



**MEMORANDUM**  
December 17, 2008

To: Agency Chief Financial Officers

From: Tom Holsinger  
Deputy Director *Tom Holsinger*  
State Accounting

Re: Net 30 Day Policy

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On October 8, 2008, in anticipation of increasingly tougher fiscal challenges for the State of Ohio, Director Sabety issued a memo outlining broad guidelines to enhance cash management planning.

As a result of that memo, OBM itself reviewed all invoices handled by State Accounting, which showed that 65% of pre audit invoices are paid prior to the 30 day legal terms. On November 25, 2008 OBM took further action to improve the state's cash flow by initiating a policy of changing "due now" terms to Net 30 terms on those invoices processed by the Accounting Review and Release Section. The "net 30" is calculated from the invoice date. Additionally, we modified the OAKS system so that payment terms may not be changed once the voucher has been saved. Exempt from the terms change are: debt service, reimbursements to State employees, petty cash reimbursements, ISTVs and subsidies. Since implementation, the Accounts Payable balance in the net 30 category has increased by \$20 million which represents additional funds available to the state for investment.

The term change and the net 30 thirty terms are established by ORC 126.08 and, more precisely, ORC126.30 and Administrative Rule 126-3-01 which in part reads:

***"Required payment date" means (a) the date or time when payment is due according to a written agreement between the parties; (b) thirty days after the state agency receives a proper invoice for the amount due if a specific payment date or time of payment is not established by such a written agreement; or (c) with respect to claims submitted to the department of human services by providers of equipment, materials, goods, supplies, or services, either (i) the date or time when payment is due under the terms of a written agreement between the department and the provider or (ii) thirty days after the department receives a proper claim if a specific payment date or time of payment is not established by a written agreement***

While this is a start, the vouchers subject to pre audit constitute only 8% of our non-subsidy and payroll dollar volume. The remaining 92% of the non-subsidy and payroll dollar volume, for which OBM has no visibility, is either keyed directly in OAKS, or in the case of the larger agencies, interfaced electronically. Our analysis of the 22 interfacing agencies for the month of November shows 85% of all interfaced transactions contain an invoice date equal to the

due date. By default this represents a “Due Now” status in OAKS, meaning that the invoice will be paid early.

Based on the information above and ORC 126.30 we are required to make dramatic changes to our processes to maximize cash flow. Each agency must enforce vendor terms by establishing a valid invoice date for each voucher directly in OAKS or the interfacing systems. **The payment date is calculated by OAKS based on the vendor payment terms (default net 30) using the invoice date which should be the date a valid invoice is received by the agency.** Payment date should not be modified by falsifying the invoice date.

As always, OBM is available to work with you to help you understand your processing options within OAKS to ensure that payments are processed as intended within terms. We realize that there are special circumstances involving subsidy payments and matching funds that will need to be addressed, and OBM stands ready to help your agencies in doing so.

We will be contacting each Chief Fiscal Officer next week to work through agency specific issues as they relate to this process. Please use the next few days to become familiar with your current practice and investigate ways to make this work for your agency.

Thank you all in advance for your commitment to this most important initiative.

If you have questions please contact me at 728-4734 or [Tom.Holsinger@obm.state.oh.us](mailto:Tom.Holsinger@obm.state.oh.us).