



TITLE	POLICY NUMBER	
Prior Period and Stale Claims	DCS 03-09	
RESPONSIBLE AREA	EFFECTIVE DATE	REVISION
DCS Office of Accounting	11/06/18	1

I. POLICY STATEMENT

The purpose of this policy and procedure is to guide Department accounting staff in the payment of invoices that fall outside of the current state fiscal year and administrative adjustment period; when the invoices meet the criteria listed in A.R.S. § 35-191.

II. APPLICABILITY

This policy applies to all DCS Accounting Department staff who work with claims and affects any claims that are more than one fiscal year (after the administrative adjustment period) and less than four fiscal years old.

III. AUTHORITY

[A.R.S. 8-453](#)

Powers and duties

[A.R.S. § 35-101](#)

Budgetary and Fiscal Provisions for State Agencies;
General Provisions; Definitions

[A.R.S. § 35-151](#)

Encumbrance documents; issuance and disposition

[A.R.S. § 35-190](#)

Incurring obligations after close of fiscal year; lapsing
appropriations; exceptions

[A.R.S. § 35-191](#)

Administrative adjustment; refunds; presentation and
disposition of claims; exemption

IV. DEFINITIONS

Accounting Units: Units within the Department of Child Safety, Office of Accounting that are responsible for paying claims for goods or services, currently Accounts Payable and Payment Processing Unit.

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. To be eligible for payment under the Administrative Adjustment process, the goods or services must have been received prior to July 1 of the current fiscal year. There must also be a sufficient balance remaining in the reverted appropriation line to pay the claim.

Administrative Adjustment Period: An official accounting payment process period defined by the Arizona Legislature and Arizona Department of Administration. This period is associated with each state fiscal year. It begins the first day of the next fiscal year and ends on the last day of the same fiscal year. The purpose of this special period is to allow state agencies to charge the previous year's budget appropriation for these types of payments since the expenditures actually were incurred on or before June 30.

ADOA: The Arizona Department of Administration.

AFIS: The Arizona Financial Information System.

Allotment: An appropriation made available for expenditures within a given time frame.

Appropriation: The legal authority granted to an agency, board, commission or institution of higher education to make expenditures and to incur obligations.

Claim: A demand against the State of Arizona for payment of goods delivered or services performed.

Corrective Action Plan: An action plan and schedule for correcting a process or a quality issue.

Demand for Assurance: A written document seeking assurance that the contractor has the intention to perform or continue to perform per a contractual agreement. Failure by the contractor to provide written assurance within the number of days specified in the demand may, at the State's option, be the basis for terminating the contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

Department or DCS: The Arizona Department of Child Safety.

Encumbrance: An obligation in the form of any purchase order, contract, or other commitment which is chargeable to an appropriation or any other authorized fund source and for which part of the fund source is reserved. Encumbrance represents commitments related to contracts not yet performed. Encumbrances are used to control expenditures and to enhance cash management. The encumbrance obligation is formalized in AFIS by entering the transaction into the system with an encumbrance document or a purchase order in Procure AZ. It ceases to be an encumbrance when paid or canceled.

GAO: The Arizona Department of Administration, General Accounting Office.

Relief Bill: A.R.S. § 35-191 allows claims that are more than one fiscal year (after the administrative adjustment period) and less than four fiscal years old to be brought before the Legislature by the GAO for consideration of the appropriation of monies to pay the claim.

Reversion: The dollar amount from unused appropriations restored to the General Fund.

Stale Claim: A claim that is:

1. not received within the period prescribed by the law, contract, grant agreement;
2. received, but incomplete; or
3. being resubmitted by the State.

State: The State of Arizona.

V. POLICY

A. General Guidelines

1. All contracted vendors and providers shall submit accurate billing information (invoices and appropriate supporting documentation) to the Department in accordance with the terms and conditions in their contracts.
2. If a vendor bills the Department outside the timeframes specified in their contract, then the DCS Office of Accounting may work with the DCS Office of Procurement to issue a Demand for Assurance and require a Corrective Action Plan to prevent future occurrences of the contract noncompliance.

B. Administrative Adjustments

1. Claims within the adjustment period.
 - a. In accordance with A.R.S. § 35-191(B), if a claim from a prior fiscal year is presented within one year and if sufficient funds remain in the reverted appropriation to pay the claim, the claim shall be paid out of the fund to which the unused appropriation reverted. Claims out of Guardian are not required to follow this protocol.
 - b. All expenditures to be paid as administrative adjustments must be encumbered regardless of the dollar amount.
 - c. These encumbrances must have been entered and processed in AFIS by June 30 of the prior fiscal year in order to pay as an administrative adjustment in the current year.
2. Claims outside of the adjustment period
 - a. If a vendor invoices the Department for services after the administrative adjustment period, the Department shall determine whether it is a legitimate bill to pay.
 - b. If the Department considers the bill legitimate and is required to use appropriated funds to make the payment, then a payment through the Relief Bill shall be requested through the DCS Office of Accounting.

C. Relief Bill

Every December, GAO requests all state agencies with invoices that meet the Relief Bill criteria be submitted by a certain date. This notification is forwarded to all DCS units by the DCS Office of Accounting.

1. The appropriation line item from which the claim is to be paid shall have a balance of reverted appropriation sufficient to pay the claim.
 - a. Claims shall not be considered in the Relief Bill by the GAO unless there is sufficient reversion.
 - b. If the reverted balance is insufficient or if the appropriation line item did not contain a reversion, the Department must present the claim to the Legislature as a supplemental appropriation request.
2. In accordance with A.R.S. § 35-191(D), prior year claims of \$300 or less should not be included in the Relief Bill.
 - a. These claims should be paid out of one of the Department's available current year appropriations if it is determined to be in the best interests of the State.
 - b. The \$300 limitation is per vendor, rather than per invoice.

D. Denying Stale Claims

1. In some cases, it may be necessary to deny payment for a stale claim. Each accounting unit shall be responsible for:
 - a. maintaining a log(s) of all late claims that have been denied; and
 - b. submitting the log(s) to the DCS Office of Accounting annually.
2. If a dispute arises with a vendor because of the vendor's claim being denied, the Accounts Payable unit shall contact Procurement and the Payment Processing Unit shall contact Contracts for resolution and notification to the vendor.

VI. PROCEDURES

A. Administrative Adjustment

1. If the claim is received during the administrative adjustment period, the

unit that received the claim submits the claim to the DCS Office of Accounting for payment. The submitting unit ensures the claim includes the:

- a. vendor or provider name;
 - b. vendor or provider address;
 - c. claim dollar amount; and
 - d. funding stream.
2. The unit submits the claim with appropriate documentation and the payment request to the DCS Office of Accounting, Site Code C010-21 for payment.
 3. If the claim is received during the administrative adjustment period, it shall be paid in Guardian, and QNXT and does not have to be submitted to the DCS Office of Accounting.
 4. On receiving a claim outside the administrative adjustment period, the DCS Office of Accounting shall:
 - a. research their records:
 - i. for proof of delivery of claim items; and
 - ii. to determine whether the vendor or provider was paid for the claim.
 - b. If records indicate that the claim has been paid and the provider claims it was not received or cashed, the DCS Office of Accounting gives the provider a warrant number, determines whether the check has been cashed, and by whom. If the provider claims they did not receive payment or that their payment was not cashed, the DCS Office of Accounting takes the following steps:
 - i. If the check has been cashed, the DCS Office of Accounting contacts the vendor or provider to inform the vendor or provider that the claim has been paid.
 - ii. If the check has not been cashed, but has expired, the DCS Office of Accounting follows the expired warrant process.

- iii. If the check has not been cashed, and has not expired, it is cancelled.
- c. If records indicate the claim has not been paid off, the DCS Office of Accounting determines if the invoice or bill meets the contract, policy and age requirements for submittal via the Relief Bill process. The DCS Office of Accounting works with the DCS Budget Office to determine whether there are sufficient reverted funds remaining or if there are non-appropriated funding sources available to pay the claim.
 - i. When non-appropriated funding sources are available, the DCS Budget Office notifies the DCS Office of Accounting of the correct funding source to use to pay the claim.
 - ii. When a non-appropriated funding source is unavailable, the claim shall be paid as outlined in the Relief Bill, (Section V. (C) of this policy.)
- d. If the DCS Office of Accounting receives a prior year claim of \$300 or less, the DCS Office of Accounting will do the following:
 - i. Obtain approval from the Department Comptroller;
 - ii. Obtain approval from the State Comptroller to pay from the available current year appropriations; and
 - iii. Process the claim using the current invoice payment process.
- e. The Department may work with the DCS Office of Procurement to issue a Demand for Assurance to:
 - i. ensure a Corrective Action Plan is implemented to correct the immediate issue; and
 - ii. establish a plan to avoid future occurrences of contract noncompliance.

B. Relief Bill

- 1. When a vendor or provider submits a claim to the Department payment processing units after the administrative adjustment period has ended, the

unit receiving the claim shall determine whether the claim is more than one fiscal year (after the administrative adjustment period) and less than four fiscal years old. If the claim is more than one fiscal year and less than four fiscal years old, the unit submits the claim to the DCS Office of Accounting who:

- a. holds the claim for submission with the next Relief Bill; and
- b. informs the vendor that the payment being held is pending approval of the next Relief Bill.

VII. FORMS INDEX

N/A