

Internal Operations Manual

SUBJECT: Accounts Payable	NUMBER: 107-30-060
DIVISION: Office of Business Administration - Accounting	EFFECTIVE DATE: 9-11-00

APPROVED: Original Signature Approval Filed with the Office of Business Administration

POLICY: DAS is committed to ensuring accurate, timely and cost effective processing, payment and recording of invoices. Division administrators may delegate authority to authorize the purchase of goods and services to staff in their divisions by submitting a signature authorization memo to the Receipts and Disbursements section. For the purposes of internal control, delegated authority should be limited to the fewest number of individuals needed to complete the work without impeding operations.

ADVISORY GROUP: The Accounts Payable Coordinators group has been established within DAS to develop and recommend guidelines and policies for payment processes. The group will meet as needed to address initial and emerging issues.

DEFINITIONS: Appropriate use of State funds – purchase or payment that clearly promotes or supports the lawful operation of the program, division or agency and reflects prudent and economical stewardship of public resources. Public funds must currently be available to the agency, through appropriation, limitation, or other legislative authority. Payments should not result in direct or indirect personal gain and should be able to withstand audit review and public scrutiny.

TRAINING: The program divisions are responsible for insuring that training is provided as a prerequisite for delegated payment processing and approval authority. This training will be provided by Division and Policy offices in conjunction with the Accounting Services Unit. At a minimum the training should include:

- Appropriate use of state funds and personal liability issues
- Internal controls and procedures
- Determining appropriate methods for payments (SPOTS, travel, R*STARS/ADPICS, rushes etc.)
- Processing of payments, including the completion of coding blocks

RESPONSIBILITIES Divisions and Policy offices are responsible for:

- ✓ Receiving and reconciling vendor invoices and statements
- ✓ Requesting the establishment, adjustment and liquidation of encumbrances, when appropriate.
- ✓ Completing one of the standardized coding blocks (see exhibit A)
- ✓ Verifying invoice total, documenting adjustments to payment amount and

- ✓ vendor information
- ✓ Confirming that purchases were not previously paid from duplicate documentation or SPOTS card, and providing ORIGINAL invoice to A/P for payment and audit. (Faxes or photocopies should only be used when there is no original.)
- ✓ Verifying that goods or services were received in full or in part
- ✓ Allowing adequate processing time to pay in a timely manner and minimize rush payment requests
- ✓ Expenditures are an appropriate use of state funds.
- ✓ Reasons for unusual purchases, or exceptions to policies have been documented.
- ✓ Applicable and accurate accounting information has been provided on the coding block, including PCA, project numbers, encumbrance references, accounting period.
- ✓ That all invoices are processed and sent to A/P promptly.

The payable staff within the Receipts and Disbursements Section is responsible for:

- ✓ Verifying that acceptable documentation and coding block have been received.
- ✓ Questioning that purchases & services appear to be reasonable uses of state funds
- ✓ Verifying that signature is listed on the authorized signature memo for that division.
- ✓ Researching in SFMS for prior payments any invoice older than four months. Using monthly duplicate payment report to check for duplicate payments made within past four months. Notifying Divisions of duplicate payments processed or prevented, and any resulting credits due DAS.
- ✓ Accurately inputting transactions into SFMS to generate warrants, transfers & encumbrances.
- ✓ Processing payments using methods to maximize cash for state, when practicable, and by taking cash discounts.
- ✓ When requested, sending remittance information with warrants to vendors. Reviewing the requests from Divisions for returned warrants to verify the need and to insure maximum internal controls and efficiency of warrant distribution.
- ✓ Archiving the original document of record for audit and review, based on the State Archive Division's retention schedule.

SEPARATION OF DUTIES:

Divisions will maintain an adequate separation of duties over purchasing transactions. At a minimum, a person originating a transaction should not be the final approver and the person using an asset should not be responsible for recording the asset in the accounting records. Also, a person should never approve a purchase or invoice for their own benefit. For example, if registering for a class, ordering technology or furniture, someone other than the recipient should approve the order/payment.

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PERSONAL LIABILITY:

Public employees may be liable, under ORS 291.990 and 294.100 for the improper use of state funds. Public employees who order, authorize or cause to be made any expenditure or obligation in violation of state statutes, rule policies or procedures can be subject to fines and penalties, and be held personally financially liable for the inappropriate expenditure. To avoid personal liability issues, employees should refer any questionable expenditure requests to their supervisor or another manager.

INVOICE DELIVERY:

Program divisions and policy offices should use their mailing address as the "bill to" address when making purchases. Some agency-wide billings, which must be split between multiple divisions, will be mailed directly to the Disbursements section. These include, but are not limited to DOJ, facility rents and utilities, credit card program bills, etc. Agency-wide bills must be reviewed, approved and returned to Disbursements for payment processing within the designated payment schedule.

ENCUMBRANCES:

Oregon Accounting Manual (OAM) requires encumbrances to be established for nearly all purchases over \$5,000. Purchases made through the ADPICS purchasing system are automatically encumbered regardless of the dollar amount. Divisions may request that the Disbursements Unit encumber additional items beyond those listed above.

The ADPICS payment process liquidates ADPICS encumbrances. Divisions must notify the Disbursements Unit (on the payment coding block or via the Encumbrance Request/Adjustment form) when liquidating any non-ADPICS encumbrances. Divisions will monitor their encumbrances for accuracy and request appropriate additions, corrections and liquidations.

For further information on encumbering, see DAS Encumbrance Policy.

MULTI-DIVISIONAL/ MULTI-SECTIONAL CHARGES:

Reoccurring invoices, which include charges for multiple locations within DAS Divisions, will be reviewed and approved in a centralized manner. These invoices may include, but are not limited to: unemployment taxes, rents, audit charges, risk management insurance, employee assistance program, agency-wide publications and health checks. The obligating or assigned Division will obtain biennial preapproval and precoding necessary to allow payment within 10 working days. After paying the invoice the Division will notify other affected Divisions or Sections of their portion of the shared charges. These reoccurring payments will not be routed or held to obtain multiple approvals

PAYMENT SCHEDULE:

It is DAS's policy to pay obligations according to the vendors' payment terms, within the limits set by ORS 293.462. DAS will pay in time to take cash discounts when offered. Otherwise, invoices will be processed in a fashion to optimize cash balances earning interest for DAS with the State Treasury. This will often

result in “just in time” payments to vendors. These payments will be processed by the Disbursement Section according to the schedule below, however the “due date” may be used to delay warrant generation until four days before the payment is due.

Divisions will process all routine payments within 10 working days of their receipt. The Disbursements Unit will process all routine payments within the priority schedule listed below. Every effort will be made by Divisions to minimize requests for special or rush handling of payments.

- Expedite: Requested by 11:00, warrant produced by 3:30. By special request only – justification required.
- Priority 1: Same day processing, warrant available 1:30 the following day (Includes ACHs, Risk Management liability and restoration payments)
- Priority 2: Two to three day processing (Includes class registrations, SPOTS cards)
- Priority 3: Four to seven day processing (Travel, utilities)
- Priority 4: Usually seven or less days (Transfers to other agencies, other routine purchases)

PROCEDURE:

1. Evaluates signature authority needed by staff. Completes signature authority form(s) (Exhibit B) and submits to Accounting Services Unit. Updates signature authorizations as division or policy office personnel are hired or depart.

**DIVISION AND
POLICY OFFICE
STAFF**

2. Insure that vendors are supplied with correct addresses so invoices are delivered to the section responsible for initiating payment.

ALL

3. Receives and reviews invoices for appropriate use of funds, accuracy of cost and services/items received and billed. Uses Division system(s) to verify that payment has not already been made. Documents any adjustments to invoice totals.

**DIVISION AND
POLICY OFFICE
STAFF**

Completes appropriate coding block including any of the following which is required by the circumstances of the purchase:

Vendor name, due date, purchase order or SFMS A/R reference number, full or partial delivery (Mod box), PCA, agency object, project, vendor numbers, accounting year, amount, invoice number
OR Completes ADPICS receiving and posting steps on SFMS

4. Reviews all work completed by Division staff above. Explains on the coding block or invoice the purchase of unusual items. Signs approval for

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**AUTHORIZED DIV.
STAFF**

payment.

5. Copies invoices and attachments for division purchasing files. Promptly forwards approved original invoices and attachments to Disbursements Section for payment.

**DIVISION AND
POLICY OFFICE
STAFF**

6. Reviews invoices to ensure steps above have been completed. Assigns vendor number if not provided. Verifies agency object for Federal 1099 and state capitalization policies and communicates with divisions any changes made. Verifies or chooses appropriate T-code. Prioritizes payments based on established criteria.

Inputs into ADPICS or RSTARS, liquidating encumbrances when appropriate. Selects and inputs due dates to maximize cash management and insure timely payments to vendors.

Reviews accuracy of document input. Releases payment batches.

Maintains the record copy of vouchers, transfers and original supporting documents according to Secretary of State's retention schedule.

Flags warrants for return to Divisions or Disbursement Section, when appropriate. Mails warrants with remittance advice or contacts Division when warrants arrive. Controls access to warrants while in section. Obtains signature of Division staff when warrants picked-up from Disbursement Section.

DISBURSEMENTS