Policy Title: Direct Payment/Low Value Payment Policy

Division: Administration and Finance

Department: Fiscal Affairs - Procurement

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Effective Date: October 29, 2014

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Vice President Approval: Approval Date: 7/8/15

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

Executive Orders 372, 449B, 449C, 644, 669, 750, 775, 1057

Policy Objective:

To establish a policy providing for the direct payment to University vendors in limited and specific situations without the prior authorization of the Procurement Department in the form of a Purchase Order or Contract, and exclusive of the use of a University Procurement Card in accordance with policies and procedures established for that program.

Policy 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.

Allowable Transactions:

Typical examples of allowable transactions for Direct Pay include advertisements, postal and mailing charges, accreditation fees, reimbursements, books, subscriptions, publications, registration fees, medical exams, insurance premiums, rent/utilities, membership fees, accreditation fees, etc. The preferred method for processing such transactions is the University Procurement Card (P-Card). However, in cases where use of the P-Card is not feasible, a Direct Payment Request may be submitted.

Apart from items specifically mentioned in the preceding paragraph, the acquisition of goods or services in any dollar amount is never an allowable transaction and requires pre-approval as an exception. See “Exceptions”, below.
Prohibited Transactions:

The following are prohibited uses of the Direct Payment process:

- Payment for services of any type, regardless of where the services are performed. No company or individual is authorized to provide 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.

- An allowable direct payment transaction may never exceed $5000.00 without prior authorization or as otherwise provided in this policy.

- Reimbursements\(^1\) in excess of $1000.

Exceptions:

An approval for an exception involving a prohibited transaction as defined above must be requested via e-mail and be approved by the Director of Procurement or designee in advance of initiating the transaction. Pre-approval may also be accomplished via the following:

- 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 advance 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.

- Any payment that is supported by a valid open CFS Purchase Order does not constitute a Direct Payment subject to this policy and may be processed directly to Accounts Payable.

Unapproved Exceptions:

- Direct Payment exceptions that have not been pre-approved will be rejected, leaving the initiator personally liable for the expense until processing of the expenditure has been authorized by the initiator’s Vice President and the Vice President, Administration and Finance.

- It is the responsibility of the party initiating the Direct Payment Request to obtain any necessary approvals or authorizations. Neither Procurement nor Accounts Payable is responsible for any payment delays caused by failure to comply with stated policies.

Procedures:

1. Authorized Forms:
Direct Payments must be requested using the appropriate form posted on the Fiscal Affairs Website. Only the most current form posted will be accepted.

2. **Prior Approvals:**

The following transactions require approvals before submittal to Accounts Payable:

- Direct payment of legal settlements are exempt from the $2500 limit, however all legal settlements and attorney fees must be approved by General Counsel and the Associate Vice President for Fiscal Affairs, *regardless of dollar amount*.
- Inter-Agency charges (transactions with other State of California entities) are allowable in any amount; but those in excess of $100,000 require the approval of the Associate Controller, Trust & Project Accounting, the Controller, or the AVP for Fiscal Affairs.
- Reimbursement requests submitted more than 90 days after incurring the expense being reimbursed must be approved by the appropriate Vice President.
- Payments to entities outside of the United States require notification be made to the University President. Payments to international vendors will be approved by the Director of Procurement after verifying the required notification has been made.

3. **Process Flow:**

1) Complete the appropriate form.
2) Attach appropriate backup documentation, such as original receipt, invoice, memorandum, evidence of pre-approval, etc.
3) The Direct Payment Request must be signed by the person in the college or department with the delegated authority to sign documents authorizing the expenditure of University funds.
4) Obtain appropriate Vice-Presidential signatures when applicable.
5) Appropriately supported pre-approved requests and post-transaction requests with all required signatures may be sent directly to Accounts Payable.
6) Send payment request package to Accounts Payable/Fiscal Services, ADM-350, or drop off the request by placing it in the in-box.

4. **Form of Payment:**

A check is issued to the vendor for all of the above direct payment request types. In some cases, Accounts Payable may pay the invoice by P-Card.

Notes:

1. For reimbursements refer to the Reimbursement of Employee Expenses procedure guide on the Accounts Payable webpage.

**Searchable Words:**

Direct Payment