

## Chapter 8400 - Disbursements

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### 8400 INTRODUCTION

(Rev. 12/89)

The term disbursement is the payment process for payroll, purchases, and other expenditures. The State Controller prepares (1) Controller's Warrants and (2) Controller's Transfers for payment of State expenditures (see SAM 8400 Illustration). Controller's Warrants are treated like bank checks. Governmental Accounting, Auditing and Financial Reporting (GAAFR) defines a warrant as "an order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specific amount to the person named or to the bearer." Claim Schedules, with invoices attached, support the warrants. Agencies file claims with the State Controller for payment of purchases and other expenditures. The directions for processing specific claims are shown in the references below.

#### References Types of Invoices

8422.101	Freight and Transportation
8422.102	Gasoline and Oil
8422.103	Purchases by Sub-Purchase Orders
8422.104	Contractual Services
8422.105	Blue Printing and Other Reproduction
8422.106	Telephone
8422.112	Telegraph
8422.114	Airline
8422.115	Automobile Rental

Controller's payroll warrants are supported by the Payroll Warrant Register. The State Controller disburses payroll warrants from the State Payroll Revolving Fund to which agency funds are transferred.

Controller's Transfers authorize an increase or decrease of cash between funds or appropriations without a warrant. The State Controller's Office will settle "No Warrant" claims by (1) a Controller's Journal Entry reducing the agency's advance at the service agency or (2) a Controller's Transfer transferring the money if no advance was made at the service agency. (See SAM 8400 Illustration.)

There are other sections of SAM that relate to the Disbursements Section. These sections are provided below:

#### Sections - Chapters

1. Contracts - 1200
2. Printing - 2800
3. Purchases - 3500
4. Traffic Management - 3800
5. Transportation Services - 4100
6. Communications - 4500
7. Electronic Data Processing - 4800
8. Uniform System of Accounts - 7000
9. General Ledger Accounts - 7600
10. Check Issuance - 8041
11. Office Revolving Fund (including bank drafts) - 8100
12. Allotment-Expenditure Accounting - 8300
13. Payrolls and Fringe Benefits - 8500
14. Accounting Entries - 10000

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### 8400.1 GENERAL

(Renumbered from 8400 12/89)

Rules and Regulations of the State Board of Control prescribe the method of filing claims for disbursement of moneys from the State Treasury. This section is confined to procedure and routine relating to the preparation and accounting of such claims.

State disbursements normally consist of: (1) expenditures, (2) refunds to payers, (3) advances for office revolving funds, (4) purchases of investments, (5) transfers between funds for non-expenditure purposes, and (6) withdrawals of trust deposits. The following chart shows the normal flow for the authorization, incurrence, and payment of State expenditures.



information as provided on the original invoice, such as items purchased, quantity, delivery address, etc. In addition, the copies will be accepted by the SCO only if the following information is placed on the copy:

This bill has been checked against our records and found to be the original one presented for payment and has not been paid. We have recorded this payment so as to prevent a later duplicate payment.

Signed: \_\_\_\_\_

Accounting Officer

The first step in the claim procedure is determining that invoices are proper for submission to the SCO for payment. Invoices will comply in form and content with the rules and regulations of the Victim Compensation and Government Claims Board. Also, the agency will determine that:

- Items or services invoiced have been received or provided, as evidenced by stock received reports or similar documents or employee verification.
- Payment has not previously been made (this may be accomplished by referring to the agency's remittance advice file or other agency records).
- Invoices comply with provisions of purchase orders, sub-purchase orders, contracts, leases, service agreements, grants, etc.
- Cash discounts have been taken, if applicable.
- Authority exists to obtain the goods or services.
- Freight charges of more than \$50 must have supporting prepaid freight bills included in the claim schedule to the SCO.
- Freight charges more than \$500 have been approved by the Department of General Services (DGS), Transportation Management Unit (see SAM Section 3852).

Agencies will verify the calculation of discounts, if applicable, price extensions, and sales tax and the arithmetical accuracy of totals on all invoices, including travel expense claims.

The document number providing the purchase authority (e.g. purchase order number, contract number, sub-purchase order number, lease number) will be shown on original invoices submitted to the SCO.

The agency may notify the vendor/claimant of any corrections to invoices by a Notice of Correction of Invoice, STD. 107. However, the agency must send an Invoice Dispute Notification, STD. 209 as described in SAM Section 8474.1.

Utility services invoices may contain a service period that overlaps two calendar months. This billing procedure does not cause any problems except at the end of a fiscal year. For uniformity, agencies will charge utility invoices to the fiscal year in which the majority of the service falls. For example, if the service period is from June 10 through July 9, the total amount of the invoice will be charged to the fiscal year just ended. If the service period is from June 21 through July 20, the total amount of the invoice will be charged to the new fiscal year. If the period of service is of equal duration in each fiscal year, the invoice may be charged to either fiscal year.

Fleet services are billed by DGS on a calendar month basis. Occasionally minor amounts representing adjustments and delayed billings of the prior year are included in an invoice for the current year. Under these circumstances, the entire invoice may be charged to the current year appropriation.

For additional information, see the following SAM Sections:

- 0700 et seq. for travel
  - 3800 et seq. for transportation management (freight charges)
  - 8113 for additional information on discount invoices
  - 8780.1 for additional information on Workers' Compensation invoices
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#### **8422.101 FREIGHT AND TRANSPORTATION INVOICES**

(Revised 06/08)

Except as provided in SAM Section 3852, all freight and transportation invoices will be submitted to the Department of General Services (DGS), Transportation Management Unit for approval prior to being scheduled for payment. See SAM Section 3851 for the required documents to be submitted to the DGS, Transportation Management Unit for approval.

Invoices from a motor carrier containing an assignment of interest to a third party will be scheduled for payment payable to the motor carrier. If requested in writing by the carrier, departments will prepare the remittance advice in the name of the carrier, in care of the third party, who will negotiate the warrants on the basis of its power of attorney from the motor carrier.

Refer to SAM Section 3574.5 for applicability of sales and use taxes on transportation charges which are separately stated on vendor invoices.

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#### **8422.102 GASOLINE AND OIL INVOICES**

(Revised 12/89)

The original copies of invoices will be filed with the State Controller's Office in claims for payment of credit card purchases. Credit card delivery tags will be retained by the agency for a period of six months from the date the claim is filed for payment. The State Controller's Office, at its discretion, may audit delivery tags in the agency's office to the extent deemed necessary in-lieu of a pre-audit of the tags at the time of approving invoices for payment. Since it is the responsibility of the agency to determine that invoices presented for payment are correct in all respects, the agency will audit the delivery tags to determine the propriety

of charges and correctness of invoices for credit card purchases before filing a claim for payment. The arithmetical accuracy of invoices will be verified as described in SAM Section 8422.1.

Unleaded regular gasoline will be used in all but a few state-owned automobiles. (See SAM Section 3687.1) Invoices and related delivery tags for premium unleaded gasoline, where its use is prohibited, will be adjusted to reflect unleaded regular gasoline prices. The same procedure will be observed for the purchase of oil at more than the Office of Procurement contract price.

Amounts collected from employees for unauthorized purchases of gasoline and oil will be deposited in the agency's general cash account (revolving fund account if the agency does not have a general cash account) pending their remittance to the vendor. (See SAM Section 8422.3)

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#### **8422.103 INVOICES FOR PURCHASES BY SUB-PURCHASE ORDERS**

(Revised 2/72)

Contract numbers, where applicable, will be shown on sub-purchase order invoices. Agencies will enter the explanation "Partial delivery; Order was for \_\_\_\_\_ (quantity)" on invoices for partial deliveries of items with unit prices governed by quantities purchased. This explanation will permit the State Controller's Office to compare the unit price claimed on the invoice with the contract price.

A detailed vendor-generated document may be used to support sub-purchase order invoices where itemization of goods purchased is not practical. Vendor-generated support documents may take the form of an invoice, cash register tape, sales slip, or ticket. The form should be customary to the vendor's business.

Sub-purchase order invoices will be completed in the usual manner except that a general description may be used in place of itemizing the purchase, e.g., groceries. The support document will be attached to the sub-purchase order invoices form and referenced in the description section. Where possible, reference will be made to a vendor-numbered document.

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#### **8422.104 INVOICES FOR CONTRACTUAL SERVICES**

(Revised 10/78)

Invoices for contractual services and space rental pursuant to an existing contract or lease will show the applicable contract or lease number, or other data, that will permit positive identification of the contract or lease. The State Controller's Office can then examine the contracts to determine whether the payments are in accordance with the contract terms. All written contracts are filed with the State Controller's Office after execution in accordance with SAM Section 1207.

Original authorizations by lessors to make payments to someone other than the lessor will be forwarded to the State Controller's Office before scheduling invoices requiring such payment. If the lease was originally subject to the approval of the Department of General Services, its notification of approval will be secured before scheduling invoices to the new payee.

Departments will attempt to obtain invoices in advance for all payments to be made under contracts or leases which provide for fixed monthly or quarterly payments, other than for space rentals. As each payment becomes due, the applicable invoice will be removed from the file and scheduled for payment. If the lessor or contractor's names are not on printed billheads, the invoice should be checked for signatures of the lessor or contractor. Remove remaining invoices from the file if contracts or leases are canceled.

Board of Control Rule 677(f) permits space rental payments without an accompanying invoice. A listing of the lease payments to be made may be submitted instead of individual invoices. The listing must include the lease number, name of lessor/assignee, location of leased property, amount, period covered by payments, and due date of the payment. The listing format must be approved by the Division of Audits of the State Controller's Office prior to submitting the listing for payments.

Changes (payee, amount, address, etc.) to a space rental lease must be received by Division of Audits of the State Controller's Office by the 22nd of the month in order to make the change effective by the first of the succeeding month. Invoices for payment on oral agreements should describe fully the nature of the services rendered and the terms or conditions under which payment is to be made and a notation that there is no written agreement.

Where a contract calls for a one-time payment, the Controller's copy of the contract may be attached to the related invoice at the time the claim schedule is sent to the State Controller's Office. This will facilitate the audit of such claims and expedite payment. This procedure will not include those contracts which are sent after approval, by the Department of General Services, to the State Controller's Office.

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#### **8422.105 BLUEPRINTING AND OTHER REPRODUCTION INVOICES**

(Revised 10/78)

For payment of blueprinting and other reproduction services performed under service agreements, the original copies of vendor's summary invoices that list individual invoice numbers and amounts will be filed with the State Controller's Office. Supporting invoices will be retained by the agency for a period of six months from the date the claim is filed for payment. The State Controller's Office, at its discretion, may audit the supporting invoices in the agency's office instead of a pre-audit of the supporting invoices at the time of approving the summary invoices for payment.

The agency is responsible for auditing the individual invoices to determine the propriety of charges and correctness of summary invoices for blueprinting and other reproduction services before filing a claim for payment.

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#### **8422.106 TELEPHONE INVOICES**

(Revised 9/90)

Telephone companies will furnish agencies with one copy of toll statements or toll tickets for long distance telephone calls in support of their invoices. These documents will be retained by the agency together with the agency's copy of the invoice with the file copy of the claim. The State Controller's Office will request review of the toll statements or toll tickets in any instance wherein it believes that such verification is required. (See SAM Section 8422.3 for payment of invoices involving personal telephone calls.)

Telephone invoices usually have a service period other than the calendar month. These invoices will be charged the same way as other utilities as described in SAM Section 8422.1. This applies to Department of General Services telephone invoices as well as those telephone invoices sent directly to the agency by the telephone company.

Telephone toll statements and toll tickets, including credit card statements, will be approved by the employee making the calls and the employee's supervisor. Any unapproved charges will be collected from the employee.

State departments are not required to pay the surcharge imposed by the California Emergency Telephone Users Surcharge Law (911). If a department receives an invoice from a telephone company which includes the surcharge, delete the surcharge amount and schedule the balance for payment. Departments should inform the telephone companies of the incorrect billings when surcharge assessments recur.

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**8422.107 VOUCHERS FOR PURCHASE OF FEDERAL SURPLUS PROPERTY**  
(Renumbered 2/65)

The Federal Government provides only one copy of listings of items purchased and statements of account. Since these will be submitted to the State Controller's Office with the claim, agencies will make extra copies for their requirements.

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**8422.108 REVOLVING FUND INVOICES**  
(Revised 1/66)

Any invoice or voucher being scheduled to reimburse an office revolving fund will show the applicable revolving fund check number on the face of the invoice or voucher—except that if the revolving fund checks issued to pay the vouchers and invoices in a claim schedule are in consecutive numerical sequence and the vouchers and invoices are in the same sequence, the following statement may be shown on the face sheet of the claim schedule (original and office copies) instead of writing the check number on each invoice or voucher:

"Paid by revolving fund check numbers \_\_\_\_\_  
to \_\_\_\_\_ inclusive."

If this is done, the vouchers and invoices contained in such claims will be stamped "Paid by Revolving Fund Check" or marked in some other manner to prevent duplicate payment unless the agency has other means to prevent this.

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**8422.109 PRIOR FISCAL YEAR CHARGES**  
(Renumbered 2/65)

Invoices for purchases by sub-purchase orders charged to an appropriation of a fiscal year prior to the fiscal year in which delivery is received will be explained by noting on such invoices: "ordered in prior fiscal year for immediate delivery."

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**8422.110 CONSOLIDATION OF REMITTANCE FOR UTILITY BILLS**  
(Renumbered from 8422.111 12/89)

Agencies that have field locations may find it advantageous to consolidate bills by preparing one remittance to each billing center of the utility company concerned instead of separate remittances to company offices nearest the locations of service.

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**8422.111 LOCAL GOVERNMENT UTILITY USERS TAX**  
(Renumbered from 8422.112 12/89)

Agencies that receive utility bills which include a Utility Users Tax assessed by California local governments will not pay such a tax. Such agencies will contact the utility and advise it that the State is not subject to the tax.

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**8422.112 TELEGRAPH INVOICES**  
(Renumbered from 8422.113 12/89)

Telegraph companies support their invoices by including either (1) one copy of each telegram or (2) a detail of charges. The copies of the telegrams and/or detail of charges will be retained by the agency together with the agency's copy of the invoice in the file copy of the claim. The State Controller's Office will request review of the supporting detail in any instance

where it believes that such verification is necessary.

For telegraph companies that do not include a copy of the telegrams with the invoices, agencies may make a specific request to obtain a copy at the time of placing the telegram. A service charge is assessed for each such request. Also, in order for an agency's detail of charges to show the sender's (requester's, authorizer's) name or initials, agencies will have to include such information within the first ten characters of the telegram signature block at the time of placing the telegram.

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#### **8422.114 AIRLINE INVOICES**

(Renumbered from 8422.115 12/89)

The passenger's copy of an airline ticket will be submitted with the employee's travel expense claim. Such passenger's copy will be compared with the airline invoice to determine the propriety of the charge. Any unapproved charges will be collected from the employee.

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#### **8422.115 AUTOMOBILE RENTAL INVOICES**

(Renumbered from 8422.116 12/89)

The customer's copy of the automobile rental contract will be submitted with the employee's travel expense claim. Such copy will be compared with the automobile rental invoice to determine the propriety of the charge. Any unapproved charges will be collected from the employee.

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### **INVOICES FROM SOLE PROPRIETOR VENDORS OR INDIVIDUALS 8422.116**

(Revised 12/03)

Departments must determine if payments on invoices received from individuals or sole proprietor businesses are subject to independent contractor reporting as defined by the Employment Development Department (EDD).

Departments must report to the EDD using the Report of Independent Contractor(s) form, [DE542](#), within twenty days of either (1) making payments of \$600 or more or (2) entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. This information is used to assist State and county agencies in locating parents who are delinquent in their child support obligations. Additional information and the form are available at the EDD website: <http://www.edd.ca.gov/> See SAM Section 7930.

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#### **8422.19 REPORTABLE PAYMENTS**

(Revised 12/08)

Sections 6041 of the federal Internal Revenue Code (IRC) and 18637 of the CA Revenue and Taxation Code require the state to report certain payments made to individuals, medical and legal corporations, and partnerships when such payments total at least \$600 of miscellaneous income and \$10 of interest income, respectively. In addition, the IRC, section 6045(f) requires the State to report any payment to an attorney (including legal corporations) made in connection with legal services whether or not such services were performed for the payor. These include "gross proceeds" (i.e., lump sum payments to attorneys that consist of legal fees and amounts awarded to the client).

State policy requires that reportable payments be identified and reported through a combination of electronic data processes, the state Uniform Codes Manual (UCM), and information provided in the Payee Data Record (STD. 204). The Department of Finance (DOF), CALSTARS Unit has developed and implemented appropriate procedures to facilitate such reporting, for its agencies, through the Franchise Tax Board (FTB). Non-CALSTARS agencies that operate their own EDP systems are required to develop and implement similar reportable payment identification systems. Non-CALSTARS agencies that operate in a manual accounting environment are encouraged to call the DOF, Fiscal Systems and Consulting Unit, if they have any questions.

The chief financial officer of each state agency is designated as the person responsible for ensuring compliance with federal and state tax laws. Each state agency which makes payments from the State Treasury trust and/or agency funds

will comply with the Internal Revenue Service (IRS) and the FTB annual information reporting and income tax withholding (W/H) requirements. A state agency may arrange to have 1099s, FTB, and IRS reports prepared by a reporting agent such as FTB. However, the final responsibility will rest with the state agency.

For the purposes of complying with the reporting requirement, each state agency is a separate reporting entity. Accordingly, each agency shall report under its own unique Federal Employer Identification Number (FEIN). Some departments may even consider it necessary to file separate reports for certain programs. Where such separate reporting is deemed necessary, the department should apply for separate FEIN(S) for the appropriate program(s). A FEIN application (Form SS-4) is available at the IRS website: <http://www.irs.gov>. Return the completed form to the IRS.

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## **8422.190 REPORTABLE PAYMENT IDENTIFICATION AND CLASSIFICATION REQUIREMENTS**

(Revised 12/11)

1. Required Payee Data Record form, STD. 204. See [8422.190 Illustration 1](#) and [8422.190 Illustration 1 \(Cont. 1\)](#). A completed STD. 204 must be obtained whenever a state department engages in a transaction that leads to a payment to any individual or any entity that is not a governmental entity. The information provided in this form must be used in conjunction with reportable payment indicators in the Uniform Codes Manual (Object section, column "FBR"), to select the payments that are reportable from the payment history files through electronic data processing methods (SAM 8422.19).

In order to obtain the data necessary to determine what payments are reportable, the STD. 204, must be completed by the vendor and attached to each contract. For non-contract transactions, this form must be completed by the vendor and retained in the state department business services or accounting office as determined by state department policy. Information provided by the vendor on this form will include:

1. Complete business name and address of vendor doing business with the State including owner's name, if a sole proprietorship.
2. The payee entity type and the Taxpayer Identification Number (TIN) as shown. The TIN is the Social Security Number (SSN) for individual and sole proprietor vendors and the Federal Employee Identification Number (FEIN) for all other vendors.
3. The residency status of the payee by indicating resident or nonresident as shown. The reverse side of the STD. 204 provides instructions for making this determination. Nonresidents may be subject to state withholding at the standard rate unless verification authorizing a reduced rate or a waiver is attached to the STD. 204.
4. The name, title, telephone number, and dated signature of the vendor's authorized representative will be provided. This signature certifies the accuracy of the information provided.

State departments that need to customize the STD. 204 in order to fulfill a unique reporting need of a specific program may submit a request for approval (including a draft of the customized STD. 204) to Finance, Fiscal Systems and Consulting Unit.

If the STD. 204 is not completed by the payee, payment to the payee shall be reduced by the following:

- Federal backup withholding of 28 percent through December 31, 2010, and rate to be determined thereafter. For more information, refer to Internal Revenue Service (IRS) Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S)*, available at <http://www.irs.gov/>.
- State backup withholding of 7 percent for payments made on or after January 1, 2010 to residents or nonresidents per Revenue and Taxation Code (R&TC) section 18664.
- Payment may be subject to state income tax withholding if the vendor indicates "nonresident" on the STD. 204 per item #3 listed above. Under circumstances where both backup withholdings and nonresident withholding apply, only backup withholding shall be required. Refer to FTB Publication 1017, available at <http://www.ftb.ca.gov/>, for further information.

Pursuant to R&TC sections 18662(d) and 18668, state departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB. In addition, the state department is responsible for sending additional requests to those payees that fail to provide their TIN, as described in SAM 8422.193.

2. Payments that will be reported.
  - Payments for services to medical corporations, and legal service corporations and to non-corporate entities (except governmental units) will be reported. These may include: fees, commissions, other forms of compensation for services (to the extent not reported on Form W-2), interest, rent, royalties, prizes, awards, and "gross proceeds" connected with legal services.
  - a. Payments are reportable if all three of the following points can be answered YES:
    1. Payment is within the conduct of trade or business.
    2. Payee is not a corporation (note that all payments to a) medical corporations for services provided and b) attorneys or legal services corporations including gross proceeds are reportable).
    3. Payment is for rents, prizes, awards, or services (including construction contract services) rendered and not solely for merchandise.
  - b. The following identifies (1) the various recurring payment types that are required to be reported and (2) the box on the Form 1099 MISC in which they are to be reported:
    - Box 1 Rent of real or personal property.
    - Box 2 Royalties.
    - Box 3 Other income (including prizes, awards, and punitive damages not involving physical injury or sickness).
    - Box 4 Federal income tax withheld (backup withholding).
    - Box 6 Medical and health care payments, including doctors, medical corporations, dentists, audiologists, optometrists, psychologists, psychiatrists, etc.
    - Box 7 Nonemployee compensation.
    - Prizes and awards for services rendered (e.g. bonuses not reported in W-2).
    - Commissions to non-employees.
    - Commissions to real estate brokers.
    - Consulting fees to non-employees
    - Professional fees.
    - Payments to entertainers.
    - Construction service contracts (roads, streets, buildings, etc.).
    - Box 14 Attorney Fees - Gross Proceeds pursuant to Internal Revenue Code (IRC) Section 6045(f); that consist of (1) amounts intended to be paid to the client; and (2) amounts intended for the attorney.
    - Box 16 State income tax withheld.
  - d. Interest (other than tax exempt government obligations; interest by or to nonresident aliens and most foreign entities; corporations; tax-exempt retirement plans, custodians and nominees, brokers, registered dealers in securities and commodities, and U.S. state governments, including their subdivisions and wholly-owned departments and instrumentalities) must be reported on Form 1099-INT. Form 1099-INT payments are not subject to state backup withholding.
3. Payments that are not reported.
  - Payments to governmental entities.
  - a. Payments to most corporations for goods and services. However, payments to medical corporations and legal corporations are reported.
  - b. Payments for merchandise (including freight, storage, and similar charges) and utilities (such as electricity, gas, oil, water, telephone, telegraph, and similar services).
  - c. Payments of non-punitive damages (for physical injury or sickness) awarded by the courts. However, any interest payment is reportable.
  - d. Salaries and wages paid from the State Payroll Revolving Fund or otherwise reported on Form W-2.
  - e. Scholarships, fellowships, and stipends (except where such payments are subject to the performance of services).
  - f. Per diem and travel expense reimbursements not considered reportable income.
4. Payments that include reportable and non-reportable items.
 

When a payment to an individual includes both reportable and non-reportable items, state departments usually have the option of reporting the total payment or only the reportable portion. If the agreement is only for a lump sum, then the full amount will be reported (including gross proceeds paid to an attorney in connection with legal services). However, when a payment includes both interest and non-reportable principal, only the interest will be reported. When a payment to an external consultant includes a stated amount for travel expenses, per diem, or other expenses, as well as an amount for services, the total amount will be reported.

Questions regarding the determination of reportable payments and/or the use of STD. 204, should be directed to the Franchise Tax Board, Information Reporting Unit, at (916) 845-6304.

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**8422.191 State Agencies Reporting Annual Information Returns**  
(Revised 12/08)

Non-CALSTARS agencies may send their annual information returns to the FTB by the first week in January of the year following the calendar year payment. FTB will mail a paper Form 1099 to the payee by January 31st and forward media copies to the IRS by February 28th. Contact the state agency information reporting coordinator at (916) 845-6304 for

additional details.

Agencies that do not use the FTB to transmit information returns must mail a paper return directly to the payee by January 31st and file magnetic media or paper copies to both the IRS and the FTB by February 28th using one of the methods below. However, magnetic media will no longer be accepted by the IRS after December 1, 2008, as described in IRS Publication 1220, which is available at <http://www.irs.gov>.

1. **Filing 250 or more of one type of return.**

Combined Federal/State Filing Option: Agencies that file their own media returns are encouraged to use the IRS Combined Federal/State Filing Program. An application to participate in this program should be submitted directly to the IRS. When the application is approved by the IRS, the agency will annually send their returns to the IRS only. The IRS will then send the designated returns to the FTB. A copy of the IRS approval should be sent to the FTB, Attn.: Magnetic Media, P.O. Box 942840, Sacramento, CA, 94240-6090. Contact the IRS at (866) 455-7438 to participate in the program.

Separate IRS and the FTB Filing Option: Agencies may opt to file media returns directly with the IRS and with the FTB. The state agency should contact the IRS at (866) 455-7438 and the FTB's magnetic media unit at (916) 845-3778 for filing details.

2. **Filing less than 250 returns of one type.**

Agencies filing less than 250 returns of one type are encouraged to file media returns (through the IRS Combined Federal/State Filing Program or separately to the IRS and the FTB). However, agencies may file paper information returns with the IRS Form 1096 (Return Transmittal Form) and send them to the IRS, Ogden, UT 84201. The IRS will forward copies of returns filed with the Form 1096 to the FTB. Do not file paper copies with FTB.

For information regarding the types of payments reportable on a Form 1099, call (800) 829-3676 to request the current year's IRS booklet, Instructions for Forms 1099, 1098, 5498, and W-2G or call the IRS Information Reporting Unit at (866) 455-7438 and the FTB Information Reporting Unit at (916) 845-6304. Also, check the IRS website: <http://www.irs.gov> for forms and publications and the FTB website: <http://www.ftb.ca.gov/> for information return reporting advice, questions and answers, and forms.

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## **8422.192 Issuing Corrected Information (Form 1099) Returns**

(Revised 12/08)

The ultimate responsibility for filing Form 1099 returns and for ensuring the accuracy of the returns rests with the state agency that made the payment(s) being reported. Consequently, notwithstanding the Form 1099 processing, filing, and mailing assistance provided to most state agencies by the DOF CALSTARS Unit and the FTB, each State agency is responsible for issuing corrected Form 1099 returns to its payees and to the appropriate tax authorities whenever it is necessary to correct a previously issued Form 1099.

State agencies filing less than 250 corrected returns may do so on paper Form 1099, electronic media, or magnetic media. State agencies filing more than 250 corrected returns must use electronic or magnetic media. However, magnetic media will no longer be accepted by the IRS after December 1, 2008, as described in IRS Publication 1220 which is available at <http://www.irs.gov/>.

To order 1099 forms from the IRS, call 1-800-TAX-FORM (1-800-829-3676) or order them on-line at:

<http://www.irs.gov/business/page/0,,id=23108,00.html>

### **A. Filing Corrected Paper Information (Form 1099) Returns.**

Corrected paper Form 1099 returns should be filed with the IRS and a copy mailed to the vendors. Do not submit copies to FTB. The IRS automatically shares the data in corrected paper information returns with FTB.

For specific instructions regarding the filing of corrected Form 1099 returns on paper, refer to the IRS publication, Instructions for Forms 1098, 1099, 5498, and W-2G. This annual publication may be requested by calling the IRS at (800) 829-3676, or by downloading it from the website: <http://www.irs.gov/>.

### **B. Filing Corrected Media Information (Form 1099) Returns.**

Corrected media Form 1099 returns should be filed with *both* the IRS and the FTB and paper copies sent to the payees.

For specific instructions regarding the filing of corrected Form 1099 returns on media, refer to the IRS Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically. This annual publication may be requested by calling the IRS at (800) 829-3676 or by downloading it from the IRS website (noted above).

For additional information on the filing of corrected Form 1099 returns, please call the FTB at (916) 845-6304 for general

**8422.193 CONSEQUENCES OF INCORRECT INFORMATION REPORTING**  
(Revised 06/10)

If the Payee Data Record form STD. 204 is not completed by the payee, the state department is responsible to reduce the payee's payment by withholding the federal and state backup income tax portion. Under the Internal Revenue Code and the Revenue and Taxation Code, a state department that fails to obtain the Tax Identification Number (TIN) or fails to file timely information returns can be assessed a 28 percent federal backup income tax withholding through December 31, 2010 (rate to be determined thereafter by the IRS) and a 7 percent state backup withholding on amounts that were incorrectly reported or were not withheld. Additional penalties, fines, and interest may be assessed by the IRS and/or Franchise Tax Board. In order for departments to avoid a penalty for filing a return that omitted the payee's TIN, departments must send the taxpayer a first annual request for the TIN by December 31 of the year in which the department makes a reportable payment. A second annual request is also required by December 31 of the following year if reportable payments are being made.

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**8422.194 BACKUP WITHHOLDING NOTICES (B-NOTICES)**  
(Revised 06/10)

Annual information returns reported to the IRS are subject to various computer matching analyses to determine, in part, whether the payee's name and Taxpayer Identification Number (TIN), as reported in the Form 1099, matches that in the taxpayer's account in the IRS computer files. If they do not match, the IRS will send the payor (state department) a CP2100 or CP2100A Notice, depending on the number of mismatches. The Notice will include a list of payees whose TINs (on Form 1099 filed by, or on behalf of, the state department) are missing, incorrect, or not issued.

When a state department receives a CP 2100 or CP 2100A Notice, the IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(s)*, provides detailed instructions and requires the following:

Examine the Payee Data Record form (STD. 204) and verify that if the:

1. TIN provided by the taxpayer matches that on the IRS Notice, the department will:
  - a. Send the payee a blank STD. 204 and the required "B" Notice which is a backup withholding notice within 15 business days. The "B" Notice will:
    - i. Request a response date within 30 business days from the date the department received the IRS notice.
    - ii. Include date, taxpayer name, TIN, backup withholding rate, and return to information.
    - iii. Be sent in an envelope that is clearly marked, "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."
  - b. Begin backup withholding no later than the 31<sup>st</sup> business day after receipt of the IRS Notice. Per Revenue and Taxation Code (R&TC) section 18664, vendors who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.

- c. Stop backup withholding when the payee provides the correct TIN on the STD. 204.
  - d. Keep track of each payee listed in the IRS Notice in order to determine when the same payee appears twice in three years. Upon receipt of another IRS Notice listing the same payee within three years, the payor department is required to:
    - i. Send a second "B" Notice as described above, and direct the taxpayer to contact the IRS or Social Security Administration to obtain the correct Name/TIN combination. Do not send another STD. 204.
    - ii. Begin backup withholding no later than the 31<sup>st</sup> business day after receipt of the IRS Notice. Per R&TC section 18664, vendors who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.
    - iii. Continue withholding until an official stop notice is received from the IRS.
2. Taxpayer did not provide a TIN and the IRS Notice shows a missing TIN, the department will:
    - a. Ensure that the annual requests to the taxpayer for a TIN have been made in accordance with SAM 8422.193
  3. TIN provided by the taxpayer does not match that on the IRS Notice, *do not write to the IRS*. However, the department will:
    - a. Correct its records if they reported incorrect information to the IRS or if the information changed after they reported to the IRS.
    - b. Note its records if the IRS misprinted the information, but do not take any further action.

Each department is required to maintain a current copy of IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S)*, for reference in processing IRS Notices and "B" Notices. The publication is available at <http://www.irs.gov/>. In addition, SAM section 8422.195 provides further information and instructions on the withholding requirements. Furthermore, pursuant to R&TC sections 18662(d) and 18668, state departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB.

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**8422.195 REPORTABLE PAYMENT INCOME TAX WITHHOLDING**  
(Revised 06/10)

Each state department is responsible for federal and state backup withholdings on reportable payments or state withholding on payments made to nonresidents, as defined in SAM Section 8422.190. Details and instructions for the withholding types are as follows:

**Federal Backup Withholding Requirements**

The Internal Revenue Code (IRC) section 3406 states that reportable payments to vendors are subject to backup withholding when:

1. Payee Data Record form STD. 204 (in lieu of an IRS Form W-9) has not been completed providing certification of correct TIN and exemption.
2. IRS notifies your state department that your vendor is subject to backup withholding.
3. IRS notifies your state department that your vendor furnished an incorrect TIN.
4. Vendor fails to certify exemption from withholding on interest and dividends per IRC Section 3406(d).

**Computation of Federal Backup Withholding**

For each vendor invoice or similar payment document that is subject to federal backup

withholding, the state department shall compute the federal backup income tax to be withheld by multiplying the invoice amount (or the portion subject to tax) by the 28 percent federal backup withholding rate applicable through December 31, 2010 (and rate to be determined thereafter per IRS Publication 1281). This computation may be performed on the vendor invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the vendor.

#### **State Backup Withholding Requirements**

Vendors who are subject to federal backup withholding are also subject to state backup withholding except for:

- Payments of interest and dividends (reported on IRS Forms 1099-INT, 1099-DIV, 1099-OID, and 1099-PATR).
- Any release of loan funds made by a financial institution in the normal course of business.

The R&TC section 18664 states that reportable payments to vendors are subject to state backup withholding at 7 percent of the payments made on or after January 1, 2010. Under circumstances where both backup withholdings and nonresident withholding apply, only backup withholding shall be required. See below for computation.

#### **State Nonresident Income Tax Withholding Requirements**

Payments to nonresident vendors may be subject to withholding at 7 percent. A vendor will be considered a nonresident when the nonresident box has been checked on the STD. 204. This form is required to be completed by all vendors doing business with any state department.

Withholding is not required if:

1. The payments to the vendor are \$1,500 or less for the calendar year. If it is not known whether payments will exceed \$1,500 for the calendar year, then withholding is optional at the discretion of the department on the first \$1,500 in payments made during the calendar year.
2. The payment is for equipment/supplies or interest.
3. The services were not performed in California.

The withholding rate may be reduced or waived by the FTB; however, it is the responsibility of the vendor to contact the FTB to request a reduced rate or waiver. If FTB approves the request, the vendor shall provide a copy of FTB's approval letter to the department for filing with the vendor's STD. 204. Without an approval letter on file, the department must apply the 7 percent withholding rate to the vendor's payment.

#### **Computation of State Backup and Nonresident Income Tax Withholding.**

For each vendor invoice or similar payment document that is subject to state backup or nonresident income tax withholding, the state department shall compute the tax to be withheld by multiplying the invoice amount by the 7 percent withholding rate (or the FTB approved reduced withholding rate for nonresident vendors, if applicable). This computation

may be performed on the vendor invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the vendor.

State departments are advised to maintain a current copy of FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, for reference in determining the state's withholding requirements. The publication and further information is available at [www.ftb.ca.gov](http://www.ftb.ca.gov).

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**8422.196 REMITTING AND REPORTING INCOME TAX WITHHELD**  
(Revised 06/10)

**Federal Backup Withholding**

**1. Remitting Federal Backup Amount(s) Withheld**

The state department shall prepare a claim schedule with the "Internal Revenue Service" as payee. Supporting documentation for the claim schedule shall include a worksheet showing the claim schedule number, invoice number, payee name, invoice amount, and the amount subject to withholding. The Remittance Advice (STD. 404) shall show the payee name and address as: Internal Revenue Service, Ogden, UT 84201. Each state department shall enter its Federal Employee Identification Number, date, and amount paid in the right-hand box (reserved for vendor invoice information) of the STD. 404. Also, the Tax Deposit Coupon, IRS Form 8109, shall be attached to the STD. 404.

**2. Reporting Federal Backup Amounts Withheld**

The state department shall file the Annual Return of Withheld Federal Income Tax, IRS Form 945. Line 2 of this return reports the total amount of federal backup income tax withheld and remitted.

**3. Reconciliation of Withholding, Remittances, and Information Returns**

Neither the IRS Form 8109 nor the IRS Form 945 provides for vendor/payee information. That information is provided only in the Annual Information Return, Form 1099. The IRS performs the necessary reconciliation between the IRS Form 8109, IRS Form 945, and Form 1099 data for their internal review purposes. State department accounting staff are encouraged to perform reconciliations, for internal use only, of the backup amounts withheld and remitted per the IRS Form 8109, and the amounts reported per the IRS Form 945, and Form 1099.

**State Backup Withholding and Nonresident Income Tax Withheld**

## 1. Remitting State Backup and Nonresident Taxes Withheld to FTB

State backup and nonresident income tax withheld shall be accumulated and remitted to the FTB with Form 592-V, Payment Voucher for Resident and Nonresident Withholding, at the address shown on the form. This remittance shall be made quarterly and no later than 15 days following each quarter ended. For each quarter, the state department shall prepare a claim schedule of the state tax withheld with the "Franchise Tax Board" as payee. Supporting documentation for the claim schedule is a copy of the FTB Form 592 with a statement and signature certifying the copy of the form (see SAM 8422.1). Also, the Form 592-V shall be attached to the STD. 404.

Form 592, Resident and Nonresident Withholding Statement information must be filed with the FTB via magnetic media or electronically using FTB's Secure Web Internet File Transfer instead of paper when the number of payees on Form 592 Schedule of Payees are 250 or more. For the required file format and record layout, see FTB Publication 1023S, *Resident and Nonresident Withholding Electronic Submission Requirements*.

## 2. Reporting State Backup and Nonresident Taxes Withheld

For those residents and nonresidents whose California income taxes were withheld by the state department, the Resident and Nonresident Withholding Tax Statement, FTB Form 592-B, will be sent annually to each payee to report both the total amount subject to withholding and the total amount withheld for the entire prior calendar year.

Form 592-B shall be distributed (as shown below) no later than January 31 for the calendar year just ended.

- (1) Copy A – Retained for state department records.
- (2) Copy B – To the payee (to be attached to payee's California tax return to support the credit for tax withheld.

Refer to the instructions on FTB Forms 592 and 592-B for additional information on the remittance and reporting of backup and nonresident income tax withheld. In addition, FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, provides information on the state's withholding requirements. The publication and the forms are available at [www.ftb.ca.gov](http://www.ftb.ca.gov). Further, state departments may contact the FTB, Withholding Services and Compliance Section for additional information. Please direct all inquiries to:

Franchise Tax Board  
Withholding Services and Compliance Section  
P.O. Box 942867  
Sacramento, CA 94267-0651  
Telephone: (916) 845-4900 Fax: (916) 845-9512  
E-mail (non-confidential): [WSCS.GEN@ftb.ca.gov](mailto:WSCS.GEN@ftb.ca.gov)

Invoices and vouchers will be separated into the following three groups: (Separate claim schedules will be prepared for each of the three groups.)

#### **Group 1**

All invoices or group of invoices other than Group 2 lease invoices to pay \$1,500 or more to one payee.  
All invoices to pay any amount pursuant to State agency contracts or leases other than Group 2 lease invoices (excluding items for sub-purchase order covered by Office of Procurement, Department of General Services, statewide contracts, or purchase orders under \$1,500).

#### **Group 2**

All regular monthly rental invoices for leases of real property. These will be scheduled separately for each due date. They will be flagged to show: (1) that they are monthly rental payments; and (2) the due date of the invoices in the schedule.

#### **Group 3**

All other payments. In no case should a payment to a vendor be scheduled in Group 3 if another payment is scheduled to the same vendor in Group 1. Such invoices should be combined and scheduled in Group 1. There will be no similar combining for Group 2 payments.

Claimants will be listed on a Claim Schedule, STD. 218 (Continuous), the original of which will be submitted to the State Controller's Office. If more than one invoice or voucher is to be paid by a single warrant, only the total amount claimed by the claimant will be shown on the STD. 218 (Continuous). Although operating expenses and equipment invoices may be combined, Workers' Compensation invoices must be kept separate because they are filed against the Personal Services category. Purchase order numbers will be shown on STD. 218 (Continuous) when applicable. Contract and lease payments in Group 1 will be identified by entering the letter "c" in the "Purchase Order No." column on the STD. 218 (Continuous). The number and amount of reportable payments (see SAM Section 8422.19) will be entered on the STD. 218 (Continuous) in the box entitled "Reportable payments per SAM Section 8422.19." The "number" of reportable payments for this purpose is the number of warrants or revolving fund checks paid, not the number of invoices which are being paid.

Agencies will submit Group 2 schedules to the State Controller's Office from five to 10 working days prior to the due date of the invoice in the schedule. The State Controller's Office will process them and mail its warrants on the day before the due date or the next preceding workday if the day before the due date falls on other than a workday. Also see SAM Section 8422.104.

Invoices will not be segregated by type of encumbrance document, if any, that they liquidate. Documents submitted to the State Controller's Office will be arranged as follows:

1. Original and one copy of Claim Schedule, STD. 218 (Continuous).
2. Original copies of invoices and/or vouchers or acceptable copies (see SAM Section 8422.1) arranged in the same order as payees' names are listed on the claim schedule.
3. Adding machine tape attached to the first invoice of a claimant whenever more than one invoice from the same claimant is included in a claim. All invoices of the claimant will be listed on the tape.
4. Remittance Advice Envelope, STD. 403, containing remittance advice forms and any other material (see SAM Section 8422.3) firmly attached thereto, arranged in the same order as payees' names are listed on the claim schedule.

Claim schedules to reimburse a revolving fund will not list the names of vendors, travelers, etc., paid from the revolving fund. Invoices and vouchers filed to reimburse office revolving funds may be included in claims filed to obtain warrants payable directly to claimants furnishing goods or services. Such invoices will be placed at the end of the claim and will be preceded by an adding machine tape supporting the amount shown on the claim schedule as payable to the revolving fund. All documents in a claim schedule will be bound together at the top by a tape or cord, passed through holes punched in the documents, and tied in a bow knot at the back of the claim schedule. This will permit easy removal for audit, correction, and any required central mailing of documents by the State Controller's Office. Be sure that necessary information is not obliterated when documents are punched. Agencies wishing to use backing sheets may use them only for small size invoices and for those invoices wherein necessary information (vendor's name, address, etc.) would be obliterated if punched.

Agencies will file duplicate copies of STD. 218 (Continuous) and the supporting invoices and vouchers numerically by schedule number.

Claim schedules that include an invoice or claim from an employee authorized to sign claim schedules will not be signed by such employee. Another authorized employee will sign such schedules regardless of whether it provides for direct payment to the employee or for reimbursement of the revolving fund.

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#### **8422.20 STOCK RECEIVED REPORTS** (Revised and Renumbered from 8410 12/89)

The Agency's receiving department will prepare Stock Received Reports, STD. 106, or use an approved Purchase Order

document to record receiving information at the time goods are received. For partial deliveries, a photo copy of the approved purchase order may be used as a stock received report. The last Stock Received Report for an order should be stamped "Complete" when the order is completely filled. Reports will be prepared only after carefully checking the quantity, description, and condition of the goods and, whenever possible, will be signed by the person responsible for checking and taking custody of the goods. When stock received reports are prepared or signed by a person other than the person actually receiving and checking the goods, the person signing the report should take precautionary measures to assure that the goods were actually received and checked.

When a copy of the order is used as a stock received report, the person checking the goods will write in the date received, the quantity received, and note any defect in condition. The same procedure will be used to acknowledge receipt of services other than regular recurring services, such as utilities. If goods are to be returned to the vendor, agencies will prepare a Returned Stock Report, STD. 108. The original stock received report, or signed copy of the order used as a stock received report will be forwarded directly to the accounting office on the day the goods are received.

These documents will provide the accounting officers with information as to the identity, condition, and net quantities of goods received. The accounting officer will compare the stock received report to the purchase order and invoice. If these letter documents are not available for comparison, claims will not be filed for payment. The accounting office will indicate on its copy of the stock received report: (1) the claim schedule number, and (2) the Fiscal Year of the claim. Stock received reports will be filed with the accounting office copies of orders and estimates, unless other methods of filing are prescribed or are more convenient with respect to individual agencies. To determine whether all goods and services ordered are actually received, the agency shall develop procedures to follow up on open purchase documents/contracts. (See SAM Sections 3860–3867 concerning short or damaged shipments and SAM Section 10821 for additional procedures relating to agencies performing stores accounting.)

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**8422.201 INVOICES CHARGEABLE TO MORE THAN ONE FUND OR APPROPRIATION**  
(Renumbered from 8422.202 12/89)

When an invoice must be filed against more than one fund or appropriation because no Plan of Financial Adjustment or re-billing procedure is used, the agency will file the necessary number of claim schedules with the State Controller's Office with the invoice in one claim and cross-references in the other claims. The agency will not return to vendors invoices relating to more than one fund or appropriation and request, in lieu, separate invoices.

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**8422.202 CLAIMS RECORDED ON ELECTRONIC TAPE**  
(Renumbered from 8422.203 7/88)

State Board of Control Rule 622.1 permits State agencies, upon approval of the State Controller, to submit claims recorded on electronic tape. Claims which have the following characteristics ordinarily will be considered for submittal in this manner:

- Large volume of payees;
- Similar in nature or purpose;
- Subject to repetitive handling and processing.

Agencies should contact the State Controller's Office, Division of Audits for additional information and assistance.

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**8422.23 MASTER COPIES OF CLAIM SCHEDULES**  
(Revised 12/89)

The Schedule of Bills Filed, Std. Form 210, will be prepared as a carbon copy of the Claim Schedule, Std. Form 218. An additional copy of the Std. Form 218 may be used in lieu of the Std. Form 210 by agencies that do not use the Std. Form 210 for expenditure distribution. Agencies analyzing expenditures on the Std. Form 210 will summarize the expenditures by allotment for posting to the Allotment-Expenditure Ledger, and if desired, by estimate number for posting to the individual estimates.

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**8422.24 POSTING SLIPS**

(Renumbered 2/65)

Posting slips may be used by agencies with a large volume of invoices. The posting slip will be fastened to the duplicate copy of the invoice by a glued margin which is separated from the rest of the form by a perforation. All information necessary for posting to accounts and for reference will be entered on these slips. This information, including classification of expenditure, claim schedule number, amount and estimate number, will be recorded on the invoice also by the temporary insertion of a piece of carbon paper. The slip will be separated from the invoice, by tearing along the perforation, after the schedule has been typed. The amounts on these slips will be proved to the total of the schedule and then sorted for posting.

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**8422.25 WARRANTS PAYABLE TO CLAIMING AGENCY**  
(Revised 5/75)

Warrants payable to the agency filing the claim are to be sent by the State Controller's Division of Disbursements to the agency for subsequent deposit in the bank for credit to the agency's office revolving fund account in the centralized State Treasury System. This procedure is applicable to deposits accounted in the General Cash and Agency Trust Cash account as well as those reimbursing the agency's revolving fund. (See SAM Section 8170.) A Remittance Advice, Std. Form 404, will be prepared for each warrant in the claim and submitted with the claim schedule in the manner described in SAM Section 8422.3.

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**8422.26 WARRANTS PAYABLE TO COUNTIES**  
(Revised 9/82)

When payment is to be made to a county, or an agency or office of a county, payment will be made to the County Treasurer (unless there is a statutory basis to do otherwise). Where payment is made to the County Treasurer, agencies will forward to the State Controller's Office: (1) a copy of Remittance Advice (Std. Forms 404, or 404c, or a customized form approved by State Controller's Office—Division of Disbursements and General Services Forms Management, see SAM Section 1601) for mailing the warrant to the County Treasurer; and (2) an extra copy for the County Auditor. The latter will be forwarded to the State Controller's Office in a separate legal-size plain envelope marked "County Auditor's Copy" and stapled to the Remittance Advice Envelope, Std. Form 403. The Remittance Advice will show the name of the State agency filing the claim and properly identify the payment by reference to the invoice, agreement, or subvention program with a legal reference, if pertinent, and subvention program account code. Appropriate abbreviations may be used.

Below is a portion of the Revenue Chart of Accounts of the Counties pertaining to aid from other government agencies. (The entire chart is contained in the Accounting Standards and Procedures for Counties manual.) Use of these subvention program account codes on applicable remittance advice will aid counties in accounting for payments.

<b>Account Code</b>	<b>Description</b>
23	State-alcoholic beverage license fees
24	State-aid for aviation
25	State-highway users tax
26	State-motor vehicle in-lieu tax
27	State-trailer coach in-lieu tax
33	State-health-administration
35	State aid for cerebral palsy
36	State aid for mental health
37	State aid for tuberculosis control
38	Other State aid for health
39	State aid for agriculture
40	State aid for civil defense
41	State aid for construction
42	State aid for corrections
43	State aid for county fairs
44	State aid for disaster
45	State aid for veterans' affairs
46	Homeowners' property tax relief
47	Business inventory property tax relief
47.1	Livestock head-day tax reduction
49	State-other
52	Federal-health-administration
53	Federal aid for construction
54	Federal aid for disaster
55	Federal forest reserve revenue

56	Federal grazing fees
60	Federal flood control receipts
60.1	Aid for medical assistance State and Federal
62	State-apportionment of off-highway in-lieu tax

**8422.3 REMITTANCE ADVICE**  
(Rev. 9/96)

A Remittance Advice, Std. Form 404 or other approved Remittance Advice, will be prepared for each payee listed on a claim schedule.

The original (first copy) of the remittance Advice will be placed in a Remittance Advice Envelope, Std. Form 403 (See SAM Section 8422.4), separated and in the same order as listed on the claim schedule. The duplicate (pink) copy will be filed in the agency accounting office alphabetically by claimant's name. The payee's correct name and address will be clearly typed on each Remittance Advice in a position to permit the information to appear through the window envelope in which the warrant is mailed. In addition, the following information will be entered on the Remittance Advice form: (1) agency, name and Uniform Code Manual Agency Code Number (2) schedule number, (3) date of invoice, (4) invoice number (purchase order number or contract number if invoice is unnumbered), (5) amount of invoice, and (6) total amount if more than one invoice. Agencies should use care to type the vendor/payee's name consistently on the Claim Schedule and Remittance Advice for each and every payment. Agencies need not enter their address below their name but may do so to enable inquiries to be directed to them more quickly.

Only when the payment is a reportable one (see SAM Section 8422.19) will the three boxes at the bottom of the form be completed. Warrant numbers will not be shown on any copies of the Remittance Advice form. Reference to individual invoice dates, numbers, and amounts, items (3), (4), and (5) above may be omitted where some other means of notifying the vendor is provided.

The original of the Remittance Advice and the applicable warrant will be mailed to the payee by the Office of the State Controller. Remittance Advices will provide for delivery of warrants to an agency only where the agency is the payee or for delivery to agency employees. (See SAM Section 8422.6.) The Remittance Advice will provide the payee with an identification of the payment. The Office of the State Controller will send a Controller's Notice of Claim Paid, Form CD-102, to the agency for every Claim Schedule for which warrants were drawn.

Enclosures attached to Remittance Advices are to be kept to a minimum and when necessary, will be folded to warrant size, (7 x 3 1/2 inches), and securely stapled behind the Remittance Advice form. Material that cannot be folded to warrant size will be mailed separately by the agency. Special arrangements must be made with the Office of the State Controller for continuing or large-scale problems. Normally, invoices will be adequately identified on the Remittance Advice and requests shown on invoices asking their return will be ignored. The exception to this rule concerns vendor requests for the return of punched cards or stubs so they can serve as machine-readable input to an automated data processing system. Such items will be returned and the related remittance advice usually need not list the invoices or show any other detailed information.

Remittance Advice addressed to payees in other than United States and its possessions, Canada, or Mexico will be stamped on their face, in red ink, by the agency or otherwise identified by the words "FOREIGN MAIL." The bottom line of the address must show only the name of the country, written in full, and in capital letters. For example:

Mr. John Smith  
123 Russell Drive  
London W1p 6HQ  
ENGLAND

OR

Ms. J. Smith  
Apartado 3068  
46807 Puerto Vallarta, Jalisco  
MEXICO

In the case of payments in part by State Controller's warrant and in part by personal or state checks, agencies will:

1. Clip the check to the back of the Remittance Advice accompanying the Claim Schedule. The check will be mailed with the warrant by the Office of the State Controller.
- OR
2. Mail the check to the payee with an explanation that the balance paid by the warrant is being or has been transmitted separately. The Remittance Advice accompanying such check will be cross-referenced to the partial payment by warrant. The Remittance Advice to accompany the warrant will indicate that partial payment has

been or will be made by check.

When it is necessary or desirable to notify the payee of a correction in the amount being paid, agencies will prepare a Notice of Correction of Invoice, Std. Form 107, in duplicate. The original of this form will be stapled to the back of the original copy of the Remittance Advice.

Agencies that wish to use a customized Remittance Advice form instead of a STD. Form 404, or other approved Remittance Advice, must have their customized form design reviewed and approved by the Office of the State Controller before they are used. The size of the customized Remittance Advice must be 7 x 3 1/2 inches. The paper used must be of a 24 pound weight. Dot matrix printers shall be adjusted so that the dots touch at the edges.

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#### **8422.31 RECORD OF PAYMENTS**

(Renumbered 2/65)

Each agency will maintain an alphabetic file of duplicate copies of payee Remittance Advice and Revolving Fund checks (see SAM Section 8422.3) as a central reference file except where a memorandum record of payments, as described below, is used. Also, payments will always be recorded on the documents authorizing the expenditure, such as purchase orders, sub-purchase orders, contracts, and service agreements. These records will be used by the agency to determine that payment has not been made previously.

The maintenance of a memorandum record of payments for recurring services, such as rent and utility bills, is permissive. A card or loose-leaf form can be used for this purpose. This form should be designed to require the posting of only a minimum amount of information. Generally, the number of claim schedules and the amount of the bill are adequate.

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#### **8422.4 REMITTANCE ADVICE ENVELOPE, STD. FORM 403**

(Revised 9/96)

A Remittance Advice Envelope, Form STD. 403, will accompany each claim schedule submitted by the agency. The envelope will be attached to the back of the claim schedule by a string tied securely with a bow. The Remittance Advice Envelope is obtainable from Central Stores, Office of Procurement. The envelope will be addressed by the agency to its accounting office to which it is to be returned. If the agency wishes the envelope routed to other than the accounting office, the envelope should be so addressed. These envelopes will be returned periodically by the Office of the State Controller, by mail to agencies located away from the Sacramento local area. Envelopes returned to the agencies will be reused with subsequent claim schedules.

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#### **8422.5 CLAIM CORRECTIONS**

(Revised 9/96)

The Office of the State Controller, Division of Audits will prepare a Notice of Claim Correction, Form AUD 16, whenever errors are detected in claims presented to that Office. The original of each AUD 16 will be forwarded to the submitting agency. Upon receipt of the Form AUD 16, the agency will record the correction in its claims filed register.

If the invoice is to be returned to the agency for correction, Office of the State Controller, Division of Audits will send the Form AUD 16 and Remittance Advice to the agency with the related invoice. If the invoice to be returned is one of several for the same payee in one claim schedule, the Office of the State Controller, Division of Audits will correct the Remittance Advice and will send only the invoice and a Form AUD 16 to the agency. The corrected Remittance Advice will be mailed with the warrant paying the adjusted amount. The agency will correct its own copy of the remittance advice. If in order, a new or corrected invoice with a Remittance Advice will be submitted in a subsequent claim schedule.

The Office of the State Controller may correct an invoice and issue a warrant in an amount different from that originally shown in the claim schedule. If such a correction is made a Notice of Claim Correction, Form AUD 16, and a Notice of Correction of Invoice, Std. Form 107, will be prepared by the Office of the State Controller, Division of Audits. The original of the Form AUD 16 and the Std. Form 107 will be sent to the agency submitting the claim schedule. Upon receipt of these documents, the agency will record the claim correction, correct the agency's copy of the claim schedule and remittance advice. The original of the remittance advice will be corrected and mailed with the warrant by the Office of the State Controller.

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#### **8422.6 DELIVERY OF WARRANTS**

(Revised 9/96)

Warrants will be mailed directly to payees by the Office of the State Controller in envelopes bearing the return address of that office, except those for payrolls, those to be deposited in the claiming agency's centralized State Treasury System account, and those for travel expenses when the agency has not requested central mailing. See SAM Section 8580 for distribution of payroll warrants. A warrant for travel expenses will not be routed through the person who prepares or approves the related travel expense claim. Warrants inadvertently received by an agency will be returned immediately to the Office of the State Controller, Division of Disbursements and Support. Agencies will instruct payees to return incorrect warrants to the Office of the State Controller if questioned as to proper disposition.

If warrants are returned to the Office of the State Controller, because of incorrect or insufficient address, that office will determine the correct address. If a warrant is returned to an agency by the payee because it is a duplicate payment or otherwise incorrect, it will be forwarded immediately to the Office of the State Controller, Division of Disbursement and Support, with a memo requesting the desired disposition. A copy of the memo will be retained in a suspense file pending acknowledgment by the Office of the State Controller, at which time agency records will be adjusted accordingly. The Office of the State Controller will notify agencies of warrants written by Notice of Claim Paid, Form CD-102. The Form CD-102 will be checked against the totals of the claims as adjusted for claim corrections. Agencies will notify the Office of the State Controller immediately of any discrepancy. An adding machine tape of the Forms CD-102 received during the month will serve as the media for posting to the general ledger. Warrant numbers will normally be entered on the agency's copy of Schedule of Bills Filed, Std. Form 210. The beginning and ending warrant numbers will suffice if the warrant numbers were written in the same order as the Std. Form 210 and are in one consecutive series. It is also permissible for agencies to enter the warrant dates instead of the warrant numbers on the Std. Form 210 if they consider it more practical or more convenient to do so. (See SAM Section 8034.2 for endorsement of erroneous warrants and SAM Section 18424.1 for disposition of undelivered warrants.)

Agencies will prepare a Remittance Advice, Std. Form 404, or other approved remittance advice form, in duplicate, for each payee listed on a Claim Schedule, Std. Form 218, for which a warrant will be drawn. The originals of remittance advices will be submitted along with the claim schedule to the Office of the State Controller and will be submitted with "NO WARRANT" claim schedules.

Emergency payments, extenuating circumstances, and unusual type transactions may require that warrants be delivered to payees by the agency rather than be mailed to payees by the State Controller's Office. Delivery of such warrants to the agency may be requested under a "Special Handling" procedure. Special handling requests will be kept to a minimum and will be approved only when absolutely necessary or when a practical central mailing procedure cannot be devised.

Requests for special handling will be made on a Request to Deliver Warrant to Agency form, STD. 8, (Rev. 2/86), in duplicate. A special handling request form will be 5 1/2 x 8 1/2 inches and green. This form will show: (1) name of the agency requesting the warrant, (2) payee, (3) amount of the warrant, (4) agency representative, (5) reason why the warrant should be delivered to the agency, and (6) claim schedule number. A Request to Deliver Warrant to Agency will be approved by the Office of the State Controller only when signed by a person authorized to sign claim schedules.

The original of the Request to Deliver Warrant to Agency will be stapled face up to the top side of the Remittance Advice Envelope form, STD. 403. The duplicate copy of the form will be retained by the requesting agency in a suspense file pending receipt of the warrant from the State Controller's Office. When a Request to Deliver Warrant to Agency form is used the Remittance Advice will not accompany the claim schedule.

Requests for special handling of warrants and for correction or deletion of invoices after a claim schedule has been submitted to the State Controller's Office may be made by telephone or other method. Telephone "stop requests" will be made to the State Controller's Office, Division of Audits, Claim Record Unit. Stop requests will be approved only for valid reasons and will be kept to a minimum.

Whenever possible, the agency will request correction or deletion of an invoice or claim rather than requesting delivery of the warrant to the agency. Stop requests will not be approved if it is possible to meet the agency's need by returning the invoice to the agency or by correction of the invoice or claim by the State Controller's Office.

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#### **8422.7 INVOICES PAYABLE FROM REVERTED APPROPRIATIONS**

(Revised 2/98)

Pursuant to Government Code Section 16304.1, after an appropriation has reverted, any unpaid encumbrance against the appropriation may be paid from any current appropriations available for the same purposes.

Invoices payable from a reverted appropriation, for which a current year appropriation is available for the same purposes, will be assembled into a claim schedule containing only this kind of invoice. Reverted year invoices will not be commingled with other invoices.

The following statement will be placed on the original copy of the claim face sheet.

I hereby certify that the invoices contained herein are valid obligations of the State of California and were not paid before the applicable appropriation reverted. In accordance with Government Code Section 16304.1, the invoices may be paid from this current appropriation which is available for the same purpose.

Signed \_\_\_\_\_

Title \_\_\_\_\_

The claim schedule will be submitted to the State Controller's Office for payment.

Invoices payable from reverted appropriations, for which no current year appropriation is available for the same purposes, will be submitted to the State Board of Control in accordance with SAM Section 8710 for Legislative claims.

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#### **8423 CLAIM FOR DAMAGE TO OR STOLEN EMPLOYEES' PERSONAL PROPERTY**

(Revised 11/98)

Government Code Section 19849.8 permits agencies to pay for the repair or replacement of damaged personal property worn or used by the employee in the course of employment (eyeglasses, hearing aids, dentures, watches, or articles of clothing). Government Code Section 19850.6 permits agencies to reimburse or provide an employee with replacement of stolen personal property required for the performance of work. See Department of Personnel Administration Rule 599.725.

There are instances when employees bring personal property to the workplace for personal use. Repair, replacement, or reimbursement of property not used on the job is not considered to be the responsibility of the state.

For stolen property, the choice of reimbursement or replacement is up to the employee's department but the employee's preference must be considered before a decision is made. Employees must provide their department with an inventory of all personal property used on the job prior to the loss. The California Highway Patrol must be notified and a copy of the theft report shall accompany the claim. Any claims of \$500 and above for stolen property must have the prior approval of the Department of Personnel Administration.

Agencies will approve claims under this section only when the circumstances of such loss clearly indicate that reimbursement is proper. Each claim for damage to or stolen personal property will include:

1. A report describing the incident that caused the damage or the circumstances surrounding the theft.
2. For damaged items, a receipted bill for repairs. If the article is damaged beyond repair, a statement of the actual value of the article at the time of damage and the reason it could not be repaired.
3. For stolen items, a statement that the value of the property was verified by inspecting the original sales records, current price lists, or other appropriate methods.
4. A certification by the employee that:
  - a. The item was required for work.
  - b. The loss or damage occurred at the worksite, the workbase, or enroute.
  - c. There was no employee carelessness or negligence and all foreseeable precautions were taken.

All three stipulations in this certification must be made or the claim will not be approved. If they are met, an agency may pay the cost of replacing, repairing, or reimbursing the value of the item.

5. Approval by the employee's supervisor including:
  - a. Confirmation of the facts stated by the employee.
  - b. Recommendation for reimbursement or replacement.
  - c. A statement of measures taken to prevent recurrence of the theft or damage.

Payments should not be made when recovery is possible under worker's compensation laws.

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#### **8424 REFUND CLAIMS**

(Revised 12/89)

Refund claims will be presented on Claim Schedule form, STD. 218. The STD. 218 will contain a list of claimants, statutory authority for the refunds, and a statement of the reason for each claim. The procedures stated in SAM Sections 8243, 8422.4, 8422.5, and 8422.6 relating to remittance advices, claim corrections, and delivery of warrants also apply to refund

claims.

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#### **8425 CLAIMS TO ESTABLISH REVOLVING FUND ADVANCES**

(Revised 12/89)

Claims to establish revolving fund advances will be presented on STD. 218.

In lieu of withdrawing advances from each new appropriation and repaying the last preceding appropriation, departments may request that revolving fund advances be transferred in effect from appropriation to appropriation by Controller's Journal Entry.

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#### **8426 STOP PAYMENT OF ERRONEOUSLY ISSUED WARRANTS**

(Revised 9/00)

Government Code Section 17051.5 assigns the responsibility to stop payment on State warrants to the agency that initiated the warrant.

To initiate a stop payment on warrants erroneously issued to the wrong payee or in the wrong amount and warrants which the authorizing agency deems necessary to withhold payment, agencies must submit a memorandum requesting stop payment to the SCO, Division of Administration and Disbursements, P.O. Box 942850, Sacramento, CA 94250-5871. The memorandum must include the following:

- a. Agency name
- b. Contact person and phone number
- c. Agency address
- d. Warrant number
- e. Issue date
- f. Dollar amount
- g. Payee name
- h. Four digit fund number
- i. Reason for stop payment

The SCO will accept a fax memorandum; however, the original must be sent immediately to SCO. The supervisor of the SCO Post Issuance Unit will accept a verbal stop payment request in urgent situations.

Upon receipt of the memorandum, SCO will verify the status of the original warrant.

- a. If the warrant has been cashed, SCO will send a photocopy (front and back) with the memorandum to the authorizing agency.
- b. If the warrant is still outstanding, SCO will place a stop payment on the original warrant. The authorizing agency will receive a journal entry to show the redeposit of funds.

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#### **8426.1 LOST OR DESTROYED WARRANTS**

(Revised 9/00)

Departments will use a Request for Duplicate Controller's Warrant/Stop Payment form, STD. 435, to request a duplicate warrant to replace a lost or destroyed warrant. See 8426.1 Illustration. Departments will not issue an office revolving fund check to replace a lost or destroyed warrant except for a payroll warrant.

The STD. 435 is a three page form including:

- Page 1 - The legal affidavit requesting a duplicate warrant.
- Page 2 - Instructions to the payee.
- Page 3 - An optional agency notification of duplicate warrant issued and mailed.

The department that authorized the original warrant (authorizing department) will complete the top portion of the STD. 435. The pertinent data should be typed or legibly printed. If the information is not legible, SCO will return the form to the department.

The authorizing department will mail STD. 435 to the payee to complete the certification. The warrant payee will complete

and mail STD. 435 to the SCO, Division of Administration and Disbursements.

The authorizing department may fax a STD. 435 to the payee with instructions that the payee complete the form in non-black, ball point ink. This is to ensure that the SCO receives STD. 435 with original signatures. If it cannot be ascertained whether an original signature is affixed to STD. 435, SCO will return the form to the authorizing department.

Upon receipt of the properly executed STD. 435, SCO will verify the status of the original warrant.

- a. If the warrant has been cashed, SCO will send a photocopy (front and back) with STD. 435 to the authorizing department.
- b. If the warrant is still outstanding, SCO will place a stop payment on the original warrant and issue a duplicate warrant within 7 working days. The duplicate warrant will be mailed directly to the payee.  
If the authorizing department wants notification that the duplicate warrant was issued and mailed, the authorizing department must complete page 3 of STD. 435, Agency Acknowledgement of Issuance of Duplicate Warrant. The SCO will date stamp the acknowledgment when the duplicate warrant is issued and mailed to the payee and forward it to the authorizing department.

In cases of theft, the authorizing department will complete STD. 435 as instructed above. The authorizing department will mail or fax STD. 435 to the payee and fax a copy to SCO. A stop payment will be placed immediately to prevent redemption of the original warrant. It is incumbent upon the authorizing department to instruct the payee that if the original warrant is recovered, it is not to be cashed. The original warrant will not clear the banking system. Use this process only when the payee has reported theft of a warrant.

See Government Code Sections 17090–97 regarding lost or destroyed warrants.

[8426.1 ILLUSTRATION](#)

[8426.1 ILLUSTRATION \(cont. 1\)](#)

[8426.1 ILLUSTRATION \(cont. 2\)](#)

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## **8426.2 LOST OR DESTROYED PAYROLL WARRANTS**

(New 9/00)

Departments may issue office revolving fund checks to replace lost or destroyed payroll warrants but only after completion of the forms as required below.

If a payroll warrant is lost or destroyed:

- a. Before delivery to the employee, the department must complete a Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant form, CD 113 A or B. Detailed instructions are in the Payroll Procedures Manual, Chapter I, Section 320. The duplicate warrant will be mailed to the department.
- b. After delivery to the employee, the employee must complete the certification on a Request for Duplicate Controller's Warrant/Stop Payment form, STD. 435. The department will complete STD. 435 with the departmental address in the upper left-hand box. This will ensure the duplicate warrant is sent to the department.

The duplicate warrant will be deposited to reimburse the office revolving fund.

If an employee overpayment occurs, departments must follow collection procedures as outlined in SAM Section 8776.7.

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## **8427 WARRANTS—FORGERIES**

(Revised 2/98)

When a payee maintains that the proceeds from a paid state warrant were not received, the State Controller's Office (SCO), Division of Disbursements and Support, will furnish photocopies of both sides of the warrant. If after reviewing the endorsement, the payee alleges that the endorsement is a forgery, the payee must write to the SCO informing them that a forgery has been committed. All pertinent data, including the original warrant, may be turned over to SCO, Special Investigations, for review and possible investigation. If it appears that the endorsement is a forgery, the SCO's Division of Disbursements and Support will be informed and all pertinent data, including four (4) photocopies of the original warrant, will be forwarded to the State Treasurer's Office (STO), Item Processing.

The STO will then send three copies of the Forged Endorsement Affidavit, STO-CA-0034, to the payee to be signed. All three copies must be signed in ink. The payee's signature must be either witnessed by two disinterested parties or notarized. All three copies must be signed by witnesses; one notarized copy will suffice. The payee is to return all three copies to STO. Upon receipt of the completed affidavits, the signatures are compared with the endorsement on the warrant as a final check before requesting repayment of the money from the applicable bank. After receiving the funds from the bank, STO will authorize SCO to reissue the warrant.

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#### **8451 DISBURSEMENTS BY CONTROLLER'S TRANSFERS PAYROLLS**

(Renumbered 2/65)

Agencies will account payroll disbursements from Notices of State Payroll Revolving Fund Transfer, Form CD-62. See SAM Sections 8500-8599.

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#### **8452 PLANS OF FINANCIAL ADJUSTMENT**

(Renumbered from 8456 12/89)

A Plan of Financial Adjustment (PFA) is a formal plan whereby any state agency, which is supported by more than one fund or appropriation, may make financial adjustments between funding sources for services rendered, supplies used, or for a proper proportion of other expenses.

A PFA eliminates the use of multiple claim schedules for an invoice or payroll charge applicable to more than one fund or appropriation. In using PFA, expenditures which are chargeable to more than one fund or appropriation are paid from only one of the funds or appropriations. The fund or appropriation making the payment is reimbursed by the other funds or appropriations through a written request for a transfer of expenditures (financial adjustment) to SCO. Upon receipt of the request for financial adjustment, SCO will make the transfer of expenditures by Controller's Journal Entry or Controller's Transfer. Transfers of the former type are for adjustments between appropriations from the same fund while the latter type are for adjustments between appropriations of different funds. See SAM Section 8715 for accounting for PFA.

PFA are not intended to be a means of providing working capital advances, or overcoming cash flow problems nor are they to be used to distort interest earnings or potential interest earnings between funds. Transfers (financial adjustments) are to be made on a monthly basis. Transfers of financial adjustment between funds will be made on an estimated basis when a material interest earnings loss will occur in the fund from which payments are made.

Departments are required to maintain separate accountability for each fund and/or appropriation covered by the PFA. This is a basic fundamental of governmental accounting. See SAM Section 8715. Funds and appropriations require separate accounting by law and approval of a PFA in no way changes this requirement. PFA, related transfers, and detail supporting transfers are subject to audit by the Office of the Auditor General and SCO, Division of Audits.

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##### **8452.1 PREPARATION OF PLAN OF FINANCIAL ADJUSTMENT**

(Revised 06/09)

Government Code Section 11251 is the general statute that authorizes the use of a PFA. Other statutes which authorize the use of a PFA for specific funds are: Government Code Section 16365 for the Federal Trust Fund; Education Code Section 12060 for the Vocational Education Federal Fund; and Health and Safety Code Section 100390 for the Public Health Federal Fund.

The format to be used for a general PFA is contained in SAM Section [8452.1 Illustration 1](#); and for the Federal Trust Fund, SAM Section [8452.1 Illustration 2](#). Each PFA must follow this format. Of course, the statute references, funds, and appropriations will vary. Also, each PFA requested under Government Code Section 11251 should request approval only from the State Controller.

The following items are to be included in a PFA:

1. The first paragraph should include a request for approval of PFA, and a statement of the period of time for which PFA is to be effective. This period of time can be for a limited period (one, two, three years) or it can be continuous from year-to-year as SAM Section 8452.1 Illustration 1 indicates. Departments should review their PFA each year and cancel those PFA which are no longer needed by notifying SCO, in all cases, and DOF only for those requiring their approval.
2. Identify the funds and/or appropriations covered by PFA. If PFA is to be continuous and one of the appropriations covered by the plan is appropriated yearly, care should be taken to identify the yearly appropriation and not the specific appropriation of a particular year. For example, the ten digit item code (\_\_\_\_-\_\_\_\_-\_\_\_\_) numbers of a support appropriation should be used to identify a department's yearly support

- appropriation and not the year and chapter number of the current budget act. If the appropriation covered is made by other than budget act legislation, the year and chapter must be stated.
3. Also to be included is a declaration by the department that a cost allocation plan will be used to allocate the costs covered by the PFA. A description of the cost allocation plan and the types of costs covered must be filed with the State Controller. Those departments that have more than one PFA only need to file one cost allocation plan description unless a different plan is utilized for each different PFA. The description should include the type of costs being allocated and the methodology used to allocate the costs. Refer to SAM Section 9205 through 9228 for guidelines on allocating costs. Although these sections refer to allocating line-item costs to programs, the same principles apply to allocating shared costs between funds and/or appropriations.
  4. The frequency of transfer requests between the funds and/or appropriations covered by PFA must be included. Transfers must be made monthly. The period covered by the transfer must be clearly stated. For example, if an estimated transfer is submitted for July, it must indicate **JULY ESTIMATES**. When the estimate is cleared, the transfer request must indicate **JULY ACTUAL**.

**8452.1 Illustration 1**

State Controller  
 Division of Accounting  
 3301 C Street, Suite 506  
 Sacramento, CA 95816

Attention: \_\_\_\_\_, Chief

(Department/Board/Commission)  
 (address)

PLAN OF FINANCIAL ADJUSTMENT (No. \_\_\_\_)

We request that you approve the following Plan of Financial Adjustment (PFA) under Government Code Section 11251 to begin \_\_\_\_\_ and to continue until \_\_\_\_\_, unless amended or rescinded.

1. As used herein, the following terms have the meanings set forth below:
  - a. "Agency" means the Department of \_\_\_\_\_.
  - b. "Primary Appropriation" means the main Budget Act appropriation for the support of the Department (e.g., Item \_\_\_\_\_).
  - c. "Special Appropriation" means any appropriation other than the main support appropriation in the Budget Act or an appropriation from other legislation (if Budget Act Special Appropriation, state item \_\_\_\_-\_\_\_\_-\_\_\_\_; if other legislation, state Chapter \_\_\_\_\_, Statutes of \_\_\_\_\_).
  - d. "Covered Expenditures" means the expenditure incurred by the department properly chargeable to the Primary Appropriation or Special Appropriations.
2. All covered expenditures may be paid, in the first instance, from the Primary Appropriation.
3. On the basis of data set forth in the records maintained by the Agency and in accordance with the plan of cost allocation employed by it, the Agency will determine and record the amounts expended from the Primary Appropriation that are properly chargeable to the Primary Appropriation or Special Appropriations.
4. Once a month, the department will file a request with the State Controller to transfer from the Primary Appropriation as established under "1," above, an amount which equals expenditures determined under "3," above which are chargeable to the Special Appropriations.
5. At any time after the end of a period covered by previous requests for transfer of funds, the Agency may file with the State Controller requests for transfer to make final adjustments after the close of such period.
6. Requests for transfer under this plan will be accompanied by such supporting detail as may be normally required by the State Controller.

Requests for transfers under this plan will be addressed to the State Controller, Division of Accounting, 3301 C Street, Suite 506, Sacramento, CA 95816, and will be certified in the following language:

I hereby certify under penalty of perjury that I am duly appointed, qualified and acting officer of the herein named State agency, department, board, commission, office or institution; that the within transfer is in all respects true, correct, and in accordance with all applicable provisions or restrictions in the Budget Act or other statute pertaining to the particular appropriation.

Approved by State Controller

By \_\_\_\_\_ (Signature) \_\_\_\_\_

Title \_\_\_\_\_ (Title) \_\_\_\_\_

Date \_\_\_\_\_ (Telephone) \_\_\_\_\_

Telephone \_\_\_\_\_

### 8452.1 Illustration 2

\_\_\_\_\_, Director  
Department of Finance  
(Appropriate Budget Unit)  
915 L Street  
Sacramento, CA 95814

Honorable \_\_\_\_\_  
State Controller  
Division of Accounting  
3301 C Street, Suite 506  
Sacramento, CA 95816

#### PLAN OF FINANCIAL ADJUSTMENT

We request that the State Controller and the Director of Finance approve this plan under provision of the Government Code Section 16365 for the Department of \_\_\_\_\_ to transfer and account for expenditure of Federal fund held in the Federal Trust Fund. The plan is to become effective July 1, 19\_\_\_\_, and to continue until amended or rescinded.

1. As used herein, the following terms have the meanings set forth below:

a. "Agency" means the Department of \_\_\_\_\_.

b. "Appropriation(s)" means the Agency's appropriation which is current during the period covered by a request for transfer hereunder and has in it the spending authority of the Federal funds covered by this plan. The appropriation(s) covered by this plan is (are):

Sample: Primary appropriation, General Fund. Note: If the plan is to cover several appropriations, an attachment may be used.

c. "Federal Trust Fund Accounts" means the specific accounts created in the Federal Trust Fund for holding of Federal funds as approved by the State Controller's Office and Department of Finance on Form AUD 10A.

d. "Covered Expenditures" means all expenditures which are properly chargeable to the Federal Trust Fund under b and c.

2. As authorized by Government Code Section 16365, all covered expenditures may be paid in the first instance from the appropriation(s) under 1.b. of this plan.

3. On the basis of data set forth in the records maintained by the Agency and in accordance with the plan of cost allocation employed by it, the Agency will determine and record the amounts expended from the Primary Appropriation that are properly chargeable to the Special Appropriations.

4. Monthly the Agency will file a request with the State Controller to transfer funds from the Federal Trust Fund or General Plan Account(s), either:

a. As an advance as authorized by Government Code Section 16365(b), an amount the Agency anticipates will be expended for the purpose of the Federal funds.

or

b. To reimburse the Appropriation(s) for expenditures made on behalf of the Federal Trust Fund Account(s).

5. At any time after the end of a period covered by previous requests for transfer of funds, the Agency may file with the State Controller requests for transfer to make final adjustments after the close of such period.

6. Requests for transfers under this plan will be accompanied by such supporting detail as the Director of Finance and the State Controller may require.

Requests for transfers under this plan will be addressed to the State Controller's Office, Division of Accounting, 3301 C Street, Suite 506, Sacramento, CA 95816, and be certified in the following language:

I hereby certify under penalty of perjury that I am duly appointed, qualified, and acting officer of the herein named State agency, department, board, commission, office or institution; that the within transfer is in all respects true, correct, and in accordance with all applicable provisions or restrictions in the Budget Act or other statute pertaining to the particular appropriation.

Department of \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Telephone \_\_\_\_\_

**APPROVALS:**

Approved by Director of Finance

Approved by State Controller

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

Telephone \_\_\_\_\_

Telephone \_\_\_\_\_

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**8452.2 APPROVAL OF PLAN OF FINANCIAL ADJUSTMENT**

(Revised 5/95)

The following statutes authorizing the use of PFA require that the PFA be approved by the Director of Finance and the State Controller: Government Code Section 16365; Education Code Section 12060; and the Health and Safety Code Section 111. See SAM Section 8452.1. Government Code Section 11251 for general PFA requires only the approval of the State Controller, after consultation with the Department of Finance. Departments will submit the original and three copies of the proposed PFA to the SCO, Division of Accounting. That office will review the proposed plan for proper format and availability of funds and appropriations covered therein. The SCO will furnish the Department of Finance budget analyst a copy of the proposed plan for review and comment.

Proposed PFA for Federal Trust Fund operations will be submitted directly to the Department of Finance budget analyst for approval. The Department of Finance will forward the Federal Trust Fund PFA to the SCO for his/her approval and distribution.

Upon approval, the SCO will return an approved copy of the PFA to the submitting department.

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**8453 ADVANCE PAYMENTS FOR REIMBURSEMENT SERVICES CONTRACTS**

(Revised and renamed on 06/09)

Charges for services to be performed by a state department may be paid in advance by the entity to receive such services. The department which performs the services will account for the payment as a reimbursement to their appropriation. Advance payments may be used to alleviate cash flow or collection problems. Terms of the advance payment must be specified in the reimbursement services contract.

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**8454 PUBLIC WORKS PROJECTS**

(Revised 12/89)

After (1) moneys have been budgeted for a public works project, (2) general agreement as to the scope of the project and its cost has been reached between the agency and the Office of the State Architect, Department of General Services, and (3) the approval of the Public Works Board has been obtained, if required, the normal procedure is as follows:

1. The Office of the State Architect will prepare a Public Works Project Authorization and Transfer Request, OAC Form 22, in septuplicate, retaining one copy and forwarding the original and five copies to the agency

- concerned.
2. The agency or institution accounting officer will certify as to the availability of funds on the original and five copies of the document.
  3. An agency executive officer will sign his approval on the original and all copies forwarded to him.
  4. As requirements differ among agencies, each agency will determine the specific routing and distribution of copies to meet its needs, but will forward the original and at least three copies promptly to the Department of Finance for approval as to compliance with budget requirements. Agencies are urged to minimize internal routing of the form to expedite its processing, the transfer of funds, and the initiation of the project.
  5. After approval, the Department of Finance will forward the original to the State Controller's Office, the duplicate to the Office of the State Architect, retain one copy for its own files, and forward the remaining copy or copies to the agency concerned.
  6. The Office of the State Architect will proceed with scheduling the work when its approved copy is returned.
  7. The State Controller's Office, upon receipt of the approved copy, will transfer the amount requested from the fund and appropriation specified to the Architecture Revolving Fund. If cash is not immediately available in the fund concerned, the State Controller's Office will make the transfer as soon as the necessary cash becomes available.

On those projects for which a written agreement between the agency and the Office of the State Architect is necessary, an Interagency Agreement, Std. Form 13, will be initiated by the Office of the State Architect. These agreements will cover the entire scope of a project; when more than one OAC Form 22 will be initiated as funds are needed.

Agencies will encumber Public Works Project Authorization and Transfer Requests, OAC Form 22, at the time those requests are approved by the agency.

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**8460 AGENCY ESTIMATE OF OFFICE MACHINE REPAIR SERVICE REQUIRED**  
(Revised 12/89)

Each agency in the Sacramento, San Francisco, and Los Angeles areas will prepare lists of office machines to be serviced in that area. (See SAM Section 2121.) The list will be arranged by make and serial number and will include location (building and room number) and fund to be charged. Notice of any changes to the list will be forwarded to the Office Machine Repair shop in the service area. (See SAM Section 2121.1.) A separate list will be prepared for each appropriation and/or fund to which the service will be charged.

Invoices will be issued monthly in arrears on a service-rendered basis.

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**8471.1 SERVICES PROVIDED BY THE DEPARTMENT OF GENERAL SERVICES - GENERAL**  
(Revised 2/73)

Agencies using services provided by the Department of General Services will make advances from their operating funds and appropriations for the purpose of assisting in financing these services. The total amount of certain Department of General Services charges to each appropriation for the designated fiscal year will be estimated by each agency. Any amount up to the total estimated amount may be required to be advanced. The Director of General Services is authorized by law to make a final determination of the total amount to be advanced but ordinarily the amount will be determined by the agency concerned. (See Sections 11256 to 11263, 11290, and 11370.4 of the Government Code.)

Advances will not be made from an agency's fund or appropriation if services are not anticipated.

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**8471.11 ADVANCES TO THE DEPARTMENT OF GENERAL SERVICES**  
(Revised 12/89)

[Normal Flow of Transactions](#)

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**8471.12 PAYMENTS FOR MOST SERVICES PROVIDED BY THE DEPARTMENT OF GENERAL SERVICES(other than printing)**

(Revised 2/73)

[NORMAL FLOW OF TRANSACTIONS 8471.12](#)

[NORMAL FLOW OF TRANSACTIONS 8471.13](#)

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**8471.13 DIRECT TRANSFER PAYMENT OF DEPARTMENT OF GENERAL SERVICES' INVOICES**

(New 1/78)

To simplify processing and reduce paper flow and workloads, the Department of General Services has implemented a direct transfer system which eliminates the need for agencies to prepare and submit claim schedules and remittance advices to the State Controller for payment of Department of General Services' invoices.

Under the direct transfer system the Department of General Services continues to produce and send individual invoices for services and supplies to its customer agencies as is presently done. However, after completion of a month's business, invoice listings are prepared for direct transfer agencies. A listing is prepared for each agency and includes all Service Revolving Fund invoices (except those of the Office of State Printing, the Office of the State Architect, and the Office of Procurement, Documents Section) billed to that agency during the month.

Once the invoice listings have been produced, a Request to the State Controller for Transfer to Service Revolving Fund, Form AFS-37A, is prepared. A separate transfer request is prepared for each departmental invoice listing and is filed with the State Controller to be applied against that agency's cash advance account. Concurrently, copies of the transfer request and invoice listing are also sent to the agencies for information and control purposes.

Approximately two weeks are required by the State Controller to process and transfer requests and to issue the necessary journal entries acknowledging the application of the cash advances. If the agency's cash advance is not sufficient, the State Controller's Office will transfer the funds directly from the agency's appropriation.

At the present time, the direct transfer program is on a voluntary basis. It has proven to be beneficial to the customer agencies, the State Controller's Office, and the Department of General Services both in time and workload. All agencies were converted to the direct transfer program on July 1, 1979. Further information on this system can be obtained from:

Department of General Services  
915 Capitol Mall  
Sacramento, CA 95814  
TELEPHONE: 445-9400 (ATSS 485-9400)

8471.13 Illustration provides the normal flow of transactions as they relate to the direct transfer system.

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**8471.21 PROCESSING BY ACCOUNTING SECTION, DEPARTMENT OF GENERAL SERVICES, SERVICE ESTIMATE, FORM GS 119A AND FORM GS 119B**

(Revised 2/73)

A request to prepare a Service Estimate, Form GS 119A and GS 119B, will be sent to each agency that uses services. Service Estimate, GS Form 119A, is for services other than printing provided through the Service Revolving Fund; and Service Estimate, GS Form 119B, is for services provided by the Office of State Printing through the Service Revolving Fund.

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**8471.22 REVIEWING AMOUNTS ESTIMATED**

(Revised 2/73)

When a Service Estimate, Forms GS 119A and GS 119B, is received from an agency, the amount estimated will be reviewed. The same type of review will be made for both original and revised estimates. If the agency's estimate is questioned the agency will be contacted regarding adjustment of the estimated cost of service. If no agreement is reached, the estimate will be referred to the appropriate Budget Unit of the Department of Finance for determination of the amount to be advanced.

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**8471.23 RECORDING SERVICE ESTIMATES AND ADVANCES**  
(Revised 2/73)

As the Controller's Transfers for advances are received, they will be recorded as of the Controller's date. A subsidiary advance ledger will be kept by fund, agency, and appropriation. Also, an entry will be made on the subsidiary ledger card to show the amount of the original estimate and subsequent revisions. Entries in the ledger will also reflect the liquidation of the advance to show the balance owing on each advance.

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**8471.24 BILLING FOR SERVICES RENDERED (other than printing)**  
(Revised 12/89)

When billing information is received from service divisions, invoices will be prepared and sent to the agency concerned. (See SAM Section 8472.1 for information regarding invoices prepared by the Office of State Printing.)

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**8471.25 RECORDING SETTLEMENT OF INVOICES FOR SERVICES RENDERED (other than printing)—"NO WARRANT" CLAIM**  
(Revised 2/73)

The following documents will be accepted from an agency for the settlement of invoices (1) Controller's Journal Entry or Controller's Transfer, and (2) agency's Remittance Advice. These documents will be recorded as of the Controller's date. The Remittance Advice, Std. Form 404, will identify the invoices that are liquidated by the Controller's Journal Entry or Controller's Transfer. (See SAM Section 8471.45 for agency entries.)

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**8471.41 PROCESSING BY AGENCY - PREPARING SERVICE ESTIMATE**  
(Revised 2/73)

The agency accounting office will complete the Service Estimate, Forms GS 119A and GS 119B, as prescribed on the form. One copy will be forwarded to the Department of General Services, Accounting Office, and to the State Controller's Office. A separate Service Estimate will be prepared for each appropriation and/or fund to which services will be charged. The total amount of all services estimated to be charged to the particular appropriation and/or fund for the designated fiscal year will be shown on the Service Estimate.

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**8471.42 RECORDING THE ADVANCE AND RETURN OF THE ADVANCE**  
(Renumbered 8/70)

The agency will record the Controller's Transfer for an advance as of the Controller's date. Whenever any amount of an advance is returned, the original entry will be reversed in the amount that is returned. Such entries will be made also as of the Controller's date and on the basis of the Controller's return transfer document.

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**8471.43 REVISING ESTIMATED AMOUNT OF SERVICE**  
(Revised 2/73)

The agency may at any time during the fiscal year determine that the amount estimated to be advanced should be revised. A Service Estimate will be prepared and distributed in the same manner as the original estimate. (See SAM Section 8471.41.) Also, either the Accounting Division of the State Controller's Office or the Accounting Office of the Department of General Services may request the agency to revise its estimate.

Under the law, the Director of General Services has authority to require the transfer of an amount larger than the agency's estimate.

An agency may request the State Controller's Office to return a portion of the unused advance if the return is necessary for the payment of other claims.

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**8471.44 SCHEDULING DEPARTMENT OF GENERAL SERVICES INVOICES**

(Revised 12/89)

All Department of General Services' invoices are printed or stamped with the proper fund to be credited. The Department of General Services' invoices for services provided through the Service Revolving Fund will be settled by "NO WARRANT" claim schedules. All other invoices will be scheduled in the usual manner.

Agencies will schedule "NO WARRANT" claim invoices for services in the same manner as other invoices except that such invoices (1) may be accumulated and scheduled once a month and (2) will not be commingled with other invoices. Place invoices in separate Claim Schedules, Std. Form 218, stamped "NO WARRANT" near the upper right hand corner in the space the State Controller's Office uses to indicate the date and numbers of warrants written for a regular claim. Such claims will be recorded in the same manner as any other claims.

The original copy of the Remittance Advice for "NO WARRANT" claims will be placed in a Remittance Advice Envelope and attached to the Claim Schedule. The State Controller's Office will send the original Remittance Advice to the Accounting Office, Department of General Services, with the Controller's Transfer or Journal Entry in accordance with SAM Section 8471.63.

Invoices for a prior year's appropriation, regardless of whether the advance has been returned or not, will be scheduled as provided above. The filing of "NO WARRANT" claims will be recorded in the same manner as any other claims. Prior year "NO WARRANT" claims received by the State Controller's Office after the advance has been returned will be settled by a Controller's Transfer instead of Controller's Journal Entry. (See SAM Section 8471.45.)

All "NO WARRANT" claim schedules will indicate the payee as "Department of General Services".

Monthly billings by the Department of General Services to some agencies for such charges as garage storage, gas and oil, telephone service, and stores are relatively small in comparison with the cost of scheduling. Therefore, agencies will accumulate Department of General Services invoices until the amount that can be filed in a claim is at least \$10 except that the last invoices chargeable to an appropriation or fund will be scheduled regardless of the amount of such invoices.

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**8471.45 RECORDING CONTROLLER'S DOCUMENTS FOR "NO WARRANT" CLAIM SCHEDULES (other than printing)**

(Revised 2/73)

The State Controller's Office will settle "NO WARRANT" claims by (1) a Controller's Journal Entry reducing the advance if there is an advance or (2) a Controller's Transfer transferring the money, if the advance has been returned or if no advance has been made. The transaction will be recorded as of the date of the Controller's document.

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**8471.51 DELINQUENT DEPARTMENT OF GENERAL SERVICES' INVOICES**

(Revised and Renumbered from 8422.11 1/78)

The Department of General Services will collect delinquent invoices in accordance with Government Code Section 11291 which states: "If a State agency refuses to pay the charges fixed by the Department of General Services pursuant to this article, the department may file a claim for such charges against any appropriations made for the support or maintenance of all or any part of the work and affairs of the state agency." Allowing invoices to become delinquent will be considered a refusal to pay.

An invoice will be considered delinquent if it is not scheduled by the agency within 60 days from the date of the invoice unless the total amount due is less than \$10. The Department of General Services may file a claim with the State Controller when an agency allows invoices to become delinquent and the State Controller will pay it from an agency's appropriation.

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**8471.52 CONTESTED DEPARTMENT OF GENERAL SERVICES' INVOICES**

(Revised 9/90)

If an agency is billed by the Department of General Services for (1) services that were not performed or (2) services that are not in accordance with an agreement with the department, the agency should notify the department, in writing, in

duplicate, at the following address within 60 days of the date of the invoice:

Department of General Services  
Accounting and Financial Services  
1116 9th Street  
Sacramento, CA 95814

Attention: Accounts Receivable Section

Any portion of an invoice that is not contested should be scheduled by the agency. The absence of an interagency agreement does not preclude the payment of valid invoices.

This section does not apply to ATSS invoices (see SAM Section 4555.3) or State Material Purchases invoices (see SAM Section 3543.3).

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**8471.61 PROCESSING BY STATE CONTROLLER RECORDING SERVICE ESTIMATES AND AMOUNTS  
ADVANCED**  
(Revised 2/73)

When the original of the Service Estimate is received from an agency, all or any portion of the amount estimated may be transferred. A copy of the Controller's Transfer for the amount advanced will be sent to both the agency and the Accounting Office of the Department of General Services. A memorandum record will be kept of the amount of the estimate.

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**8471.62 RECORDING REVISED ESTIMATES**  
(Revised 2/73)

When the State Controller's Office, Division of Accounting, receives a revised Service Estimate, the memorandum record will be changed. If the revision requires a partial return of an advance, a copy of the Controller's Transfer will be sent to both the agency and to the Accounting Office of the Department of General Services.

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**8471.63 PROCESSING CLAIMS FOR SERVICES PROVIDED BY THE DEPARTMENT OF GENERAL SERVICES  
(other than printing)**  
(Revised 2/73)

When a "NO WARRANT" claim is received from an agency, the State Controller's Office will follow the normal claim procedures except that "NO WARRANT" claims will be settled by either (1) a Controller's Journal Entry if there is an advance, or (2) a Controller's Transfer if an advance has not been made or if the advance has been returned. One copy of the Controller's Transfer or Controller's Journal Entry will be sent to the agency and one copy, with Remittance Advice, will be sent to the Department of General Services, Accounting Office, by the State Controller's Office.

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**8471.64 RETURNING UNUSED BALANCE OF ADVANCES**  
(Revised 2/73)

The State Controller's Office, Division of Accounting, will return any unused balances of advances after the close of each fiscal year when all bills for that fiscal year have been paid. A copy of the Controller's Transfer for any amounts being returned will be sent to both the agency and to the Accounting Office of the Department of General Services.

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**8471.71 BILLING ADDRESSES**  
(Revised 1/76)

Agencies should keep the Department of General Services advised of address changes using Form AFS 94A.

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#### **8472.1 PRINTING INVOICES FOR PRINTING SERVICES AND SUPPLIES)**

(Revised and Renumbered 8/70)

(See SAM Section 2812 for other instructions on the preparation of requisitions.)

Printing Requisition-Invoice, Std. Form 67, serves as a requisition on and as an invoice of the Department of General Services, Office of State Printing. Agencies will submit Std. Form 67 in quadruplicate, the original and two copies of which will be used by the Office of State Printing as invoices when the services or supplies are furnished. At the top of each Std. Form 67, agencies will show the fund, appropriation, and budget act item from which the charge is to be paid.

The form also authorizes the State Controller to make a journal entry for the amount of the charges from funds advanced to the Service Revolving Fund. This authorization must be signed by a person of the agency properly authorized to approve claims in accordance with Board of Control Rule 624.

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#### **8472.2 PROCESSING BY OFFICE OF STATE PRINTING**

(Revised and Renumbered 8/70)

After furnishing agencies with services or supplies, the Office of State Printing will:

1. Enter the job cost on the original and two copies of the appropriate Std. Form 67 in the box reserved for this purpose.
2. Prepare a journal entry request in triplicate for each group of invoices (Std. Form 67) chargeable to a single appropriation applicable to one agency. Each request will show: (a) request number, (b) name of agency, (c) fund, (d) appropriation, (e) budget act item, (f) list by job number of the amount of each supporting Std. Form 67, and (g) total amount chargeable to the appropriation.
  - a. The original copy of the request and the original copies of the Std. Form 67 will be sent to the State Controller's Office for audit and preparation of the journal entry.
  - b. The duplicate copy of the request will be attached to the duplicate copies of the Std. Form 67 and forwarded to the agency.
  - c. The triplicate copy of the request and the triplicate copies of the Std. Form 67 will be retained as supporting detail of accounts receivable pending receipt of the Controller's Journal Entry.
3. Record payment in the Service Revolving Fund accounts when the State Controller's Journal Entry is received

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#### **8472.3 PROCESSING BY STATE CONTROLLER'S OFFICE**

(Revised and Renumbered 8/70)

The State Controller's Office will audit and determine the correctness and propriety of each journal entry request received from the Office of State Printing.

Any errors disclosed by this audit will be corrected in the usual manner by claim corrections. One copy of the claim corrections will be sent to the Office of State Printing and one copy will be sent to the agency. (Agencies will not use such claim corrections as accounting documents since expenditures are recorded on the basis of State Controller's Journal Entries.)

After audit and approval of the request by the State Controller's Office, Audits Division, the Controller's Accounting Division will issue a State Controller's Journal Entry or Transfer. (The State Controller's Office will settle the request by (a) a Controller's Journal Entry reducing the advance, if there is an advance, or (b) a Controller's Transfer, transferring the funds if the advance has been returned or if no advance has been made.) One copy of the State Controller's Journal Entry or State Controller's Transfer will be sent to the Office of State Printing and one copy will be sent to the agency.

Upon request from the agency, the State Controller's Office will reverse the amount of any journal entry previously made, or any part of such amount, if the agency believes the amount should not have been paid because of non-receipt of the services or supplies, excessive cost, or other valid reason after negotiation with the Office of State Printing. Request for adjustment of previous journal entry will be forwarded by the agency to the State Controller's Audit Division and will refer to the particular State Controller's Journal Entry by date and number. The request also will refer to the item and amount and will include a statement as to why the journal entry should not have been made. After examination and approval by the Controller's Audits Division, the request for adjustment will be routed to the Controller's Accounting Division for preparation of the Journal Entry. One copy of the journal entry will be sent to the Office of State Printing and one copy will be sent to the agency.

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#### **8472.4 PROCESSING BY AGENCY**

(Revised and Renumbered 8/70)

Agencies will review the Office of State Printing's journal entry request and supporting invoices in the same manner in which it reviews other invoices. However, agencies will not prepare claims for submission of these invoices to the State Controller's Office nor will they account these expenditures until the State Controller's Journal Entry is received.

If the agency finds any errors or believes any invoice should not have been paid because of non-receipt of services or supplies, excessive cost, or another valid reason, it will negotiate directly with the Office of State Printing for adjustment. Adjustments can be made by either of the following methods:

- The agency may let the journal entry stand and ask the Office of State Printing to make the adjustments agreed upon by issuing a credit memorandum in a subsequent request from the same appropriation.
- The agency may request the State Controller's Office to make a reversing entry in the amount under question pending its settlement of differences with the Office of State Printing. After agreement is reached as to the amount to be paid, a request for journal entry in such amount will be presented to the State Controller's Office in the usual manner by the Office of State Printing.

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#### **8472.41 RECORDATION IN AGENCY ACCOUNTS**

(Revised 5/87)

Since the elapsed time from presentation of a journal entry request by the Office of State Printing to the issuance of the State Controller's journal entry normally will not exceed one week, the agency will not record the transaction in its accounts until receipt of the State Controller's Journal Entry. Agencies having a sufficient volume of such journal entries should record them in a Controller's Journal Entry Register under the Controller's document date and post them to the appropriate allotment-expenditure accounts. The following General Ledger entries are required to record the State Controller's Journal Entry. (Also refer to SAM Section 10516.)

Dr. 5350 Reserve for Encumbrances  
Dr. 9000 Appropriation Expenditures (or other appropriate expenditure account)  
Cr. 1730 Prepayment to Other Funds or Appropriations  
Cr. 6150 Encumbrances

The entries would be reversed for State Controller's Journal Entries that reverse previous journal entries.

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#### **8473 INTEREST ON LIQUIDATED CLAIMS**

(Revised 3/91)

In order to encourage governments to act rapidly on claims filed with them, Government Code Section 926.10 provides that claimants shall be paid interest on liquidated claims filed with public entities which have not been paid within 60 days. Interest shall be at six percent per year.

The code section does not apply to claims filed as follows:

1. Claims of a State agency or fund against another State agency or fund.
2. Claims of the Federal Government.
3. Claims filed pursuant to construction contracts. (Please refer to SAM Section 8473.1)

A liquidated claim is a claim which can be determined with exactness from the parties agreement or by arithmetical process or application of definite rules of law. For Government Code Section 926.10 to apply, there must be no disagreement over the validity of the claim and the claim must be due and payable.

Agencies will add interest to claims 60 days after one of the following dates, whichever occurs later:

1. The date goods or services are received.
2. The date the claim is received by the agency.
3. The date of completion of an engineering, legal, post audit, or other review, if required, to determine the validity

of questionable claims. A claim is not considered filed until all disputes are settled.

Liquidated claims and their related interest charges generally will be paid through the claim schedule process. However, if the amount of the claim is \$1,000 or more, agencies may pay the claim by use of a revolving fund check. If the claim is \$10,000 or more and a revolving fund check is not prepared, an expedite claim schedule will be used. When preparing claim schedules, an additional five days of interest will be added for a regular claim schedule and two days of interest for an expedite claim schedule to compensate for the State Controller's processing time. Interest paid will be shown on the Remittance Advice as follows:

"Interest pursuant to Government Code Section 926.10" \$ \_\_\_\_\_

Interest is payable from the same appropriation from which the claim is paid. In determining the amount of interest due, the table on 8473 Illustration may be used. The figures shown in the table are the decimal equivalent of interest from the beginning of the year to the dates shown in the columns. For example, interest from the first of the year to July 24 would be the decimal equivalent of 3.370 percent or .03370. Since all interest does not begin to run from the first of the year, interest from the beginning of the year the date interest begins must be subtracted from the date shown in the table. For example, if the date interest begins is March 4 and the date payment is made is June 12, the amount shown in the table for March 4 (.01036) must be subtracted from the amount shown at June 12 (.02679) to arrive at the proper interest factor of .01643 for the period. The amount of the claim is multiplied by this interest factor to determine the interest due.

If interest runs past December, the interest from the date interest begins to the end of the year is calculated. Then, interest from the beginning of the year to the date interest ceases is added to that. In leap years, one additional day of interest must be calculated when interest periods span February 29. This may be accomplished by adding an additional day to the interest period. See SAM Sections 8474.1 and 8474.4, if applicable.

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#### **8473.1 PENALTY FOR LATE PAYMENT ON CONSTRUCTION CONTRACT CLAIMS** (New 3/91)

Section 10261.5 of the Public Contract Code provides for the payment of interest on construction contracts at an annual rate of 10% (i.e., the rate set forth in subdivision (a) of Section 685.010 of the Code of Civil Procedure) when a State agency fails to pay a contractor's properly submitted and undisputed payment request within 30 days of receipt of such request by the State agency.

Section 10261.5 of the Public Contract Code also provides as follows:

1. Any State agency which independently calculates the amount due on a progress payment and fails to make the progress payment within 30 days of the first submittal of the estimate by the contractor shall pay interest to the contractor at the rate specified above.
2. A State agency shall pay interest to the contractor at the rate specified above when the payment is not made within 30 days of receipt of a properly submitted and undisputed request for payment and the State Controller processes the payment within 14 days of receipt of the payment claim filed by the contracting State agency.
3. The State Controller shall pay interest to the contractor at the rate specified above when the payment is not made within 30 days of a properly submitted and undisputed request for payment and the contracting State agency has filed and the State Controller has accepted the payment claim within 16 days after receipt of the contractor's request for payment by the State agency.

[TABLE OF INTEREST](#) 8473 IL

[TABLE OF INTEREST](#) 8473 IL Cont. 1

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#### **8474 LATE PAYMENT PENALTY** (Revised 12/09)

The California Prompt Payment Act (the Act) Government Code (GC), Section 927 et seq., requires state agencies to automatically calculate and pay the appropriate late payment penalties (as specified in SAM Section 8474.2) if they fail to pay properly submitted, undisputed invoices on the date required by the contract **or** specific grant, which shall not exceed 45 days; or if a payment date is not specified in the contract or specific grant, within 45 calendar days of receipt of the invoice. The DGS will not approve contracts with invoice payment terms exceeding 45 days.

To avoid late payment penalties, the maximum time from state agency receipt of an undisputed

invoice to issuance of a warrant or a registered warrant for payment is 45 days. State agencies shall pay penalties if a correct claim schedule is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days from the receipt date. The Controller shall pay penalties if payment is not issued within 15 calendar days of receipt of the correct claim schedule and payment is not issued within 45 days from the state agencies' receipt date. State agencies, on an exception basis, may avoid penalty payments through the use of Office Revolving Funds (as defined in SAM Section 8474.1c) or utilize SCO's claim schedule expedite service.

Late payment penalties shall not be paid when payees elect to return registered warrants to the state.

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#### 8474.1 ADDITIONAL INFORMATION AND PROVISIONS

(Revised 06/08)

- a. **No Additional Invoice Required for Penalty Amount:** State agencies shall pay the applicable penalties without requiring a vendor invoice for the penalty amount whenever they fail to submit a correct claim schedule to the SCO by the required payment approval date. See SAM Section 8474.4, Definition of Terms.
- b. **Cessation of Penalty Accrual:** The State agency's liability for penalties shall cease to accrue on the date the State agency submits the claim schedule to the Controller. Penalties accrued prior to that date shall be paid from the State agency's funds.
- c. **Use of Office Revolving Fund:** On an exception basis, State agencies may avoid penalty payments, for failure to submit a correct claim schedule to the SCO by the required payment approval date, by paying the claimant directly from the State agency's office revolving fund within 45 calendar days following the date upon which an undisputed invoice is received by the State agency.
- d. **Penalty Shall not be Waived:** Except for the 30-day extensions provided for in the event of emergencies during a declared fire season (see SAM Section 8474.1, paragraph [h], below), the late payment penalties specified in the Act may not be waived, altered, or limited by a State agency that acquires property or services pursuant to a contract or that awards a specific grant by any person or business that contracts with a State agency to provide property or services or that is a recipient of a specific grant.
- e. **Nonprofit Organizations:** A nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or specific grant in an amount less than five hundred thousand dollars (\$500,000).
- f. **No Additional Appropriation:** State agencies shall not seek any additional appropriation to pay penalties that accrue as a result of the State agency's failure to make timely payments as required. Any State agency that requests a deficiency appropriation from the Legislature shall identify the portion, if any, of the requested amount attributable to penalties incurred.
- g. **Subcontractors:** State agencies shall encourage contractors to promptly pay their subcontractors and suppliers, especially those that are small businesses. State agencies shall utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers, and shall promptly respond to any subcontractor or supplier inquiries regarding the status of payments made to prime contractors.
- h. **Fire Season Emergencies:** Except in the case of a contract with a certified small business, a nonprofit organization, or a nonprofit public benefit corporation, if an invoice from a business under a contract with the Department of Forestry and Fire Protection would become subject to late payment penalties during the annually declared fire season, then the required payment approval date shall be extended by 30 calendar days.
- i. **Budget Enactment Delays:** No nonprofit public benefit corporation shall be eligible for a late payment penalty if a State agency fails to make timely payment because a Budget Act has not been enacted. Except for payments to nonprofit public benefit corporations, as specified above, in the event a State agency fails to make timely payment because a Budget Act has not been enacted, penalties shall continue to accrue until the invoice is paid.
- j. **Calamities, Disasters, and Criminal Acts:** If the DOF determines that a State agency or the SCO is unable to promptly pay an invoice, as required, due to a major calamity, disaster, or criminal act, the otherwise applicable late payment penalty provisions shall be suspended except as they apply to a claimant which is either a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program. The suspension shall remain in effect until the DOF determines that the suspended late payment penalty provisions of this section should be reinstated.
- k. **Liquidated Claims:** GC Section 926.10, regarding interest on liquidated claims filed against public entities, shall not apply to any contract covered by the Act. See SAM Section 8473.
- l. **Invoice Dispute Notification:** A State agency may dispute an invoice for reasonable cause. To dispute an invoice, the State agency must notify the claimant within 15 working days from receipt of the invoice, or delivery of the property or services, whichever is later. See SAM Section 8474.1 ILLUSTRATION for the Invoice Dispute Notification form, STD. 209. State employees shall not dispute an invoice based upon minor or technical defects in order to avoid late payment penalties.
- m. **Medi-Cal program:** These late payment penalty provisions shall not apply to claims for reimbursement for health care services provided under the Medi-Cal program, unless the Medi-Cal health care services provider is a small business or nonprofit organization. In applying these provisions to claims submitted to the State or its fiscal intermediary, by providers of services or equipment under the Medi-Cal program, payment for claims shall be due 30 calendar days after a claim is received by the State or its fiscal intermediary, unless reasonable cause for nonpayment exists. With regard to Medi-Cal claims, reasonable cause shall include review of claims to determine medical necessity, review of claims from providers who are subject to special prepayment fraud and

- abuse controls, and review of claims by the fiscal intermediary or the Department of Health Care Services (DHCS) due to special circumstances. Claims requiring special review as specified above shall not be eligible for a late payment penalty.
- n. **Reporting Requirement:** State agencies shall annually report to the DGS by September 30, the amount of late payment penalties paid during the preceding fiscal year. At a minimum, the report shall identify the total number and dollar amount of late payment penalties paid. State agencies may, at their own initiative, provide the DGS with other relevant performance measures. The DGS shall prepare a report listing the total number and dollar amount of all late payment penalties paid by each State agency during the preceding fiscal year, together with other relevant performance measures, and shall make the information available to the public. Inquiries regarding additional information on this reporting requirement should be directed to the Prompt Payment Coordinator, DGS, Procurement Division, at (916) 375-4923.
  - o. **Other Penalties:** State agencies will pay other legally authorized late payment penalties. These include the Public Utilities Commission (PUC) approved late payment charges in invoices from utilities operating under the authority of the PUC. However, when State agencies pay other authorized penalties, they must take care to do so in lieu of the penalties authorized in the California Prompt Payment Act.

[INVOICE DISPUTE NOTIFICATION](#) 8474.1 ILL

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**8474.2 PENALTY REQUIREMENTS**

(Revised 12/09)

**A. Small Businesses and Nonprofits**

If the claimant is a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program, the state agency or SCO shall pay the claimant a penalty of 0.25 percent of the amount due, per calendar day. However, a nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or specific grant in an amount less than five hundred thousand dollars (\$500,000).

It is the responsibility of each State agency to determine whether or not a claim has been submitted by a qualified small business.

It is the responsibility of the DGS, Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS), to verify/certify which firms qualify as "small business" under the general provisions, California Code of Regulations, Title 2, Subchapter 8, Section 1896 et seq. Any questions regarding whether a particular vendor contractor or service firm is a certified small business should be directed to DGS, OSDS, at (916) 375-4940. This information may also be accessed by using the OSDS search engine located on the DGS web site at: <https://www.apps.dgs.ca.gov/OSDSSearch/OSDSBasicSearch.aspx>

It is the responsibility of the DHCS to verify/certify which providers under the Medi-Cal program qualify as a "small business." See SAM Section 8474.4, paragraph (o)(5).

**B. Other Businesses and Defined Grantees**

For all other businesses and defined grantees, the state agency or the SCO shall pay a penalty at a rate of one percent above the rate accrued on June 30 of the prior year by the Pooled Money Investment Account (PMIA), not to exceed a rate of 15 percent. However, if the amount of the penalty is seventy-five dollars (\$75) or less, the penalty shall be waived and not paid by the state agency or SCO.

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**8474.3 PENALTY CALCULATION**

(Revised 06/08)

Whenever a State agency or the SCO determines a penalty is due, the rate for small businesses and nonprofits shall be 0.25 percent per calendar day. This rate does not change. The rate for all other businesses including defined grantees shall be one percent above the rate accrued on June 30 of the prior year by the PMIA, not to exceed 15 percent. This rate changes annually; therefore, the PMIA rate is communicated to State agencies via a Budget Letter (BL). For the latest BL

on late payment penalty rates, refer to the DOF website: <http://www.dof.ca.gov/html/budletr/budlets.htm>

The penalty will be calculated as follows:

**Step 1. Determine The "Required Payment Approval Date":** This is the last calendar day before interest starts to accrue (i.e., the payment date specified in the contract or specific grants or 30 calendar days after the date State agency receives an undisputed invoice).

**Step 2. Amount Subject To Penalty:** The gross amount of the invoice less sales tax is the amount subject to the penalty.

**Step 3. Penalty Per Day:** Multiply the amount subject to penalty (as determined in Step 2) by the applicable penalty interest factor per day as specified in the BL.

**Step 4. Number Of Days Penalized:** The number of calendar days between the approval date (as determined in Step 1) and the date a correct claim schedule is submitted to the SCO.

**Step 5. Late Payment Penalty Amount:** Multiply the amount (as determined in Step 3) by the number of days penalized (as determined in Step 4). The result is the late payment penalty amount due the claimant; except that penalty amounts of \$75 or less shall not be paid to an entity that is not a small business or nonprofit. See Penalty Requirements—Other Businesses and defined grantees in SAM Section 8474.2(B).

See SAM Section [8474.3 ILLUSTRATION 1](#) for samples of late payment penalty calculations.

When a late payment penalty is incurred, a completed Penalty Calculation worksheet, STD. 208 must be attached to the related invoice submitted to the SCO. See SAM Section [8474.3 ILLUSTRATION 2](#).

Any invoice included in a claim schedule the SCO determines is subject to a claim correction shall be deemed to be improperly submitted and the State agency shall be responsible for the penalty incurred on the invoice.

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#### 8474.4 DEFINITION OF TERMS

(Revised 12/09)

- a. **Claim:** A bill, invoice, or written request for payment provided by the claimant. Written request includes contract as defined in paragraph c. below.
- b. **Claim schedule (STD. 218):** A schedule of invoices prepared and submitted by a State agency to the SCO for payment to the named claimants.
- c. **Contract:** Any enforceable agreement, including purchase orders, sub-purchase orders, delegated purchase orders, service agreements, or rental and lease agreements of real and personal property.
- d. **Grant:** A signed final agreement between any state agency and a local government agency or organization authorized to accept grant funding for victim services or prevention programs administered by any state agency.
- e. **Invoice:** A bill or claim that requests payment on a contract under which a State agency acquires property or services, or a claim pursuant to a defined grant.
- f. **Disputed Invoice:** An improperly executed invoice or an invoice that requires additional evidence of its validity. The State agency must notify the claimant in writing of a disputed invoice within 15 working days of receipt of the invoice using Invoice Dispute Notification, STD. 209. See SAM Section 8474.1 ILLUSTRATION.
- g. **Undisputed Invoice:** An invoice executed by the claimant and for which additional evidence is not required to determine its validity. Undisputed invoices include:
  1. A once disputed invoice which has been corrected or for which additional evidence of its validity has been provided and received by the State agency.
  2. An improper invoice where goods and services have been received by the contracting State agency, but the State agency fails to notify the claimant that the invoice is improper within 15 working days of receipt of the invoice.
- h. **Medi-Cal program:** The program established pursuant to Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code.
- i. **Nonprofit public benefit corporation:** A corporation, as defined by subdivision (b) of Section 5046 of the Corporations Code, that has registered with the DGS as a small business.
- j. **Reasonable cause:** A determination by a State agency that any of the following conditions are present:
  1. A discrepancy exists between the invoice or claimed amount and the provisions of the contract.
  2. A discrepancy exists between the invoice or claimed amount and either the claimant's actual delivery of property or services to the State or the State's acceptance of those deliveries.
  3. Additional evidence supporting the validity of the invoice or claimed amount is required to be provided to the State agency by the claimant.
  4. The invoice has been improperly executed or needs to be corrected by the claimant.
- k. **Required payment approval date:** The date on which payment is due as specified in a contract or, if a specific date is not established by the contract, 30 calendar days following the date upon which an undisputed invoice is received by a State agency.
- l. **Received by a State agency:** The date an invoice is delivered to the State location or party specified in the

- contract or, if a State location or party is not specified in the contract, wherever otherwise specified by the State agency.
- m. **Revolving fund:** A fund established pursuant to Article 5 (commencing with GC Section 16400) of Division 4 of Title 2.
  - n. **Small business:** A business certified in accordance with requirements of subdivision (c) of GC Section 14837.
  - o. **Small business and nonprofit organization:** In reference to providers under the Medi-Cal program, a business or organization that meets all of the following criteria:
    - 1. Principal office is located in California.
    - 2. Officers, if any, are domiciled in California.
    - 3. If a small business, it is independently owned and operated.
    - 4. Business or organization is not dominant in its field of operation.
    - 5. Together with any affiliates, the business or organization has gross receipts from business operations that do not exceed three million dollars (\$3,000,000) per year, except that the Director of the DHCS may increase this amount if the Director deems that this action would be in furtherance of the intent of the Act.
  - p. **State agency:** State agency refers to all State departments, offices, boards, commissions, institutions, colleges, and special organizational entities within State government.
  - q. **Payment:** The issuance of a warrant or a registered warrant by the Controller, or the issuance of a revolving fund check by a state agency, to a claimant in the amount of an undisputed invoice.
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#### **8475 LATE PAYMENT PENALTY ON REFUNDS AND OTHER PAYMENTS** (New 08/01)

Refunds or other undisputed payments are due to individuals within 30 calendar days or the State agency is liable for late payment interest penalties. Exceptions are identified in the next paragraph (Government Code [GC] Section 926.19). The law requires State agencies to:

- a. Pay the interest penalty out of their existing funds rather than seek additional appropriations.
- b. Not pay any interest penalty to a person who intentionally overpays a liability to receive interest penalty on the overpayment.
- c. Not accrue interest penalty on any payment or refund when:
  - 1. No Budget Act is in effect.
  - 2. Payment or refund arises from a federally mandated program.
  - 3. Payment or refund directly depends upon the receipt of federal funds.

This section does not apply to:

- 1. Late payments for goods and services covered under SAM section 8473, 8473.1, and 8474.
  - 2. Income tax payments, refunds, or credits.
  - 3. Reimbursement for health care services or mental health services provided under the Medi-Cal program, pursuant to the Welfare and Institutions Code Section 14000 et seq.
  - 4. Benefit payments to participants of public social service or public health programs.
  - 5. Claims to the California Victim Compensation and Government Claims Board (formerly known as Board of Control).
  - 6. Payments made by the Commission on State Mandates.
  - 7. Department of Personnel Administration payments pursuant to GC Section 19823.
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#### **8475.1 PENALTY REQUIREMENTS** (New 08/01)

The penalty rate is the annualized PMIA interest rate minus 1 percent. At the beginning of each fiscal year, DOF publishes a Budget Letter reflecting the adjusted PMIA interest rate.

The interest penalty begins 31 calendar days after the State agency notifies the person that a refund or other payment is owed to the person or after receiving notice from the person that an undisputed payment or refund is due. The interest penalty shall cease to accrue on the date full payment or refund is made.

Disputed payments do not accrue interest penalty. However, interest penalty begins to accrue 31 calendar days after the dispute is settled by mutual agreement, arbitration, or court decision. After receiving notice from the person that the payment or refund is due, a State agency may dispute a payment or refund by notifying the person within 15 calendar days. The courts may award interest accrued while a dispute was pending. Further, the courts may award court costs and

reasonable attorney fees to a plaintiff. When these costs are awarded, the State agency will pay them.

State agencies not having authority to pay refunds and other undisputed payments directly through the office revolving fund will submit the claim to the SCO within 15 calendar days of receipt or interest penalties begin accruing on calendar day 16. The State agency's funds will pay the incurring penalty. The penalty will continue to accrue until the SCO receives the claim.

The SCO will pay the claims received within 15 calendar days. The SCO will pay interest penalty from its own funds from calendar day 16 after receipt of the claim until the date a warrant, in full payment, is issued.

If a refund or payment is the joint responsibility of more than one State agency (excluding the SCO), and neither State agency is authorized to pay via the office revolving fund, each State agency shall be responsible for forwarding the claim to the SCO within 15 calendar days of receipt. The State agency delaying the transmittal of the claim to the SCO will pay the interest penalty starting on calendar day 16.

If either of the responsible State agencies is authorized to pay directly through the office revolving fund, each State agency has 15 calendar days to transmit the claim to the other State agency or pay the person. The State agency delaying the process will pay the interest penalty starting on calendar day 16.

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**8476 PRISON INDUSTRY AUTHORITY**  
(Revised 5/79)

Prison Industry Authority, at its discretion, may collect for the items it sells and delivers to state agencies by requesting SCO to transfer the applicable amount of charges from the agencies' appropriation to the Prison Industries Revolving Fund.

Requisitions from Prison Industry Authority will be made with a Purchase Order, STD. 65. Agencies need submit only one copy of the contract/delegation form to the Sacramento Office of Prison Industry Authority. In the lower part of the form on the line marked "FUND," agencies will show the fund and appropriation (item and chapter number) to which the order is to be charged. The "FISCAL YEAR" box will also be filled in with the year of the appropriation to be charged. (The fund, appropriation, and fiscal year figures should correspond with the figures which would be recorded if an agency was to file a claim schedule to pay for the order.)

Processing by the SCO and by the individual agencies for the Prison Industry Authority's transfer request will conform with the instructions in SAM Sections 8472.3 and 8472.4 for the Office of State Printing invoices.

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**8477.1 RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS GENERAL**  
(Revised 5/79)

State employees may designate an individual who upon the death of the employee will be entitled to receive and negotiate SCO's warrants payable to the deceased employee. See Government Code Section 12479. Instructions relating to this procedure are presented in SAM Section 8477.2. The Probate Code also provides for the release of funds and property of deceased persons. Instructions relating to this procedure are presented in SAM Section 8477.32.

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**8477.2 RELEASE OF WARRANTS OF A DECEASED STATE EMPLOYEE TO A PERSON DESIGNATED BY THE EMPLOYEE**  
(Renumbered from 8429.3 12/89)

Section 12479 of the Government Code reads as follows:

"Any person now or hereafter employed by the state may file with his appointing power a designation of a person who, notwithstanding any other provision of law, shall, on the death of the employee, be entitled to receive all warrants that would have been payable to the decedent had he survived. The employee may change the designation from time to time. A person so designated shall claim such warrants from the appointing power. On sufficient proof of identity, the appointing power shall deliver the warrants to the claimant. A person who receives a warrant pursuant to this section is entitled to negotiate it as if he were the payee."

This law permits state employees to designate an individual who, on the death of the employee, shall be entitled to receive and negotiate SCO's warrants payable to that employee had the employee survived. Agencies will assure that employees are advised of this right and are afforded an opportunity to make such a designation. SCO's warrants for payment of death benefits and refunds of employee retirement contributions cannot be released pursuant to this designation. This law relates

only to SCO's warrants and does not authorize agencies to release agency checks. Agency questions regarding the legality of the release of SCO's warrants to a designee shall be referred to the agency's attorney or the Office of the Attorney General. Single persons with minor dependents shall seek legal advice in order to release final warrants to a minor.

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#### **8477.21 DESIGNATION**

(Revised and Renumbered from 8429.31 12/89)

Employees will be advised that a designation made pursuant to this law will remain in effect throughout their employment with the State unless the designation is superseded by the filing of a new designation (SAM Section 8477.22) or the designation is revoked (SAM Section 8477.23) and that the designation automatically will terminate on the date of the employee's separation from state employment.

Designations will be obtained on Designation of Person Authorized to Receive Warrants, STD. 243. Instructions for completion are on the form. The agency immediately will review the completed STD. 243 for correctness and write the date reviewed by the agency and the name of the reviewing agency employee on both copies. The agency will retain the original copy of STD. 243 and return the duplicate copy to the employee.

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#### **8477.22 CHANGE OF DESIGNEE**

(Revised and Renumbered from 8429.32 7/88)

A designation made on a Designation of Person Authorized to Receive Warrants, STD. 243, may be changed by receipt of a new STD. 243 showing thereon the name of the new designee. The agency will review and route the form in the same manner shown above in SAM Section 8477.21.

In addition, the agency will draw a diagonal line across the face of the revoked STD. 243 and write thereon "Superseded by STD. 243 received (date)." The duplicate copy of the new STD. 243, together with the original of the superseded STD. 243, will be returned to the employee.

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#### **8477.23 REVOCATION OF DESIGNATION**

(Renumbered from 8429.33 7/88)

A designation made on a Designation of Person Authorized to Receive Warrants, STD. 243, can be revoked by receipt of a new STD. 243. The word "NONE" will be shown in the space provided for the designee name and will be processed in the same manner as in a change of designee.

A STD. 243 designation may also be revoked by letter to the employee's current appointing power and signed by the employee. Upon the receipt of such a letter, the agency will draw a diagonal line across the face of the revoked STD. 243, write thereon "Revoked by letter dated \_\_\_\_\_," retain the original of the letter, and return the revoked STD. 243 together with the duplicate of the letter to the employee.

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#### **8477.24 TRANSFER OF DESIGNATION FOR EMPLOYEE ACCEPTING EMPLOYMENT WITH ANOTHER STATE AGENCY**

(Renumbered from 8429.34 12/89)

Designation made on a Designation of Person Authorized to Receive Warrants, Std. Form 243, filed by an employee will continue in effect until revoked by the employee or the employee leaves State service. Therefore, a designation on file from an employee that transfers to or accepts employment with another State agency will be forwarded with the employee's other personnel documents to the new employing agency.

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#### **8477.25 RELEASE OF WARRANTS TO DESIGNEE**

(Renumbered from 8429.35 12/89)

Upon the death of an employee for which the agency has on file an unrevoked Designation of Person Authorized to

Receive Warrants, [Std. Form 243](#), the agency immediately will:

1. Initiate a "stop request" with the State Controller's Audit Division (SAM Section 8422.6) for any requested warrants payable to the deceased employee that otherwise the State Controller would mail directly to the employee, and request that these warrants be delivered to the agency.
2. Initiate reasonable efforts to contact the designee in order to deliver the warrants due the deceased employee to the designee.  
Warrants will be released to a designee only if an unrevoked designation, Std. Form 243, is on file in the agency and only in accordance with the designation. Agencies will not release warrants to a purported designee on the basis of a Std. Form 243 presented by the designee which the agency does not have in its official files.

Warrants due a deceased employee can be released only to a designee or claimant who is 18 years of age or over.

Warrants requested from the State Controller for amounts due a deceased employee which are to be released to a designee will name the deceased employee as payee. Amounts owed an employee who would have been paid, or for whom pay checks already are prepared, from the agency revolving fund must be claimed from the State Controller and paid by the State Controller's warrants.

Agencies, under circumstances prescribed herein, may release warrants payable to a deceased employee:

1. To the designee if the designee is located within 60 days following the death of the employee and if no other claim or request for delivery of these warrants is made orally or in writing to the agency.
2. To a proper claimant under the provisions of the Probate Code (SAM Section 8477.32) if the agency is not able to locate the individual designated by the employee within 60 days following the death of the employee or if the employee did not designate an individual to receive the warrants.
3. To the designee or another claimant if the individual designated by the deceased employee to receive the employee's warrants is located within the required 60-day period but another individual orally or in writing also has requested the warrants under the provisions of the Probate Code (SAM Section 8477.32) provided either the designee or the other claimant agrees to this release of the warrants to the other individual by signing the following statement:

#### CONSENT AND WAIVER

I hereby consent to the delivery of California State Controller's Warrant(s) numbered \_\_\_\_\_ to (Recipient), and I hereby waive and release any and all of my right, title, and interest in and to said warrants.

\_\_\_\_\_  
(Signature)      Date

\_\_\_\_\_  
(Witness)

\_\_\_\_\_  
(Address)

\_\_\_\_\_

This signed statement will be retained by the State agency and filed in the deceased employee's personnel folder. Under all other circumstances, warrants due a deceased employee will be released only upon receipt of instructions from the agency's attorney or the Office of the Attorney General.

Warrants of a deceased employee will be released to the designee only upon receipt by the agency of a completed Request for Delivery of Warrants of a Deceased Employee. (See [8477.25 Illustration](#).) This form is not available from Materials Services, Office of Procurement, Department of General Services, and will be typewritten by the agency as needed. If the request will be signed in person by the designee at the agency's office, the request will be typewritten in duplicate by the agency as illustrated in [8477.25 Illustration](#). If the request will not be signed in person by the designee at the agency's office, the request will be typewritten by the agency as illustrated except that the following notary public's acknowledgment will be typed on the form in lieu of the "DESCRIPTION OF IDENTIFICATION OF DESIGNEE" section of the form:

#### NOTARY PUBLIC'S ACKNOWLEDGEMENT

State of \_\_\_\_\_ )

County of \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed the same. In witness whereof, I have hereunto set my hand and affixed my official seal the day and year last above written.

\_\_\_\_\_  
Notary Public in and for the (City and) County

(NOTARIAL SEAL) \_\_\_\_\_ of \_\_\_\_\_, State of \_\_\_\_\_

All spaces provided on the Request for Delivery of Warrants of Deceased Employee form must be completed. The original completed and signed copy of the form will be retained by the agency in the deceased employee's personnel file as the agency's record of and authority for release of the warrants. The duplicate copy of the form may be given to the designee.

Upon the release of warrants to the designee, the agency will note on the request for delivery of warrants form the dates, numbers, and amounts of the warrants released.

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**8477.26 IDENTIFICATION OF DESIGNEE**  
(Renumbered from 8429.36 12/89)

Sufficient identification must be presented by the designee to assure the agency reasonably that the applicant is the named designee.

If the designee submits the form by mail, or other than in person, at the agency's office, the notary public's acknowledgment identifying the designee will be sufficient identification of the designee.

If the designee personally appears at the agency's office, the agency will complete the "Description of Identification of Designee" section of the form, describing therein the identification presented. The form normally need not be notarized. Two or more documents such as a social security card, driver's license, credit cards, etc., normally should be sufficient for identification. The designee's signature on such documents may be compared with the designee's signature on the request for delivery of warrants. Also, the designee's stated age and relationship may be compared to that shown on the designation form and that address compared with the designee's address included by the deceased employee on the designation form. A statement by a current employee or any known person affirming the designee's identification is adequate and, if obtained, will be noted in the "Description of Identification of Designee" section of the request for delivery of warrants form. If the agency is not satisfied that reasonable identification of the designee has been presented, the agency may require the designee to obtain the notary public's acknowledgment required of designees not appearing in person.

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**8477.27 ENDORSEMENT OF WARRANTS TO BE RELEASED TO DESIGNEE**  
(Renumbered from 8429.37 12/89)

Warrants payable to a deceased employee can be negotiated by a designee only if the agency releasing the warrants to the designee provides a special endorsement on each such warrant. This endorsement may be typed on the reverse side of each warrant if care is taken to assure that the holes punched in the warrant are not damaged. The endorsement will read:

<p>The undersigned agency hereby certifies that pursuant to Section 12479 of the Government Code of California, the payee has designated</p> <p>_____</p> <p style="text-align: center;">(Name of Designee)</p> <p>to receive and negotiate this warrant, and that said designation is filed with this agency</p> <p>_____</p> <p style="text-align: center;">(Name of Agency)</p> <p>by: (Signature of Agency Representative)</p> <p>_____</p> <p style="text-align: center;">Title:</p>
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The agency will insert the full name of the designee and the name of the agency in the spaces indicated. The authorized agency representative, whose title will be included in the endorsement, personally must sign each such endorsed warrant. The designee will be instructed to endorse the warrant at the time of negotiation exactly as shown in the agency's endorsement of the warrant.

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**8477.3 RELEASE OF PERSONAL PROPERTY OF DECEASED PERSONS PURSUANT TO THE PROBATE CODE - GENERAL**

(Renumbered from 8429.71 12/89)

State Controller's warrants due to deceased State employees, which are not released under authority and procedure described in Government Code Section 12479 and the SAM Section 8477.2, and other personal property of deceased persons may be released to the successor of the decedent's estate (SAM Section 8477.32).

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**8477.31 RELEASE OF PERSONAL PROPERTY PURSUANT TO PROBATE CODE SECTION 13100**

(Renumbered from 8429.72 12/89)

Probate Code Section 13100 provides for the collection or transfer of a decedent's personal property without the administration of the estate or probate of the will. To effect the transfer of the decedent's personal property, the successor of the decedent must furnish an affidavit or declaration, under penalty of perjury under the laws of this State (declaration), to the holder of the decedent's personal property.

Departments may prepare a request form similar to SAM Section 8477.32 Illustration I that, when completed by the successor of the decedent, may serve as the declaration. The final form is left up to the department as long as the form is typewritten and includes, as a minimum, the information in Probate Code Section 13101.

The State department holding a decedent's personal property will verify that the affidavit or declaration is in accordance with Probate Code Section 13101 and that a copy of the inventory and appraisal of the decedent's real property is attached (Probate Code Section 13103).

Disposition of the original affidavit or declaration and necessary copies will be as follows:

1. Retain the original as the department's record of and authority for releasing the decedent's personal property;
2. Attach a copy to checks or warrants payable to the decedent when released; and
3. Attach a copy to each claim schedule submitted to the State Controller's Office requesting issuance of a warrant payable to the successor of the decedent.

Funds due a decedent may be released to the successor of the decedent in the form of checks or warrants made payable (1) to the successor of the decedent or (2) to deceased employees or other deceased persons. Departments will not release funds due a deceased State employee pursuant to this section when the department has on file an unrevoked Designation of Person Authorized to Receive Warrants, Std. Form 243, except as provided for in SAM Section 8477.25.

Checks drawn or warrants claimed that are to be made payable to the successor of the decedent will show the payee as follows:

(Name of Successor of Decedent)—Successor of Decedent

(Name of Decedent)—Deceased

Before the decedent's personal property is released, the successor shall present to the department:

1. reasonable proof of his or her identity (Probate Code Section 13104); and
2. evidence of the decedent's ownership in the property, if available (Probate Code Section 13102).

Questions regarding the submission of affidavits or declarations may be referred to the State Treasurer's Office. However, questions regarding the decedent's ownership or interest in real or personal property, for the purpose of this law, should be referred to an attorney.

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**8477.32 RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS PURSUANT TO LETTERS OF TESTAMENTARY OR LETTERS ADMINISTRATION**  
(Renumbered from 8429.73 12/89)

Funds and property of deceased persons may be released to the executor or administrator of the estate of a decedent upon receipt of certified copies of letters testamentary, or letters of administration. Departments will:

1. retain a copy of the certified letters testamentary, or letters of administration as the department's record of authority for releasing funds and property of deceased persons;
2. attach to each claim schedule submitted to the State Controller's Office a copy of the letters testamentary, or letters of administration in addition to the other documentation normally required to support payments claimed. A reproduced copy of the letter will be sufficient; and
3. note, on the department's copy of the letters testamentary, or letter of administration, the dates, numbers, and amounts of any check(s) or warrant(s) drawn to the decedent as payee and the description of any property released.

Funds due a decedent may be released to persons designated in letters testamentary, or letters of administration in the form of checks or warrants made payable (1) to the persons designated in the certified copies of letters testamentary, or letters of administration or (2) to the deceased employee or other deceased person as payee.

Checks drawn or warrants claimed that are to be made payable to the person designated in the certified copies of letters testamentary, or letters of administration will show the payee as follows:

1. Where payee is the executor  
(NAME OF EXECUTOR) EXECUTOR OF THE LAST WILL AND TESTAMENT OF (NAME OF DECEDENT) DECEASED
2. Where the payee is the administrator  
(NAME OF ADMINISTRATOR) ADMINISTRATOR OF THE ESTATE OF (NAME OF DECEDENT) DECEASED

Agencies will instruct recipients of checks or warrants drawn to deceased employees or other deceased persons as payees to endorse such checks and warrants as follows:

(NAME OF PAYEE)
by: _____ (SIGNATURE OF EXECUTOR OR ADMINISTRATOR)
_____ (USE APPLICABLE TITLE*)
* (EXECUTOR OF THE LAST WILL AND TESTAMENT OF DECEASED PAYEE) * (ADMINISTRATOR OF THE ESTATE OF THE DECEASED PAYEE)

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**8478 CLAIMS FOR PAYMENT OF TORT LIABILITIES**  
(Renumbered from 8430 12/89)

See SAM Section 8712.

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**8479 PAYMENTS ON CONTRACTS WITH OTHER GOVERNMENTAL JURISDICTIONS**  
(Renumbered from 8440 12/89)

Agencies will make every effort in negotiating contracts with the Federal Government and other governmental jurisdictions to prevent providing for payment before the goods or services are received or before the governmental unit incurred the costs of furnishing the goods or services. If disbursements of advances or deposits otherwise required can be avoided by transferring such amount to a trust fund in the State Treasury, the centralized State Treasury System, or elsewhere, to assure their availability when needed, the agency concerned will request respectively (1) the State Controller's Office to establish such an account in the Special Deposit Fund, (2) the Department of Finance to authorize an account in the centralized State Treasury System, and (3) the Department of Finance to approve an account elsewhere. Requests of the Department of Finance will be sent to Fiscal Systems and Consulting Unit, Department of Finance. The purpose of the provision of this paragraph is to maximize interest earnings.

