

November 2020 – Topic of the Month – Non-Sufficient Funds (NSF's) and Related Accounting Corrections and Requests for Write-offs

INTRODUCTION

The Topic of the Month is being provided as a resource to agencies and employees to better understand the requirements, responsibilities and expectations that come with certain processes, positions, and functions. The goal is to ensure that agencies have the knowledge to consistently comply with State and Federal law, regulations and guidelines, while reducing the risk of fraud, waste and abuse. This month's topic is Non-Sufficient Funds (NSF's) and Related Accounting Corrections and Requests for Write-offs. If there are any topics that your agency is struggling with and/or would like additional information on, please contact your GAO Liaison. GAO is here to help!

ACCOUNTING CORRECTIONS

There are a number of situations related to receipts that require an accounting correction to be made that are addressed in SAAM 4040: *Revenues and Receipts- Accounting Corrections Involving Receipt-related Transactions*.

Note: These types of corrections are those that require an adjustment to realized revenue, but do not involve actual amounts due to the State.

SAAM 4040 applies to the following types of receipt-related transactions:

- Checks that have been returned to the State due to non-sufficient funds (NSFs), stop payments or account closures when:
 - The original payment was for a license, including both original and renewals, that was either never issued or immediately revoked
 - *Be mindful that if the license fee includes an application processing charge, and the application was processed, that this is in fact considered a service, which makes the fee an actual amount due to the State and cannot be handled with an accounting correction.*
 - The payment is a duplicate payment
 - A check written as a replacement of an NSF was erroneously recorded as revenue rather than a payment of an NSF receivable
 - *This would have the effect of overstating revenue and should be processed as an accounting correction.*
 - The payment was for goods or services, other than licensing, that were not delivered or rendered
 - The amount was recorded in AFIS as an accounts receivable that has been determined uncollectable by the Attorney General and has been approved for write-off by the JLBC
 - Simple accounting mistakes in recording revenue-related transaction or other situations that require correction
 - Other extraordinary situations that GAO determines, on a case-by-case basis, can be corrected with an accounting correction

How Do I Record an Accounting Correction?

Use Form GAO-21: *Request for an Accounting Correction*, which can be found on the GAO website at <http://gao.az.gov/publications/forms> and use as an attachment in the AFIS document.

November 2020 – Topic of the Month – Non-Sufficient Funds (NSF's) and Related Accounting Corrections and Requests for Write-offs

NONSUFFICIENT FUNDS (NSFs)

Processing NSFs Seems Complicated. Does GAO Provide Any Other Resources?

Yes, GAO has a Quick Reference Guide (QRG) *Handling an NSF*, which can be found on the GAO website at <https://gao.az.gov/sites/default/files/Handling%20an%20NSF.pdf>

This QRG walks the reader through detailed step-by-step processes of how to process the various types of NSFs. Receiving an NSF check can lead to one of three possible activities by the agency: an NSF Redeposit, and NSF Accounting Correction, or an NSF Receivable Write-off. The QRG provides instructions for proceeding through each of these potential activities.

How Can I Determine if My Agency Has Any Outstanding NSFs?

Run the infoAdvantage Statewide Report located in the Statewide, General Ledger folder, FIN-AZ-GL-N605 BSA (Balance Sheet Account) Balances by Month. Select BSA 0582 NSF Checks Receivable.

REQUESTING WRITE-OFFS

My Agency Determined the Monies Are Owed for Amounts Due to the State, Now What?

What collection efforts is my agency required to take?

SAAM 2022: *Current Assets - Delinquent Debt Processing* identifies specific actions that agencies must take based upon the amount owed and related circumstances. Policy requires agencies to follow up on delinquent debt accounts at 30, 60, 90 and 120 days.

What happens with accounts that remain delinquent after 120 days?

SAAM 2022 requires that agencies forward these delinquent accounts to the Office of the Attorney General (OAG).

What is the process for forwarding delinquent debt/accounts?

The following link describes the process for forwarding delinquent accounts.

<https://www.azag.gov/bce/client-agency>

This includes instructions for the following:

- 1) *Collection Referral Process* – The process for referring the collection of debt to the OAG
- 2) *Uncollectible Debt Referral Process* – The process for cases not referred to the OAG that need to be placed on the JLBC report for write-off.
- 3) *Bankruptcy Referral Process* – The process for forwarding bankruptcy notices to the OAG
- 4) *Quarterly Debt Notification Process* – The process for submitting delinquent debt reports to both the OAG and the General Accounting Office (GAO)
- 5) *Case Status Update Requests* – The process for requesting status updates on accounts forwarded to the OAG for collection

November 2020 – Topic of the Month – Non-Sufficient Funds (NSF's) and Related Accounting Corrections and Requests for Write-offs

What guidance does the Attorney General's Office provide about NSF's?

<https://www.azag.gov/bce/client-agency> states:

NSF Debt Collection Referrals

Specific guidance as to collecting NSF debt for twice the amount owed or fifty dollars, whichever is greater, can be found in [A.R.S. §12-671](#). Prior to sending an NSF debt to the Attorney General's Office for collection, you should send a demand notice to the debtor's address as it appears on the check via certified mail with a return receipt requested. If you are successful in getting the debtor to sign for the notice at that address, and the debtor does not respond or pay within 12 days of receiving the notice, then a collection referral packet as described above should be sent to the AGO. Acting quickly on NSF's should be a high priority, as the likelihood of collection will be greatly diminished with time. If you are unable to meet the requirements of this statute, you should then consider referring the debt for collection through our normal Collection Referral Process, or referring for write-off.