

Volume No. 1 - Policies and Procedures	TOPIC NO.	20350
Function No. 20000 - General Accounting	TOPIC	NON-STATE FUNDS
Section No. 20300 - Cash Disbursements Accounting	DATE	3/1/95

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OVERVIEW

This topic provides educational institutions and applicable State agencies with the requirements for submitting non-state fund reimbursement batches. Non-state funds are defined as those funds deposited in an agency or institution's local bank account which are not under the control of the Department of the Treasury. The responsibility for the management and investment of non-state funds resides with the agency.

Educational institutions and applicable State agencies which control non-state funds often elect to use those funds as an alternate payment source to ensure cash discounts are obtained or payments that would otherwise be paid late are made on a timely basis. Such payment processing flexibility can legitimately be used to help an agency process timely payments and avoid late payment fees when used on a non-routine basis.

POLICY

Reimbursement of non-state fund payments using State funds must be made in accordance with the policies contained in this topic.

- Non-state funded payments submitted for State fund reimbursement must be processed in accordance with the disbursement policies contained in the CAPP Manual (refer to Subject Cross References Section).
- *All non-state funded payments submitted for State fund reimbursement must be processed via the Financial Electronic Data Interchange (EDI) program. Electronic reimbursement of non-state funded payments will reduce the processing cost for the Commonwealth and provide a more timely reimbursement than by paper check.*
- Only timely non-state fund payments are eligible for State funds reimbursement. On an exception basis, late payments may be reimbursed where non-state funds were used to expedite payments when vendor relations are jeopardized.
- Late payments paid with non-state funds which are submitted for State fund reimbursement under the vendor relations exception, must be reported to the Department of Accounts (DOA) by the 10th working day of the month following the quarter end. Such reporting must include the total number and dollar amount of late payments processed for the quarter using non-state funds. Based on the information provided, DOA will appropriately adjust the agency's prompt payment statistics.
- Payroll payments for full-time non-exempt and exempt personnel whose employment position is partially or wholly funded by the State must not be processed with non-state funds.
- Payroll payments for hourly workers processed with non-state funds which are submitted for State fund reimbursement must be prepared in accordance with the Department of Personnel and Training's guidelines governing approved employment positions, assignment of payroll classifications, maximum number of hours worked, and hourly wage paid.
- Agencies and institutions must process non-state fund reimbursement vouchers in the same fiscal year in which the non-state fund payments are made.
- Goods and services procured with non-state funds which are submitted for State fund reimbursement must be procured in accordance with the requirements of the Virginia Public Procurement Act.

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PROCEDURES

100 Procurement of Goods and Services

Non-state fund payments for goods and services which are subsequently submitted for reimbursement using State funds must be procured in accordance with the Virginia Public Procurement Act.

200 Disbursement Guidelines

Non-state fund payments for goods and services which are subsequently submitted for reimbursement using State funds must be processed in accordance with the Statewide disbursement guidelines established in the Appropriation Act and the CAPP Manual (refer to Subject Cross References Section). Examples of these guidelines are as follows:

- Expenditures paid with non-state funds that are subsequently submitted for State fund reimbursement must represent a proper charge against State funds;
- All batches submitted for reimbursement must be approved by an individual designated on the agency's Authorized Signatories Form (for expenditures);
- Attorney services paid with non-state funds that are submitted for reimbursement from State funds must be accompanied by an approval from the Office of the Attorney General;
- Meals, travel, and lodging expenses paid with non-state funds that are submitted for reimbursement from State funds must be made in accordance with the established State travel guidelines; and,
- Capital outlay expenditures paid with non-state funds that are submitted for State fund reimbursement, must be processed in accordance with the Code of Virginia, Section 10.1-1188, governing the acquisition and/or construction of major State projects.

300 Payroll Processing

Non-state funds must not be used to process paychecks for full-time non-exempt and exempt personnel whose employment position is partially or wholly funded by the State.

Non-state funds can be used to process paychecks for hourly workers. The hourly payrolls are eligible for State fund reimbursement when prepared in accordance with the following requirements:

- The payroll must be prepared in accordance with the DPT guidelines governing the maximum number of hours worked and hourly wage paid;
- Agencies must ensure that only hourly workers employed in positions approved by DPT (i.e., P-14) are compensated; and,
- The reimbursement batch must be authorized by an individual listed on the Agency's Authorized Signatories Form (for payroll).

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PROCEDURES (Continued)

400 Payment Processing

As a routine practice, agencies should process vendor payments through the Commonwealth's normal payment process using the procedures established by the Comptroller and State Treasurer. However, agencies can use non-state funds as an alternative payment method to process timely vendor payments and to expedite late payments when vendor relations are in jeopardy.

DOA requires State agencies and institutions to report late payments paid with non-state funds, which are submitted for State fund reimbursement under the vendor relations exception, by the 10th working day of the month following the end of the quarter. Such reporting must include the total number and dollar amount of late payments processed for the quarter using non-state funds. Based on the information provided, DOA will appropriately adjust the agency's prompt payment statistics and compliance rate.

Agencies processing vendor payments with non-state funds that are subsequently submitted for State fund reimbursement must include certain documentation evidencing the timeliness of the payment. The following documentation should be attached to the reimbursement voucher:

- A copy of the original invoice/bill/receipt evidencing the items or services purchased, the date paid, the amount paid, and the date the invoice/bill/receipt was received by the agency; and,
- Copies of documentation evidencing any billing or receiving discrepancies along with the date the discrepancy was resolved with the vendor.

Agencies and institutions must process non-state reimbursement vouchers in the same fiscal year in which the non-state fund payments are made.

When requesting payment reimbursement, institutions must use the correct agency taxpayer identification number and suffix to ensure funds are deposited electronically into the agency or institutions local funds bank account. To begin receiving local funds reimbursement electronically, please contact the Compliance Technical Support Unit for a copy of an Electronic Data Interchange Trading Partner Agreement. When processing reimbursements, it is strongly encouraged that educational institutions and other applicable State agencies complete the appropriate remittance fields to ensure proper payment posting and reconciliation.

INTERNAL CONTROL

Fiscal Officers should develop agency procedures governing the processing of non-state fund reimbursements. DOA recommends that the following internal controls be included in the agency procedures:

- Goods and services must be procured in accordance with the Virginia Public Procurement Act;
- Expenditures submitted for reimbursement must represent a proper charge against State funds and processed in accordance with the Statewide disbursement guidelines;

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INTERNAL CONTROL (Continued)

- Segregate duties between the individuals processing the reimbursement batches and the individuals performing the non-state fund payment review and approval processes;
- Properly complete each reimbursement voucher and obtain the appropriate authorized signature;
- Submit receipts for all disbursements in the reimbursement batch. An acceptable receipt is the vendor's sales document evidencing the purchase/receiving date and the amount paid; and,
- Ensure that all payments contained in the reimbursement batch are processed in accordance with Statewide policies and laws governing disbursements.

RECORDS RETENTION

Non-decentralized agencies are required to maintain copies of expenditure documents on file for three years.

Decentralized agencies are required to maintain original expenditure documents on file for five years.

DOA CONTACTS

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SUBJECT CROSS REFERENCES

CAPP Topic No. 20305, "Receiving Reports"

CAPP Topic No. 20310, "Expenditures"

CAPP Topic No. 20315, "Prompt Payment"

CAPP Topic No. 20320, "1099 Reporting"

CAPP Topic No. 20330, "Petty Cash"

CAPP Topic No. 20335, "State Travel Regulations"

CAPP Topic No. 20345, "Moving and Relocation"

CAPP Topic No. 70235, "Input Batching"