



# State of North Carolina

## Office of the State Controller

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**STATE CONTROLLER**

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### **CONTROLLER'S OFFICE CONTINUES EFFORTS TO IDENTIFY AND COLLECT INADVERTENT OVERPAYMENTS MADE BY STATE AGENCIES TO VENDORS**

**RALEIGH** – As part of the Office of the State Controller's ongoing audit of agency overpayments covering fiscal years 2005 through 2007, to date more than \$220,000 has been recovered from inadvertent overpayments by state agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors. Approximately 2 million payments totaling more than \$1.2 billion were processed in the North Carolina Accounting System (NCAS) during fiscal year 2007 alone.

For fiscal years 1996 through 2004, OSC recovered more than \$4.5 million through the overpayment audit process. The majority of these findings related to duplicate payments and outstanding credits. In addition to recovering monies owed to the State, OSC has also focused on identifying systemic root causes and sources of overpayment errors and recommending improvements to the internal control structure to reduce future overpayments. Among other things, recommendations have included ensuring that credits for goods and services are recorded promptly in the accounts payable system and requiring original invoices for all supplier payments. The process involved in identifying overpayments includes:

- Comparing invoices and adjustment transactions to state term contracts, purchase orders and other documentation, using both electronic records and paper invoices and purchase orders
- Performing a comprehensive electronic audit on paid history data to detect potential duplicate payments, missed discounts, open credits and other allowances
- Soliciting vendor statements for appropriate state agencies and auditing them for open credits
- Performing an audit on certain types of lease contracts and time-and-materials contracts to identify potential overpayments
- Auditing state term contract agreements against prices in the corresponding E-Procurement catalogs and subsequent purchases to ensure catalog terms match contractual agreements

As set forth in General Statute G.S. 147-86-22, OSC is mandated to contract with a third party vendor to perform an audit and collection process. The third party vendor is compensated only from the funds recovered as a result of the audit. Each biennium's appropriations budget identifies how OSC can spend audit recovered funds.

*The State Controller is North Carolina's chief fiscal officer. The Office of the State Controller serves as an independent resource to ensure the financial integrity of the State by providing accounting, disbursing, payroll, internal control and financial reporting systems that serve state agencies, employees and the public and maximizing financial return through its statewide cash management plan.*