

April 19



North Carolina Department of Health and Human Services
Office of the Controller

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

Laketha M. Miller, Controller
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LOCATION:
616 Oberlin Road
Raleigh, NC

MEMORANDUM #2010-12

TO: DHHS Division/Institution Directors
DHHS Division/Institution Budget Officers

FROM: Laketha M. Miller *Laketha M. Miller*

DATE: April 19, 2010

RE: Revision to Policy for Processing Direct Payment Invoices (Memo dated February 21, 2006)

In order to enhance the efficiency of processing for direct payment invoices, the Policy for Processing Direct Payments has been revised. Instead of Division Directors submitting written justification to me for approval prior to payment of invoices, you will now be required to attach your justification for direct payment as supporting documentation when the invoices are submitted for payment. In no way does this diminish the responsibility of the divisions, institutions, and the Office of the Controller to follow proper purchasing and payment authorization procedures. Direct payment of invoices is still to be kept to a minimum.

All division delegation threshold amounts for the approval of direct payment invoices at division/institution level still apply. If you need assistance or clarification on your division's delegations, please contact the appropriate General Accounting/Financial Management (GA/FM) Branch Head for your division.

Attached to this memo is a copy of the Policy for Processing Direct Pay Invoices previously issued on February 21, 2006 and the Revised Policy for Processing Direct Pay Invoices, effective retroactively to April 1, 2010. If you have questions regarding purchasing policies, contact the DHHS Office of Procurement and Contract Services. If you have questions regarding the approval of invoices, contact the appropriate GA/FM Branch Head for your division/institution.

Attachments

- cc: Executive Committee
- DHHS Office of the Controller Section Chiefs
- DHHS GA/FM Branch Heads
- DHHS Program Benefits Branch Heads

Policy for Processing Direct Pay Invoices **(Revised Effective April 1, 2010)**

All commodity (goods) purchases over the division's delegation should be entered into e-procurement as a requisition unless covered under the direct payment policy listed below. "Contracts for services" must be encumbered in NCAS (or in some cases e-procurement) per the Department's Cash Management Plan and recorded in the DHHS contracts system unless covered under the direct payment policy listed below.

All invoices and contract payment requests must be sent to the Controller's Office for payment and must either have a Purchase Order (encumbrance) number on the invoice or have attached an exception justification signed by the Division Director or division designee to pay as a direct pay.

If covered under the direct pay policy, divisions may have the Controller's Office pay directly, but are nonetheless *encouraged* to use the p-card for purchases that are under their delegation. The reason for this is to suppress to the absolute minimum the practice of paying invoices directly and to regain firm administrative control over what has become an increasingly large portion of our business transactions (direct pays).

Listed below are cases that will be accepted as direct payment. The client's needs are the primary concern of the department and should not be affected. The concerns of the client should be dealt with and then the proper office should be notified of the situation.

1. In the following cases, direct payment is routinely expected and authorized payments do not require justification. However, an authorized signature is still required:
 - Purchases of fuel, utilities (including power, gas, water, sewage treatment, telephone, pagers & cell service, etc.).
 - Payments arising from litigation & legal settlements.
 - Insurance
 - Payments to other government agencies (including state universities) **not covered under a contract**.
 - Medical payments for clients not covered under a contract (i.e. enrolled providers, emergency doctor visits, etc.).
 - Medicaid payments made to providers.
 - Adoption agencies (not covered under a contract).
 - Personal services for interpreters (not covered under a contract).
 - Temporary staffing agencies or personnel (not covered under a service contract)
 - Travel or conference expenses not governed by employee reimbursement procedures Note: Contact your division business/budget office for travel reimbursement procedures.
 - Non routine recycling/shredding services not covered under a contract (encourage the use of blanket purchase orders for multiple visits).

2. The following purchases will need justification for payment from the **Division Director or division designee** before they can be processed as a direct pay. For this category the Divisions should obtain approval from OPCS, B&A, and/or Property and Construction as required prior to submitting the invoice for payment to the DHHS Controller's Office :

- Contracts that have expired or services incurred prior to a contract being put in place (OPCS and B&A approval).
 - NCAS Purchase Order or e-procurement purchase order that is closed with a zero balance (OPCS approval).
 - Cost incurred for construction, capital projects, renovation and/or lease expenses where the contract has expired (DHHS Property and Construction approval).
 - Division purchased a commodity or service over their delegation without a purchase order or contract (OPCS and B&A approval).
3. In the following cases involving commodities or service purchases, direct payment or payment via departmental procurement cards (if within approved delegations) is authorized. In general, the P-Card may not be used for service payments. The only exception is when an emergency occurs and if the payment is approved by the Agency Card Administrator, OPCS, and the DHHS Controller's Office. If the direct payment is over the approved delegation, then justification and approval from the Division Director or a designee are required.
- Postage and shipping charges not billed on POs (and post office or caller box rentals).
 - Emergency or pressing needs within agency delegations. An emergency situation is where if a purchase isn't made it will endanger lives, property, or the continuation of a vital program and which can be rectified only by this immediate on-the-spot purchase (or rental) of equipment, supplies, materials, printing, or contractual services.
 - Classified advertising, media buys, etc. (under division's delegation and not under contract).
 - *Small* maintenance service agreements **within agency delegations** that are not on POs in e-procurement or NCAS (for copiers, fax machines, etc.).
 - Other service agreements **within agency delegations** that are not covered by contracts. Services that extend over a period of time should be under contract and encumbered instead of making direct payments each month.
 - Purchase Orders that are closed but have dollars available, have a problem with quantity, and cannot be reopened.
 - Copyrighted educational materials such as books, maps, charts, globes, film, filmstrips, videos, recordings, slides and transparencies may be paid directly for purchases up to \$5,000.
4. The following will be based on the Office of State Budget and Management Budget Manual and the division business/budget office internal procedures. The purchasing card should not be used for these type purchases, even if under division's delegation, unless **prior approval** is obtained through the P-Card Administrator, OPCS, and the DHHS Controller's Office. In the following cases direct payment is authorized.
- Memberships, dues, registrations, and similar fees (DHHS Controller's Office staff will question and monitor payments to employees if these types of services are on employee travel to ensure no duplication of service).
 - Snack food (meals) purchases for meetings, conferences fees (hotel, food, room rental etc.), training sessions, etc.
 - Subscriptions, courses; teleconferences (which require **advance** approval in accordance with the division's internal approval process), or emergency or pressing

needs not within agency delegations (for which the approval of the Office of Procurement and Contracting Services is also required).

5. Printing remains a special category.

- Routine printing or other services from DOC may be paid direct for purchases up to \$5,000 (not furniture).
- Printing or other services from DOC may be paid via the p-card for purchases within approved delegations (including furniture).
- Print orders or other services from DOC that exceed \$5,000 must be entered into e-procurement and a PO issued.
- Routine printing from university print shops may be directly paid or paid via p-card if within approved delegations.
- Other printing from private commercial sources may be paid directly or via p-card if within approved delegations.
- All other printing must be entered in e-procurement and a PO issued except as noted in bullets 2, 4, and 5.
- Pre-approval of documents intended for the public must be secured from DHHS Public Affairs and public documents must include cost per copy information.
- Large print orders should be referred to DHHS Procurement & Contract Services for optimum pricing.

Please forward questions to DHHS Procurement & Contract Services for determination if product or service is not covered above. The intent is not to limit business activity but to reduce direct payments and to increase administrative control over these expenditures.



~~CONFIDENTIAL~~

North Carolina Department of Health and Human Services
Office of the Controller

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LOCATION:
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February 21, 2006

MEMORANDUM

To: DHHS Division/ Institution Directors
DHHS Division/Institution Budget Officers

From: Laketha M. Miller *Laketha M. Miller*

Subject: Policy for Processing Direct Pay Invoices

In an effort to continue the payment efficiency for the Department, the DHHS Controller's Office has come up with the attached direct pay policy/procedure. As a result of this policy, the DHHS Controller's Office has identified guidelines that must be followed to result in better services to our client divisions and their various vendors of goods and services. The effective date of this policy is March 1, 2006.

As we strive more earnestly to reach our goals of improving payment efficiency, while also adhering to accounting policies, practices and internal controls, we want to keep everyone informed as policies are modified.

The DHHS Controller's Office will monitor this policy for processing direct pay invoices very closely for efficiency of operations, and each Division is expected to do the same. As we continue to work together and keep open communication, the more successful we will be at obtaining our goals. Please do not hesitate to contact Judy Gay of my staff at 715-9058 if you have any questions or concerns.

Attachment

cc: Executive Committee
DHHS Controller's Section Chief
DHHS GA/FM Branch Heads
DHHS Program Benefits Branch Heads

Policy for Processing Direct Pay Invoices

Increases in use of procurement cards *and* in the number of invoices being paid directly lead us to codify procedures within DHHS. We re-emphasize that ALL commodity purchases ABOVE agency delegations must be entered as e-procurement purchase orders except as described below. Contracts for services not described below must be keyed in NCAS (or in some cases e-procurement) and recorded in DHHS' online contracts system. **If you do not know or need clarification on your division's delegations, contact your division's Budget/ Business Office. Services that extend over a period of time should be under contract and encumbered.**

All procurements for goods over the division's delegation **should** be in e-procurement unless listed below. If under the division's delegation, the division can direct pay but is encouraged to use the p-card for these purchases if one is available. The reason for this is to suppress to the absolute minimum the practice of paying invoices directly. Also, to regain firm administrative control over what has become an increasingly large portion of our business transactions (direct pays).

We do understand that there might be some instances when commodity purchases over the agency delegation will not be via e-procurement and will be processed as a direct payment. We will require justification for these purchases over the agency delegation with some exceptions. Listed below are cases that will be accepted as direct payment. The customer needs are the primary concerns of the department and should not be affected. The concerns of the customer should be dealt with and then the proper office should be notified of the situation.

All direct payments require the appropriate Division Director or delegated staff person approval. The items listed below are not exempt from the approval process.

1. In the following cases, direct payment is routinely expected and authorized payments do not require justification:
 - Purchases of fuel, utilities (including power, gas, water, sewage treatment, telephone, pagers & cell service, etc.)
 - Payments arising from litigation & legal settlements
 - Insurance
 - Payments to other government agencies (including state universities)(not covered under a contract)
 - Medical payments (not covered on contract) (i.e. enrolled providers, emergency doctor visits, etc.)
 - Temporary agencies or personnel (not covered under a personal services contract)
 - Travel or conference expenses not governed by other employee reimbursement procedures (**contact division business/budget office for internal travel reimbursement procedures**). For example, emergency need for conference set up.
 - Recycling/shredding services not under contract

2. The following will need justification for payment from the Division Director before the DHHS Controller will approve to be paid as a direct pay:
 - Contracts that have expired or services incurred prior to a contract being put in place.
 - Purchase Order or e-procurement that is closed with a zero balance.
 - Cost incurred for construction, renovation and/or lease expenses where the contract has expired or where no purchase order is in NCAS or e-procurement

3. In the following cases, direct payment OR payment via departmental procurement cards (if within approved delegations) is authorized: P-Card will not prevent service payments; however, service payments can only be authorized for vendors through the Agency Card Administrator. If payment is over approved delegation, then justification is needed with approval from Division Director or designee. Commodity or Service purchases within agency delegations as follows:
 - Postage and shipping charges not billed on POs (and post office or caller box rentals)
 - Emergency or pressing needs within agency delegations (everything can not be an emergency)
 - Classified advertising,
 - **Small** maintenance service agreements within agency delegations that are not on PO's in e-procurement or NCAS (for copiers, fax machines, etc.)
 - Other service agreements within agency delegations that are not covered by contracts (contracts should be encumbered in E-procurement or NCAS). Services that extend over a period of time should be encumbered and under contract.
 - Purchase Order or e-procurement that is closed has dollars available, but has a problem with quantity, and the purchase order can be reopened.

4. The following will be based on the Office of State Budget and Management Budget Manual and the division business/budget office internal procedures. The purchasing card should not be used for these type purchases, even if under division's delegation, unless prior approval is obtained through the P-Card Administrator or Budget Officer. In the following cases direct payment is authorized.
 - Memberships, dues, registrations, and similar fees (DHHS Controller's Office staff will question and monitor payments to employees if these types of services are on employee travel to ensure no duplication of service);
 - Snack food (meals) purchases for meetings, conferences fees (hotel, food, room rental etc.), training sessions, etc.;
 - Subscriptions; courses; & teleconference (which require approval following division's internal approval process in advance) emergency or pressing needs *not* within agency delegations (for which the approval of the Office of Procurement and Contracting Services is also required).

5. Printing remains a special category.

- Routine printing or other services from DOC may be paid direct for purchases up to \$5000.
- Printing or other services from DOC may be paid via the p-card for purchases within approved delegations.
- Print orders or other services from DOC that exceed \$5000 must be entered into e-procurement and a PO issued.
- Routine printing from university print shops may be direct paid or paid via p-card if within approved delegations.
- Other printing – from private-sector commercial sources – may be paid direct or via p-card if within approved delegations.
- All other printing must be entered in e-procurement and a PO issued except as noted in bullets 2, 4, and 5.
- Pre-approval of documents intended for the public must be secured from DHHS Public Affairs, and public documents must include cost/copy information.
- Large print orders should be referred to the DHHS Procurement & Contract Services office for optimum pricing.

Please forward questions to DHHS Procurement & Contract Services for determination if product or service is not covered above. The intent is not to limit business activity but – as stated – to reduce direct payments and to increase administrative control over these expenditures.