



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 20 Disbursements

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INTRODUCTION

The safeguarding of public monies is a responsibility of paramount importance. An significant component of that responsibility is ensuring that public monies, when expended, are expended in accordance with the governing laws, rules and policies as well as the terms and conditions of applicable grants and contracts.

Another important component of safeguarding public monies is instituting and maintaining appropriate internal controls over the disbursement of those monies. An appropriate internal control structure related to disbursements is the segregation of duties. There are four kinds of functional responsibilities or duties that should be performed by different work units or, at minimum, different persons within the same unit:

- Authorization to execute transactions: This duty belongs to persons with authority and responsibility to initiate and execute transactions.
- Recording transactions: This duty refers to the accounting or record keeping function, which is generally accomplished by entering data into a computer system.
- Custody of assets involved in the transactions: This duty refers to the actual physical possession or effective physical control and/or safeguarding of property.
- Periodic reviews and reconciliation of existing assets to recorded amounts: This duty refers to making comparisons at regular intervals and taking action to resolve any differences.

The following policies and procedures incorporate, at a greater level of detail, the segregation of the four types of duties prescribed above.

To a certain extent, procurement, purchasing and payment functions overlap. Because of this, some of the policies and procedures enumerated below may be repeated in sections of SAAM dealing with procurement and purchasing. Irrespective of where they may be located in SAAM, internal controls should be applied wherever applicable.

POLICY & PROCEDURES

1. All disbursements must be for a valid public purpose.

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2. Sufficient spending authority—appropriation, allotment and/or grant funds, or other authority as may be applicable—must be available before any disbursement may be made.
3. Adequate money must be available before any disbursement may be made.
4. Before any disbursement or transfer of public monies is made:
 - 4.1. An authorized representative of the agency requesting the disbursement must certify that the disbursement or transfer is for a valid public purpose and that sufficient spending authority and money are available to effect the disbursement or transfer.
 - 4.2. The certification 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.”
 - 4.2.1. As employed immediately above, the term “appropriation” is used in its legal sense as authority to expend public monies and applies to both appropriated and non-appropriated funds.
 - 4.3. This certification may take whatever form may be prescribed by the GAO, including paper or digital, individual or blanket.
 - 4.3.1. One—but not the only possible—form of blanket certification is that used by a budget unit with respect to payroll reconciliations.
5. In accordance with A.R.S. § 35-342, “Any agency which [sic] purchases or procures goods and services from a nongovernmental entity on account shall pay the account in full within thirty [30] days after the 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.
 - 5.1. All interest payments shall be paid out of current year funds.
 - 5.2. All interest payments or late fees of one hundred dollars (\$100) or more must be recorded using object 7232, Interest on Overdue Payments.
 - 5.3. Interest charges of less than one hundred dollars (\$100) should be paid as part of the claim for goods or services.
6. Obligations of funds in excess of appropriated amounts are the responsibility of the agency director unless the Legislature enacts a supplemental appropriation.

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7. Payment requests, whether initiated in AFIS or PAZ, must be reviewed and approved by an authorized approver prior to payment. Review and approval must take into account the criteria involving public purpose, sufficient spending authority and adequate money as well as any other legal or contractual considerations that may apply.
8. Care must be taken to ensure that the same amount due is not paid more than once.
 - 8.1. If multiple shipments are received to complete an order, procedures must be in place to prevent duplicate payments of all or any part of the order.
 - 8.2. In the case of paper invoices, copies should be marked as such.
 - 8.3. Care must be taken when dealing with electronic invoices.
 - 8.4. Payments should be made from invoices, not statements.
9. All rejected invoices, returned merchandise and disputed amounts must be handled in a manner that ensures the appropriate credit or refund will be received by the State.
10. Unmatched purchase orders and receiving reports must be maintained and periodically reviewed, investigated and resolved.
11. Approved but unpaid payment requests should be periodically reviewed and resolved.
12. Statements from vendors must be regularly reconciled with paid and unpaid payment requests.
13. All documentation, in whatever forms it may exist, that supports any disbursement (i.e., claim, purchase order, invoice, etc.) must be maintained in accordance with the relevant General Records Retention Schedule published by LAPR.
14. Agencies must have procedures in effect to ensure proper cut-off at fiscal year-end.
 - 14.1. If goods and/or services are received before June 30, and the related invoice is dated before June 30, but the invoice is received after June 30, then:
 - 14.1.1. If the invoice is to be paid from an appropriated fund, the payment must be treated as an administrative adjustment.
 - 14.2. Claims of three hundred dollars (\$300) 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 State Comptroller.

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14.3. Segregation of duties must be in effect so that no one person has complete access to the entire disbursement process. The disbursement process includes:

14.3.1. Vendor setup and change.

14.3.2. Vendor bank account setup and change.

14.3.3. Initiation and/or entry of payment requests.

14.3.4. Approval of payment requests.

14.3.5. Reconciliation of banks and payment records.

14.3.6. Preparation of warrants, including, but not necessarily limited to:

14.3.6.1. Printing.

14.3.6.2. Processing.

14.3.6.3. Approving.

14.3.6.4. Any step in the work flow.

14.3.7. Mailing, delivery or pickup of warrants.

14.3.8. Physical custody of warrants or warrant stock.

14.3.9. Access to or physical custody of signature stamps, signature reproductions, digital signatures or any other device or mechanism that may be used to sign a warrant.

15. The following activities should be segregated:

15.1. Individuals responsible for data entry of encumbrances and payment requests should not be responsible for approving them.

15.2. Authority to approve an expenditure transaction should, if practicable, not be delegated to the immediate supervisor of personnel who enter data related to expenditure transactions.

15.3. Individuals responsible for acknowledging the receipt of goods or services should not be responsible for procurement, purchasing or accounts payable activities.

15.4. Individuals who prepare payment requests should not be responsible for approving payment requests.

15.5. Individuals who prepare or record warrants or checks should not be responsible for signing warrants or checks.

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- 15.6. Individuals who prepare or approve payment requests should not reconcile bank statements.
- 15.7. Individuals responsible for cash receipt functions should, to the extent practicable, be separate from those responsible for cash disbursements.
- 15.8. Individuals responsible for procurement or purchasing should not be responsible for processing payment requests, disbursements, accounts payable and general ledger functions.
- 15.9. Individuals responsible for procurement or purchasing should not be responsible for receiving.
16. All warrants must be compared to the warrant register and to supporting documentation to detect any errors. If any errors are detected, the agency's GAO liaison is to be notified immediately.
17. Any agency that maintains its own disbursements journal must reconcile it to the pertinent reports, records and balances in AFIS.
18. All reconciliations must be reviewed by an agency's accounting supervisor, accounting manager or chief financial officer.