



Practice Directive Title: Direct Payment/Low Value Purchase Procedure

Division: Administration and Finance
Department: Business Operations
Contact Information: Director of Procurement, Stephen Smith, 338-3879, scsmith@sfsu.edu
Effective Date: February 1, 2017
Revised Date:

Authority (i.e., Executive Order, ICSUAM, Delegations of Authority):

ICSUAM 5205, Low Value Purchases

Objective:

To comply with the ICSUAM requirement to develop and maintain practices, limits and procedures governing low-value purchase transactions where little or no value can be added by processing the transaction through standard procurement procedures. Campus practices shall ensure strong internal controls that mitigate procurement abuses, comply with Trustee policy, ensure observance of good business practices and provide appropriate checks and balances.

Statement:

A direct payment may be made for University obligations for which little or no value can be added by processing the transaction through standard procurement procedures. The *preferred* method for processing such transactions is the University Procurement Card (P-Card).

- In cases where use of the P-Card is not feasible, a Direct Payment Request may be submitted for **Allowable Transactions**.
- For transactions that are listed as prohibited **Pre-Approval for Direct Pay** may be requested as discussed below.
- If the transaction has already occurred the invoice for the transaction will be processed as a **Post-Transaction Direct Payment** request as discussed below.

Allowable Transactions:

Typical examples of allowable transactions for Direct Pay include advertisements, postal and mailing charges, accreditation fees, books, subscriptions, publications, registration fees, medical exams, insurance

premiums, rent/utilities, membership fees, etc. Transcription and editing fees provided by vendors **working entirely off-site** are also allowable transactions for Direct Pay.

Apart from items specifically mentioned in the preceding paragraph, and unless a p-card is used in accordance with campus p-card policy, the acquisition of goods or services in any dollar amount is **never** an allowable transaction and requires a Purchase Order or pre-approval. See Pre-Approval for Direct Pay, below.

An allowable direct payment transaction may **never** exceed \$5000.00 without pre-approval.

Prohibited Transactions:

The following are prohibited uses of the Direct Payment process:

- Payment for non-allowable services of any type, regardless of where the services are performed. No company or individual is authorized to provide non-allowable services in advance of approval from the Procurement Department in the form of a Purchase Order, signed agreement, or other written approval (e.g. e-mail) authorizing the services.
- Rentals of any type including but not limited to tools, equipment, off campus space, busses and other transportation vehicles, party rentals, etc. P-Card may be used for such transactions provided that **any** rental that involves a vendor coming on site for delivery/pickup must be approved **in advance** by the Procurement Dept., and the rental or chartering of any transportation vehicle must conform to the University Travel Policy.
- Direct payment of legal settlements. (Note: All legal settlements and attorney fees must be approved by General Counsel and the Associate Vice President for Fiscal Affairs, *in addition to approvals required by this Practice Directive*)
- Payments to entities outside of the United States.

Pre-Approval for Direct Pay:

For transactions that are listed as prohibited or those exceeding \$5000, Pre-Approval may be requested or accomplished in the following ways:

- Send an e-mail to the Director of Procurement requesting pre-approval of the transaction. The e-mail must include the following information
 - Description of the transaction. If the transaction involves services be sure to indicate if the services will performed on campus or off.
 - Dollar amount of the transaction, including tax if applicable.
 - Vendor name and, if known, whether the vendor is existing or new.
 - The returned e-mail approval from the Director of Procurement or designee will be evidence of pre-approval to be provided to Accounts Payable.
- A valid unexpired contract, agreement, memorandum of understanding or other binding document executed between the vendor and an authorized employee of the Procurement Department constitutes acceptable Pre-Approval. A copy of the documentation must be included in the Direct Payment package. For lengthy agreements a copy of the cover page, the page showing the contract term and the signature page are sufficient.

Post-Transaction Direct Payment requests

Prohibited Transactions that have not been pre-approved will be rejected, leaving the initiator personally liable for the expense until approved by campus officials as provided below. It is the responsibility of the party initiating the Post Transaction Direct Payment Request to obtain all necessary approvals or authorizations. Neither Procurement nor Accounts Payable is responsible for any payment delays caused by failure to comply with this Practice Directive.

- The Post Transaction Direct Payment request must contain the justification explaining why a Prohibited Transaction was initiated without Pre-Approval as provided in this Practice Directive. The justification must also include a statement that the initiating party has been trained in the appropriate procedure for such transactions in the future.
- The Post Transaction Direct Payment Request must be signed by someone with appropriate authority (Business Manager, Department Head or Chair, Dean or AVP) as well as the appropriate Vice President or Provost.
- The Post Transaction Request will be reviewed by the Director of Procurement. If approved, the Director will forward the Request to the Vice President of Administration and Finance who must approve all Post-Transaction Direct Payment requests before they can be processed by Accounts Payable.

Procedures:

Direct Payment Request Procedure

Searchable Words:

“Direct Payment”, “Allowable Transaction”, “Prohibited Transaction”, “Pre-Approval”, “Post Transaction”