



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 45 Prior Period Payments

Issued 06/15/16
Page 1 of 5

INTRODUCTION

The State's fiscal year begins on July 1 and ends on the following June 30 each year. Most commonly, an agency's spending authority, granted by its appropriation, ends on June 30. However, circumstances arise under which it is impossible, before the end of the fiscal year, to pay for goods or services appropriately charged to the year just ended. State law provides for the payment of vendor claims after June 30 when certain conditions, as outlined below, are met.

POLICY

1. Purchase commitments.

1.1. A commitment occurs when management's intent to acquire and pay for goods or services is expressed, affirmed and implemented by taking a formal action that results in a financial obligation to accept a specific quantity, however measured, of goods or services at a specified price. This obligation is generally evidenced by some documentation such as a purchase order.

1.2. An encumbrance must be processed in the State's accounting system before an agency issues a purchase order to a vendor that will ultimately result in an expenditure from an appropriated fund of one thousand dollars (\$1,000) or more.

1.2.1. Encumbrances are not required for gross payrolls and employee related expenses.

1.2.2. Encumbrances are optional for obligations involving:

1.2.2.1. Unappropriated funds.

1.2.2.2. Amounts less than one thousand dollars (\$1,000).

1.2.2.3. Irrespective of other factors, all payments initiated in ProcureAZ will result in an encumbrance.

2. Fiscal year-end closing instructions.

2.1. Each year, generally in the spring, the GAO publishes a memorandum bearing a title similar to *Fiscal Year-End Closing Instructions*.

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 45 **Prior Period Payments**

Issued 06/15/16
Page 2 of 5

2.2. Each year's memorandum contains important information about how transactions are to be processed at the end of the fiscal year and critical dates for the processing of various sorts of transactions.

2.3. For any given fiscal year, in the event of a discrepancy, the memorandum containing fiscal year-end closing instructions take precedence of this section of SAAM.

3. Post-close periods.

3.1. The *Fiscal Year-End Closing Instructions* memorandum contains two cut-off dates related to vendor claims, vendor payments, transfers and adjustments following the close of the fiscal year.

3.1.1. The first of these dates chronologically ends what is referred to herein as the short post-close period.

3.1.2. The second of these dates chronologically ends what is referred to herein as the long post-close period.

Example: For the fiscal year ending June 30, 2016: the first cut-off date, July 6, 2016, marks the end of the short post-close period; July 15, 2016, the second cut-off date, ends the long post-close period.

3.1.3. Vendor payments made:

3.1.3.1. Through the short post-close period, depending upon the period entered for the transaction, will be treated as an administrative adjustment or as if they were made in June of the fiscal year just ended.

3.1.3.1.1. A disbursement may be made against the available balance of an appropriation relating to a given fiscal year during the short post-close period provided that it meets the following criteria:

3.1.3.1.1.1. It is for payment of an obligation incurred during the fiscal year for which the appropriation was made, and the goods or services to which the disbursement is related were received by June 30 of the fiscal year for which the appropriation was made, or

3.1.3.1.1.2. It is made in fulfillment of contracts properly made during the preceding fiscal year for goods and/or services received after June 30 of that year. These transactions require the written approval of the State Comptroller. A copy of the agency's written request to pay the claim, the written approval and any other documentation relating to the claim must be retained for the period prescribed by LAPR.

3.1.3.2. After the long post-close period, must be dealt with as administrative adjustments.

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 45 Prior Period Payments

Issued 06/15/16
Page 3 of 5

4. Adjustments and transfers.

4.1. Adjustments and transfers made throughout the long post-close period will be treated as if they had been made in the fiscal year just ended.

5. Administrative adjustments.

5.1. If a claim for goods and/or services received in the prior fiscal year is presented within one (1) year of the prior fiscal year's end and if sufficient funds remain in the reverted appropriation, the claim may, upon approval, be paid out of the fund to which the unused appropriation was reverted.

5.2. There are two types of claims that qualify for treatment as administrative adjustments:

5.2.1. A claim against the State, arising out of a contractual arrangement, that has not been paid because of a technical defect, such as failure to file the claim before the end of the fiscal year to which it applies, or any other technical defect that does not affect the validity of the claim or the contractual liability of the State.

5.2.2. A claim against the State arising from orders for goods or services made in one fiscal year and received or to be received in the next fiscal year. These claims may be paid either during the short post-close period or as an administrative adjustment. These payments require the written authorization of the State Comptroller.

5.3. If paid as an administrative adjustment, payment requires the written approval of the agency head, the agency CFO or an appropriate designee. A copy of the approval to pay the claim and any other documentation relating to the claim must be retained for the period prescribed by LAPR.

5.4. Claims of three hundred dollars (\$300) or less from a fiscal year prior to the immediately preceding fiscal year but within the last four (4) preceding fiscal years may be paid out of an agency's available appropriation for the current fiscal year if it is determined to be in the best interest of the State and is authorized by the State Comptroller. As with other administrative adjustments, a copy of the agency's written request to pay the claim, the written authorization and any other documentation relating to the claim must be retained for the period prescribed by LAPR.

5.4.1. While the specific facts of each situation are evaluated, it has generally been determined that the three hundred dollar (\$300) limitation is a per vendor, per fiscal year limitation and not a per transaction limitation.

5.5. A claim for refund on any fee, license, permit or erroneous payment, the revenue having been placed in a separate fund or the General Fund, is subject to administrative adjustment unless a specific provision for refund is prescribed by

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 45 **Prior Period Payments**

Issued 06/15/16
Page 4 of 5

law. If a claim for refund is approved, payment shall be made out of any unexpended or unappropriated balance in the separate fund or the General Fund.

- 5.6. If the State's liability cannot be determined (e.g., as in the case of a lawsuit) until a subsequent fiscal year, but is resolved administratively after one fiscal year, the claim shall be paid from the appropriation for the year in which the liability is determined. Please consult with the GAO for instructions on processing the claim.
- 5.7. Claims for damages for injury to a person or property are not processed as administrative adjustments. Contact ADOA Risk Management for specific procedures.
- 5.8. All expenditures to be paid as administrative adjustments must be encumbered regardless of the dollar amount.
- 5.9. Requests to treat an expenditure as an administrative adjustment not submitted to the GAO before the end of the fiscal year following the year of incurrence will be returned to the agency. The agency may then resubmit the request to the GAO to treat the contemplated expenditure as a General Relief Bill item.

6. Claims to be paid under the General Relief Bill.

- 6.1. When a claim is more than one (1) fiscal year and less than four (4) fiscal years old, it can only be paid under the provisions of the General Relief Bill.
- 6.2. Claims meeting the General Relief Bill criteria should be clearly identified as General Relief Bill items and submitted with supporting documentation to the GAO no later than December 31st of each year.
- 6.3. Procedurally, a claim presented as a General Relief Bill item is handled much the same as an administrative adjustment, i.e., a written request for payment must be forwarded to the State Comptroller. If the State Comptroller determines payment of the claim is in the best interest of the State:
 - 6.3.1. If sufficient funds remain in the reverted appropriation to pay the claim, the ADOA shall present the claim to the Legislature requesting an appropriation of monies sufficient for payment of the claim.
 - 6.3.2. If the reverted balance of the appropriation is insufficient to cover the claim, or if there was no reversion in the appropriation line item, the agency must present the claim to the Legislature as a supplemental appropriation request.
- 6.4. If any agency must pay a General Relief Bill item from a fund other than the General Fund, the GAO will contact the agency to assist in the payment of the claim.

State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 45 **Prior Period Payments**

Issued 06/15/16
Page 5 of 5

- 6.5. As with administrative adjustments, a copy of the agency's written request to pay the claim and any other documentation relating to the claim must be retained for the period prescribed by LAPR.
- 6.6. A claim to be processed under the General Relief Bill must be submitted for the appropriation year in which the obligation was incurred.
- 6.7. For General Relief Bill purposes, multiple payee, multiple fund or multiple year claims are not acceptable. Each claim must involve one (1) payee, one (1) fund and one (1) fiscal year.
- 6.8. Once the Legislature has passed the General Relief Bill, the GAO will process the claims to pay the vendors.

7. Policies applicable to both administrative adjustments and General Relief Bill items.

- 7.1. All claims to be paid as administrative adjustments or relief bill items require adequate supporting documentation; merely establishing an encumbrance in the accounting system does not in itself suffice. Documentation accompanying the claim must be sufficient to determine and verify the times when the goods and services were both ordered and received.
- 7.2. The same internal controls that apply to other disbursements are applicable to administrative adjustments and General Relief Bill items.
- 7.3. Include the name and phone number of the agency contact in the event that additional information is needed.
- 7.4. The vendor should be identified as a current vendor in AFIS. The vendor address in AFIS must match the address on the invoice. If the remittance address is different from the vendor address, the agency is to provide an explanation.

8. Other.

- 8.1. After the expiration of the short post-close period and closing the books of the preceding fiscal year, all balances of reverting appropriations for the prior fiscal year shall lapse and, except as administrative adjustments or relief bill items, no further payments shall be made with respect to any claim arising from a prior fiscal year's