



State of Arizona Accounting Manual

Topic 70 Grants

Issued 12/02/19

Section 70 Federal Offset Communication Requirements

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INTRODUCTION

A Federal offset occurs when grant proceeds or other payments due to the State from the Federal government are withheld to settle a debt that the Federal government considers delinquent.

The government of the State of Arizona is a single entity possessing a single Taxpayer Identification Number (TIN). Because of this, when collecting delinquent debts owed by any agency, the common practice of the Federal government is to reduce the next draw request, irrespective of which agency is responsible for the debt. So, for example, if Agency A is delinquent in settling a debt owed the Federal government, the latter settles the delinquency by reducing the proceeds of a draw made by Agency B, because Agency B's draw was the one that next came up for payment. These procedures and the resulting offsets are administered by the Federal Treasury Offset Program (TOP).

It is important to realize that the TOP is authorized to discuss Arizona offsets only with the General Accounting Office (GAO), not with any of the affected agencies. This means that an agency must promptly notify the GAO of any debt-related communications or activities involving the agency and the Federal government.

A State agency might, though frequently does not, receive a notice of debt owed, a demand for payment, a notice of intent to offset, or a notice of offset. This policy details what an agency that receives such a demand or notice must do.

POLICIES

1. If any agency receives a notice of debt owed, a demand for payment, a notice of intent to offset or a notice of offset from any element of the Federal government, a copy of that demand and information concerning any action taken or intended to be taken by the agency must be communicated as soon as practicable to the GAO at federalgrants@azdoa.gov.
2. All documents to be provided to the GAO under this policy are to be scanned or otherwise be in an electronic format. Original documents are to be retained by the agency that receives them.
3. As appropriate to the circumstances described, the following information and/or correspondence related to a debt owed to and claimed to be delinquent by the Federal government must be communicated by an agency to the GAO as soon as practicable.

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	If an agency receives:	The following information and/or correspondence is to be forwarded to the GAO:
3.1	A notice of debt owed to the Federal government that pertains to the agency that received it, the debt is not disputed, and the agency has paid the debt.	The notice of debt and proof of payment.
3.2	A notice of debt owed to the Federal government, which the agency disputes or has disputed.	The notice of debt, any correspondence related to the dispute, and a written explanation of the dispute, if it is not contained in any relevant correspondence.
3.3	A notice of debt owed to the Federal government, but the agency does not know what to do with the notice.	The notice of debt, so that the GAO can help the agency resolve the matter.
3.4	A notice of intent to offset (or to refer for offset) that pertains to the agency that receives it, but the agency has already paid the debt.	The notice of debt and the relevant proof of payment.
3.5	A notice of intent to offset (or to refer for offset) that pertains to the agency that receives it, but which the agency disputes or has disputed.	The notice of debt, any correspondence related to the dispute, and a written explanation of the dispute, if it is not contained in any relevant correspondence.
3.6	A notice of intent to offset (or to refer for offset), but the agency does not know what to do.	The notice of intent to offset (or to refer for offset), so that the GAO can help the agency resolve the matter.
3.7	A notice of offset.	The notice of offset, so that the GAO can, if necessary, work with the TOP to resolve the matter. The notice is needed by the GAO whether the debt or the offset pertains to the agency that receives the notice, or whether the offset is or has been disputed.