



# GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<b><i>Payment Processing: ProcureAZ vs. AFIS</i></b>	Issued:	08/10/2012
Manual Section(s):	II-H-1	Effective:	08/10/2012
Supersede(s):	Relevant Sections of SAAM II-H-1	Page:	1 of 5

TO: Technical Bulletin Administrators All Agencies	FROM: D. Clark Partridge State Comptroller
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## **AUTHORITY**

A.R.S. § 1-254	Limitation on duty of statutory implementation; legislative appropriation requirement
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance

## **DEFINITIONS**

**Accounts payable:** A term applied to the money owed to vendors for products or services and the processes related to discharge of such amounts owed.

**AP:** Accounts payable.

**AP User:** A ProcureAZ role that allows one to initiate a payment to a vendor.

**AP Supervisor:** A privilege granted to an AP User that allows one to approve a payment to a vendor.

**AFIS:** The Arizona Financial Information System. Arizona State Government's principal automated accounting system.

**Agency:** Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government.

**COBJ:** Comptroller object; in governmental accounting, a code used to classify revenues and expenditures.

**Encumbrance:** A reservation of funds in anticipation of an expenditure (also see Purchase Order). An encumbrance will reduce the available appropriation and the available allotment.

**GAO:** General Accounting Office; a division of the Arizona Department of Administration.

**GAO Security:** The unit within the GAO responsible for the administration of certain types of application security.

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He/him/his: For brevity and clarity, masculine singular pronouns are used throughout. Feminine or plural pronouns may be substituted, as appropriate.

Privilege: A right to perform certain functions.

ProcureAZ: The statewide automated procurement and purchasing system.

Purchase order: A document that requisitions goods or services from a vendor and formally obligates public monies.

Role: Within ProcureAZ, a role determines which functions a user is able to access and which processes he may perform. Roles involved with procurement and purchasing are granted by SPO or the agency, while roles involved with payments are granted by the GAO.

Source group: A collection or range of related COBJs in the State's official chart of accounts, promulgated by the GAO.

SPO: State Procurement Office; a division of the Arizona Department of Administration.

User: One granted access to or having the ability to perform certain functions in ProcureAZ.

Vendor: An entity that, or a person other than an employee who, furnishes goods or services in exchange for payment.

## **INTRODUCTION**

In an effort to improve statewide efficiency by streamlining operations, a new level of integration between ProcureAZ and AFIS was implemented on July 1, 2012. This integration allows those with appropriate roles in ProcureAZ to initiate and approve payments to be issued by AFIS. This integration, however, does not preclude the initiation and approval of payments in AFIS.

The purpose of this technical bulletin is to provide additional information about payments processed through ProcureAZ and to establish guidelines for the types of payments most suitable for processing through ProcureAZ and the types of payments best initiated and approved in AFIS.

Among the benefits offered by ProcureAZ is an automated three-way match of documentation before a payment can be made. The three documents that are compared are the purchase order, receipt and invoice.

It is not the purpose of this technical bulletin to provide instruction on the operation of ProcureAZ. Guidance in the operation of ProcureAZ is available from the SPO website at [http://www.spo.az.gov/ProcureAZ/Application\\_Basics/default.asp](http://www.spo.az.gov/ProcureAZ/Application_Basics/default.asp).

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### **POLICIES & PROCEDURES**

1. Security for ProcureAZ functions related to the initiation or approval of payments is administered by GAO Security. Refer to Technical Bulletin 12-04, entitled *Security Procedures for Accounts Payable Roles in ProcureAZ* or superseding related policy statements, for detailed information. The specific functions in ProcureAZ related to the initiation or approval of payments are:
  - a. The AP User role, which enables a user to initiate payments to a vendor.
  - b. The AP Supervisor privilege, which enables an AP User to approve payments to a vendor.
2. Without the appropriately assigned role or privilege, payments may not be initiated or approved in ProcureAZ.
3. Except as noted, any purchase order successfully processed in ProcureAZ will result in an encumbrance in AFIS. The exception to this are those purchase orders marked as “P-Card Enabled.”
4. Payments destined to be made to a vendor can be initiated in ProcureAZ.
5. Except as noted, payments destined to be made to another State agency (i.e., interagency transfers and automated transfers) should not be initiated in ProcureAZ.
  - a. Purchase orders relating to acquisitions from Arizona Correctional Industries and Arizona Industries for the Blind may be initiated in ProcureAZ, but payments to these entities are to be effected as companion transfers or automated transfers through AFIS.
  - b. State agencies must remit use tax to the Arizona Department of Revenue when goods are purchased from out-of-state vendors. Like other payments between agencies, use taxes are to be paid as transfers and not as payments initiated in ProcureAZ. In such situations, two encumbrances are required: the first representing the amount due the out-of-state vendor, which can be entered as a purchase order in ProcureAZ; the second as an encumbrance for the amount of anticipated use tax due, entered directly into AFIS.
6. Certain types of disbursements—those generally related to purchases of goods or services from State contracts for which purchase orders would be issued—are appropriately initiated in ProcureAZ; these include:
  - a. Professional and outside services; source groups 6200, 6210, 6220, 6230, 6240, 6250, 6260, 6270 and 6290. These source groups include, but are not limited to: external financial and legal services; external engineering and architectural services (including

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- those to be capitalized); payments to entities that provide temporary workers; hospital and other medical services including institutional care costs; external education and training; vendor travel; various consulting service; etc.
- b. Food; source groups 6700 and 6710. These source groups include, but are not limited to: staff meals; meals related to the transport of inmates and their drivers; contracted food services; etc.
  - c. Aid to organizations and individuals; source groups 6800, 6810 and 6850. These source groups include, but are not limited to: purchases from providers of medical and mental hospitalization services; providers of drugs and medicine; etc.
  - d. Other operating expenses; source groups 7000, 7110, 7150, 7180, 7200, 7230, 7250, 7300, 7400, 7450, 7460, 7470, 7480 and 7500. These source groups include, but are not limited to: external information technology services; utilities; rent paid to non-State entities; repairs and maintenance; software support and maintenance charges paid to non-State entities; supplies; advertising; printing; entertainment and promotion; conference, education and training expenses; imaging; dues, publications, subscriptions and memberships; etc.
  - e. Capital outlays; source groups 8110, 8120, 8130, 8140, 8190 and 8410. These source groups include: the acquisition of long-lived resources related to land and buildings.
  - f. Capital equipment; source groups 8410, 8420, 8430, 8460, 8470, 8480 and 8490. These source groups include: the purchase of various types of long-lived tangible and intangible resources to be capitalized, such as equipment and software acquisitions meeting their respective capitalization thresholds.
  - g. Non-capital equipment; source groups 8510, 8520, 8530, 8560, 8570 and 8580. These source groups include: the purchase of various types of long-lived tangible and intangible resources to be expensed, such as equipment and software acquisitions not meeting their respective capitalization thresholds.
7. The following are exceptions to the preceding guidelines; payments described below—those generally not related to purchases of goods or services from State contracts and for which purchase orders would not be issued (such as rent or debt service payments)—should not be initiated in ProcureAZ:
- a. Payments to be made to the US Bank or any other vendor for which multiple Automated Clearing House (ACH) mail codes in AFIS exist.
  - b. Situations in which a blanket purchase order was issued using one funding source, but in which the payment will be charged against a different funding source, each time a payment is to be made. (Changing the funding source will cause the encumbrance on AFIS to be liquidated and re-established with each payment.)

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All State agencies.

**COMMENTS, CONCERNS, RECOMMENDATIONS AND FEEDBACK**

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison.

We welcome your concerns, recommendations and feedback. You are invited to send your suggestions to us at:

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