



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

## AUTHORITY

Title 35 and Article 3, Chapter 4, Title 41, Arizona Revised Statutes; A.R.S. § 1-254

## II. INTRODUCTION

Accounting for expenditures is a critical activity in any governmental organization. Governmental entities have unique requirements relating to the expenditure cycle due to budgetary reporting needs, the various fund types, and statutory compliance requirements related to disbursing public monies. The recording of expenditure-related transactions must be carefully monitored and controlled to meet these requirements.

The budgetary emphasis in governmental accounting as well as the statutes and administrative rules require that full encumbrance accounting and, in some cases, pre-encumbrance accounting be performed. In addition, accurate and timely payments are required to satisfy obligations to the entities that provide goods and services to government agencies.

## III. DEFINITIONS

- A. Accounts Payable - balances owed to others (vendors) for goods, supplies and services received by a governmental unit.
- B. Administrative Adjustment - a claim against the State, arising out of contractual relations, which has not been paid because of failure to file within the time prescribed by law, or because of any other technical defect not affecting the validity or the contractual liability of the State. This definition is used to describe payment of obligations from a prior fiscal year in the subsequent fiscal year. Administrative Adjustments are used for appropriated funds only.
- C. Allocation - a part of an appropriation which is designated for expenditure by specific organizational units and/or for special purposes, activities, or objects.
- D. Allotment - an allocation of an appropriation made available for expenditures within a given time frame, e.g. quarterly.
- E. Appropriation - a legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and time that it may be expended.
- F. Claim - a written document evidencing the propriety of transactions. The formal entry whereby a liability is recognized and an expenditure recorded.
- G. Comptroller Object - the statewide defined revenue and expenditure classification system for the purpose of tracking data, consisting of a four digit number defined in the Comptroller Object Profile (Screen D10).
- H. Conference - An event involving a brochure which stipulates topics of interest to various parties, conference site, costs, etc. A conference includes State employees and employees of



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local governments, of other state(s) governments and/or the federal government, and may include the general public.

- I. Encumbrance - a reservation of funds in anticipation of an expenditure (also see Purchase Order). An encumbrance will reduce the available appropriation and the available allotment.
- J. Fiscal Year - a 12-month period of time to which the annual appropriation applies and at the end of which a governmental unit determines its financial position and the results of its operations. In Arizona, the legal fiscal year ends June 30.
- K. General Accounting Office (GAO) - within the Arizona Department of Administration, Financial Services Division. The GAO is primarily responsible for establishing statewide accounting policies and overseeing the accounting functions of all State agencies.
- L. Hearing - An official gathering to determine rules to be adopted, disputes to be settled, or other official functions as defined within statute.
- M. Internal Controls - a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues and expenditures. Under such a system, typically the work of employees is subdivided so that no single employee performs a complete cycle of operations. Moreover, under such a system, the procedures to be followed are documented and require proper authorizations by designated officials for all actions to be taken.
- N. Meeting - A gathering of individuals for the purpose of exchanging information, planning, training, or other activities where the majority of attendees are State employees; also a gathering of individuals where the purpose is to convey information to the general public.
- O. Non-State Employee - any individual who is not a board or commission member and who is not compensated through the State Payroll System.
- P. Pre-Encumbrances - transactions that are typically recorded when there is an expected or projected commitment (non-contractual) to purchase or pay for goods and services. They are recorded as memo entries against budget balances for reporting purposes only. Pre-encumbrances do not reduce available appropriation spending authority.
- Q. Public Purpose - public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual (Arizona Constitution Article 9, Section 7, Note 4). Dispensation of public funds must serve a public purpose; and, the dispensing public entity must receive "consideration" which is not so inequitable and unreasonable that it amounts to an abuse of discretion, thus providing a subsidy to the private entity. While no hard and fast rule can be formulated, each case must be decided with reference to the object sought to be accomplished and the manner in which such object affects the public welfare. In accordance with A.R.S. § 35-212, "The attorney general, in his discretion, may bring an action in the name of the State to enjoin (stop) the illegal payment of public monies, or if such monies have already been paid, to recover such monies plus twenty percent of such amount together with interest and costs, including reasonable attorney fees."



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- R. Purchase Order - a document which formally obligates public monies; and used to order goods and services from an authorized vendor.
- S. Purchase Requisition - a document used to request the purchase of goods or services. (For internal agency use.)
- T. SPO - State Procurement Office, Arizona Department of Administration.

#### IV. POLICIES

##### A. General

1. Due care must be exercised in carrying out the intent of appropriations. Agencies must comply with all applicable statutory and State of Arizona Accounting Manual requirements. All agency heads and personnel with authority to disburse public monies must understand and follow these requirements.
2. A.R.S. § 1-254 and 35-154 clearly state that agencies do not have the authority to over expend or over obligate their appropriations. Any obligations in excess of an agency's appropriation authority are not binding on the State and are the responsibility of the party incurring the obligation.

##### B. Purchasing and Encumbrance

1. All procurements will meet the requirements of the Uniform Procurement Code (A.R.S. § 41-2501 to 41-2637; 41-2661; 41-2662 and AAC R2-7-101 to R2-7-1009). These requirements are documented in Procurement Rules and Regulations, a manual maintained by the Arizona Department of Administration, State Procurement Office (SPO).
2. The SPO establishes and delegates, in writing, a level of procurement authority without advance approval from the SPO.
3. State agencies have no authority beyond their delegated purchasing authority.
4. Subject to the level of authority delegated to each agency, the following thresholds and requirements will be used:
  - \$1,001 to \$5,000 - at least three written or verbal quotes (unless sole source or emergency procurement measures have been taken). Verbal quotes must be documented. Awards should be made to small businesses. (See the Procurement Rules and Regulations.)
  - \$5,001 to \$9,999.99 - at least three formal written quotes (unless sole source or emergency procurement measures have been taken). Written quotes must be documented and submitted by the vendors. Awards should be made to small businesses. (See the Procurement Rules and Regulations.)



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- \$10,000 to \$24,999.99 - quotes are solicited by fax on demand (unless sole source or emergency procurement measures have been taken). (See the Procurement Rules and Regulations.)
  - \$25,000 or more - sealed proposals are required (unless sole source or emergency procurement measures have been taken). (See the Procurement Rules and Regulations.)
5. When practical, purchases between \$1,000 and \$10,000, not covered by a SPO statewide contract, shall be restricted to small businesses. (See AAC R2-7-335 and R2-7-336.)
  6. State contracts and vendors listed in the Arizona Purchasing "Commodity Catalogue" must be used. An agency's delegated authority is not applicable when purchases are being made under a SPO statewide contract.
  7. If an agency determines that it is in the best interest of the State to purchase from a vendor who is not listed in the Arizona Purchasing "Commodity Catalogue", an Off-Contract Purchase Authorization (form SPO 150) must be obtained from the SPO prior to making the purchase and retained in the "purchasing file."
  8. The purchasing function must be maintained separately from the accounting and receiving functions to the extent practicable. If the functions cannot be segregated, alternative controls must be implemented and documented.
  9. All purchases must be approved by the appropriate levels of management.
  10. In accordance with A.R.S. § 38-503, each State agency must have an internal policy statement concerning conflicts of interest or related party transactions (employee-vendor relationships). (See A.R.S. § 38-502 for related definitions.)
  11. Blanket purchase orders with a single vendor for a single fiscal year may be used.
  12. The encumbrance record must be reconciled to open purchase orders and other commitments on a monthly basis. This reconciliation must be documented.
  13. Contact the SPO with questions regarding Sole Source, Emergency Procurement, Construction, Intergovernmental purchases or any other general questions relating to procurement.

C. Receiving

1. Receiving clerks must be independent of the purchasing function.
2. Receiving reports should be used to post quantities to detailed inventory records.

D. Accounts Payable



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- 1. All claims must be for a valid public purpose (Article 9, Section 7 of the Arizona Constitution).**
2. In accordance with A.R.S. § 35-182, before any claim against the State is paid by the Department of Administration, the Department shall require a certification in a form prescribed by the director of the Department of Administration and signed by the authorized representative or representatives of the budget unit presenting the claim.

The certification required by the Department of Administration for the payment of a claim or transfer of funds is as follows: "I certify that this expenditure is for a valid public purpose and is consistent with all applicable statutes, laws, appropriations, grants, and contracts. I also certify that sufficient appropriation and monies are available for this expenditure, and that I am authorized to disburse these monies."

3. In accordance with A.R.S. § 35-342, "Any agency which purchases or procures goods and services from a nongovernmental entity on account shall pay the account in full within thirty days after receipt of goods or services and correct notice of amount due in writing to the agency or shall pay interest on the outstanding balance at the rate prescribed in A.R.S. § 44-1201 until the account is paid in full, unless a good faith dispute exists as to the agency's obligation to pay all or a portion of the account."

All interest charges of \$25.00 or more must be recorded using form GAO-69 and sent to the GAO for processing. Interest charges of less than \$25.00 should be paid as part of the claim for goods or services, based on the invoice, using the applicable TC and COBJ codes.

*Note:* All interest payments shall be paid out of current year funds.

4. All invoices must be reviewed and approved, by authorized signature, prior to payment. This includes meeting the public benefit threshold and consideration of appropriation, cash, statutory and other applicable requirements.
5. All invoices must be received directly by the section responsible for payment processing.
6. All claim forms must be properly approved prior to input.
7. Duplicate copies of invoices must be clearly marked immediately upon receipt so as to prevent duplicate payment.
8. All returned purchases must be controlled in a manner which ensures that the refund or credit will be received. (Both purchasing and accounting must be notified.)
9. If there are any partial shipments, the State agency must develop internal procedures to prevent duplicate payments upon completion of the order.



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10. Each State agency must maintain adequate records of unmatched purchase orders and receiving reports along with unvouchered vendor's invoices. These must be periodically reviewed, investigated and resolved.
11. Monthly statements from vendors must be regularly reconciled with open purchase orders and paid claims.
12. All supporting documentation (i.e., claim, purchase order, invoice, etc.) must be maintained in accordance with the Records Retention and Disposition Schedule as delegated by the Department of Library, Archives and Public Records. (See section V-E of this Manual.)
13. Each State agency must have procedures in effect to ensure proper cut-off at year-end. At a minimum, if the goods and/or services are received prior to June 30, and the invoice is dated June 30 or earlier, but received subsequent to June 30, then the State agency must pay the invoice either during the 13th Month or as an Administrative Adjustment if the fund is appropriated. All exceptions must have the prior written approval of the State Comptroller.

*Note:* In accordance with A.R.S. § 35-191.D, "Claims of three hundred dollars or less from a prior fiscal year presented for payment by June 30 of the fourth subsequent fiscal year may be paid out of an available current year appropriation of the requesting agency if it is determined to be in the best interests of this State and is approved by the director of the Department of Administration."

14. Segregation of duties must be in effect so that no one person has complete access to the entire disbursement process. If the agency does not have a sufficient number of employees, contact the GAO to establish alternative mitigating controls. The disbursement process includes the following:
  - vendor set-up and change;
  - claim preparation;
  - claim approval/release;
  - warrant pick-up;
  - warrant mailing;
  - physical custody of warrants.
15. Obligations of funds in excess of appropriated amounts are the responsibility of the agency director unless the Legislature enacts a supplemental appropriation.
16. All warrants must be compared to the warrant register and to supporting documentation to detect any errors. If any errors are detected, contact your GAO Liaison.
17. If any State agency maintains its own disbursements journal, the journal must be reconciled to the AFIS monthly reports.
18. The person performing the reconciliation shall not be the same person who prepares claims for processing.



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19. The reconciliations must be reviewed by the accounting supervisor or Chief Financial Officer.

E. Food and/or Beverages at Meetings or Conferences

1. Article 9, Section 7 of the Arizona Constitution prohibits the giving of gifts, loans, etc. to individuals. In addition, the notes to this article state that, "Public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual." Therefore, prior to providing food and/or beverages at State-sponsored events, agencies must document the public purpose that is served and assurance that the "gift clause" is not violated. The documentation shall be retained by the agency for audit purposes.
2. The following policy is established to assist agencies in the proper handling and documentation of events involving the provision of food and/or beverages. Subject to the following conditions, it is the State's policy that food and/or beverages may be served at conferences and meetings:
  - a. At conferences: The conference brochure must specifically cite that food and/or beverages will be provided and a conference registration fee must be included which covers the cost of the food and/or beverage. When food and/or beverage consumption is an option at a conference and the conference brochure documents this fact, the associated cost of the optional food/beverage may be reimbursed to the attendee up to the Meal rate established in the State Travel Policy provided that only one reimbursement is sought for any given meal (one reimbursement per day for breakfast, lunch, or dinner provided the traveler meets the reimbursement requirements for the meals as stated in the State Travel Policy). Any cost above the reimbursement rate for an optional food and/or beverage will be borne by the attendee since he/she has the ability to choose whether or not to eat/drink the food/beverage.
  - b. At hearings: Hearings are quasi-judicial gatherings which do not normally include food and/or beverage. Therefore, food and/or beverages should not be provided at hearings.
  - c. At meetings: When all attendees agree to pay for the food and/or beverage from their personal resources, food and/or beverage may be provided at meetings. Those attendees who are in official travel status may file for reimbursement for the food and/or beverage as part of their reimbursable meal categories (breakfast, lunch and dinner) provided they meet the criteria for reimbursement set forth in the State Travel Policy. The established State travel reimbursement rates include gratuities.
3. Alcoholic beverages are not reimbursable costs.
4. Requests for exception to the meal reimbursement policy (50 mile radius) for the sole purpose of providing reimbursement for food will not be approved by the Arizona Department of Administration. Refer to the Travel Policy (Section II-D of this Manual) for more information on meal reimbursement.



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*Note:* If a conference is being sponsored by a State agency, food and/or beverages should be optional unless otherwise required. Such a requirement must have adequate support.

#### F. Vendor Travel

1. Inter-governmental Agreements and other contracts/agreements involving State agencies and non-State employees should stipulate the types of travel and applicable reimbursement rates as agreed upon by all parties. Agencies are strongly encouraged to use the State Travel Policy in order to provide equity and to control costs.
2. Each agency must develop procedures pertaining to non-State employee travel that is consistent with this Statewide Policy.
3. Reimbursement for travel expenses and allowances to non-State employees shall be governed and dictated by the agency head or his/her designee. Again, it is recommended that the State Travel Policy be used as a guideline to provide equity and control costs. Each agency is responsible to ensure that all authorized travelers are on approved, official State business for or on behalf of the State. Consistent with the fundamental requirement for all expenditures, the public benefit of non-State employee travel must substantially outweigh the costs.

*Note:* The IRS does not require that travel expenses paid to independent contractors be reported if the expenses were substantiated (original receipts) to the payer and paid in accordance with the State Travel Policy.

4. It is not necessary to request the approval of the director of the Arizona Department of Administration for travel issues involving non-State employees. The General Accounting Office is available for consultation with travel-related issues.
5. Original receipts are required for reimbursement of all travel expenses for non-State employees.
6. Claims to reimburse non-State employee travel must be coded to Comptroller Object 6291 or 6299.

#### V. PROCEDURES

##### A. Purchasing and Encumbrance

1. Pre-encumbrances can be used for all non-exempt and non-routine purchases under \$500, unless the agency has another acceptable procedure to control purchases. Pre-encumbrances can be used for items of \$500 or more provided that it is followed by an encumbrance.



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*Note:* The proper transaction codes must be used to liquidate the pre-encumbrances. (See the section on Transaction Entry.)

2. All purchase orders (encumbrances) must be:
  - Approved by a responsible official as listed on a current and approved Signature Authorization Form (GAO-3);
  - Logged sequentially, controlled, and reconciled to the AFIS monthly reports;
  - Required for all non-payroll disbursements that are \$500 or more;

*Note:* If the disbursement is from an appropriated fund, the disbursement **must** be encumbered in order to comply with A.R.S. § 35-151.A.
  - Prepared on the basis of purchase requisitions for non-routine and non-recurring purchases;
  - Reviewed against the unencumbered and unexpended appropriation balance for appropriated funds and remaining cash balance for non-appropriated funds (A.R.S. § 1-254);
  - Closed at the end of the fiscal year.
3. If blanket purchase orders (PO's) are used, the following procedures must be followed:
  - Blanket purchase orders should be used only for normal recurring purchases;
  - Purchases under blanket purchase orders should be compared to the authorized quantity and dollar amount on a regular basis, i.e., monthly if the PO is for a fiscal year;
  - A record should be maintained of all open purchase orders and other commitments;
  - All blanket purchase orders must be closed with the vendor at year end and new blanket purchase orders must be issued.

#### B. Receiving

1. All items should be delivered to a designated receiving area or location.
2. Merchandise, materials and supplies should be inspected for condition and counted, weighed, or measured prior to the receiving report being completed.
3. Receiving reports should be in writing and they should be signed and dated by the receiving clerk who receives the goods.
4. The receiving clerk should forward a copy of the receiving report to the accounting area.



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5. Description of services, supplies, materials and equipment should be checked against a copy of the purchase order, purchase requisition or some other form of notification.
6. If capitalized items are received, they must be tagged and added to the General Fixed Asset inventory listing. Refer to the Fixed Asset section (II-G) of the Accounting Manual.
7. If non-capitalized equipment items are received, they may be tagged and added to the General Fixed Asset inventory listing to help meet custodial responsibilities. (See Section II-G.)

### C. Accounts Payable

1. If the invoice is for services, there should be an approval and verification that the services were rendered by the authorized person.
2. The certification for payment may be obtained or created in the following ways:
  - Use the appropriate GAO form (GAO-504 series);
  - Use the AFIS Form Print capability which contains the certification for payment;
  - Use a substitute form, containing the certification for payment. All substitute forms must be submitted to the GAO for approval prior to use. (See paragraph IV.D.2, for certification language);
  - Screen print the Pre-Enc/Enc/Expend Transaction Entry screen (S505). This screen print must also include the certification for payment. The agency may use a rubber stamp containing the certification and a signature/date line, or type the certification directly onto the paper prior to placing it into the printer for the screen print.

*Note:* Screen S520 (View a Batch) may not be screen printed to be used as a claim form. It does not contain the necessary information such as description, vendor name and vendor number.
3. The invoice should be compared to the signed and dated receiving report for items and quantities.
4. The invoice should be compared to the purchase order for terms, prices and quantities.
5. The calculations on the invoice should be reviewed. Make a mathematical check of footings, extensions and discounts.
6. Determine the correct account distribution so that the expenditure is charged to the correct Comptroller Object Code, Fund, Appropriation Year, Index, PCA, Grant/Phase, and other applicable profiles on the claim.
7. Check the freight bills against the invoice, purchase order, etc.



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8. The invoice should include a final approval for payment.
9. There should be some indication on the invoice that all of the above checks and/or approvals were made.
10. All invoices should be marked defaced (i.e., marked 'PAID') when payment is made to prevent duplicate payment.

## VI. APPENDICES

Appendices A and B contain sample copies of the GAO-510 and GAO-504, respectively. The forms included in the appendices are for reference purposes only and are not to be used in lieu of the official GAO forms. All official GAO forms may be requested using an Accounting Form Requisition (GAO-77).



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**APPENDIX A GAO-510**

**PROCEDURE:** This form will be used to establish, change or cancel a pre-encumbrance or encumbrance.

A. Establishing a Pre-Encumbrance/Encumbrance

When a purchase is expected or projected, the monies may be pre-encumbered for reporting purposes. A pre-encumbrance is a debit memo and will not reduce the available appropriation or allotment.

When a purchase is required but the actual procurement has not taken place, the monies to be spent are encumbered (earmarked) for later disbursement. An encumbrance will reduce the available appropriation and allotment.

The requested purchase is documented using a Purchase Order (GAO-507). On the bottom portion of the Purchase Order, enter the information necessary for encumbering (earmarking) the monies for the purchase. Pre-encumbrance/encumbrance information may be entered using the Pre-Encumbrance & Encumbrance Transaction Entry (GAO-510).

The elements on the form are:

- **DOC DATE** - The date the transaction is being created.
- **EFF DATE** - This date will default for the current accounting period or the date entered on the Batch Header Record. It determines the accounting period to which the transactions will be posted.
- **DUE DATE** - The date the warrant is to be generated. Not used for pre-encumbrance/encumbrance.
- **SERV DATE** - The date on which the goods or services are received or rendered; used only if grant/project has a final post date.
- **CUR DOC/SFX** - A unique identification for the transaction. Numerous line items are placed under one current document number using sequential numbering for the suffix. The first character of the current document represents the type of document.
- **REF DOC/SFX** - Identifies a previous document which is being referenced by the current document to collect data. The reference document requires a suffix.
- **MOD** - Used only when a reference document number is used. It determines how the reference is to be liquidated. The valid codes are:

**P** Partial liquidation;

**F** Complete liquidation;

**A** Activate a previously closed encumbrance or adjust an existing encumbrance;



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**C** Close an encumbrance to prevent future postings. It liquidates the amount of the transaction.

- **AGY** - The three character code representing your agency.
- **TC** - A three digit transaction code required on all transactions to identify the accounts being debited and credited.
- **INDEX** - A five digit code required for all transactions. The Index may look up the PCA or the PCA may look up the Index (if neither one is looked up, both the Index and PCA must be entered). For most agencies, the Index looks up the PCA. The Index is a coding reduction tool, decreasing the amount of entries required. The Index is used for financial reporting purposes, providing the organizational structure level where reporting is to occur.
- **PCA** - A five digit Program Cost Account code required on all transactions. The PCA may look up the Index or the Index may look up the PCA (if neither one is looked up, both the Index and PCA must be entered). For most agencies, the Index looks up the PCA. The PCA is a coding reduction tool, decreasing the amount of entries required. It is used for financial reporting purposes, providing the program structure level where reporting is to occur.
- **AY** - The appropriation year under which the funds are being accessed.
- **COMP OBJ** - The Comptroller Object is a four digit account number of the category where the transaction is to be placed for financial reporting.
- **AGY OBJ** - The Agency Object is a four digit account number instituted by the agency for detailed/summarized accounting and reporting purposes.
- **AMOUNT** - The amount of the transaction.
- **R** - To indicate that the impact of the transaction is to be reversed from all accounts involved. The valid codes are:
  - R** - Reverse immediately;
  - M** - Reverse on the first day of the next month (Not being used);
  - Y** - Reverse on the first day of the next fiscal year (Not being used).
- **DISC** - An informational field to indicate the amount of any discounts. The discount amount is not used to calculate the payment amount made to a vendor.
- **1099** - A code for the type of 1099 a vendor is to receive. A default 1099 type for each Comptroller Object has already been established in the system file and cannot be overridden.
- **FO** - A code used by GAO only.
- **PDT** - A payment distribution type (PDT) identifies how transactions can be combined for warrants to be routed. Not used with an encumbrance.



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- **DOC AMT** - The total from the AMOUNT field for all transactions using the same current document number within the same fiscal year. This is an absolute value amount.
- **DOC AGY** - The three character code identifying your agency.
- **CI** - A code used in conjunction with the Fixed Asset module to identify if the purchased item is:

Capitalized = C

Inventoried = I

All equipment items purchased greater than the amount of the current Capitalization Policy are to be capitalized. The default code is "C". If entered, the property number must be given. (Not required on encumbrance) **Proper use of this indicator is essential.** Refer for the Fixed Asset Section (II-G) of this manual for detailed information.

- **PROP NO** - A unique item, or tag, number for each item in the Fixed Asset module.
- **INV NO** - An optional invoice number.
- **DATE** - Date of the invoice.
- **DESCRIPTION** - For the agency's use to provide additional information about the transaction.
- **CONT NO** - An optional contract number.
- **WARRANT NO** - Not used for encumbrances.
- **APPN NO** - The appropriation number affected by the transaction. It may be looked up by either the Index or the PCA.
- **FUND** - The fund affected by the transaction. It can be looked up by either the Index or the PCA.
- **COMP GL** - The Comptroller General Ledger is not entered on encumbrances.
- **AGY GL** - The Agency General Ledger is not entered on encumbrances.
- **GRANT NO/PH** - Accumulates transactions by grant and phase. It is looked up by the system. It can be looked up by the Index or PCA or coded on the transaction.
- **SUB GRANTEE** - Code for those receiving portions of pass-through grants. The grant accounts for advances and expenditures made to the sub grantees. If used, it must be coded on the transaction.



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- **PROJ NO/PH** - The project and phase numbers to accumulate transactions associated with a particular project. It can be looked up by either the Index or PCA or coded on the transaction.
- **MPCD** - The multi-purpose code. It is a 10 character free formatted field which is defined by the agency. It can be looked up by either the Index or the PCA or coded on the transaction.
- **AGY CD-1,2,3** - Agency defined codes used for any coding purpose. It can be looked up by either the Index or the PCA or coded on the transaction.
- **DI** - Leave blank.
- **RTI** - A coding reduction tool for transactions which are recurring in nature.

B. Canceling and Adjusting Encumbrances

Occasionally, encumbrances need to be canceled or adjusted.

1. Canceling an encumbrance reduces the encumbrance document balance to zero. However, it remains in the system and can be reactivated. To cancel an encumbrance:
  - a. Determine the document number of the encumbrance to be canceled.
  - b. Generate an encumbrance using the original encumbrance document number as the current document number changing one character to make it unique. The document type (first character) should remain as 'E'.
  - c. Enter the original encumbrance document number as the reference document number.
  - d. Use the following transaction codes (TC) to cancel an encumbrance:
    - TC 206 - to cancel an encumbrance established with TC 203 or TC 204;
    - TC 210 - to cancel an encumbrance established with TC 207 or TC 208;
    - TC 214 - to cancel an encumbrance established with TC 211.
  - e. After the cancellation is processed, the encumbrance number cannot be used to pay a claim unless it is reactivated via an encumbrance adjustment transaction.
2. Adjusting an encumbrance increases or decreases the encumbered amount for an encumbrance that already exists or reactivates a previously canceled encumbrance. To adjust an encumbrance:
  - a. Determine the document number of the encumbrance to be adjusted.
  - b. Generate an encumbrance using the original encumbrance document number as the current document number changing one character to make it unique. The document type (first character) should remain as 'E'.
  - c. Enter the original encumbrance document number as the reference document number.



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- d. Enter the amount of the adjustment.
- e. Use the reverse code of **R** to reduce an encumbrance. Leave blank to increase an encumbrance.
- f. Use the following transaction codes (TC) to adjust an encumbrance:
  - TC 205 - to adjust an encumbrance established with TC 203 or TC 204;
  - TC 209 - to adjust an encumbrance established with TC 207 or TC 208;
  - TC 213 - to adjust an encumbrance established with TC 211.



SUBJECT DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

APPENDIX A (cont'd) GAO-510

STATE OF ARIZONA															
PRE-ENCUMBRANCE & ENCUMBRANCE TRANSACTIONS															
AGENCY:			AUTHORIZED BY:			VENDOR NO (11)		MC (3)	BATCHHEADER						
									AGCY (3)	DATE(6)	TYPE(1)	NO (3)			
PREPARED BY:			ENTERED BY:			DATE			PHONE						
VENDOR NAME (50)						ADDRESS 1 (50)									
ADDRESS 2 (50)						CITY (20)			ST (2)	ZIP CODE (5) + 4					
DOC DATE (6)		EFF DATE (6)		DUE DATE (6)		SERVDATE (6)		CUR DOC (8)		SFX (3)	REF DOC (8)		SFX (3)	MOD(1)	AGY (3)
/ /		/ /		/ /		/ /									
TC (3)	INDEX (5)		PCA (5)	AY(2)	COMP OBJ(4)		AGY OBJ(4)		AMOUNT \$(11) ¢(2)		R (1)	DISC \$(11) ¢(2)		1099(1)	FO(1)
PDT (2)		DOC AMT \$(11) ¢(2)		DOC AGY (3)	CI (1)	PROP NO (10)			INV NO (14)		DATE (6)		DESCRIPTION (30)(Cont. V)		
/ /											/ /				
DESC. (Cont.)			CONT NO (10)		WARRANT NO (9)		APPN NO (5)		FUND (4)	COMP GL (4)	AGY GL (8)		GRANT NO(6)		PH(2)
SUBGRANTEE (14)			PROJ NO (6)		PH(2)	MPCD (10)		AGY CD-1(4)	AGY CD-2 (4)	AGY CD-3 (6)	DI (9)		RTI(6)		
DOC DATE (6)		EFF DATE (6)		DUE DATE (6)		SERVDATE (6)		CUR DOC (8)		SFX (3)	REF DOC (8)		SFX (3)	MOD(1)	AGY (3)
/ /		/ /		/ /		/ /									
TC (3)	INDEX (5)		PCA (5)	AY(2)	COMP OBJ(4)		AGY OBJ(4)		AMOUNT \$(11) ¢(2)		R (1)	DISC \$(11) ¢(2)		1099(1)	FO(1)
PDT (2)		DOC AMT \$(11) ¢(2)		DOC AGY (3)	CI (1)	PROP NO (10)			INV NO (14)		DATE (6)		DESCRIPTION (30)(Cont. V)		
/ /											/ /				
DESC. (Cont.)			CONT NO (10)		WARRANT NO (9)		APPN NO (5)		FUND (4)	COMP GL (4)	AGY GL (8)		GRANT NO(6)		PH(2)
SUBGRANTEE (14)			PROJ NO (6)		PH(2)	MPCD (10)		AGY CD-1(4)	AGY CD-2 (4)	AGY CD-3 (6)	DI (9)		RTI(6)		
DOC DATE (6)		EFF DATE (6)		DUE DATE (6)		SERVDATE (6)		CUR DOC (8)		SFX (3)	REF DOC (8)		SFX (3)	MOD(1)	AGY (3)
/ /		/ /		/ /		/ /									
TC (3)	INDEX (5)		PCA (5)	AY(2)	COMP OBJ(4)		AGY OBJ(4)		AMOUNT \$(11) ¢(2)		R (1)	DISC \$(11) ¢(2)		1099(1)	FO(1)
PDT (2)		DOC AMT \$(11) ¢(2)		DOC AGY (3)	CI (1)	PROP NO (10)			INV NO (14)		DATE (6)		DESCRIPTION (30)(Cont. V)		
/ /											/ /				
DESC. (Cont.)			CONT NO (10)		WARRANT NO (9)		APPN NO (5)		FUND (4)	COMP GL (4)	AGY GL (8)		GRANT NO(6)		PH(2)
SUBGRANTEE (14)			PROJ NO (6)		PH(2)	MPCD (10)		AGY CD-1(4)	AGY CD-2 (4)	AGY CD-3 (6)	DI (9)		RTI(6)		
DOC DATE (6)		EFF DATE (6)		DUE DATE (6)		SERVDATE (6)		CUR DOC (8)		SFX (3)	REF DOC (8)		SFX (3)	MOD(1)	AGY (3)
/ /		/ /		/ /		/ /									
TC (3)	INDEX (5)		PCA (5)	AY(2)	COMP OBJ(4)		AGY OBJ(4)		AMOUNT \$(11) ¢(2)		R (1)	DISC \$(11) ¢(2)		1099(1)	FO(1)
PDT (2)		DOC AMT \$(11) ¢(2)		DOC AGY (3)	CI (1)	PROP NO (10)			INV NO (14)		DATE (6)		DESCRIPTION (30)(Cont. V)		
/ /											/ /				
DESC. (Cont.)			CONT NO (10)		WARRANT NO (9)		APPN NO (5)		FUND (4)	COMP GL (4)	AGY GL (8)		GRANT NO(6)		PH(2)
SUBGRANTEE (14)			PROJ NO (6)		PH(2)	MPCD (10)		AGY CD-1(4)	AGY CD-2 (4)	AGY CD-3 (6)	DI (9)		RTI(6)		
DOC DATE (6)		EFF DATE (6)		DUE DATE (6)		SERVDATE (6)		CUR DOC (8)		SFX (3)	REF DOC (8)		SFX (3)	MOD(1)	AGY (3)
/ /		/ /		/ /		/ /									
TC (3)	INDEX (5)		PCA (5)	AY(2)	COMP OBJ(4)		AGY OBJ(4)		AMOUNT \$(11) ¢(2)		R (1)	DISC \$(11) ¢(2)		1099(1)	FO(1)
PDT (2)		DOC AMT \$(11) ¢(2)		DOC AGY (3)	CI (1)	PROP NO (10)			INV NO (14)		DATE (6)		DESCRIPTION (30)(Cont. V)		
/ /											/ /				
DESC. (Cont.)			CONT NO (10)		WARRANT NO (9)		APPN NO (5)		FUND (4)	COMP GL (4)	AGY GL (8)		GRANT NO(6)		PH(2)
SUBGRANTEE (14)			PROJ NO (6)		PH(2)	MPCD (10)		AGY CD-1(4)	AGY CD-2 (4)	AGY CD-3 (6)	DI (9)		RTI(6)		



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

**APPENDIX B GAO-504**

**PROCEDURE:** This form will be used to code all claims with the exception of Employee Travel (GAO-503) and Legislative Travel (GAO-506).

When a purchase is made, an invoice will be received for the goods or services. In order to account for the use of monies for the purchase, the invoice will need to be coded to disburse the funds from the proper accounts and for financial reporting by categories.

If the monies were previously encumbered, the encumbrance is liquidated as the spending of the earmarked monies occurs.

The information from the invoice is transferred to a Claim form (GAO-504 or GAO-508) and appropriate accounting data added.

*Note:* Agencies may customize the Claim form. The substitute form, which is subject to GAO approval, must include a certification that the disbursement is for a valid public purpose and that sufficient funds are available to pay the disbursement.

The elements on the form are:

- **DOC DATE** - The date the transaction is being created.
- **EFF DATE** - This date will default for the current accounting period or the date entered on the Batch Header Record. It determines the accounting period to which the transaction will be posted.
- **DUE DATE** - The date the warrant is to be generated. If left blank, payment is made as the funds are available.
- **SERV DATE** - The date when the goods or service are received or rendered; used only if Grant/Project has a final post date.
- **CUR DOC/SFX** - A unique identification for the transaction. Numerous line items are placed under one current document number using sequential numbering for the suffix. The first character of the current document represents the type of document.
- **REF DOC/SFX** - Identifies a previous document which is being referenced by the current document to collect data. The reference document requires a suffix.
- **MOD** - Used only when a reference document number is used. It determines how the reference document will be liquidated. The valid codes are:
  - P** Partial liquidation;
  - F** Complete liquidation;
  - A** Activate a previously closed encumbrance or adjust an existing encumbrance;
  - C** Close an encumbrance to prevent future postings. It liquidates the amount of the transaction.



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

- **AGY** - The three character code representing your agency.
- **TC** - A three digit transaction code required on all transactions to identify the accounts being debited and credited.
- **INDEX** - A five digit code required for all transactions. The Index may look up the PCA or the PCA may look up the Index (if neither one is looked up, both the Index and PCA must be entered). For most agencies, the Index looks up the PCA. The Index is a coding reduction tool, decreasing the amount of entries required. The Index is used for financial reporting purposes, providing the organizational structure level where reporting is to occur.
- **PCA** - A five digit Program Cost Account code required on all transactions. The PCA may look up the Index or the Index may look up the PCA (if neither one is looked up, both the Index and PCA must be entered). For most agencies, the Index looks up the PCA. The PCA is a coding reduction tool, decreasing the amount of entries required. The PCA is used for financial reporting purposes, providing the program structure level where reporting is to occur.
- **AY** - The appropriation year under which the funds are being accessed.
- **COMP OBJ** - The Comptroller Object is a four digit account number of the category where the transaction is to be placed for financial reporting.
- **AGY OBJ** - The Agency Object is a four digit account number instituted by the agency for detailed accounting and reporting purposes.
- **AMOUNT** - The amount of the transaction.
- **R** - To indicate that the impact of the transaction is to be reversed form all accounts involved. The valid codes are:
  - R** - Reverse immediately;
  - M** - Reverse on the first day of the next month (Not being used);
  - Y** - Reverse on the first day of the next fiscal year (Not being used).
- **DISC** - An informational field to indicate the amount of any discounts. The discount amount is not used to calculate the payment amount made to a vendor.
- **1099** - A code that indicates the type of 1099 a vendor is to receive. A default 1099 type for each Comptroller Object has already been established in the system file and cannot be overridden.
- **FO** - A code used by GAO only.
- **PDT** - A payment distribution type (PDT) identifies how transactions can be combined for warrants and how warrants are to be routed. A PDT has been set up on each vendor record, which may be overridden by entering a different code here. The payment distribution type on the Batch Header Record allows all transactions in the batch to carry the same code. If entered on individual transactions, just the transaction will be affected. The valid codes are:



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

- R** Release to the agency, do not combine documents, do not combine funds;
- RD** Release to the agency, combine documents, do not combine funds;
- RF** Release to the agency, combine documents and combine funds;
- RT** Release to the agency, do not combine documents, combine funds.

- **DOC AMT** - The total from the AMOUNT field for all transactions using the same current document number within the same fiscal year. This is an absolute value amount.
- **DOC AGY** - The three character code identifying your agency.
- **CI** - A code used in conjunction with the Fixed Asset module to identify if the purchased item is:

Capitalized = C

Inventoried = I

All equipment items purchased greater than the amount of the current Capitalization Policy are to be capitalized. The default code is "C". If entered, the property number must be given. (Not required on encumbrance) **Proper use of this indicator is essential.** Refer for the Fixed Asset Section (II-G) of this manual for detailed information.

- **PROP NO** - A unique item, or tag, number for each item in the Fixed Asset module.
- **INV NO** - An optional invoice number.
- **DATE** - Date of the invoice.
- **DESCRIPTION** - For the agency's use to provide additional information about the transaction.
- **CONT NO** - An optional contract number.
- **WARRANT NO** - Enter warrant number when a hand written warrant is issued. (GAO use only)
- **APPN NO** - The appropriation number affected by the transaction. It can be looked up by either the PCA or Index.
- **FUND** - The fund affected by the transaction. It is looked up by either the PCA or Index.
- **COMP GL** - The Comptroller General Ledger is not entered on claims.
- **AGY GL** - The Agency General Ledger is not entered on claims.
- **GRANT NO/PH** - Accumulates transactions by grant and phase. It can be looked up by either the Index or PCA or coded on the transaction.
- **SUB GRANTEE** - Code for those receiving portions of pass-through grants. The grant accounts for advances and expenditures made to the sub grantees. If used, it must be coded on the transaction.



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

**t'd) GAO-504**

- **PROJ NO/PH** - The project and phase numbers to accumulate transactions associated with a particular project. It can be looked up by either the Index or PCA or coded on the transaction.
- **MPCD** - The multi-purpose code. It is a 10 character free formatted field which is defined by the agency. It can be looked up by either the Index or PCA or coded on the transaction.
- **AGY CD-1,2,3** - Agency defined codes used for any coding purpose. It can be looked up by either the Index or PCA or coded on the transaction.
- **DI** - Leave blank.
- **RTI** - A coding reduction tool for transactions which are recurring in nature.



SUBJECT

DISBURSEMENTS (PURCHASING, RECEIVING AND ACCOUNTS PAYABLE)

Appendix B Cont'd GAO-504

STATE OF ARIZONA		AGENCY:		VENDOR NO (11)		MC (3)		BATCH HEADER		
CLAIM		PREPARED BY DATE:		ENTERED BY DATE:		RELEASED BY DATE:		AGY (3)		
VENDOR'S NAME (50)		ADDRESS 1 (50)		ADDRESS 2 (50)		CITY (20)		DATE (6)		
								TYPE (1)		
								NO (3)		
DOC DATE (6)	EFF DATE (6)	DUE DATE (6)	SERV DATE (6)	CUR DOC (6)	SFX (3)	REF DOC (8)	SFX (3)	MOD(1)	AGY (3)	INDEX (5)
AY (2)	COMP OBJ(4)	AGY OBJ(4)	BTM (1)	AMOUNT \$(11) \$(2)	R (1)	DISC \$(11) \$(2)	1099 (1)	FO (1)	PDT (2)	DOC AMOUNT \$(11) \$(2)
PROP NO (10)	INV NO (14)	INVOICE DATE (6)	DESCRIPTION (30)	CONT NO (10)	WARRANT NO (9)	APPN NO (5)	FUND (4)	COMP GL (4)		
AGY GL (8)	GRANT NO (6)	PH (2)	SUB GRANTEE (14)	PROJ NO (6)	PH (2)	MPCD (10)	AGY CD-1 (4)	AGY CD-2 (4)	AGY CD-3 (4)	DI (9)
DOC DATE (6)	EFF DATE (6)	DUE DATE (6)	SERV DATE (6)	CUR DOC (6)	SFX (3)	REF DOC (8)	SFX (3)	MOD(1)	AGY (3)	INDEX (5)
AY (2)	COMP OBJ(4)	AGY OBJ(4)	BTM (1)	AMOUNT \$(11) \$(2)	R (1)	DISC \$(11) \$(2)	1099 (1)	FO (1)	PDT (2)	DOC AMOUNT \$(11) \$(2)
PROP NO (10)	INV NO (14)	INVOICE DATE (6)	DESCRIPTION (30)	CONT NO (10)	WARRANT NO (9)	APPN NO (5)	FUND (4)	COMP GL (4)		
AGY GL (8)	GRANT NO (6)	PH (2)	SUB GRANTEE (14)	PROJ NO (6)	PH (2)	MPCD (10)	AGY CD-1 (4)	AGY CD-2 (4)	AGY CD-3 (4)	DI (9)
DOC DATE (6)	EFF DATE (6)	DUE DATE (6)	SERV DATE (6)	CUR DOC (6)	SFX (3)	REF DOC (8)	SFX (3)	MOD(1)	AGY (3)	INDEX (5)
AY (2)	COMP OBJ(4)	AGY OBJ(4)	BTM (1)	AMOUNT \$(11) \$(2)	R (1)	DISC \$(11) \$(2)	1099 (1)	FO (1)	PDT (2)	DOC AMOUNT \$(11) \$(2)
PROP NO (10)	INV NO (14)	INVOICE DATE (6)	DESCRIPTION (30)	CONT NO (10)	WARRANT NO (9)	APPN NO (5)	FUND (4)	COMP GL (4)		
AGY GL (8)	GRANT NO (6)	PH (2)	SUB GRANTEE (14)	PROJ NO (6)	PH (2)	MPCD (10)	AGY CD-1 (4)	AGY CD-2 (4)	AGY CD-3 (4)	DI (9)
DOC DATE (6)	EFF DATE (6)	DUE DATE (6)	SERV DATE (6)	CUR DOC (6)	SFX (3)	REF DOC (8)	SFX (3)	MOD(1)	AGY (3)	INDEX (5)
AY (2)	COMP OBJ(4)	AGY OBJ(4)	BTM (1)	AMOUNT \$(11) \$(2)	R (1)	DISC \$(11) \$(2)	1099 (1)	FO (1)	PDT (2)	DOC AMOUNT \$(11) \$(2)
PROP NO (10)	INV NO (14)	INVOICE DATE (6)	DESCRIPTION (30)	CONT NO (10)	WARRANT NO (9)	APPN NO (5)	FUND (4)	COMP GL (4)		
AGY GL (8)	GRANT NO (6)	PH (2)	SUB GRANTEE (14)	PROJ NO (6)	PH (2)	MPCD (10)	AGY CD-1 (4)	AGY CD-2 (4)	AGY CD-3 (4)	DI (9)

APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

I certify that this expenditure/transaction is for a valid public purpose and is consistent with all applicable statutes, laws, appropriations, grants, and contracts. I also certify that sufficient appropriation and monies are available for this expenditure/transaction, and that I am authorized to distribute these monies.