case basis
- b. If an agency has no valid accounts receivable as of June 30th, the agency must provide the A/R journal cover form signed attesting there are no valid receivables as of June 30th.
- c. All documents submitted must be signed by the agency's Chief Financial Officer.
- d. Requests to record accounts receivable amounts after the deadline set by the Office will not be recorded. Exceptions to this rule will be considered on a case-by-case basis if submitted with appropriate supporting documentation and justification by the director/CFO of the agency in question.

6. Signatures:

Dorothy Pascale

State Controller

April 18, 2023

Date



Director of Administration

4/19/23

Date