



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements
Section 30 **Advances to Non-public Entities**

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INTRODUCTION

From time to time it is required that the State pay for certain goods and services before they are received. This section of SAAM addresses when such prepayments may be made. As with any other expenditure of public monies, these transactions are subject to the internal controls set forth in other sections of SAAM dealing with purchasing and disbursements.

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 ADOA Director may approve advances, if the proposal to prepay is submitted to ADOA in advance of any commitment or obligation by the State and the ADOA 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 ADOA Director.
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 set forth 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.
 - 3.1. All of the following conditions must apply:
 - 3.1.1. The goods and services for which prepayment is contemplated will be provided within one (1) calendar year of the date of the payment,
 - 3.1.2. 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,
 - 3.1.3. The purchase is consistent with the agency's legally established charter,
 - 3.1.4. It is in the best interest of the State that the expenditure be made,
 - 3.1.5. It is industry standard for the contemplated goods or services to be prepaid,
 - 3.1.6. The expenditure must be for a valid public purpose, and

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- 3.1.7. Sufficient cash and budgetary authority exist to make the payment.
- 3.2. 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:
 - 3.2.1. Payments for subscriptions to newspapers, magazines and related providers of news and information,
 - 3.2.2. Payments for rentals of real and personal property and the security deposits related to such rental agreements,
 - 3.2.3. Payments for air fares, train fares and to reserve lodging at hotels,
 - 3.2.4. Payments to secure facilities to hold conferences, present training, host trade shows, etc.,
 - 3.2.5. Payments for employees to attend or participate in classes, training, conferences, seminars, etc.,
 - 3.2.6. Payments on ongoing contracts, such as software maintenance and updates, warranties, equipment maintenance, etc., provided the period of such contracts does not extend beyond one (1) year, and
 - 3.2.7. 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.).
- 3.3. Pre-payment should be made only when unavoidable. Even those items for which pre-payment is authorized should, whenever possible, be paid for after the receipt of the underlying goods or services.
4. All internal controls related to incurring obligations and/or disbursing public monies apply to advances to non-public entities.