

State of Maryland Department of Health and Mental Hygiene

Parris N. Glendening, Governor - Martin P. Wasserman, M.D., J.D., Secretary



POLICY NUMBER: DHMH 02.02.01
Cross-Reference: Fiscal/Budget/Procurement

TITLE: POLICY ON THE PAYMENT OF INVOICES

I. EXECUTIVE SUMMARY

The Chief, Division of General Accounting, DHMH, and the Chief Fiscal Officer of self-contained accounting units (non-Central Offices) are instructed to periodically advise accounting personnel under their sphere of influence and heads of units for whom they are responsible that invoices must be paid within 25 days after receipt of invoice, or receipt of services, supplies or maintenance, whichever is later. The Chief, Division of General Accounting, and the Facility Directors and Health Officers of self-contained accounting units are required to set up systems to guarantee that invoices are processed through their units within 20 days.

Personnel of units that receive invoices or receiving reports are instructed to forward such documents by the next working day to the appropriate office, or, if they received goods and no receiving reports, a memo describing the goods.

Each Chief Fiscal Officer is given specific instructions on what they must do and of their responsibility when there is a receiving report on hand but no vendor's invoice. Conversely they are also told what to do when they have a vendor's invoice but no receiving report.

The Chief, Division of General Accounting, DHMH, in conjunction with the Director, Fiscal Services Administration, is given overall responsibility for carrying out this policy.

II. Background

COMAR 21.02.07 states, "When not acting in the capacity as a member of the Board, the Comptroller's principal responsibility under this title is for the prompt and expeditious payment of valid invoices from contracts approved and submitted by State agencies. The Comptroller's General Accounting Division will document and notify in

writing the concerned State agency and the appropriate promulgating authorities of this regulation when the agency has delayed payments. A "delayed payment" condition exists when the date of an individual request for payment received by the General Division is greater than 25 days from the date the proper invoice is received or the date the services, supplies, maintenance, construction, construction-related, architectural, or engineering services are received and accepted, whichever is later."

Reports received from the Office of the Comptroller regarding the number and percentage of "Delayed Payment" invoices and the emphasis placed on this problem by the Governor's Office necessitate that prompt attention be given and continuous action be taken by management at all levels to minimize the time taken to pay invoices.

Moreover, Title 15, State Finance and Procurement Article, Annotated Code of Maryland provides that contractors be paid interest on delayed invoices. The use of any budgetary resources for payment of interest could have debilitating effects on the Department's plans and initiatives and should be avoided.

III. POLICY STATEMENTS

A. General

1. The Chief, Division of General Accounting, DHMH, and the Chief Fiscal Officer of a self-contained accounting unit shall periodically advise all accounting personnel under their sphere of influence that invoices must be paid within 25 days from receipt of invoice or receipt of services, supplies or maintenance, whichever is later (COMAR 21.02.07.01 B)
2. The Chief, Division of General Accounting, DHMH, and the Chief Fiscal Officer of a self-contained accounting unit shall establish systems that require that invoices be submitted to the Comptroller of the Treasury within 20 days from the date the service is performed/goods are received, or the invoice is received, whichever is later.
3. The Chief, Division of General Accounting, DHMH, and the Chief Fiscal Officer of a self-contained accounting unit, to substantiate any claim of interest related to a delayed invoice, shall establish systems that ensure an accurate determination of:
 - a. The date the invoice was received.
 - b. The date the goods or services were received.
 - c. The reason for any delay in payment of an invoice.

4. The head of a unit or designee that receives an invoice(s) shall forward the invoice(s) to the appropriate accounting office by the next working day. The head of the unit or designee shall indicate the date the invoice was received and whether or not the goods or services were received and if so, when and in what condition.
 5. The head of a unit or designee that receives a receiving report/packing slip upon the receipt of goods and/or services shall forward the receiving report(s) to the appropriate designated unit (i.e., accounting office, central receiving, etc.) by the next working day. The receiving report should bear the receiver's signature, a description of goods and/or services, the quantity, the condition and the date received.
 6. The head of a unit or designee that receives goods and/or services without a receiving report/packing slip or invoice(s), shall forward a memo, describing the goods and/or services received, to the appropriate designated unit (i.e., accounting office, central receiving, etc.) by the next working day. The memo shall also indicate the date of receipt, the quantity, and the condition of the goods and/or services.
 7. In cases where a receiving report is on file and no invoice has been received from the vendor, the Chief, Division of General Accounting, DHMH, or the Chief Fiscal Officer of a self-contained accounting unit shall contact the vendor, in writing, and request an invoice.
 8. The Chief, Division of General Accounting, DHMH, will notify in writing, by the 6th business day after receipt of the Comptroller's delayed invoice report, the Chief Fiscal Officer of those self-contained accounting units that have exceeded the acceptable delayed invoice level for the previous month. The Chief Fiscal Officer must respond, in writing, within two (2) weeks from the date of the letter, why the invoices were delayed and what steps are being taken to correct the problem.
 9. DHMH - General Accounting is responsible for furnishing responses and enacting measures to correct delayed invoices related to Central Office. If the Chief Fiscal Officer does not respond, a letter will be sent to the Health Officer or Facility Director, then the Program Director and finally the Deputy Secretary.
- B. Division of General Accounting, DHMH - Responsibility for Obtaining Authorization to Pay Invoices
1. If an invoice is received in the Division of General Accounting, DHMH, that does not reference a purchase order number and there is no authorization for payment (i.e., certification on the invoice, certified

receiving report or receiving memo, see Section III. A. 4., 5., and 6.) on file, the Chief, Division of General Accounting, DMMH, shall:

- a. Send a "FIRST NOTICE" to the Accounts Payable Liaison of the applicable unit, if identifiable, on the same work day it is discovered that there is no payment authorization. The notice shall request, within three (3) working days, the unit's authorization to pay or justification as to why payment should be withheld.
 - b. If no response is received to "FIRST NOTICE", within three (3) working days, send a "SECOND NOTICE" to the Agency Fiscal Officer requesting the same information as in "FIRST NOTICE". The notice shall be marked "SECOND NOTICE".
 - c. If no response is received to the "SECOND NOTICE", within two (2) working days, prepare a letter to the Director of the appropriate Administration/Program, over the signature of the Director, Fiscal Services Administration, requesting the same information as in "FIRST NOTICE". The letter shall emphasize that it is the THIRD request.
2. If an invoice is received in the Division of General Accounting -DMMH that references a purchase order number and there is no payment authorization, the Chief, Division of General Accounting, DMMH shall:
- a. Send a "FIRST NOTICE" to either Central Services or the Accounts Payable liaison of the applicable unit. The notice shall request, within three (3) working days, the unit's or Central Services' authorization to pay or justification as to why payment should be withheld.
 - b. See III. B.1 (b) above
 - c. See II. B.1 (c) above
- C. Self-Contained Accounting Unit - Responsibility for Obtaining Authorization to Pay Invoice
1. If an invoice is received in a self-contained accounting unit, and there is no payment authorization (certification on the invoice, certification on the receiving report and/or certification on a receiving memo, see Section III. A. 4., 5., and 6. above) on file, the Chief Fiscal Officer shall:
 - a. Send a "FIRST NOTICE" to the head of the applicable unit on the same working day as it is discovered that there is no payment

authorization. The notice shall request, within three (3) working days, the unit's authorization to pay or justification as to why payment should be withheld.

- b. If no response is received to the "FIRST NOTICE" within three (3) working days send a "SECOND NOTICE" requesting the same information as in "FIRST NOTICE".
- c. If no response is received to "SECOND NOTICE", within two (2) working days, prepare a letter to the supervisor of the head of the applicable unit, over the signature of the Assistant Superintendent, where appropriate, requesting the same information as in "FIRST NOTICE". The letter shall emphasize it is a THIRD request.

D. Division of General Accounting/Self Contained Accounting Unit - Responsibility for Determining Liability

1. When an invoice is received and all internal attempts to obtain payment authorization fail, the Chief, Division of General Accounting or the Chief Fiscal Officer shall return the invoice accompanied by a letter to the vendor. The vendor should be requested to provide one or more of the following, to assist in determining liability.
 - a. Purchase Order Number.
 - b. Proof of delivery and legible signature of receiver.
 - c. Name of purchaser.
2. When a statement is received from a vendor, the status of all invoices over 30 days old should be determined. If there is no record of receiving an invoice, a copy should be requested from the vendor.
3. When a vendor's invoice reflects a previous balance, appropriate action should be taken to determine the composition of the previous balance. Once the correct balance is determined, invoices should be requested to substantiate any unpaid charges.

E. Responsibility of Units

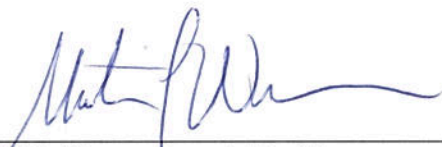
The Chief, Division of General Accounting, DHMH, in coordination with the Director, Fiscal Services Administration, DHMH, shall act in a technical advisory capacity to the Chief Fiscal Officers of a self-contained accounting unit and shall have the authority to hold seminars for the purpose of training personnel in the requirements of this policy. The Chief, Division of General Accounting,

DHMH, shall also have the authority to require that the Policy Statements outlined in this policy are carried out.

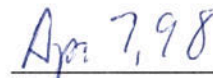
The Chief Fiscal Officer of self contained accounting units, in coordination with Facility Director or Health Officer, shall establish systems and written procedures to implement and enforce this policy.

IV. REFERENCES

- State Procurement Regulations, COMAR Title 21
- Statewide Accounting and Reporting System - Comptroller of the Treasury - General Accounting Division - Accounting Procedures Manual for the Use of State Agencies

Approved: 

Martin P. Wasserman, MD, JD
Secretary



Date