



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

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

Laketha M. Miller, Controller
(919) 733-0169

MAILING ADDRESS:
2019 Mail Service Center
Raleigh, NC 27699-2019

LOCATION:
616 Oberlin Road
Raleigh, NC

MEMORANDUM #2011-3

TO: DHHS Division/Institution Directors
FROM: Laketha M. Miller *Laketha M. Miller*
Date: November 9, 2010
RE: Revision to Policy for Processing Direct Payment Invoices

Attached is a revision to the Policy for Processing Direct Payment Invoices. Effective July 1, 2010, minor changes were made in the process for the steps involving Budget & Analysis (B&A) and the Office of Procurement and Contract Services (OPCS). The attached policy reflects those revisions. Under the revised policy item #2, Budget & Analysis no longer requires the approval of direct payment justifications before they are submitted to the DHHS Controller's Office for payment. In addition, approval of those same justifications by the Office of Procurement and Contract Services only relates to approval of the payment of the invoice as a direct payment and not to approval of the payment of the invoice itself.

If you have questions regarding this policy revision, please contact the DHHS Controller's Office General Accounting and Financial Management Branch Head for your division or institution.

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

Policy for Processing Direct Payment Invoices **(Revised Effective July 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 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 approval of direct payment).
 - NCAS Purchase Order or e-procurement purchase order that is closed with a zero balance (OPCS approval of direct payment).
 - Cost incurred for construction, capital projects, renovation and/or lease expenses where the contract has expired (DHHS Property and Construction approval of direct payment).
 - Division purchased a commodity or service over their delegation without a purchase order or contract (OPCS approval of direct payment).
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.