



STATE OF NEW YORK
UNIFIED COURT SYSTEM
 OFFICE OF COURT ADMINISTRATION
 DIVISION OF FINANCIAL MANAGEMENT
 AGENCY BLDG. 4 - 19TH FLOOR
 4 ESP, SUITE 2001
 EMPIRE STATE PLAZA
 ALBANY, NEW YORK 12223-1450
 (518) 474-4971

JONATHAN LIPPMAN
 Chief Administrative Judge

ANN T. PFAU
 Deputy Chief Administrative Judge

JOSEPH M. DECHANTS
 Assistant Deputy Chief
 Administrator

TO: All Holders of the Financial Planning and Control Manual

NEW ACCOUNTING PROCEDURES

BULLETIN NUMBER: 288	September 18, 2002
SUBJECT: Recovery of Audit Disallowances	

This supersedes the provisions of New Accounting Procedures Bulletins 124, dated March 13, 1989.

Attached is OSC Accounting Bulletin A320-R1 dated October 26, 1999. This bulletin supplements procedures contained in section K-037 of the Executive Branch Budget Policy and Reporting Manual (also attached herein) and details the steps to be followed by UCS courts and agencies when recovering overpayments and other disallowed amounts previously paid from lapsed appropriations. Any such overpayments made from current State appropriations may typically be recovered from the vendor via an offset against current year payments or by way of a repayment and Refund of Appropriation.

Please ensure the distribution of these materials to all personnel within your respective jurisdictions who may be responsible for the processing of, or the monitoring of internal controls relating to, payments from State appropriations. Thank you for your cooperation.

NYS UNIFIED COURT SYSTEM
 FOR ADMINISTRATIVE
 PURPOSES ONLY

 Joseph M. DeChants

Office of the New York State Comptroller

H. Carl McCall, State Comptroller

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Accounting Bulletin

Bulletin No. A-320-R1

October 26, 1999

Collection of Debt Through the Use of Offset Procedures

Introduction

OSC has been working with the Division of the Budget and the Department of Taxation and Finance (DTF) to implement DOB's "Guidelines for Accounts Receivable Management and Collection", Section K of the Budget Policy and Reporting Manual. As a result, this bulletin contains information which supplements the DOB Guidelines, including:

- The procedure for intra-agency administrative offset;
- Expansion of the current Contract Voucher Offset process to include non-tax debt; and
- The procedure for refunding an amount previously offset.

Administrative Offset Procedures

Item K-037 in DOB's Guideline defines an administrative offset as an "intra-agency collection method whereby a payment from a State agency is withheld in whole or in part to satisfy a non-tax debt to that State agency." To withhold the payment or a portion of it, the agency should adjust the voucher to reflect the appropriate amount to be offset. Use the following procedure to withhold an administrative offset after verifying the debt and notifying the debtor as required in K-037.

1. To offset part of a payment, prepare a Voucher, Payee Continuation and Batch Transmittal as usual, noting the following special requirements.

- Voucher
 - Payee ID and Payee Name - Enter the ID and name of the debtor.
 - Payee Amount - Enter an amount equal to the original Payee Amount minus the offset. The offset amount includes interest, penalties and collection fees.
 - Description - Enter an explanation of the nature and amount of the offset (or include in an attachment).
 - Charge/Liquidation - Enter the cost center, object code and contract liquidation data that would have been charged if no offset had been withheld from this payment.
- Payee Continuation (AC 2395)
 - Payee ID - Enter the Payee ID of the debtor.
 - Route - Enter 'A' for the offset check to be returned to the agency.
 - Payee Name, Line 1 - Enter the name of the account into which the offset check must be deposited. If the account is maintained in the State treasury, enter "Commissioner of Taxation and Finance."

- Payee Name, Line 2 - Enter "Offset" and the debtor's name, so they will appear on the face of the check.
- Address, Line 1 - Enter the Payee ID of the debtor so it will appear on the face of the check.
- Payee Amount - Enter the total amount of the offset, including interest, penalties and collection fees.
- IRS Code - Enter the IRS Code, if any, that appears on the voucher.
- Reference/Invoice No. and Date - Enter information you want to appear on the check stub to facilitate posting your accounts receivable.
- To offset the entire payment, a Payee Continuation form is not needed. Instead, prepare a voucher by entering the information which would be required on the Payee Continuation for partial payment offsets, and enter the cost center, object code and liquidation data that would have been charged if no offset had been withheld from this payment. As with a partial offset, agencies must include an explanation of the nature and amount of the offset with the voucher.

2. After receiving the offset check, deposit it in the appropriate account. If that account is maintained in the State treasury, prepare a Report of Moneys Received (Form AC909). Use object code 35338 for interest, penalties and collection fees. Use the appropriate revenue object for the balance of the offset.

3. Forward the check and AC909 copy to Division of the Treasury and the AC909 original to OSC.

Expansion of Contract Voucher Offset

This section replaces Bulletin A-226 issued 12/16/89. OSC and the Department of Taxation and Finance have implemented a Contract Voucher Offset Process for diverting all or part of a contract payment to DTF to credit a contractor's delinquent tax account. That process has been expanded to include offset of non-tax debt against agency contract payments.

As explained in Item K-052 and Appendix E of DOB's Guidelines, agencies can certify past-due, legally enforceable, non-tax debt to DTF for offset against State payments, DTF will review tax refunds and active contracts for those debts certified to DTF. If there are insufficient tax refunds currently payable to satisfy those debts, DTF will advise OSC to flag the contracts of such debtors and will also continue to offset any additional tax refunds as they become available.

As vouchers charging flagged contracts are released for payment by OSC auditors, the Central Accounting System (CAS) will reject the vouchers for offset processing by OSC. DTF will post its files, advise OSC of the disposition of the moneys offset and advise creditor agencies of offsets monthly so agencies can adjust accounts receivable balances. Agencies originating vouchers against which offsets are applied will see on the Daily Payee List (VOU065) that all or part of a payment has been made to the Commissioner of Taxation and Finance.

NOTE: In order for the offset process to function properly, it is essential that agencies enter correct Payee ID's when processing both Contract Encumbrance Requests and Vouchers.

Agencies should process contract payments as usual, even after becoming aware of offsets applied against a contractor.

Information relating to tax and non-tax offsets is confidential and must be treated as such by OSC, DTF and agency personnel.

Procedure for Refunding Offsets

As stated in Item K-052(H) of DOB's Guidelines, erroneous offsets can occur, for example, when a debtor remits payment at the same time an offset is applied. When an erroneous offset occurs, the creditor agency must initiate a refund to the debtor from the fund into which the offset was deposited. If the offset was deposited in a fund maintained in the State Treasury, prepare a Special Charge Voucher (AC 916). The AC916 should be prepared as explained in Section 6.0700 of OSC's Controls and Special Procedures Manual, noting the following special requirements.

- Voucher Number - Enter 'RA' in the first two positions of voucher number.
- Payee ID, Name and Address - Enter the ID, name and address of the payee due the refund.
- Payee Amount - Enter the total amount of the refund.
- Description or Reason - Enter the reason for the refund, the date the erroneous offset occurred and the revenue cost center, object and fund/sub-fund to which the offset was credited.
- **Cost Center Code - Enter "02 816508 RA 44".**
- NOTE: This cost center will charge the Comptroller's Refund Account. OSC will subsequently prepare a journal transfer reimbursing the Comptroller's Refund Account and charging the Revenue Arrearage Account.
- Object - Enter '59610' which represents refunds.

Prepare a Batch Transmittal using Batch Type 'CRA' and forward with the voucher to OSC.

NOTE: To reduce the possibility of erroneous offsets, creditor agencies must provide timely updates of Debtor balances to DTF as explained in Appendix E to DOB's Guidelines.

Questions

Direct questions on this bulletin to the Accounting Information Center at (518) 473-1170.

BUDGET POLICY AND REPORTING MANUAL

<i>date</i> 4/1/93	<i>subject</i> Administrative Offset	<i>item</i> K-037
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A. Purpose and Scope

This item establishes policies and procedures prescribed by the Director of the Budget for all State agencies regarding the use of an administrative offset as a method of collecting past-due debt.

An administrative offset is an intra-agency collection method whereby a payment from a State agency is withheld in whole or in part to satisfy a non-tax debt to that State agency. Funds collected by an intra-agency offset are not deposited in the Revenue Arrearage Account.

B. Procedures for Obtaining Payment of Debt Through Intra-Agency Administrative Offset

1. Internal Verification

Once an account is classified as past-due, a State agency is responsible for determining through an internal verification procedure, whether the debtor owing money to the State agency will also receive a payment from that same State agency. If such a payment is deemed to be forthcoming to a debtor who also owes a past-due debt, then the State agency should attempt to implement an administrative offset.

Example:

A not-for-profit drug treatment facility has been audited by the State Comptroller and found to have been overpaid by Agency A three years earlier. Written repayment requests by Agency A to the treatment facility have not been disputed by the facility, nor has the treatment facility made any repayment.

Meanwhile, under an existing contract between Agency A and the treatment facility, Agency A is preparing to make a payment to the treatment facility for current services. Agency A should withhold the payment amount equal to the previous disallowance as an administrative offset.

2. Intra-Agency Cross-check

In order for prompt payments to be made to vendors, not-for-profit corporations, and other private service enterprises, it is important for State agencies to determine quickly if a payment should be reduced in order to satisfy an outstanding debt.

State agencies must create and maintain a centralized system. In order to determine if an administrative offset is warranted, the State agency should compare all debts that are over 90 days past-due with its voucher file. This should be done on a monthly

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basis. Both the past-due debt file and the voucher payable file should contain Social Security Numbers and Employer Identification Numbers.

If a match is made between the two files, the central fiscal office of the State agency should immediately confirm with the appropriate accounts receivable billing office that the debt is still outstanding. If the debt has not been paid, the central fiscal office should reduce the voucher to reflect the appropriate offset, inclusive of any interest, penalties, returned check charge, and collection fees. This voucher should be prepared according to special procedures issued by the Office of the State Comptroller.

C. Debtor Notification

Prior to the submittal of a voucher to the Comptroller for payment, the State agency must notify the debtor in writing that a reduced payment will be made. The State agency's notification should itemize the debt (principal, interest due, etc.) and provide the debtor with a State agency contact and telephone number if the debtor wishes to seek further information and clarification.

If a debtor contacts the State agency, either by telephone or in writing prior to the implementation of administrative offset and requests clarification of the billing charges, protests the bill, asks for a hearing (if applicable), or asks to meet with a State agency representative to discuss the debt, **the State agency should not implement an administrative offset.**

The State agency should proceed to resolve any dispute with the debtor. If the creditor State agency can substantiate the debt while meeting the appropriate due process requirements, then that agency may resume any administrative offset action — if the opportunity is still available.

If a debtor does not contact the creditor agency within 30 days after the date of the notification letter, the creditor agency shall assume due process requirements have been met and it can implement an administrative offset.

D. Summary

It is important to stress that administrative offset requires:

1. Timely and coordinated intra-agency information sharing;
2. Complete debtor information (name, address, Social Security Number or Employer Identification Number);

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3. Complete debt information (e.g., amount of debt, date of bills sent from the State agency);
4. Appropriate documentation (e.g., microfiche, image storage, microfilm or paper copy of correspondence from a debtor); and
5. Internal controls within the State agency's central fiscal office concerning administrative offset.

Since State agencies may bill in a decentralized manner and receive payment for accounts receivable on a regional basis, it is important that a State agency implement an administrative offset only after it has afforded sufficient opportunity for a debtor to make full payment.

It should be noted that the Office of the State Comptroller may initiate an intra-agency offset according to the Comptroller's constitutional authority.