



State of Arizona Accounting Manual

Topic 15 Accounting Transactions and Structures
Section 21 **Transfers of Money between State Agencies**

Issued 04/15/19
Page 1 of 2

INTRODUCTION

State agencies receive monies from many sources, sometimes those sources are other State agencies. Likewise, the State agencies disburse monies to many entities, sometimes those entities are other State agencies.

From an accounting perspective, problems that may arise from the financial interactions between agencies can be stated:

If an agency that receives money from an outside source books that money as revenue and this agency, in turn, remits it to another agency that also books it as revenue, the effect is to apparently double revenue on the statewide financial reports.

A similar problem exists when one agency in conveying money to a second agency treats the transaction as an expense-type expenditure and the second agency treats the same money as an expense when it is paid to an external entity.

The intent of this Section of SAAM is to reduce the likelihood of “doubling up” revenues and/or expenses when money received by one agency from an external source is transferred to a second agency for ultimate disbursement to another external source.

POLICY & PROCEDURES

1. When dealing with the exchange of money between themselves, agencies may adopt one of two accounting strategies:
 - 1.1. The originally receiving agency books the receipt of monies from an outside source as revenue and then, when transferring that money to a second agency, debits, that is to say, reverses the original revenue entry, rather than charging the transaction to an expenditure object. The secondarily receiving agency records the money it receives as revenue.
 - 1.1.1. The net effect is that ultimately revenues and expenditures are reflected only once on the statewide financial statements.

State of Arizona Accounting Manual

Topic 15 Accounting Transactions and Structures

Issued 04/15/19

Section **21 Transfers of Money between State Agencies**

Page 2 of 2

- 1.1.2. This method is the most appropriate when the first agency is acting as nothing more than a conduit of funds to the second agency and it is this second agency where the receipt should actually be recorded as revenue.
- 1.2. The originally receiving agency books the receipt of monies from an outside source as revenue and then, when transferring that money to a second agency, uses an operating transfer out. The secondarily receiving agency uses an operating transfer in.
 - 1.2.1. Again, neither revenue nor expense is duplicated.
 - 1.2.2. This method is the most suitable when the revenue is appropriately attributable, by law or otherwise, to the originally receiving agency.
2. In general, agencies should come to these decisions by themselves and choose one of the two methods to use between themselves. If necessary, the agencies may ask for the assistance of the General Accounting Office in making the appropriate determination.