



# Contracts Payable Policies and Procedures

A Presentation By:

Christine Wilson

Al DiVenuto

Kristine Messbauer

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# Required Documents For Payment of Contract Purchase Orders

- Contract Approved by Office of the State Comptroller (OSC)
- Purchase Order
- AC340: Encumbrance document
  - No “free balance” on Contracts
- Invoice referencing a valid purchase order
- Material invoices
- Department approval to pay invoice

# Contract Payables



- Know Your Contract
  - What are the detailed specs
    - What is the vendor required to do in order to charge for services
    - What services are covered
  - What are the rates and titles
    - Are travel and/or reimbursable expenses allowed
  - What are the term dates of the contract
    - Contract term may not be the same as fiscal year
    - Construction contracts may have shorter terms (120 days)
  - Communicate with Purchasing in regards to total contract ceiling

# Contract Payables



- What if, during a project, the vendor needs to provide a service or materials that is not covered by their contract?
  - Contact Purchasing to obtain a purchase order for non contract work
  - Provide vendor with the non contract purchase order number and advise them to bill charges separately

# Approval



- Department reviews and confirms:
  - Rates and titles agree with contract terms
  - Hours invoiced match actual hours worked
    - Use log in sheets, time tickets, etc.
  - Materials invoiced agree with actual used
  - For monthly, quarterly, annual fees
    - Has vendor followed contract specs
    - Are they billing before or after services rendered

# Contract PO's

- Issued for tracking purposes only
  - Encumbrance is by contract, not PO
  - Department must have a new PO issued each fiscal year, unless it is capital funding or accounts starting with a zero.
- Reduce the number of PO's issued per dept
  - Use multiple accounts if necessary
    - Reduce the number of change orders by estimating appropriately or use an interchange account

# Insufficient Funding Contracts



- Requests for funding increase or decrease “freezes” contract for three days
- Increases that exceed the contract approval amount, require amendments
  - This could hold up payment for 3-6 weeks
- Many contracts are shared, so another department may “freeze” you out of the contract

# Lump Sum Contracts



- Vendor's invoice should reflect the lump sum amount
  - This allows you to verify the vendor is clear as to how much the job will cost
- If a change in scope occurs, an amendment **MUST** be done before the vendor proceeds and bills.
  - Just because there is room in the contract, does not mean we can pay for the change
- Does contract allow for reimbursement of expenses such as travel?
- Final payment
  - Close out documents
  - Punch lists
  - Warranty documents
- Don't approve the invoice if vendor owes any reports
  - Notify A/P and we will note the file

# Quotes for Contract Work

- If a vendor provides a quote for contract work:
  - Make sure the vendor knows they must bill the same way the contract is written

# Audit



- If and when an audit is conducted you may be asked to justify and support your claim that the services were performed. Therefore, make sure:
  - You can clearly show the vendor's services were performed and appropriate materials were used
  - You can document with clear, detailed records when the vendor's employees arrived to begin work and when they "clocked out" each day

# Certified Payroll and Lien Forms

- A/P collects and maintains:
  - Certified payroll for contractors and sub contractors that fall under Article 8 or 9 of the Labor Law
  - Lien forms from Contractors that fall under Article 8 only
  - These documents will not be sent to the department for review

# OSHA 10

- OSHA 10 Certification (Vendors):
  - Required for all Article 8 contracts that meet the following criteria:
    - Bid after 7/18/08
    - Contract exceeds \$250k
  - A/P collects and maintains
  - Payment can be held if vendor does not submit

# A/P Process

- A/P will review invoices against the contract rate sheets
- Due to limited information availability, A/P is unable to verify the actual hours worked or materials used, or ensure that the vendor adhered to all of the detailed specs. This is the responsibility of the end-user department.

# Contract Payables Contact Information

- Kristine Messbauer ext. 2-9110
- Vicki Francis ext. 2-6076
- Clare Connelly ext 2-6013
- Olive Ormsby ext 2-6008
- Lisa Schweickert ext 2-9112