



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Accounting for Cost and Revenue Recoveries</i>	Issued:	6/7/06
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TO: Technical Bulletin Administrators All Agencies	FROM: D. Clark Partridge State Comptroller
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AUTHORITY

A.R.S. § 35-101	Definitions
A.R.S. § 35-142.01	Reimbursement of appropriated funds; receipt and deposit
Technical Bulletin 00-8	Reimbursement of Appropriated Funds
OMB Circular A-87	Cost Principles for State, Local, and Indian Tribal Governments

DEFINITIONS

AFIS: The Arizona Financial Information System. Arizona State Government's principal automated accounting system.

Agency: Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona Government.

AY: Appropriation Year.

COBJ: Comptroller Object.

Cost Recovery: The recoupment of monies, for one of any number of reasons, erroneously or inappropriately expended.

Federal Grant: An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal government, either directly or indirectly to an eligible grantee.

Form 1099-MISC: Internal Revenue Service form used to report certain vendor payments that are classified as miscellaneous income.

GAO: The General Accounting Office, a division within the Arizona Department of Administration.

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Ninety/ten (90/10) revenue: Revenue, some portion of which—most often ninety percent—is retained by the collecting agency with the remainder being remitted to the general fund. This term applies to similar revenue splitting arrangements, although the actual percentages involved may differ.

OMB: The United States Office of Management and Budget.

OST: Office of the State Treasurer.

Recovery Vendor: The vendor(s) currently on contract to provide statewide cost and/or revenue recovery services. Cost recovery services may be provided to the State by a different vendor or vendors than revenue recovery services.

Revenue Recovery: The collection of revenues, due to the State, but for one of any number of reasons, not previously collected.

INTRODUCTION

Technical Bulletin 00-8 sets forth policies and procedures in accounting for the reimbursement of appropriated funds. However, on-going cost and revenue recovery efforts on behalf of the State of Arizona may result in agency reimbursement of both appropriated and non-appropriated funds as well as the recovery of uncollected revenues. This technical bulletin expands upon the policies and procedures as outlined in Technical Bulletin 00-8, specifically advising agencies on how to account for monies received as a result of these cost and revenue recoveries.

The Recovery Vendor(s) will direct monies recovered to the applicable agency and subsequently bill the agency for a percentage of the full amount of those recoveries. The way in which these two transactions are accounted for in the AFIS will depend upon the original funding source of the expenditures or source of revenues that are being recovered. The GAO will periodically monitor the accounting treatment of these transactions to ensure proper classification.

In order to comply with Form 1099-MISC reporting requirements, the GAO must be notified of existing and future cost and revenue recovery contracts entered into by State agencies. State agencies must submit a copy of these contracts to the GAO for review.

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POLICY & PROCEDURES

I. Cost recovery of appropriated funds

A. If the cost recovery applies to appropriated funds from the current AY, the agency must deposit these monies with the OST as a reduction of expenditures and make subsequent payments to the Recovery Vendor in the AFIS using the current AY in combination with the COBJ and appropriation number that were used for the original expenditure.

B. If the cost recovery applies to appropriated funds from a prior AY, the agency must deposit these monies with the OST and make subsequent payments to the Recovery Vendor in the AFIS using the current AY and COBJ 4821 (Prior year reimbursements/refunds). The agency may use any appropriation number in the AFIS that accepts COBJ 4821.

C. For reconciliation purposes, the agency should note the original expenditure claim document number in the AFIS description field for both the deposit transaction and subsequent payment to the Recovery Vendor.

II. Cost recovery of non-appropriated funds

A. If the cost recovery applies to non-appropriated funds from the current AY, the agency should deposit these monies with the OST as a reduction of expenditures and make subsequent payments to the Recovery Vendor in the AFIS using the current AY in combination with the COBJ and appropriation number that were used for the original expenditure.

B. If the cost recovery applies to non-appropriated funds from a prior AY, the agency may either

1. deposit the monies with the OST as a reduction of expenditures and make subsequent payments to the Recovery Vendor in the AFIS using the prior AY in combination with the COBJ and appropriation number that were used for the original expenditure, or

2. deposit the monies with the OST as a reduction of expenditures and make subsequent payments to the Recovery Vendor in the AFIS using the current AY in combination with the COBJ and appropriation number that were used for the original expenditure. If the appropriation number does not exist in the current AY, contact the GAO for further assistance.

C. For reconciliation purposes, the agency should note the original expenditure claim document number in the AFIS description field for both the deposit transaction and subsequent payment to the Recovery Vendor.

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III. Cost recovery of funds associated with Federal Grants

A. If the cost recovery applies to a current or prior AY 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 OMB Circular A-87 requirements and the grant award letter. If the agency is given permission from the grantor to retain those funds as program income and expend them, written documentation of such permission must be secured and retained by the agency.

B. Federal Grant terms and conditions may dictate procedures that differ from this technical bulletin. In those cases, the Federal Grant terms and conditions take precedence and must be followed.

IV. Recovery of uncollected revenues

A. If uncollected revenues are recovered, the agency should deposit the monies with the OST and make subsequent payments to the Recovery Vendor in the AFIS using the current AY in combination with the revenue COBJ and appropriation number that would have been used had the revenue been collected on a timely basis. Note that the payment to the Recovery Vendor is a revenue reduction transaction.

B. For ninety/ten (90/10) revenues recovered, both the deposit and subsequent payment to the Recovery Vendor should reflect the same revenue splitting arrangement.

C. For reconciliation purposes, the agency should note in the AFIS description field for both the deposit transaction and subsequent payment to the Recovery Vendor that the transaction is a revenue recovery.

V. In order to comply with Form 1099-MISC reporting requirements, the GAO must be notified of existing and future cost and revenue recovery contracts entered into by State agencies. State agencies must submit copies of these contracts to the GAO for review.

A. For existing cost and revenue recovery contracts, agencies must submit copies of these contracts within thirty (30) days after the effective date of this technical bulletin.

B. For future (i.e., after the issuance of this technical bulletin) cost and revenue recovery contracts, agencies must submit copies of these contracts within thirty (30) days after the effective date of the contract.

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All State agencies.

CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

gaopolicy@azdoa.gov