



# State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

June 25, 2002

## MEMORANDUM NO. FSD 020026

**TO:** Chief Fiscal Officers  
University Vice Chancellors

**FROM:** Zeke Partin, CPA, Assistant State Controller  
Office of the State Controller

**SUBJECT:** Clarification of Procedures for Memorandum FSD 020016

The Office of the State Controller (OSC) recently sent notification (Memorandum FSD 020016 dated March 26, 2002) relating to the extension of the Recovery of Overpayments Audit. Included in this memorandum were new procedures for the next fiscal year audit which were developed to ensure audit claims were processed in a timely and efficient manner. The OSC has made the following refinements (***shown in bold italics***) to these procedures issued March 26, 2002:

1. The PRG-Schultz will send statement letters to the appropriate state vendors who have been paid at least \$10,000.00 on ten (10) invoices by a state entity within the audit periods. These letters will be reviewed by PRG-Schultz for outstanding ***credit*** items.
  - A. ***Responses will be reviewed by the PRG-Schultz for outstanding item(s) aged at least 180 calendar days. The PRG-Schultz will contact the vendor and ask if they are currently working with anyone from the agency, on applicable items.***
  - B. ***If not, the PRG-Schultz will send an email to the appropriate contact, at the agency, with specifics on the outstanding item(s). If the agency is currently working on said item(s), the agency will present substantial documentation (facsimile, email, letter or credit memo) identifying the item(s) (i.e., invoice number, date, dollar amount), to the PRG-Schultz within five (5) business days from the email date.***
  - C. ***If no documentation is available or no contact has been made, the PRG-Schultz will request a copy of a credit memo or get a signed debit authorization letter, from the vendor, for presentation to the agency.***
2. ***After resolution with the vendor, the agency will be contacted by the PRG-Schultz to present validated claims.*** The agency is required to process the claims collection by entering a debit memorandum, credit memorandum or authorizing the request for a refund. It is the PRG-Schultz responsibility to contact the vendor if a refund is applicable. ***If an item has been escheated, the agency will request funds be returned and subsequently transferred to the OSC for deposit into the Special Reserve Fund.***

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LOCATION  
3512 Bush Street  
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3. The applicable agency will be required to enter the credit into its Accounts Payable system within five (5) **business** days of receipt. This credit is to be recorded to the 211270-Accounts Payable- Recovery liability account. The agency will transfer monies from this liability account to the Special Reserve Fund once the credit has been processed.
4. A refund check must be made payable to the State of North Carolina-Office of the State Controller. These funds will be deposited in the Special Reserve Fund as stated in the legislation for this audit.
5. The OSC will be responsible for following up with agencies that are not processing claims in a timely manner.
6. When claims are presented to the agency which are supported by federal funds, the agency is required to inform the PRG-Schultz of the federal participation rate and whether or not a collection fee is allowed. If the collection fee is not allowed on the federal portion, the PRG-Schultz may participate in the state funded portion of the claim. In order to ensure proper accountability of these type claims, the entire recovery will be recorded in the Recovery of Overpayments special reserve fund. The OSC will transfer any remaining federal portions of claims back to the agency. It will be the agency's responsibility to distribute the federal recovery back to the grantor agency.
7. The OSC is also exempting from the audit any recoveries from university institutional trust funds. These funds can not be subject to the recovery of overpayments audit established by the current statute because of the restrictive nature of these funds.
8. ***After July 1, 2002, the PRG-Schultz will be allowed to recover outstanding credits that have been recorded in the respective accounting systems, which have aged at least one year from the date the credit was entered.***

The OSC would also like to announce that a new auditor will be conducting the audit for the Fiscal Year 2001, Pat Plunkett. She has assisted Carla Butler, the previous auditor with the PRG audit in the past.

Your assistance and cooperation with this audit is greatly appreciated. For questions regarding this audit or the changes made to the procedures, please contact Barbara Lawrence at (919) 981-5412 or [blawrenc@mail.osc.state.nc.us](mailto:blawrenc@mail.osc.state.nc.us).

ZKP/bl