

H- 3/6/96 State Gov
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FILED FEB 29 1996

SENATE FILE 2367
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 2316)

Passed Senate, Date ^(p. 618) 3/5/96 Passed House, Date 4/1/96 (p. 1197)
Vote: Ayes 49 Nays 0 Vote: Ayes 98 Nays 0
Approved April 8, 1996

A BILL FOR

1 An Act providing for the payment of outdated invoices by the
2 agency to which the goods or services were provided, and by
3 the department of revenue and finance, and providing an
4 effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2367

1 Section 1. Section 25.1, Code 1995, is amended to read as
2 follows:

3 25.1 RECEIPT, INVESTIGATION, AND REPORT.

4 1. When a claim is filed or made against the state, on
5 which in the judgment of the director of the department of
6 management the state would be liable except for the fact of
7 its sovereignty or which that it has no appropriation
8 available for its payment, the director of the department of
9 management shall deliver that claim to the state appeal board.

10 2. The state appeal board shall make a record of the
11 receipt of ~~that claim and forthwith deliver it~~ claims received
12 from the director of the department of management, notify the
13 special assistant attorney general for claims, and deliver a
14 copy to the state official or agency against whom the claim is
15 made, if any.

16 a. The official or agency shall report its recommendations
17 concerning the claim to the special assistant attorney general
18 for claims who shall, with a view to determining the merits
19 and legality of it, fully the claim, shall investigate the
20 claim, including the facts upon which it is based and report
21 in duplicate the findings and conclusions of law the
22 investigation to the state appeal board.

23 b. To help defray the initial costs of processing a claim
24 and the costs of investigating a claim, the department of
25 management may assess a processing fee and a fee to reimburse
26 the office of the attorney general for the costs of the claim
27 investigation against the state agency which incurred the
28 liability of the claim.

29 3. Notwithstanding subsections 1 and 2 and section 25.2,
30 the following claims shall be submitted by the person filing
31 the claim directly to the agency against whom the claim is
32 made for resolution according to section 25.2, subsection 2:

33 a. Outdated invoices, outdated bills for merchandise, or
34 claims for services furnished to the state, for goods or
35 services provided in the same fiscal year that the claim is

1 filed.

2 b. Outdated invoices, outdated bills for merchandise, or
 3 claims for services furnished to the state, for goods or
 4 services provided in any prior fiscal year, for which funding
 5 would have been available to pay the claim if it had been
 6 filed before the close of the fiscal year.

7 Claims submitted under this section may be approved by the
 8 agency in accordance with section 25.2, subsection 2, except
 9 that payment for claims for which the appropriation has
 10 reverted to the general fund of the state must be paid in
 11 accordance with section 25.2, subsection 3.

12 Sec. 2. Section 25.2, Code Supplement 1995, is amended to
 13 read as follows:

14 25.2 EXAMINATION OF REPORT -- APPROVAL OR REJECTION --
 15 PAYMENT.

16 1. The state appeal board with the recommendation of the
 17 special assistant attorney general for claims may approve or
 18 reject claims against the state of less than ten years
 19 covering involving the following: outdated

20 a. Outdated warrants; ~~outdated.~~

21 b. Outdated sales and use tax refunds; ~~license.~~

22 c. License refunds; ~~additional.~~

23 d. Additional agricultural land tax credits; ~~outdated.~~

24 e. Outdated invoices; ~~fuel.~~

25 f. Fuel and gas tax refunds; ~~outdated.~~

26 g. Outdated homestead and veterans' exemptions; ~~outdated.~~

27 h. Outdated funeral service claims; ~~tractor.~~

28 i. Tractor fees; ~~registration.~~

29 j. Registration permits; ~~outdated.~~

30 k. Outdated bills for merchandise; ~~services.~~

31 l. Services furnished to the state; ~~claims.~~

32 m. Claims by any county or county official relating to the
 33 personal property tax credit; ~~and-refunds.~~

34 n. Refunds of fees collected by the state.

35 2. Notwithstanding subsection 1, an agency that receives a

1 claim based on an outdated invoice, outdated bill for
2 merchandise, or for services furnished to the state pursuant
3 to section 25.1, subsection 3, may on its own approve or deny
4 the claim. The agency shall provide the state appeal board
5 with notification of receipt of the claim and action taken on
6 the claim by the agency. The state appeal board shall adopt
7 rules setting forth the procedures and standards for
8 resolution of claims by state agencies. Claims denied by an
9 agency shall be forwarded to the state appeal board by the
10 agency for further consideration, in accordance with this
11 chapter.

12 3. Payments authorized by the state appeal board shall be
13 paid from the appropriation or fund of original certification
14 of the claim. However, if that appropriation or fund has
15 since reverted under section 8.33 then such payment authorized
16 by the state appeal board shall be out of any money in the
17 state treasury not otherwise appropriated.

18 4. Notwithstanding the provisions of this section, the
19 director of revenue and finance may reissue outdated warrants.

20 5. On or before November 1 of each year, the director of
21 revenue and finance shall provide the treasurer of state with
22 a report of all unpaid warrants which have been outdated for
23 two years or more. The treasurer shall include information
24 regarding outdated warrants in the notice published pursuant
25 to section 556.12. The provisions of section 556.11 regarding
26 agreements to pay compensation for recovery or assistance in
27 recovery of unclaimed property are applicable to agreements to
28 pay compensation to recover or assist in the recovery of
29 outdated warrants.

30 Sec. 3. Section 421.38, subsection 1, Code 1995, is
31 amended to read as follows:

32 1. a. THREE-MONTHS TIME AND FUNDING LIMIT. A claim shall
33 not be allowed by the department of revenue and finance if the
34 either of the following has occurred:

35 (1) The claim is presented after the lapse of three months

1 from its accrual. However, ~~this~~

2 (2) The appropriation or fund of certification available
3 for paying the claim has been exhausted or proves
4 insufficient.

5 b. The time limit limitation set forth in paragraph "a",
6 subparagraph (1), is subject to the following exceptions:

7 a- (1) Claims by state employees for benefits pursuant to
8 chapters 85, 85A, and 86 are subject to limitations provided
9 in those chapters.

10 b- (2) Claims for medical assistance payments authorized
11 under chapter 249A are subject to the time limits imposed by
12 rule adopted by the department.

13 (3) Claims approved by an agency according to the
14 provisions of sections 25.1 and 25.2.

15 Sec. 4. EFFECTIVE DATE. This Act, being deemed of
16 immediate importance, takes effect upon enactment.

17 EXPLANATION

18 This bill amends the procedure for payment of claims based
19 on invoices for goods or services that were provided more than
20 90 days prior to the date of the claim, or that were submitted
21 after the close of the fiscal year.

22 Section 1 of the bill amends Code section 25.1 to provide
23 that such a claim can be filed directly with the agency that
24 received the goods or services, for approval or rejection.

25 Section 2 of the bill contains changes to section 25.2,
26 permitting the agency directly to approve or reject a claim
27 based on an outdated invoice. Section 25.2 also expressly
28 directs the state appeal board to adopt rules setting
29 standards for approval or rejection of such claims by
30 agencies.

31 Section 3 of the bill provides that the department of
32 revenue and finance can pay such an approved claim, provided
33 that the appropriation or fund of certification was
34 sufficient.

35 Section 4 of the bill contains a provision making the bill

1 effective upon enactment.

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Gronstal
Sorensen
Drake

SSB-2316
State Government

Succeeded By
SENATE/HOUSE FILE SF/HF 2367
BY (PROPOSED DEPARTMENT OF
REVENUE AND FINANCE BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the payment of outdated invoices by the
2 agency to which the goods or services were provided, and by
3 the department of revenue and finance, and providing an
4 effective date.

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3 25.1 RECEIPT, INVESTIGATION, AND REPORT.

4 1. When a claim is filed or made against the state, on
5 which in the judgment of the director of the department of
6 management the state would be liable except for the fact of
7 its sovereignty or which that it has no appropriation
8 available for its payment, the director of the department of
9 management shall deliver that claim to the state appeal board.

10 2. The state appeal board shall make a record of the
11 receipt of ~~that claim and forthwith deliver it~~ claims received
12 from the director of the department of management, notify the
13 special assistant attorney general for claims, and deliver a
14 copy to the state official or agency against whom the claim is
15 made, if any.

16 a. The official or agency shall report its recommendations
17 concerning the claim to the special assistant attorney general
18 for claims who shall, with a view to determining the merits
19 and legality of it, fully the claim, shall investigate the
20 claim, including the facts upon which it is based and report
21 in duplicate the findings and conclusions of law the
22 investigation to the state appeal board.

23 b. To help defray the initial costs of processing a claim
24 and the costs of investigating a claim, the department of
25 management may assess a processing fee and a fee to reimburse
26 the office of the attorney general for the costs of the claim
27 investigation against the state agency which incurred the
28 liability of the claim.

29 3. Notwithstanding subsections 1 and 2 and section 25.2,
30 the following claims shall be submitted by the person filing
31 the claim directly to the agency against whom the claim is
32 made for resolution according to section 25.2, subsection 2:

33 a. Outdated invoices, outdated bills for merchandise, or
34 claims for services furnished to the state, for goods or
35 services provided in the same fiscal year that the claim is

1 filed.

2 b. Outdated invoices, outdated bills for merchandise, or
3 claims for services furnished to the state, for goods or
4 services provided in any prior fiscal year, for which funding
5 would have been available to pay the claim if it had been
6 filed before the close of the fiscal year.

7 Claims submitted under this section may be approved by the
8 agency in accordance with section 25.2, subsection 2, except
9 that payment for claims for which the appropriation has
10 reverted to the general fund of the state must be paid in
11 accordance with section 25.2, subsection 3.

12 Sec. 2. Section 25.2, Code Supplement 1995, is amended to
13 read as follows:

14 25.2 EXAMINATION OF REPORT -- APPROVAL OR REJECTION --
15 PAYMENT.

16 1. The state appeal board with the recommendation of the
17 special assistant attorney general for claims may approve or
18 reject claims against the state of less than ten years
19 covering involving the following: outdated

- 20 a. Outdated warrants;--outdated.
- 21 b. Outdated sales and use tax refunds;--license.
- 22 c. License refunds;--additional.
- 23 d. Additional agricultural land tax credits;--outdated.
- 24 e. Outdated invoices;--fuel.
- 25 f. Fuel and gas tax refunds;--outdated.
- 26 g. Outdated homestead and veterans' exemptions;--outdated.
- 27 h. Outdated funeral service claims;--tractor.
- 28 i. Tractor fees;--registration.
- 29 j. Registration permits;--outdated.
- 30 k. Outdated bills for merchandise;--services.
- 31 l. Services furnished to the state;--claims.
- 32 m. Claims by any county or county official relating to the
33 personal property tax credit;--and-refunds.
- 34 n. Refunds of fees collected by the state.
- 35 2. Notwithstanding subsection 1, an agency that receives a

1 claim based on an outdated invoice, outdated bill for
2 merchandise, or for services furnished to the state pursuant
3 to section 25.1, subsection 3, may on its own approve or deny
4 the claim. The agency shall provide the state appeal board
5 with notification of receipt of the claim and action taken on
6 the claim by the agency. The state appeal board shall adopt
7 rules setting forth the procedures and standards for
8 resolution of claims by state agencies. Claims denied by an
9 agency shall be forwarded to the state appeal board by the
10 agency for further consideration, in accordance with this
11 chapter.

12 3. Payments authorized by the state appeal board shall be
13 paid from the appropriation or fund of original certification
14 of the claim. However, if that appropriation or fund has
15 since reverted under section 8.33 then such payment authorized
16 by the state appeal board shall be out of any money in the
17 state treasury not otherwise appropriated.

18 4. Notwithstanding the provisions of this section, the
19 director of revenue and finance may reissue outdated warrants.

20 5. On or before November 1 of each year, the director of
21 revenue and finance shall provide the treasurer of state with
22 a report of all unpaid warrants which have been outdated for
23 two years or more. The treasurer shall include information
24 regarding outdated warrants in the notice published pursuant
25 to section 556.12. The provisions of section 556.11 regarding
26 agreements to pay compensation for recovery or assistance in
27 recovery of unclaimed property are applicable to agreements to
28 pay compensation to recover or assist in the recovery of
29 outdated warrants.

30 Sec. 3. Section 421.38, subsection 1, Code 1995, is
31 amended to read as follows:

32 1. a. THREE-MONTHS TIME AND FUNDING LIMIT. A claim shall
33 not be allowed by the department of revenue and finance if the
34 either of the following has occurred:

35 (1) The claim is presented after the lapse of three months

1 from its accrual. However, this

2 (2) The appropriation or fund of certification available
3 for paying the claim has been exhausted or proves
4 insufficient.

5 b. The time limit limitation set forth in paragraph "a",
6 subparagraph (1), is subject to the following exceptions:

7 a. (1) Claims by state employees for benefits pursuant to
8 chapters 85, 85A, and 86 are subject to limitations provided
9 in those chapters.

10 b. (2) Claims for medical assistance payments authorized
11 under chapter 249A are subject to the time limits imposed by
12 rule adopted by the department.

13 (3) Claims approved by an agency according to the
14 provisions of sections 25.1 and 25.2.

15 Sec. 4. EFFECTIVE DATE. This Act, being deemed of
16 immediate importance, takes effect upon enactment.

17 EXPLANATION

18 This bill amends the procedure for payment of claims based
19 on invoices for goods or services that were provided more than
20 90 days prior to the date of the claim, or that were submitted
21 after the close of the fiscal year.

22 Section 1 of the bill amends Code section 25.1 to provide
23 that such a claim can be filed directly with the agency that
24 received the goods or services, for approval or rejection.

25 Section 2 of the bill contains changes to section 25.2,
26 permitting the agency directly to approve or reject a claim
27 based on an outdated invoice. Section 25.2 also expressly
28 directs the state appeal board to adopt rules setting
29 standards for approval or rejection of such claims by
30 agencies.

31 Section 3 of the bill provides that the department of
32 revenue and finance can pay such an approved claim, provided
33 that the appropriation or fund of certification was
34 sufficient.

35 Section 4 of the bill contains a provision making the bill

1 effective upon enactment.

2 BACKGROUND STATEMENT

3 SUBMITTED BY THE AGENCY

4 Last year the state appeal board received approximately
5 3,000 general claims for review, approval, and processing.
6 The number of claims has been increasing about 10-15 percent
7 per year. Most general claims are for outdated invoices,
8 which means that vendors have not submitted bills for their
9 products or services within 90 days of providing the goods or
10 services.

11 A quality process improvement team was organized in
12 September 1993 to review and suggest improvements to the
13 process. The team found that, on average, 49 percent of the
14 outdated general claims were under \$100 and that 85 percent of
15 the claims were less than \$1,000.

16 After 18 months of research, the team recommended and the
17 state appeal board implemented a number of improvements. The
18 team concluded, and the state appeal board agreed, that the
19 review and approval of certain general claims could be
20 improved by assigning this responsibility to the agencies
21 incurring the liability.

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SENATE FILE 2367

AN ACT

PROVIDING FOR THE PAYMENT OF OUTDATED INVOICES BY THE AGENCY TO WHICH THE GOODS OR SERVICES WERE PROVIDED, AND BY THE DEPARTMENT OF REVENUE AND FINANCE, AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 25.1, Code 1995, is amended to read as follows:

25.1 RECEIPT, INVESTIGATION, AND REPORT.

1. When a claim is filed or made against the state, on which in the judgment of the director of the department of management the state would be liable except for the fact of its sovereignty or which that it has no appropriation available for its payment, the director of the department of management shall deliver that claim to the state appeal board.

2. The state appeal board shall make a record of the receipt of ~~that claim and forthwith deliver it~~ claims received from the director of the department of management, notify the special assistant attorney general for claims, and deliver a copy to the state official or agency against whom the claim is made, if any.

a. The official or agency shall report its recommendations concerning the claim to the special assistant attorney general for claims who shall, with a view to determining the merits and legality of it, fully the claim, shall investigate the claim, including the facts upon which it is based and report in duplicate the findings and conclusions of law the investigation to the state appeal board.

b. To help defray the initial costs of processing a claim and the costs of investigating a claim, the department of management may assess a processing fee and a fee to reimburse the office of the attorney general for the costs of the claim investigation against the state agency which incurred the liability of the claim.

3. Notwithstanding subsections 1 and 2 and section 25.2, the following claims shall be submitted by the person filing the claim directly to the agency against whom the claim is made for resolution according to section 25.2, subsection 2:

a. Outdated invoices, outdated bills for merchandise, or claims for services furnished to the state, for goods or services provided in the same fiscal year that the claim is filed.

b. Outdated invoices, outdated bills for merchandise, or claims for services furnished to the state, for goods or services provided in any prior fiscal year, for which funding would have been available to pay the claim if it had been filed before the close of the fiscal year.

Claims submitted under this section may be approved by the agency in accordance with section 25.2, subsection 2, except that payment for claims for which the appropriation has reverted to the general fund of the state must be paid in accordance with section 25.2, subsection 3.

Sec. 2. Section 25.2, Code Supplement 1995, is amended to read as follows:

25.2 EXAMINATION OF REPORT -- APPROVAL OR REJECTION -- PAYMENT.

1. The state appeal board with the recommendation of the special assistant attorney general for claims may approve or reject claims against the state of less than ten years covering involving the following: ~~outdated~~

a. Outdated warrants; ~~outdated.~~

b. Outdated sales and use tax refunds; ~~license.~~

c. License refunds; ~~additional.~~

d. Additional agricultural land tax credits; ~~outdated.~~

e. Outdated invoices; ~~fuel.~~

f. Fuel and gas tax refunds; ~~outdated.~~

g. Outdated homestead and veterans' exemptions; ~~outdated.~~

h. Outdated funeral service claims; ~~tractor.~~

i. Tractor fees; ~~registration.~~

j. Registration permits; ~~outdated.~~

k. Outdated bills for merchandise; ~~services.~~

l. Services furnished to the state; ~~claims.~~

m. Claims by any county or county official relating to the personal property tax credit; ~~and-refunds.~~

n. Refunds of fees collected by the state.

2. Notwithstanding subsection 1, an agency that receives a claim based on an outdated invoice, outdated bill for merchandise, or for services furnished to the state pursuant to section 25.1, subsection 3, may on its own approve or deny the claim. The agency shall provide the state appeal board with notification of receipt of the claim and action taken on the claim by the agency. The state appeal board shall adopt rules setting forth the procedures and standards for resolution of claims by state agencies. Claims denied by an agency shall be forwarded to the state appeal board by the agency for further consideration, in accordance with this chapter.

3. Payments authorized by the state appeal board shall be paid from the appropriation or fund of original certification of the claim. However, if that appropriation or fund has since reverted under section 8.33 then such payment authorized

by the state appeal board shall be out of any money in the state treasury not otherwise appropriated.

4. Notwithstanding the provisions of this section, the director of revenue and finance may reissue outdated warrants.

5. On or before November 1 of each year, the director of revenue and finance shall provide the treasurer of state with a report of all unpaid warrants which have been outdated for two years or more. The treasurer shall include information regarding outdated warrants in the notice published pursuant to section 556.12. The provisions of section 556.11 regarding agreements to pay compensation for recovery or assistance in recovery of unclaimed property are applicable to agreements to pay compensation to recover or assist in the recovery of outdated warrants.

Sec. 3. Section 421.38, subsection 1, Code 1995, is amended to read as follows:

1. a. THREE-MONTHS TIME AND FUNDING LIMIT. A claim shall not be allowed by the department of revenue and finance if the either of the following has occurred:

(1) The claim is presented after the lapse of three months from its accrual. However, this

(2) The appropriation or fund of certification available for paying the claim has been exhausted or proves insufficient.

b. The time limit limitation set forth in paragraph "a", subparagraph (1), is subject to the following exceptions:

a. (1) Claims by state employees for benefits pursuant to chapters 85, 85A, and 86 are subject to limitations provided in those chapters.

b. (2) Claims for medical assistance payments authorized under chapter 249A are subject to the time limits imposed by rule adopted by the department.

(3) Claims approved by an agency according to the provisions of sections 25.1 and 25.2.

Sec. 4. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

LEONARD L. BOSWELL
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2367, Seventy-sixth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved April 8, 1996

TERRY E. BRANSTAD
Governor

SF 2367