



State of Arizona Accounting Manual

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INTRODUCTION

The State may, from time to time, engage the services of one or more recovery vendors to recoup monies not previously collected or erroneously expended.

The recovery vendor(s) will direct recovered monies to the applicable agency and subsequently bill the agency for a percentage of the recoveries. Recovery efforts may result in reimbursement of expenditures from both appropriated and non-appropriated funds, grant-related expenditures, as well as the recovery of uncollected revenues. This section of SAAM outlines how to account these recoveries.

POLICY & PROCEDURES

1. In order to comply with Form 1099-MISC reporting requirements:
 - 1.1. The GAO must be notified of any cost and revenue contracts entered into by any State agency. Agencies must submit copies of these contracts to the GAO for review within thirty (30) days after the effective date of the contract.
 - 1.2. Any arrangement involving the recovery of costs or revenues must specify that the total amount recovered be remitted to the State and that the State then pays the recovery vendor any fee or commission due. That is to say, an agency is not to agree to and should not accept remittances net of fees or commissions.
 - 1.3. A recovery vendor should be established in AFIS before any payments are made to the vendor.
 - 1.4. All payments to a recovery vendor must be made using the appropriate vendor/customer identification, which will infer the payee's tax identification number (TIN); payments to recovery vendors are not to be made using the identifier MISPAYVEND.
2. Cost recovery of appropriated funds.
 - 2.1. If the cost recovery applies to appropriated funds from the current budget fiscal year (BFY), the agency must deposit this monies with the Office of the State Treasurer (OST) as a reduction of expenditures and make subsequent payments to the recovery vendor in AFIS using the current BFY in combination with the expenditure object and appropriation unit that were used for the original expenditure.

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- 2.2. If the cost recovery applies to appropriated funds from a prior BFY, the agency must deposit these monies with the OST and make subsequent payments to the recovery vendor in AFIS using the current BFY and revenue object 4821 (Prior Year Reimbursements (Refunds)). The agency may use any appropriate unit in AFIS that accepts revenue object 4821.
- 2.3. For reconciliation purposes, the agency should note the original expenditure claim document number in the document description or line description for both the deposit transaction and subsequent payment to the recovery vendor.
3. Cost recovery of non-appropriated funds.
 - 3.1. If the cost recovery applies to non-appropriated funds from the current BFY, the agency should deposit these monies with the OST as a reduction of expenditures and make subsequent payment to the recovery vendor in AFIS using the current BFY in combination with the expenditure object and appropriation unit that were used for the original expenditure.
 - 3.2. If the cost recovery applies to non-appropriated funds from a prior BFY, the agency may either:
 - 3.2.1. Deposit the monies with the OST as a reduction of expenditures and make subsequent payments to the recovery vendor in AFIS using the prior BFY in combination with the expenditure object and appropriation unit that were used for the original expenditure, or
 - 3.2.2. Deposit the monies with the OST as a reduction of expenditures and make subsequent payments to the recovery vendor in AFIS using the current BFY in combination with the expenditure object and appropriation unit that were used for the original expenditure. If the appropriation unit does not exist in the current BFY, contact the GAO for further assistance.
 - 3.3. For reconciliation purposes, the agency should note the original expenditure claim document number in the document or line description field for both the deposit transaction and subsequent payment to the recovery vendor.
4. Cost recovery of funds associated with Federal Grants.
 - 4.1. If the cost recovery applies to a current or prior BFY for appropriated or non-appropriated funds that are also associated with a Federal Grant and the benefit period of the grant has expired, the monies, net of recovery fees, must be returned to the grantor in accordance with 2 USC 200 requirements and the terms of the grant award letter. If the agency is given permission from the grantor to retain recovered monies as program income and expend them, written documentation of such permission must be secured and retained by the agency.

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4.2. Federal grant terms and conditions may dictate procedures that differ from those contained in this section of SAAM. In such cases, the terms and conditions of the Federal grant take precedence and must be followed.

5. Recovery of uncollected revenues.

5.1. If uncollected revenues are recovered, the agency should deposit the monies with the OST and make subsequent payments to the recovery vendor in AFIS using the current BFY in combination with the revenue object and unit number that would have been used had the revenue been collected on a timely basis. Note that the subsequent payment to the revenue vendor is to be treated as a revenue reduction transaction.

5.2. For ninety/ten (90/10) revenues recovered, both the deposit and the subsequent payment to the recovery vendor should reflect the appropriate revenue splitting arrangement.

5.3. For reconciliation purposes, the agency should note in the document or line description field for both the deposit transaction and the subsequent payment to the recovery vendor that the transaction is a revenue recovery.