



OBM

Ted Strickland
Governor

J. Pari Sabety
Director

MEMORANDUM

December 19, 2008

To: Fiscal Officers

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

Re: 30-day Terms Memo of Clarification

Yesterday I released a memo stressing the importance of improving the State's cash flow management by enforcing legal payment terms with our vendors. The memo also indicated that we would be contacting each Agency to work through any specific issues. Based on initial contacts, there seems to be areas of common concern from several agencies. The purpose of this email is to clarify what OBM is currently doing, address common concerns, and lay out the future direction of this effort.

Current Status

State Accounting is changing "due now" terms to Net 30 terms **only** on invoices processed by the Accounting Review and Release Section that do not have specific contractual terms negotiated with the vendor. Exempt from the terms change are: debt service, reimbursements to State employees, petty cash reimbursements, ISTVs, subsidies and payments that fall under the Federal requirement to be disbursed within 3 days.

Federal Funds

The "Net 30" pay terms directive has raised a number of questions about how to handle disbursements that fall under the federal requirements to disburse within 3 days.

Federal funds that fall under the 3-day federal disbursement requirements cannot be held in State funds for more than three days. Agencies typically order the cash once they've entered the voucher, which they code as "Due Now."

At this time, we are not requesting agencies to change the process related to this group of federal fund vouchers.

As a reminder, we are also not impacting the payment terms of subsidies.

Invoice Date

The “Net 30” Payment directive has raised a number of questions about the correct date to use in the OAKS Invoice Date field of a voucher. Based on ORC 126.30, the OAC precisely defines the invoice date in 126-3-0(A)(5):

“Receipt of a proper invoice” means receipt of both (a) an invoice as defined in paragraph (A)(4) of this rule and (b) the purchased equipment, materials, goods, supplies, or services, both of which shall be free of defects, errors, discrepancies, and other improprieties. A state agency is in receipt of a proper invoice as soon as it has such invoice and such purchased or leased item or service.

All invoices should be date stamped upon receipt, regardless of whether they are subject to the net 30 payment terms. The date entered as the invoice date should be the date on which you have received a good invoice AND have received the goods or services being invoiced.

Invoice Date Sample Scenarios

1. If you receive the goods on December 3 and the proper invoice is received on December 7, the Invoice Date is December 7.
2. If you receive the goods on December 3 and an invoice on December 7, but that invoice is not proper as defined in 126-3-0(A)(4):

“Invoice” means an itemized listing showing delivery of the commodity or performance of the service described in the order and the date of the purchase or rendering of the service or an itemization of the things done, material supplied, or labor furnished and the sum due pursuant to the contract or obligation.

The agency works with the vendor to correct the invoice and receives a proper invoice on December 12; the Invoice Date is December 12.

3. If you receive the goods on December 3 and an invoice on December 7, and on December 12 you determine the invoice is, indeed, proper and valid; the Invoice Date is December 7.
4. If you receive goods on December 8 and the invoice on December 3; the Invoice Date is December 8.

Based on the invoice date entered for the voucher, OAKS calculates the payment date based on the payment terms contained in the vendor’s master file record (default is Net 30). Invoices processed past the calculated due date will be paid as “due now” by default. When non-standard terms are negotiated with a vendor, State Accounting must be notified so that the vendor file can be updated to facilitate the calculation of a valid due date.

Next Steps

The key to maximizing our cash flow is to use a proper invoice date, ensure vendor terms are accurate and let OAKS calculate the payment date. The use of “due now” terms should only be used in Agency specific situations including Federal funds.

The above guidelines are broad in nature and not intended to address the unique requirements of each agency. Please respond to this Email with any questions or issues and we will research the options and respond to you promptly.

Thank you for your cooperation on this important effort.