



State of Arizona Accounting Manual

Topic 20 Current Assets
Section 22 Delinquent Debt Processing

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INTRODUCTION

To function properly and equitably, it is necessary for the State of Arizona to collect the money due it.

It can be readily demonstrated that the longer a delinquent account goes without having been collected, the less likely it will ever be collected. It is necessary therefore to take those steps dictated by standard business practices and fiduciary duty to accelerate collection activities and thereby increase amounts collected.

This section of SAAM deals with what actions agencies should take with respect to delinquent accounts.

POLICIES

1. Agencies are to make reasonable efforts to collect all amounts due to the State of Arizona on a timely basis.
2. Reasonable agency-level collection efforts are those that are commensurate with the amounts owed to the State and with the circumstances causing the delinquency.
 - 2.1. For amounts:
 - 2.1.1. Less than twenty-five dollars (\$25), a single collection letter or documented telephone call within thirty (30) calendar days of the delinquency suffices as a reasonable collection effort.
 - 2.1.2. For amounts of twenty-five dollars (\$25) or more, but less than one hundred dollars (\$100), an initial collection letter within thirty (30) calendar days of the delinquency and a second collection letter approximately thirty (30) days later constitute a reasonable collection effort.
 - 2.1.3. For amounts of one hundred dollars (\$100) or more, an initial collection letter within thirty (30) calendar days of the delinquency plus two (2) collection letters following the initial collection letter by thirty (30) and sixty (60) days respectively represents a reasonable collection effort.
 - 2.2. With respect to circumstances:

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- 2.2.1. If at any time the agency receives a notice of the debtor's filing a petition for bankruptcy, all agency collection efforts must immediately be discontinued; the notice and all information related to the debt must be forwarded to the OAG.
- 2.2.2. If any invoices or collection letters are returned to sender because of an incorrect address, after research to determine the correct address has been unsuccessfully conducted, the account plus appropriate documentation should be forwarded to the OAG.
3. The following dunning messages are to be used in connection with delinquent accounts:
 - 3.1. For delinquencies of thirty (30) days but less than sixty (60) days:

Your payment is 30 days past due - please remit payment for the referenced invoice immediately.
 - 3.2. For delinquencies of sixty (60) days but less than ninety (90) days:

Your payment is 60 days past due - if payment is not received within five (5) days, your account may be forwarded to the Office of the Attorney General for collection.
 - 3.3. For delinquencies of ninety (90) days but less than one hundred twenty (120) days:

Your payment is 90 days past due - your account was referred to the Bankruptcy and Collection Enforcement Section at the Office of the Attorney General. For questions regarding payment, please contact the Office of the Attorney General at (602) 542-1719.
4. In keeping with the Arizona Constitution, Article IX, Section 7, amounts that are due to the State that are determined to be uncollectible are not forgiven, but may, for the sake of efficiency and fairness of financial reporting, be removed from the State's books of account, if they are recorded therein.
 - 4.1. Uncollectible accounts may be wholly or partially removed from the State's books of account, if they have been recorded in AFIS, following the process prescribed by A.R.S. § 35-150.E and outlined below.
 - 4.1.1. The Office of the Attorney General (OAG) determines whether an account is wholly or partially uncollectible.
 - 4.1.2. The OAG annually provides the State Comptroller a list of uncollectible amounts may be removed from the State's accounting system.
 - 4.1.3. The Joint Legislative Budget Committee (JLBC) reviews the list of uncollectible amounts.
 - 4.1.4. After review by the JLBC, the State Comptroller may remove uncollectable debts from the State's accounting system.

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- 4.2. Since much of the State's accounting is done on a cash or modified accrual basis, receivables are frequently not entered into AFIS, the State's accounting system. It is possible that an amount determined be uncollectible was never entered into AFIS and it is unnecessary (and, in fact, impossible) to remove it from AFIS.
 - 4.2.1. If reasonable, but unsuccessful, collection efforts have been made the agency, accounts remained uncollected should be submitted to the Office of the Attorney General (OAG) for evaluation of collectability and, if warranted, additional collection or negotiation efforts.
 - 4.2.1.1. In all cases, accounts due the State that remain delinquent after one hundred twenty (120) days are to be forwarded to the OAG for further processing.
 - 4.2.2. Accounts with respect to which the OAG has determined no additional attempts at collection or negotiation are warranted are presented by report (no less frequently than) annually to the JLBC for review.
 - 4.2.3. If favorably reviewed by the JLBC, accounts warranting no additional collection or negotiation efforts are forwarded by the OAG to the State Comptroller.
 - 4.2.4. The State Comptroller may remove such accounts from the State's books, if they are recorded therein.
 - 4.3. For purposes of this policy, the phrases "books of account" and "they are recorded therein" refer to the State's principal statewide automated accounting system, AFIS.
 - 4.3.1. Because not all agencies record accounts receivable in AFIS, not all uncollectible accounts reported by the OAG and reviewed by the JLBC can or will result in a write-off entry being made by the GAO in AFIS (there is, in fact, no account or transaction in AFIS to remove).
 - 4.3.2. Upon receiving from the OAG notification that a delinquent account has been approved for removal from the State's books of account, an agency may remove an uncollectible account from any of their off-line systems and may discontinue any attempts at collection. Only the GAO may remove uncollectible accounts from AFIS.
5. Important information and forms for communicating with the OAG concerning collection referrals is available at <https://www.azag.gov/bce/client-agency>.
6. The OAG retains or shall be paid thirty-five percent (35%) of all monies it collects on behalf of State agencies.
7. SAAM 4040 contains information about requesting accounting corrections involving receipt-related transactions.