



# Apache County Purchasing Policy



## INTRODUCTION

The purchasing policy is to promote efficient use of financial resources and minimize administrative time, cost, and effort. An effective purchasing system allows the County to identify the goods and services required for County operations and acquire them as economically as possible within acceptable standards of quality.

The County has developed internal controls over purchasing that provide adequate authorization of and accountability for County expenditures and ensures that procurement policies are consistent with legal requirements and sound business practices.

The purchasing policies and procedures have been developed in sufficient detail to identify the responsibilities, duties, and tasks of employees.

## LEGAL REQUIREMENTS

The legal requirements governing County purchasing policies and procedures are primarily derived from the Arizona Revised Statutes (A.R.S.).

1. The Board of Supervisors has the exclusive power to contract for the County. The County may cancel any contract within three years of execution without penalty or further obligation if any person involved in initiating, negotiating, securing, drafting, or creating the contract on the County's behalf is, or becomes, an employee, agent, or consultant of the other parties to the contract. The cancellation is effective when all other parties to the contract receive written notice, unless the notice specifies a later time. Notice of this legal provision must be included in every contract to which the County is a party. A.R.S. §§11-201 and 38-511
2. The County must use sealed, competitive bidding procedures for purchases of supplies, materials, equipment and contractual services, except professional services, with an estimated cost exceeding \$100,000. A.R.S. §11-254.01, 41-2535 and 41-2501(C)

The following are exceptions to the requirement:

- a. Sole source purchasing: A contract may be awarded for materials, goods, services or construction items without competition, if the department head determines in writing that there is only one source for the required submission of cost or pricing data in connection with an award under this section. Sole source purchasing shall be avoided except when no reasonable alternative sources exist. A written determination of the basis for the sole source purchasing shall be included in the contract file. A.R.S. §41-2536
- b. Emergency purchasing: Notwithstanding any other purchasing policy, the Board of Supervisors by a two-thirds vote may make or authorize others to make emergency procurements if there exists a threat to public health, welfare or safety or if a situation exists which makes compliance with section A.R.S. §41-2533, 41-2534, 41-2578, 41-2579 or 41-2581 impracticable, unnecessary or contrary to the public interest as defined in rules adopted by the Board, except that such emergency procurements shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the emergency



and for the selection of the particular contractor shall be included in the contract file.

- c. Search & Rescue: Notwithstanding any other purchasing policy, the Sheriff may make or authorize others to make Search and Rescue procurements if there exists a threat to public health, welfare or safety, or if a situation exists which makes compliance with A.R.S. §41-2533, 41-2534, 41-2578, 41-2579 or 41-2581 impracticable, unnecessary or contrary to the public interest as defined in rules adopted by the Board of Supervisors, except that such Search and Rescue procurements shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the Search and Rescue and for the selection of the particular contractor shall be included in the contract file.
- d. Purchases of \$100,000 or less shall be made using the following procedures as recommended by the Auditor General A.R.S. §11-254.01, 41-2535 and 41-2501(c):
  - Elected officials and department heads may approve purchases, within their board approved budget, costing less than \$5,000. Board pre-approved budget overrides shall be required for any purchases that exceed approved budgets. The elected official or department head must use reasonable efforts to obtain the lowest and best price.
  - The finance department may approve purchases costing at least \$5,000 but less than \$35,000. Requesting department shall obtain at least three written price quotations, or retain documented evidence of reasonable attempts to obtain three price quotations prior to PO being issued.
  - The County Manager may approve purchases costing at least \$35,000 but not more than \$100,000. Requesting department shall obtain at least three written price quotations, or retain documented evidence of reasonable attempts to obtain three price quotations prior to PO being issued.
  - The Board of Supervisors shall approve all purchases for services \$100,000 and above. The purchase must have sealed competitive bids and department will provide the bid specifications to the Clerk of the Board of Supervisors.
  - The vendors contacted and their price quotations should be indicated on, or attached to, the file copy of the purchase order. If three quotations cannot be obtained, the County should also document the vendors contacted who did not offer price quotations and the reason why they did not. If a vendor is selected because of reasons other than the lowest price, such as quality of the product or work to be performed, the reasons must be fully documented.
  - The invitation for price quotes must be issued in sufficient time before the purchase is made and in sufficient detail to permit free competition. Normally, ten working days is sufficient time
  - For purchases of \$4999.00 or less, the department head must use reasonable efforts to obtain the lowest and best price. All purchases over \$500 shall be made by purchase order.

The only exceptions to this are:

1. Professional services



2. Jury and witness fees
3. Travel
4. Utilities and communications (telephone, gas, electricity)
5. Postage
6. Uniforms
7. Indigent medical expenses
8. Maintenance agreements
9. Library books
10. Subscription renewals

3. Professional Services A.R.S. §11-254.01

- Professional services shall not be purchased by sealed bids or proposals, but will be negotiated between the Elected Official or Department Head which requires the service and the professional or professionals.
- Persons or businesses engaged in providing the service(s) required, shall submit written statements of qualifications and expressions of interest in providing such service(s) to the Elected Official or Department Head.
- The Elected Official or Department Head will recommend to the County Manager the professional service provider to which a contract, equal to or less than \$20,000 per fiscal year, should be awarded, after considering the qualifications and making a determination that the compensation is fair and reasonable.
- The Elected Official or Department Head will recommend to the Board of Supervisors the professional service provider to which a contract, above \$20,000 per fiscal year, should be awarded, after considering the qualifications and making a determination that the compensation is fair and reasonable.
- The written statements of qualifications and expressions of interest shall be maintained with the contract file.

4. The County may enter into an annual cooperative procurement agreement with the State Procurement Office that allows them to purchase goods or services from any vendor on the state contract. The County may also enter into a written cooperative purchasing agreement with a federal agency. A.R.S. §§41-2632 and 41-2634. A list of these agreements is on file in the Finance Department.

5. The County may enter into agreements with one or more public agencies to make joint purchases. The County may also form separate legal entities, including nonprofit corporations, to contract or perform some or all of the services specified in the contract or agreement. If a separate legal entity is formed, the contract or agreement must specify its precise organization, composition, title, and nature. Any agreement with another public entity must specify the following: duration; purpose; method of financing, establishing, and maintaining a budget; method of accomplishing the agreement's partial or complete termination; method for disposing of property on termination; and any other necessary matters. The County Attorney must review the agreement. A.R.S. §11-952



6. The County may enter into long-term agreements for the purchase of personal property, provided that the County includes a provision allowing it to cancel the agreement at the end of each fiscal year of the agreement. A.R.S. §11-251
7. For construction, the Board of Supervisors must award the contract to the lowest responsible bidder with a satisfactory proposal. However, preference must be given to contractors and bidders who have paid real or personal property taxes in accordance with A.R.S. §§34-241 and 34-243, over any competing contractor or bidder who has not paid such taxes, whenever the bid of the competing contractor or bidder is less than 5 percent lower. In addition, preference must be shown to bidders who furnish materials produced or manufactured in Arizona in accordance with A.R.S. §34-242 over any competing bidder who furnishes materials not produced or manufactured in Arizona whenever the bid of the competing bidder, quality and suitability considered, is less than 5 percent lower.
8. The County must use sealed, competitive bids for any building, structure, addition, or alteration if the total cost of the work, excluding materials and equipment previously acquired by bid, exceeds \$14,000 beginning in fiscal year 1994-95, adjusted each year thereafter for the annual percentage change in the GDP price deflator as defined in A.R.S. §41-563. A.R.S. §34-201.
9. The County Treasurer must disburse County monies either by a warrant issued by the Board of Supervisors or an electronic transfer authorized by the Board of Supervisors. A.R.S. §11-493
10. The County may pay claims exceeding \$500 only upon presentation of a demand, except for payment to jurors, witnesses, victims, and salaries. A.R.S. §11-621
11. At year-end, all outstanding encumbrances will be terminated after 60 days. Warrants may be issued to pay for these liabilities up to 60 days after fiscal year-end. After that, no further payments may be made for prior-year claims. A.R.S. §11-624.01 The County must pay in full for goods and services purchased on account from a nongovernmental entity within 30 days after the goods and services are received and properly billed. A.R.S. §35-342
12. The County must prepare and mail IRS 1099 Forms to vendors by January 31st. Vendors typically include independent contractors, attorneys, accountants, and other professionals to whom \$600 or more is paid in fees, commissions, and other forms of compensation. Vendors requiring 1099 forms may include individuals, partnerships, estates, and, on rare occasions, corporations. The County does not need to prepare 1099 forms for most corporations and all tax-exempt organizations. The County must also file Form 1099 with the IRS by February 28th each year. The County must also obtain taxpayer ID numbers from vendors for 1099 reporting purposes. As such, all vendors must have a Form W-9 with their taxpayer ID number on record with the Finance Department prior to any purchase.



13. The Board of Supervisors must not consider a demand unless prepared as prescribed in A.R.S. §11-622 and filed by the clerk at least one day prior to the session at which it is to be considered. Demands so filed shall be considered and passed upon at the next regular session after they are presented, unless for good cause the Board postpones consideration of them to a future session. A.R.S. §11-625

14. The County shall not approve or pay a demand in which a County officer is personally interested, or arising out of a contract to which a County officer while in office has been a party of or otherwise personally interested in, and such contract, claim or demand is null and void, except for official compensation of the persons in whose name it is presented. A.R.S. §11-627

15. The Board of Supervisors shall not allow a demand in favor of a person indebted to the County without first deducting such indebtedness, or in favor of an officer whose accounts have not been rendered and approved, or who has neglected or refused to make his/her official returns or report in writing, as required by law, or in favor of any officer who willfully neglects or refuses to perform the duties of his office. The Board may examine the claimant, or any other person, on oath to determine the justness of the demand. A citizen or taxpayer of the County may appear before the Board and oppose the allowance of any demand. A.R.S. §11-628

16. The Board of Supervisors must reject any demand if the demand is not a proper County charge. If the demand is a proper County charge, but larger than is just, the Board may allow the claim in part and draw a warrant for the part allowed. A.R.S. §11-629

## **PROCEDURES**

The purchasing cycle consists of five functions: requisitioning, budgetary control, purchasing, receiving, and accounts payable. Duties must be adequately segregated among employees so that no individual performs all steps of a transaction.

### **Requisitioning**

Generally, County departments are responsible for planning purchase requirements and communicating them to the Finance Department far enough in advance that goods may be ordered in economical quantities. A designated employee within each department should prepare the requisition forms to help ensure that they are accurately completed. Requisitions should include the following information: requesting department, date, description of items, quantity, unit cost, estimated total cost, fund, function, object code, delivery site, and date required. The required services or materials should be described on the requisition in enough detail to allow competitive purchasing. Brand or trade names and catalog numbers may be considered, but they should not be the sole determining factor in the final selection. The department head or a designated employee should review all requisitions for propriety and approve them. The requisition should be maintained on file in the Finance Department. Once the goods are ordered,



the department should match its requisition against the purchase order to ensure the proper goods or services were ordered. If requisitions are prepared online, the County should have equivalent procedures to maintain evidence of applicable reviews and approvals.

### **Emergency Purchases**

An emergency or Search and Rescue condition threatens the functioning of the County, the preservation or protection of property, or the health or safety of the County's citizens and creates an immediate and serious need for materials or services that cannot be met through normal purchasing methods. Emergency and Search and Rescue purchases should be limited to only the materials or services necessary to satisfy the emergency and Search and Rescue need.

For emergency and Search and Rescue purchases to be exempt from legal restrictions, or normal County purchasing requirements, the Board of Supervisors must determine, by at least a two-thirds vote, that an emergency exists, or existed, that requires immediate action to protect the public health or safety. A.R.S. §11-254.01

The department requesting the emergency purchase should prepare all demands attaching the minutes of the Board meeting that declared the emergency. They also must have in writing requests documenting the existence of an emergency or Search and Rescue condition and explaining the immediate purchase need. A copy of each request and amount processed under this procedure should be kept on file in the department requesting the emergency purchase and at the County Finance Department. If the nature of the emergency does not permit time to submit a written request, the department may verbally request approval for the purchase. The Finance Department may approve a written request subsequent to the purchase if:

- The emergency necessitated immediate response and it was impracticable to contact the Finance Department.
- The purchase was made with as much competition as was practicable under the circumstances.
- The price paid was reasonable given the circumstances of the emergency.

### **Budgetary Control**

The budgetary control function is responsible for verifying that sufficient budget capacity exists before the Finance Department issues purchase orders to vendors. The budgetary control function is established within the Finance Department. The estimated cost recorded on completed requisition forms should be compared to budget capacity. If budget capacity is not sufficient for the proposed purchase, this should be noted on the requisition and the requisition should be returned to the Finance Department. If budget capacity is available, the requisition should be approved. Evidence of the budgetary check should be documented on the requisition. After receiving an approved requisition from the budgetary control function, the Finance Department should issue a purchase order to a vendor. If encumbrance accounting is used, monies should be encumbered at that time. The County should maintain records that identify monies committed for expenditures so that an unencumbered and unexpended budget balance may be determined.

### **Purchasing**

The individual departments negotiate purchases with vendors and follow up with vendors when goods are not received or are returned. The County may use several different purchasing



methods. The most common method is an outright purchase through the formal purchasing process. Lease purchases and installment purchases may be used to acquire assets when feasible. Some expenditures are specifically exempted from the formal purchasing process. Exempt expenditures may include salaries and related costs, jury and witness fees, utilities, communications, and postage. Other purchases for small dollar amounts and orders that require immediate cash outlay may be paid from petty cash or by check from a revolving fund bank account. The department should select a qualified vendor based on the price quotations or bids received. The department should then complete the requisition by adding the price quotation or bid amount submitted by the selected vendor and a total cost, including tax, delivery, insurance, and other ancillary costs. If the total cost exceeds the estimate recorded on the requisition, budget capacity should again be verified.

**Competitive Purchasing** - The County must use sealed, competitive bidding procedures for purchases of supplies, materials, equipment, and contractual services, except professional services, with an estimated cost exceeding \$100,000.

Purchases of \$100,000 or less shall be made using the following procedures as recommended by the Auditor General:

1. For purchases costing less than \$5,000, the County should use procedures providing for adequate and reasonable competition.
2. For purchases costing at least \$5,000 but less than \$35,000, the County shall obtain at least three written price quotations or retain documented evidence of reasonable attempts to obtain three price quotations.
3. For purchases costing at least \$35,000 but not more than \$100,000, the County shall obtain at least three written price quotations or retain documented evidence of reasonable attempts to obtain three price quotations.

Whether to request an oral or written price quotation is determined by analyzing the known requirements for an item or a collection of items that, in the aggregate, may result in the purchase of the item(s), above the applicable threshold, from one vendor. The vendors contacted and their price quotations should be written on or attached to the file copy of the purchase order. If three price quotations cannot be obtained, the County should also document the vendors contacted who did not offer price quotations and, if known, the reasons they did not do so. If a vendor is selected because of reasons other than the lowest price, such as quality of the product or work to be performed, the reasons should be fully documented. The invitation for price quotations should be issued in sufficient time before the purchase is made and in sufficient detail to allow vendors to respond. An exception to the above guidelines for price competition may be made in the event of an emergency.

When the County determines that a purchase meets the criteria requiring that it be bid, the County must issue the invitation for bids and specifications in sufficient time before the purchase is made and in sufficient detail to permit free competition.

Notice of the invitation for bids must be published in a newspaper and should be published in the notice in the official newspaper of the County. The official newspaper of the County is that to which the County annually awards the contract for advertising publications and printing required by the County pursuant to the requirements in A.R.S. §11-255.



Note that unless otherwise specified in law, written notice must be published in a daily paper four consecutive times or a weekly paper once each week for two consecutive weeks. A.R.S. §39-204 The County must retain an affidavit attached to a copy of the published notice from the newspaper as proof of the publication. A.R.S. §39-205

Copies of the invitation and specifications must be supplied to and bids must be solicited from qualified sources consistent with the item to be purchased as determined by the County purchasing agent. Those sources include all qualified suppliers who, before the invitation is issued, notify the Finance Department in writing that they desire to bid on materials, supplies, equipment, or contractual services. A.R.S. §11-254.01

Bids must be opened publicly at the time and place stated in the invitation. On Board approval, the County purchasing agent must make awards with reasonable promptness by giving written notice to the qualified bidder whose bid conforms to the invitation and whose bid is the most advantageous to the County concerning price, conformity to the specifications, and other factors. The Board may reject all bids if rejection is in the public interest. A.R.S. §11-254.01

### **Construction**

The County must use sealed, competitive bids for any building, structure, addition, or alteration if the total cost of the work, excluding materials and equipment previously acquired by bid, exceeds \$14,000 beginning in fiscal year 1994-95, adjusted each year for inflation. A.R.S. §34 201(C)

The County must, upon acceptance and approval of the working drawings and specifications, publish a notice to contractors of intention to receive bids and contract for the proposed work. A.R.S. §34-201

The notice must state:

- The nature of the work required, the type, purpose, and location of the proposed building, and where the plans, specifications, and full information as to the proposed work may be obtained.
- That those contractors desiring to submit proposals may obtain copies of full or partial sets of plans and specifications for estimate on request or by appointment. The return of the plans and specifications must be guaranteed by a deposit, which must be refunded on return of the plans and specifications in good condition.
- That a certified check, cashier's check, or surety bond must accompany every proposal for ten percent of the amount of the proposed bid as a guarantee that the contractor will enter into a contract to perform the proposal in accordance with the plans and specifications. The certified check, cashier's check, or surety bond must be returned to the contractors whose proposals are not accepted and to the successful contractor on the execution of a satisfactory bond and contract. However, A.R.S. §34-201 discusses in detail the following exceptions to soliciting bids for construction contracts:
  - Construction of public buildings or additions or alterations to public buildings by inmates of the institution and County employees. A.R.S. §34-201(B)
  - Construction of recreational projects including trails, playgrounds, ballparks, and other similar facilities, excluding buildings, structures, and building additions using



volunteer workers or workers provided by a nonprofit organization, subject to limitations on the project's cost. A.R.S. §34-201(F)

Construction contracts must be awarded to preferred bidders, as defined in A.R.S. §§34-241 through 243, whenever the bid is within five percent of the lowest bid. The amount of any applicable sales or use tax must not be a factor in determining the lowest bidder if a competing bidder is not subject to sales or use tax. A.R.S. §34-243.01. The Board of Supervisors may reject any or all construction proposals. It may also withhold the award for any reason it determines. A.R.S. §34-201. However, before any contract is executed for construction of a public building, the contractor must furnish the Board of Supervisors with the following bonds made payable to the County. The County should review A.R.S. §34-222 for specifics.

- A performance bond equal to the full contract amount to ensure performance in accordance with the contract's plans, specifications, and conditions.
- A payment bond equal to the full contract amount for the protection of claimants supplying labor or materials to the contractor or his subcontractors in the performance of the work provided for in the contract.

When the Board of Supervisors enters into a construction contract with the selected bidder, the terms of payment must include the following:

- The Board must retain ten percent of all estimates as a guarantee for complete performance of the contract. The monies retained must be paid to the contractor within 60 days after completion or filing notice of completion of the contract. A.R.S. §34-221(B)(2) and (B)(5)
- Instead of the retention explained above, the Board may accept certain securities described in A.R.S. §34-221 in an amount equal to ten percent of all estimates that will be retained by the Board as a guarantee for complete performance of the contract. A.R.S. §34-221(B)(5)
- The County may make progress payments on contracts of less than 90 days and must make monthly progress payments on all other contracts. The progress payments, less any applicable monies retained, must be made within 14 days after the work estimate is certified and approved. A.R.S. §34-221(B)(2)
- When the contract is 50 percent completed, the County may pay one-half of the amount retained, including any securities substituted, on the contractor's request, if the contractor is making satisfactory progress on the contract and there is no specific cause or claim requiring a greater amount to be retained. After the contract is 50 percent completed and if the contractor is making satisfactory progress, no more than 5 percent of any subsequent progress payments may be retained. However, if at any time the County determines that satisfactory progress is not being made, ten percent retention must be reinstated for all progress payments made under the contract after that determination. A.R.S. §34-221(B)(3)
- On completion and acceptance, payment may be made in full, including retained percentages, less authorized deductions. A.R.S. §34-221(B)(4) In addition, the County should refer to A.R.S. Title 34, Chapter 6 for specific requirements relating to



services from architects, assayers, engineers, geologists, and landscape architects, and for construction and land surveying.

### **Professional Services**

The Board of Supervisors must adopt written procedures for the procurement of professional services other than those specified in A.R.S. Title 34. A.R.S. §11-254.01 (See A.R.S Title 34 for exceptions to these following procedures):

1. Professional services shall not be purchased by sealed bids or proposals, but will be negotiated between the head of the department which requires the service(s) and the professional(s).
2. Persons or businesses engaged in providing the service(s) required, shall submit written statements of qualifications and expressions of interest in providing such service(s) to the department head.
3. The Elected Official or Department Head will recommend to the County Manager the professional service provider to which a contract, equal to or less than \$20,000 per fiscal year, should be awarded, after considering the qualifications and making a determination that the compensation is fair and reasonable.
4. The Elected Official or Department Head will recommend to the Board of Supervisors the professional services provider to which a contract, greater than \$20,000 per fiscal year, should be awarded after considering the qualifications and making a determination that the compensation is fair and reasonable.
5. The written statements of qualifications and expressions of interest shall be maintained with the contract file.

### **Vendor Selection**

The County should establish criteria for selecting vendors to ensure that each vendor is a legitimate, established business; is financially responsible; and is able to meet the County's requirements, including but not limited to, proper permits. When a new vendor is being considered, the County may wish to contact the Better Business Bureau, local Chamber of Commerce, or former customers for references. Prices paid to vendors should be periodically reviewed to evaluate the competitiveness of the purchasing function. All County governing board members, officers, and employees are required to complete or update conflict-of-interest statements annually, if any changes exist. A.R.S. §38-503. The County may purchase limited supplies, materials, and equipment from a member of the Board of Supervisors without using public competitive bidding procedures. These purchases are limited to \$300 in any single transaction and no more than \$1,000 annually from any Board of Supervisors member. The policy to allow such purchases must be approved annually. A.R.S. §38-503(C)(2)

### **Purchase Orders**

Purchase orders should be pre-numbered. These procedures provide control over copy distribution and facilitate purchase order filing. Purchase orders should include the County name, pre-numbered purchase order number, account code, date prepared, vendor, County department, expected delivery date, destination, quantity, description, unit, unit price, total cost, and an authorizing signature and date. An authorized employee should prepare and sign the purchase order. Open purchase orders should be closed at the end of the fiscal year. The



accounts payable personnel should maintain an open purchase order file for all outstanding purchase orders. This file should be reviewed periodically to investigate all unmatched or outstanding purchase orders.

**Blanket Purchase Orders** - The County may use blanket purchase orders for items, such as auto parts, office supplies, and gasoline that are purchased on a recurring basis from the same vendor within a specified time frame. Procedures for preparing, approving, and processing blanket purchase orders are subject to the same internal controls as standard purchase orders. A blanket purchase order should also state a specific time period that the purchase order is in effect and a maximum dollar limit. Invoice amounts paid against a blanket purchase order should be deducted from the total limit to determine the unexpended balance remaining. The County should periodically review open blanket purchase orders and investigate and cancel purchase orders outstanding for more than the specified time period. All blanket purchase orders must be closed with the vendor at year-end and new blanket purchase orders should be issued.

**Lease Agreements** - Lease agreements are classified as either operating or capital leases (also known as lease purchase agreements). An operating lease is an agreement between a lessee and a lessor for the use of an asset. Title of ownership does not pass to the lessee in an operating lease. Under the provisions of a capital lease, title to the asset passes to the lessee at the end of the lease term. All lease agreements are subject to competitive purchasing requirements. The County may require a requisition and purchase order to be prepared at the inception of the lease agreement and at the beginning of each subsequent fiscal year. The accounts payable personnel should process payments in the same manner as invoices for purchases of goods and services. However, the current portion of a capital lease payable should be encumbered in its entirety at the start of the fiscal year.

**Lease-Purchase Agreements** - A lease-purchase agreement must be executed for a period of one fiscal year only and allow the County to continue the agreement for succeeding one-year periods until the purchase is completed. The Board of Supervisors may cancel any lease-purchase agreement by giving written notice to the seller. Title to the equipment remains with the seller until full payment has been made. A.R.S. §§11-651, 11-652, and 11-653. The County may also enter into lease-purchase agreements for real property and improvements to real property. The agreement may not extend beyond 25 years. In addition to lease-purchases, the County may enter into other long-term agreements for the purchase of personal property, provided that a provision is included allowing the County to cancel the agreement at the end of each fiscal year of the agreement. A.R.S. §11-251

**Installment Purchase Contracts** - Installment purchase contracts are similar to capital leases in that the contract requires a specified number of periodic payments. Title may pass at the time the property is transferred, after a specified number of payments, or following the final payment. A requisition and purchase order should be prepared at the initiation of the installment purchase contract to check for sufficient budgetary capacity to make the current year's payments. For budgetary control purposes, a new requisition and purchase order should be prepared in each subsequent year of the installment purchase contract. The current portion of the contract should be encumbered at the beginning of each fiscal year. Vendor invoices for installment purchase



contracts should be processed by the accounts payable personnel in the same manner as invoices for other purchases of goods and services.

### **Receiving**

Each department should designate employees within certain departments to perform the receiving function. Receiving personnel should inspect goods to verify that they meet County specifications and note any damaged goods. The goods should be counted, weighed, or measured, and the quantities received should be recorded on the receiving report. The employee receiving the goods is responsible for signing and dating the receiving report. After delivery, the receiving personnel submit the receiving report to the Finance Department with applicable shipping documents, such as a bill of lading or packing slip. The receiving personnel retain a copy of the receiving report. If goods received are damaged, of substandard quality, or otherwise unsatisfactory, the Finance Department should initiate a request for a credit memo from the vendor. Return shipments are documented by recording the date, vendor name, quantity, description, purchase order number, and other pertinent information. A receipt should be obtained from the vendor or independent carrier for all return shipments. Additionally, all documents relating to the return shipment should be submitted to the Finance Department. The employee responsible for procuring the services or planning the project prepares such receiving reports. Receiving reports are to be signed, dated, and submitted to the Finance Department.

### **Accounts Payable**

All demands or purchase orders must be submitted to the Finance Department by Monday at 12:00pm in order to be included in the current week's run. The Finance Department verifies that all supporting documents are attached, mathematically accurate and that fund distribution is appropriate. All out-of-state vendors are identified for Use Tax Reporting purposes. In addition, all capital assets are identified for proper recording within the capital asset records.

Demands and purchase orders are input into the computer system and a report of all inputs is printed. The Finance Department reconciles what was input into the system with the demand or purchase order to confirm accuracy. An outstanding invoice report is printed and signed by the Finance Department. An open invoice report is printed and given to the Clerk of the Board for the Board's signatures. The checks are printed and disbursed by separate individuals.

The Finance Department maintains and continually updates accounts payable records. Monthly statements from vendors are periodically reconciled to the accounts payable records. The Finance Department should periodically review accounts payables in the accounting records for debit balances, and investigate and resolve such balances.

The County must issue warrants in a timely manner to comply with statute and ensure that vendor discounts may be taken. A.R.S. §35-342 requires that the County pay in full for goods and services received from a nongovernmental entity within 30 days after receipt of the goods and services and written notice of the amount due. If the County fails to do so, it must pay interest on the outstanding balance at the rate prescribed in A.R.S. §44-1201 until the account is paid in full, unless a good faith dispute exists as to the obligation to pay all or a portion of the account. After warrants are issued to the vendor, invoices are canceled to prevent duplicate



payment. This may be accomplished by stamping the invoice with the date of payment and recording the warrant number on it. The canceled invoice, with its attached supporting documentation, is filed in a paid invoice file by vendor. Signature Authorization Sheets must contain a list of employees that are authorized to approve purchase orders and demands for each department and should be submitted to the Finance Department.

### **Payments on Demand**

The County may make payments exceeding \$500 on presentation of a demand. A “demand,” as used within the statute, refers primarily to a claim. Claims for goods or services must be submitted in writing. A.R.S. §§11-621 and 11-622 A County may not pay a demand unless it is received within 6 months after the goods have been received or the services have been performed. Payments due to jurors and witnesses, official salaries, and amounts not exceeding \$500 may be paid without presentation of a demand. The required supporting documentation consists of a purchase order, receiving report, and an itemized invoice. A.R.S. §§11-621 and 11-622

The Board’s minutes must contain the following demand payment information: the demand number, presenter, amount, and paying fund. The minutes must also contain the following warrant information: warrant number, payee, amount, and purpose of payment. A.R.S. §11-623. The Board’s published minutes must report all approved demands and warrants in excess of \$1,000. Published minutes must also report multiple demands and warrants under \$1,000 that were for a single supplier or individual whose cumulative total exceeded \$1,000 in a single reporting period, which must not exceed 30 days. §A.R.S. §11-217

The full minutes of each Board meeting must be published in the County’s official newspaper no later than two months after the meeting. Each newspaper that publishes the Board’s minutes must supply a copy of the published minutes to County public libraries. In addition, the newspaper must make the minutes for the prior three-month period available for use by the public on an online computer information service at no expense to the County. A.R.S. §11-217

### **Credit Memos**

Goods that are returned and the resulting credit memos should be accounted for properly. Documents verifying return shipments from the Finance Department, and credit memos that include reference to the information on the original invoices from vendors should be obtained. The credit memo should include all pertinent information relating to goods returned to vendors, and all other claims, such as short deliveries, freight claims, and claims for damaged goods not returned. If credit memos are not resolved within a specified time period, the accounts payable personnel should contact the vendor to initiate a refund. Credits applicable to current year unpaid invoices should be netted against those invoices prior to payment. Credits applicable to current year invoices that have already been paid should be accounted for as reductions of expenditures. If the credit memo is to be received after the fiscal year in which the goods were purchased, the County should request a cash refund, which is generally recorded as miscellaneous revenue. However, if the credit memo is for a material amount, the County should adjust the beginning fund balance. When the credit memo is issued after the invoice has been paid, a journal entry should be recorded to reflect the receivable due from the vendor.



**Year-End Cutoff**

At fiscal year-end, the County should prepare a listing of Encumbrances by fund for goods received or services rendered on or before June 30th that will not be paid by June 30th. The list of Encumbrances should include the vendor name, receiving report date, purchase order number, and estimated cost as recorded on the purchase order, or actual cost if the County has received the invoice. The Board may draw warrants on these amounts for up to 60 days after the close of the fiscal year. Any encumbrances outstanding at the end of 60 days lapse.