

Prepaid Expenditure Procedures

03.003.00

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Department of Human Services Prepaid Expenditures Procedures

This section addresses necessary accounting procedures for processing prepaid expenditures for the Department of Human Services. Prepaid expenditures may occur in rare instances where prepayment is required by a vendor prior to performing services or delivering products. Prepayment situations should be managed wisely because State law requires that no warrant be drawn until a claim has been processed as provided by law (see Section 63-38-6 (1) of the Utah Code.), federal cash management requirements exists, and early payments result in lost interest earnings for the State.

Prepayment Procedures:

Normally, claims should be paid on a reimbursement basis. (Because of federal grant requirements, payment for claims should usually be processed so that the discounts (if available) are applied.) If a prepayment (an early payment which will be processed prior to the performance of services or delivery of products) is determined necessary, the following are required procedures.

1. A valid written contract must exist prior to processing the prepayment, and the prepayment arrangement must be specifically written in the contract.
2. Normal disbursement procedures shall be followed (which includes USSDS and FINET procedures as applicable).
3. The following approvals (in addition to regular payment approvals) are necessary prior to processing payment. Evidence of the approvals shall be maintained with the applicable supporting documentation for the payment.

Prepayment amount < \$5,000:

Division Budget Officer and Division Director approval

Prepayment amount > \$5,000:

Division Budget Officer, Division Director, and Department Director approval

Prepayment amount > \$100,000:

Division Budget Officer, Department Director, Division Director, and State Finance approval

4. If the prepayment and completion of services or delivery of product covers more than one fiscal year, fiscal year closing instructions should be followed. Where possible, prepayments covering more than one fiscal year should be avoided.

The following are exceptions to the above procedures:

1. Travel Advances.
State Policy exists for travel advances and should be followed.
2. Registration Fees.
Registration fees for conferences and training usually require prepayment.
Existing disbursement procedures should be followed for processing this type of payment.
3. Building & Land Payments.
Payment timing for these types of arrangements are governed through the regular contract and lease arrangement process.