



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 70 Approving Vendor Claims/Invoices

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INTRODUCTION

Each day, managers review and approve thousands of vendor claims that result in State monies being disbursed. Unfortunately, due to the volume of work and other factors, the approval process frequently may become little more than a “rubber stamp” exercise. Those who would perpetrate fraud against the State take advantage of this. When a disbursement fraud does occur, the approver might find himself blamed for lack of sufficient diligence in discharging his duties.

Even in the absence of fraud, claims can be incorrect or erroneous. Moreover, an examination of claims can reveal inefficient and uneconomical ordering practices that require agency attention.

This section of SAAM provides guidelines for the types of questions approvers of vendor claims should ask themselves before approving a claim. This list is not all-inclusive. Anytime an approver is suspicious about the propriety of claim, the suspicion should be resolved before the claim is approved for payment.

POTENTIAL AREAS OF INQUIRY

1. How well is the vendor known to the approver? Does the approver even have first-hand knowledge that the vendor exists? If uncertainty exists, the approver can:
 - 1.1. Check for a valid vendor’s existence on its website.
 - 1.2. Call the phone number listed on the invoice.
 - 1.3. Contact SPO about the vendor’s contract with the State.
2. Does the approver know that the billed services or goods have actually been delivered? If so, how? Is all the appropriate documentation attached?
 - 2.1. In the case of goods, has a delivery ticket been attached?
 - 2.2. Does the delivery address match an agency location?
 - 2.3. Who has certified that the services to which the claim relates have been provided?
3. Does the approver know that the vendor’s invoice reflects the correct amount for unit pricing as stipulated by the relevant State contract?

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- 3.1. With respect to claims of significant amounts, it often pays to check the amounts or rates billed against the amounts or rates agreed to under the State contract. An example of possibly innocent but incorrect would be when a vendor agreed to State mileage reimbursement rates but erroneously bills the State at Federal rates.
4. Are the claimed amounts for freight, sales tax and other elements of the claim accurate? Are they reasonable?
 - 4.1. Without very much effort, one can approximate the sales tax to be paid.
 - 4.2. Is the freight reasonably proportional to the cost of the goods?
 - 4.3. Is the State paying for expedited shipping when it could have been avoided? The billing could be correct, but agency processes for placing orders might need to be reviewed.
5. Do the quantities ordered and delivered make sense?
 - 5.1. Does a small agency really need ten thousand ballpoint pens? If not, why were they ordered? Does the agency still have the pens or have some of the staff taken home large quantities of office supplies?
 - 5.2. Even absent wrongdoing, no matter the sales price, overbuying is uneconomical in the end and not a good way to spend public monies that could be used for more immediate needs.
6. Is the invoice mathematically correct?
 - 6.1. One plus one should equal two. At times, it seems not to. Line items should be extended (units x price-per-unit) and footed (totaled). This can often be done in one's head.
7. Has this claim already been paid?
 - 7.1. Has there been a recent payment to the same vendor for the same amount?
 - 7.2. Does the vendor's account reflect a debit balance?
8. Has an invoice been split into multiple invoices so that each invoice's amount is below some threshold requiring additional review and approval?
 - 8.1. Sometimes there are dollar thresholds that require additional reviews or approvals (for example, vendor invoices that exceed five thousand dollars (\$5,000) may require two approvers). To avoid additional scrutiny, a vendor might split a seven thousand dollar (\$7,000) invoice into a three thousand dollar (\$3,000) and a four thousand dollar (\$4,000) invoice. To catch this, review recent prior payments to the vendor.

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9. Are the dates and/or times related to the transaction suspicious? Under the relevant circumstances:
 - 9.1. Is it reasonable that the goods were delivered on a Sunday or a holiday?
 - 9.2. Is it reasonable that the goods were delivered at two o'clock in the morning (2:00 a.m.)?