



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Advances to Non-public Entities</i>	Issued:	6/12/09
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TO: Technical Bulletin Administrators
All Agencies

FROM: D. Clark Partridge
State Comptroller

AUTHORITY

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A.R.S. § 35-131	Accounting system: reports; notice of deficiency; forms
A.R.S. § 35-148	Payment for interagency services as credit to account of agency
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A.R.S. § 41-722	Powers and duties relating to finance

DEFINITIONS

Advances: Payments or disbursements of any type (cash, check, warrant, promissory note, etc.) made in exchange for goods or services before such goods are received or such services are rendered. Sometimes referred to as prepayments.

Contract: An oral or written promise or set of promises constituting an agreement between two or more legal entities that creates an obligation to do (or not to do) a particular thing; each party of the contract assumes a legal duty to the other; each party to a contract has a right to seek a remedy for breach of that contract.

Non-public entity: An individual, partnership, corporation, or other legal entity that is not under the authority or control of the federal government or any federal department or agency, an Indian tribe, this state or any other state, a department, agency, board, commission, or other entity of this state or any other state, a county, a school district, a city, a town, a municipal corporation, or any other political subdivision of this state or any other state.

POLICY

1. The State should not make advances to non-public entities except in accordance with A.R.S. §35-181.01. Pursuant to A.R.S. §35-181.01, the Director of the Department of Administration may approve advances, if the proposal to prepay is submitted to the Arizona Department of Administration in advance of any commitment or obligation by the State and the Director finds that prepayment is in the best interest of the State or that prepayment is the industry standard. The State Comptroller administers this section on behalf of the Director.

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2. Except as otherwise herein provided below, prepayments to non-public entities can only be made with the written consent of the State Comptroller.
3. Prepayments that meet the criteria in paragraphs A and B below may be made without advance written approval and are authorized by this policy. All other prepayments require additional specific written approval of the State Comptroller prior to ordering the goods and services, their inclusion in a contract, or payment.
 - A. All of the following conditions must apply:
 - i. The goods and services for which prepayment is contemplated will be provided within one calendar year of the date of the payment,
 - ii. The payment of invoices is not accelerated so as to result in a bill's being paid in a fiscal year earlier than it might otherwise have been paid,
 - iii. The underlying product or service is for a valid public purpose, is consistent with the agency's legally established charter,
 - iv. It is in the best interest of the State that the expenditure be made,
 - v. It is industry standard for the contemplated goods or services to be prepaid, and
 - vi. Sufficient cash and budgetary authority exist to make the payment.
 - B. Prepayments to non-public entities can be made for the following types of goods and services without requesting or receiving the express written approval of the State Comptroller:
 - i. Payments for subscriptions to newspapers, magazines and related providers of news and information,
 - ii. Payments for rentals of real and personal property and the the security deposits related to such rental agreements,
 - iii. Payments for air fares and to reserve lodging at hotels,
 - iv. Payments to secure facilities to hold conferences, present training, host trade shows, etc.,
 - v. Payments for employees to attend or participate in classes, training, conferences, seminars, etc.,
 - vi. Payments on ongoing contracts, such as software maintenance and updates: equipment maintenance, etc.,
 - vii. Down payments, prepayments or security deposits required to initiate certain types of custom work on real or personal property. (An example of this would include a security deposit placed on a vehicle to be specially manufactured or equipped for certain types of police work.)

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4. Even those items for which pre-payment is authorized should, whenever possible, be paid after the receipt of the underlying goods or services.

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CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

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