

Client Agency Policy & Operations Manual

SECTION: 60 Financial Management

NUMBER: SCS-60-020

TITLE: Accounts Payable

EFFECTIVE DATE: 7-29-02

APPROVED: Signature on file with the State Controller's Division.

PURPOSE and/or RESULTS DESIRED:

This policy provides guidelines to agencies to aid in accurate, timely and cost-effective processing, payment and recording of invoices.

AUTHORITY:

[ORS 291.015](#) Fiscal responsibilities of department; delegation of fiscal functions.

[ORS 293.590](#) Department to supervise state agency accounting; furnishing accounting services.

[OAR 125.150](#) DAS - Risk Management Division Policy.

[OAM 10.40.00.PO](#) Internal control; Expenditures.

[OAM 10.90.00.PO](#) Approval of Agency Head Transactions.

[OAM 20.20.00.PO](#) Encumbrances.

APPLICABILITY:

Client agencies assigned and/or contracting for accounting, budgeting and financial reporting services with the State Controller's Division, DAS.

DEFINITIONS:

Appropriate use of State funds - A purchase or payment that clearly promotes or supports the lawful operation of the client agency and reflects prudent and economical stewardship of public resources. Public funds (cash) must currently be available to the client 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.

POLICY:

This policy sets accountability standards for client agency heads and employees with delegated commitment and expenditure authority and defines accountability for all employees within a given risk environment. Oregon statutes give client agency heads the responsibility for approving the use of State resources for commitments, expenditures, and disbursements of the client agency.

GUIDELINES:

- I. Payment Documentation and Processing
 - A. Payment documents used to authorize expenditures include invoices, entitlements, awards, grants, grant disbursement requests, vouchers, check requests, insurance claims, purchase orders, contract release orders, travel claims, personnel actions for payroll transactions, and other similar forms.

- B. When the client agency head or designee approves these or similar documents, the claim is sent to and processed by DAS Shared Client Services, and timely payment is made consistent with good cash management practices based on that approval and within the delegated authority.
- C. Claim payments should be reviewed internally for accuracy and appropriateness. Payments will also be reviewed by DAS Shared Client Services, for accuracy and appropriateness.

II. Criteria for Payment of a Claim

- A. The claim must be supported by the approval of the client agency that incurred the obligation or made the expenditure on which the claim is based. That is, the approval is evidenced by the signature of the client agency head or employee with delegated authority.
- B. Provision of payment of the claim must be made by law and appropriation.
- C. The obligation or expenditure on which the claim is based must be authorized as provided by law.
- D. The claim otherwise satisfies requirements by law.

III. Encumbrances

- A. An encumbrance represents a formal commitment to purchase goods or services within the current biennium or with appropriations of the current biennium, and significantly reduces the opportunity to over obligate appropriations and other spending plans.
- B. Client agency heads will provide SCS with the necessary documentation and notification to ensure encumbrances are properly recorded, cancelled, and/or paid and liquidated.

IV. Client Agency Head Transactions

- A. Board or commission members are responsible for the review and approval of client agency head financial transactions.
 - 1. Client agency heads appointed by or reporting to a board or commission shall work with that body to create a review and approval process for client agency head transactions.
 - 2. The board or commission should take an active role in the review and approval process.
 - 3. The review and approval of financial transactions must be a part of the regular meetings and be documented in the minutes.
- B. Board or commission delegation of review and approval authority.
 - 1. The board or commission may delegate the review and approval authority, in writing, to the board or commission chair or ranking officer. The board may also delegate this authority to the client agency second-in-command.
 - 2. Boards and commissions delegating the review and approval process must, at least annually, review the financial transactions of the client agency head approved as delegated.
 - 3. These post-transaction reviews and approvals must be documented in the minutes of the board or commission annual meeting.

- C. In addition to board and commission member review, client agency heads are required to obtain out-of-state travel approval from the Office of the Director, DAS prior to out-of-state travel (in accordance to [OAM 40.10.00.PO](#)).

V. Separation of Duties

- A. Client agencies will maintain an adequate separation of duties over purchasing and payment transactions.
- B. A person originating a payment transaction should not be the final approver or person using an asset should not be responsible for recording the asset in the accounting records.
- C. A person should never approve a purchase or invoice for his or her own benefit. For example, if registering for a class, another individual should approve the payment.
- D. Client agencies without adequate staff to provide for separation of duties will utilize board and commission members and/or consult with Shared Client Services for appropriate internal controls.

VI. Delegation of Expenditure Decision Authority

- A. The client agency head is authorized to make expenditure decisions by statute and legislative appropriation.
 - 1. Expenditure decision authority can be delegated to client agency staff in writing.
 - 2. Each client agency head must develop documentation evidencing delegation of expenditure authority to specific individuals.
 - 3. Any person who exercises expenditure decision authority shall be legally responsible and accountable for the expenditure.
- B. Each employee authorized to make an expenditure decision involving state funds is responsible for the “good judgment” and “lawfulness” of the expenditure. The transaction must be for authorized purposes and a responsible and appropriate use of State funds. A negligent or fraudulent expenditure can result in personal financial responsibility and/or disciplinary action up to and including dismissal.
- C. If the client agency head lawfully delegates expenditure decision authority to another, the delegating authority could still be held responsible or accountable for another’s expenditure, especially when they have reason to know the expenditure is unlawful or contrary to client agency policy.
- D. If the person exercising expenditure decision authority directs another person to make a purchase or incur an expenditure, the person following the direction shall not be held responsible or accountable for the expenditure, unless that person has knowledge clearly indicating the expenditure is unlawful.

VII. Penalties for Inappropriate Action

Although unusual, there are occasional cases of employee dishonesty. Any suspected dishonesty case will be handled in accordance with [ORS 278](#) and DAS Risk Management Division’s [Employee Dishonesty Policy Manual](#).

- A. Inappropriate actions by responsible persons authorizing expenditures may result in different penalties, depending on the circumstances. In some cases, the State’s insurance protection may be denied employees when purchases were not for

appropriated purposes. The following are typical consequences relating to different levels of inappropriate expenditures.

1. **Simple error** is defined as an unintentional action that was thought at the time to be proper but discovered later to be inappropriate. Under this rule, there is no penalty for a simple error as long as it is not part of a pattern of simple errors. Such pattern may move the action to the negligence category.
 2. **Negligence** is defined as failure to act reasonably under the circumstances then and there existing. Under this rule, an employee may incur disciplinary action for expenditures that are negligent or contrary to State or agency policy.
 3. **Gross Negligence** is an extreme act of neglect or lack of due care or concern. Under this rule, the penalty for gross negligence may include personal financial responsibility and/or disciplinary action up to and including dismissal.
 4. **Fraud** is a deception done in order to secure unfair or unlawful gain. Under this rule penalties include personal liability, disciplinary action up to and including dismissal, and criminal sanctions.
 5. **Theft** is the intentional diversions of state property to personal use. Under this rule penalties include personal liability, disciplinary action up to and including dismissal, and criminal sanctions.
- B. The State reserves the right to refer instances of abuse that violate other statutes to the appropriate law enforcement authority. These may include but are not limited to, criminal prosecution for theft ([ORS 164](#)) or abuse of public office ([ORS 162](#)) and proceedings for violations of the Oregon Ethics in Government Act ([ORS 244](#)).
- C. The Code of Ethics for State Employees ([ORS 244](#)) provides that no employee can gain personally from their employment. It is the duty of all public officers and employees to exercise good judgment and common sense in obligating and expending state resources.

PROCEDURES:

<u>Step</u>	<u>Responsible Party</u>	<u>Action</u>
1.	Client Agency Head	<p>Ensure all purchases and payments support the client agency and reflect fiscally responsible use of public resources.</p> <p>Ensure cash and appropriation or limitation sufficiency. (Agency heads are prohibited from authorizing disbursements and/or costs that would create a fund (cash) deficit.)</p> <p>Utilize encumbrances to aid in the management of client agency funds. Provide SCS with the necessary documentation and notice to properly record, cancel, and/or pay and liquidate encumbrances.</p> <p>Review invoices for inappropriate uses of funds.</p> <p>Client agency heads are responsible to ensure timely payment of all state obligations and claims against its agency.</p> <p><i>All payments and purchases should be able to withstand audit review and public scrutiny.</i></p>
2.	Board/Commission Members	Review client agency head purchases and payments to ensure responsible stewardship of public resources.

3. All Client Agency Employees and Staff Receive vendor invoices and review for appropriateness of expenditures, accuracy of costs, satisfactory delivery of goods/services paid for, and verify payment has not already been made.
4. Client Agency Head Ensure accurate accounting of all payments and purchases. In order to facilitate timely payment and minimize rushed or late payments, submit all necessary documentation to Shared Client Services, DAS (including voucher payable request form, original invoice and documentation, original authorized signature, and proper coding).
5. Shared Client Services – State Controller’s Division Review client agency payment requests for accuracy and appropriateness. Verify that all necessary documentation and coding have been received. Process client agency payment requests in a timely manner. If necessary, research in SFMS for prior payment of invoice.

Record, cancel, or pay and liquidate encumbrances as appropriate.