

SECTION 563: PROMPT PAYMENT OF VENDORS' CLAIMS

1. General Description. This section describes the Comptroller's general requirements regarding the promptness with which the State's regular vendor payments should be made. In line with common business practice, such payments for purchases made "on account" should be made within 30 days of the purchase (unless offered discounts justify earlier payment).
2. Scope. It is the intent of this section to cover the subject of promptness from the viewpoint of the central accounting agency (in this case, DAGS Accounting Division) and the counterpart offices (fiscal offices, business offices, etc.) in the various departments and agencies of the State. It is not the intent of this section to cover related subjects treated elsewhere in this Accounting Manual, such as interest on delinquent payments, or procedural requirements for vouchering payments.
3. Responsibility.
 - (a) Departments and Agencies. Departments and agencies are responsible for promptly processing vendors' invoices for goods delivered or services performed in a satisfactory manner.
 - (b) Department of Accounting and General Services (DAGS) Accounting Division. DAGS Accounting Division is responsible for promptly pre-auditing, recording, and paying vendors' invoices processed by the departments and agencies.
4. Performance Standards.
 - (a) Departments and Agencies. As a measurable standard, the departmental requirement from the time satisfactory delivery has been made and a proper invoice has been received, is no more than 10 working days in which to send the voucher to DAGS for payment.
 - (b) DAGS. DAGS' performance standard, after receiving departmental SWV requests from departments and agencies for payment of vendor claims, is 10 working days from the time of receiving a SWV until the related payments are actually mailed (or otherwise distributed); this time span includes the registering of the SWVs, pre-auditing and recording SWVs, and having the related warrants prepared, signed, and mailed.
5. Departmental and Agency Procedures. Departments and agencies follow the vouchering requirements contained in Section 542 and the processing requirements for priority vouchers contained in Section 547 of this Manual.

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- (1) Vendor sends invoices before actual delivery of goods or services.
- (2) Vendor does not follow purchase order instructions regarding the address to which invoices must be mailed, or regarding the number of copies that are required of invoices.
- (3) Vendor submits an invoice duplicate, rather than the original invoice as required by Chapter 40, HRS.
- (4) Vendor's delivery of goods or services is not acceptable or satisfactory.

(b) Potential Problems of Departments and Agencies. The various types of problems, and the action required when these problems do occur, are summarized as follows:

<u>Problems Identified in Various Departments</u>	<u>Action Required When Problem Occurs</u>
(1) Agency does not advise vendor, on purchase order, of exact address to send invoice.	(1) Before issuance, purchase orders should be sufficiently reviewed to assure that exact address is given to which to send invoice.
(2) Internal routing of invoices requires too many steps, and/or backtracking, before voucher processing is completed.	(2) Review internal routing procedures and rewrite instructions to improve voucher processing time.
(3) Vendor makes only partial delivery, although agency has not advised vendor, on purchase order, if partial delivery is not acceptable.	(3) Give specific directions on purchase orders for special requirements such as partial deliveries.
(4) Vouchering cycles are not frequent enough (only two times per month in some agencies).	(4) Increase the frequency of the vouchering cycle.

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| (5) Other work has been given priority over processing vendors' invoices. | (5) Insist that sufficient priority be given to vendors' invoices to assure the agency has vouchered them for payment within the time allowed. |
| (6) Agency lacks staffing support in processing vendors' invoices; vacations, sick leaves, and vacancies are improperly considered sufficient reason not to pay vendors promptly. | (6) Same as (5), above. |
| (7) Agency lacks adequate funds control, resulting in no funds availability when a vendor's invoice is due to be paid. | (7) Do not issue purchase orders or otherwise obligate funds if the funds are not already available, to the credit of the account to be charged with payment. |
| (8) SWVs are not adequately supported by delivery or packing slips, receiving reports, or invoice notations indicating date and signature of the person accepting the merchandise or services. | (8) <u>Always</u> put a firm date indicating when the invoice was received, and a firm approval date indicating when satisfactory delivery was made. (The later of of these dates starts the running of the 10-working day period which the department must voucher the payment) |
| (9) Too much time is being spent in issuing purchase orders and vouchering payments for very small amounts. | (9) Make appropriate use of <u>petty cash funds</u> for small claims. |