



Overpayments Audit and Recovery Program

Policy Area: Overpayments Audit and Recovery Program	Effective Date: 1/1/1999
Policy Sub Area: N/A	Last Revision Date: N/A
Authority: G.S. 147-86.22	Policy Owner/Division: Risk Mitigation Services

Policy

Inadvertent overpayments occur as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and other related errors. North Carolina G.S. 147-86.22 requires the Office of the State Controller (OSC) to negotiate a contract with a third party to perform an audit process of inadvertent overpayments by State agencies. This legislation states:

“(T)he State Controller shall negotiate a contract with a third party to perform an audit and collection process of 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. The third party shall be compensated only from funds recovered as a result of the audit.”

This legislation further stipulates that this work does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services.

All state entities that operate under the purview of G.S. 147-86.22 must comply with the provisions of the overpayments audit and collection process, as defined by the Office of the State Controller.

Procedures

To ensure claims are processed timely and efficiently, the following procedures are in effect for the Overpayments and Recovery Audit:

1. The contracted auditor will send statement letters on OSC letterhead requesting current accounts receivable statements for state vendors.
2. Once a claim has been identified, the auditor will contact the vendor and document the contact information for confirmation and audit trail. The auditor will make any additional information available to the vendor. The agency will be contacted by the auditor to review open credits found during the audit and insure that no activity has taken place within the last 180 days from the payment date or credit memo date. If no activity has occurred the agency must show substantial proof (i.e., dated

correspondence to the vendor on the item(s) in question) that there was a diligent effort put forth to work with the vendor in closing the credit. This correspondence must be in the form of an email, facsimile, or letter. If no correspondence is made, the agency is required to process the claims collection by entering a debit or credit memorandum or by authorizing the request for a refund. It is the auditor's responsibility to contact the vendor if a refund is applicable.

3. Before any monies are received, the agency and the vendor are required to give written authorization (e.g., fax, email) to OSC via the auditor regarding the credit. The agency will then complete step 4 below. If a vendor sends a refund check directly to OSC, the check must be made payable to the State of North Carolina-Office of the State Controller. These funds will be deposited in the OSC Recovery Fund as required by the legislation for this audit.
4. The agency is required to enter the credit/debit memorandum into its Accounts Payable system within five (5) working days of receipt. This credit is to be recorded to the 211270 A/P Recovery Clearing account. Once the credit has been processed, the agency will transfer monies, using the North Carolina Accounting System (NCAS) vendor named OSC-CENTRAL ACCTS (CMCS 4174) number 561611588-07, from the liability account to the OSC Recovery Fund.
5. The OSC is responsible for following up with agencies that are not processing claims in a timely manner or utilizing their best possible management practices.
6. When claims that are presented to the agency are supported by federal funds, the agency is required to inform the auditor of the federal participation rate. The auditor should then notify OSC. In order to ensure proper accountability of these type claims, the entire recovery will be deposited in the OSC Recovery Fund. OSC will submit the contracted percentage of the claim amount to the auditor and transfer the remaining federal portions of the claims back to the agency to distribute to the grantor agency.
7. The OSC is excluding from the audit, purchases of medical services and/or payments, invoices or payments already in dispute, payments made under the purview of the Department of Correction's Cadence Utility Accounting Program, and universities' institutional trust funds. These trust funds are not subject to the recovery of overpayments audit established by the current statute due to the restrictive nature of these funds.

Questions regarding this audit should be directed to OSC Support Services at (919) 707-0795.

NCAS Agencies for Recording Debit/Credit Memos

1. Receive copy of claim with authorized signature from vendor to deduct from the next remittance or apply the credit memo attached.
2. Enter debit/credit memo as normal in the NCAS, use the liability account - 211270 A/P Recovery Clearing. This account has been established in the master file. You must set up your company and center.
3. You must pay the Office of the State Controller for the amount in this account as soon as you have a balance. You can do so by electronic transfer using OSC IGO vendor number 561611588-07. Go into the 2nd page of the IGO transfer in CMCS and place comment 'Overpayment Audit 24172'. Be sure to use this liability account when entering an invoice to the OSC. Be sure to include the claim numbers on the remittance line of the A/P Document.
4. This liability account should be a zero balance at the end of each month and at the end of the fiscal

year.

Non-NCAS Procedures for Recording Debit/Credit Memos

1. Receive copy of claim with authorized signature from vendor to deduct from the next remittance or apply the credit memo attached.
2. Enter debit/credit memo in your accounting system. A clearing account within the North Carolina Accounting System has been established for this liability - account number 211270 (A/P Recovery Clearing). You should use this account with additional digits, if applicable, to accommodate your needs.
3. You must pay the Office of the State Controller for the amount in this account as soon as you have a balance. You can do so by CMCS transfer (See SIG for instructions) or a check. Go into the 2nd page of the transfer in CMCS and place comment 'Overpayment Audit 24172' (Budget Code); Department Code 4174. Be sure to include the claim number on all transfers or checks.
4. This liability account should be a zero balance at the end of each month and at the end of the fiscal year.

Accounting Guidance

None noted.

Related Documents (Memos/Forms)

None noted.

Revision History

Date	Description