STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
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Justin P. Wilson
Comptroller

September 22, 2011

The Honorable Mark Emkes, Commissioner
Department of Finance and Administration
State Capitol
Nashville, TN 37243

Dear Commissioner Emkes:

I recently received an accounts receivable write-off request from the Department of Revenue. This request included 21,604 receivable transactions totaling $126,797,527.55 which date back to the period July 1, 2000, through June 30, 2005.

According to management at the Department of Revenue, these long-outstanding receivables had not been identified by the previous administration for write-off in accordance with your department's Policy 23 – *Accounts Receivable – Recording, Collection and Write-Offs*. As you know, this policy requires departments and agencies to identify, control, and track accounts receivable to ensure proper recording in the state's accounting records and financial statements. The departments and agencies are also required to make a reasonable effort to collect all receivables on a systematic and periodic basis. When receivables are deemed uncollectible under the policy, management may request write-offs as outlined in Chapter 0620-1-9 of the Department of Finance and Administration's rules.

In addition to the aforementioned Department of Revenue request, I have recently and reluctantly approved write-off requests from the Department of Economic and Community Development. Similarly, the current ECD management found that the previous administration had not effectively pursued collection efforts on old defaulted loans. As a result of delayed collection efforts, the department could not recover the full outstanding debt.

When management fails to identify and track outstanding receivables, the state's collection efforts become ineffective and financial reporting is negatively impacted.

I am concerned that other state departments and agencies may have long-outstanding and uncollectible receivables resulting from failure to follow Policy 23 and the related rules. Thus, I am requesting that you take the initiative to determine whether other departments and agencies have aged and uncollectible accounts and loans receivable, and if so, take immediate action to pursue recovery and/or write-off the uncollectible accounts.

Finally, I strongly recommend you reiterate to all departments and agencies that they are responsible for prudent, effective management of the state's accounts and loans receivable and related collection efforts in a timely fashion.

Sincerely,

Justin P. Wilson
Comptroller

JPW/AAH/kbt

Cc The Honorable Randy McNally, Chair, Senate Finance, Ways, and Means
The Honorable Charles Sargent, Chair, House Finance, Ways, and Means
The Honorable Richard H. Roberts, Commissioner, Department of Revenue
The Honorable William F. Hagerty, Commissioner, Department of Economic and Community Development