## Contract Management - Reviewing Invoices



When the contractor submits an invoice for payment, the item must be logged, reviewed and any issues tracked to resolution. When the approval is finally received, the project forwards the invoice to HHSDC Accounting for payment.

1. Log the invoice into the tracking system. Note the date of receipt and make copies for the contract file. Store the electronic version in the document management system. (Project Librarian or Clerical)
2. Route the invoice to the appropriate manager. Note the review due date and the status of the associated deliverables and/or services. (Project Librarian or Clerical)
3. Various staff need to review elements of the invoice:
   - Functional Manager and/or Contract Manager
     - Verify the period of performance is correct.
     - Verify the services were acceptable.
     - Verify the associated deliverables were delivered and accepted (must have completed review already - no pending reviews are allowed).
     - Verify the appropriate milestones were achieved.
   - Financial Analyst
     - Verify that there are no other invoices/payments associated with this period of performance that have been paid already.
     - Verify the billing rates are as stated in the contract.
     - Verify any travel costs are within accepted range of rates, and the costs are substantiated with receipts. Verify that the travel was pre-approved or that special allowance was made (in writing) by the Project Manager (attach copy of letter to travel receipts).
     - Verify there are sufficient funds to cover the invoice payment.
4. If the invoice should be disputed, review the contract, HHSDC's procedures and the State guidelines for the invoice dispute process. Prepare a letter to the contractor indicating the comments, rationale for dispute, and next steps. A State Manager (preferably the Project Manager) must sign the dispute notification letter and a copy should be saved to the contract file. (Financial Analyst or Functional/Contract Manager)
5. Throughout the invoice process, track the status of the invoice in the tracking system. Note the date the review was started, the review due date, and when the invoice was approved or disputed. (Financial Analyst)
6. When the invoice is approved for payment, obtain a State Manager's signature (usually the Contract Manager or Project Manager) on the invoice approval sheet. Make a copy for the contract file and forward the invoice to HHSDC Accounting for payment. (Financial Analyst)

## Metrics and Tracking Data

The following are some suggested metrics to assist with tracking. Metrics should be collected for all invoices, and then accumulated to show trends by date period (month, quarter, year) and assigned analyst (if appropriate).

- Number of days to process an invoice

- Number of invoices received total
- Number of invoices approved
- Number of invoices disputed

## Samples and Supporting Materials

- **CCSA Invoice Process** (pdf)

# INVOICE PROCESS - CONTRACT

**Introduction**

A contract invoice is a bill or a request for payment from a company or person contracted by the Natomas Park Project Office (Project Office) to provide a service(s) and/or deliverable(s).

All invoices are sent to HHSDC's Accounts Payable Unit by the vendor after a service and/or deliverable(s) has been completed and approved by the project. Accounts Payable logs the invoice into their tracking log, makes a copy of the invoice, and either faxes or sends a copy of the invoice (via interoffice mail) to the Project Office. Accounts Payable retains the original invoice.

All invoices received by the project are given to the project's Admin. Support Unit to be logged into the Project Tracking Systems (PTS).

Chapter 916, Statues of 1998 (California Prompt Payment Act) established a 30-day turnaround time for payment of invoices from the date the invoice is received at HHSDC to the time the check request is sent to State Controllers. **Within this 30-day time limit, the project has five to seven working days (preferably five days) to verify and approve/disapprove payment of the invoice, and to fax this information back to Accounts Payable.**

In addition, the project may dispute an invoice submitted by a contractor for reasonable cause if the project notifies "the contractor within 15 working days from receipt of the invoice" at HHSDC, "or delivery of the property or services, whichever is later". The DOF Budget Letter (98-40) that describes the penalty for late payment of invoices states that "no state employee shall dispute an invoice, on the basis of minor or technical defects, in order to circumvent or avoid the general intent or any of the provisions of the Act." Reasonable cause is defined as:

1. Discrepancy between invoice and contract provisions.
2. Discrepancy between invoice and actual delivery of services.
3. Additional evidence to support the validity is required.
4. The invoice has been improperly executed or needs to be corrected by the contractor.

*See Appendix A for a flowchart of the Invoice Process Overview for contract invoices.*

**Purpose of the Invoice Process - Contract:**

- To facilitate timely processing of invoices.
- To ensure all invoices are tracked at the project level.
- To ensure a copy of the processed invoice is filed in the Project Office's Central Library.
- To ensure approval of an invoice for payment is not made until after the stated service(s) and/or deliverable(s) has been completed, delivered, and approved by the State.

**Roles and Responsibilities**

**Admin Support (AS) –** Provides initial reception point for invoices**.** Provides routing and PTS-Document Tracking/Action Item Tracking support.

**Financial Management (Fiscal) –** Provides initial review of contract invoices, monitors the progress of the invoice approval and payment, and provides status information to the contract vendors, HHSDC Accounts Payable and project management as needed. Creates the Invoice Dispute Notification.

**Financial Management (Fiscal) Expenditure Tracking -** Provides expenditure tracking of all invoices, and processes the Invoice Dispute Notification.

**HHSDC Accounts Payable –** A Data Center unit that receives invoices, routes the received invoices to the project for approval/disapproval, and processes approved invoices for payment.

**Functional Manager (FM)–** Reviews the contract invoices to determine if the stated service and/or deliverable has been completed. Verifies that there is an approved deliverable(s) and that the services, hours, and PCA codes are correct.

**State Administrative Manager (SM)**– A state manager authorized to sign-off on contract invoices to approve payment. This person may also be the Functional Manager.

**Vendor** – A company or person contracted to provide a deliverable(s) or service. Ensures the deliverable or the service is completed timely and provides the State with an invoice for payment.

**<u>This document contains detailed steps for the following procedures:</u>**

1. Receive invoice at the project
2. Initial review of contract invoice
3. Approve/disapprove contract invoice for payment
4. Inform HHSDC Accounts Payable
5. Close out invoice

**<u>This document contains the following attachments:</u>**

*Appendix A - Flowchart of the Invoice Process Overview - Contract*
*Appendix B – Sample Natomas Park Project Office Invoice Transmittal and Approval Sheet*
*Appendix C – Sample Invoice Dispute Notification (Std. 209)*

**1. Receive invoice at the Project Office**

| Step | Action | Responsible Person (s) |
|---|---|---|
| 1. | Date and time stamp the invoice received. | AS |
| 2. | Log into PTS Document Tracking and update the required fields. | AS |
| 3. | Write the document tracking number on the invoice. | AS |
| 4. | • Log into PTS Action Item Tracking and fill in the required fields.<br>• Assign to the fiscal staff.<br><br>**Note:** See the vendor list to determine which fiscal staff should receive the invoice. The vendor list can be generated in PTS. If you need help generating this list, please see the Admin. Support Lead. | AS |
| 5. | • Generate the **Natomas Park Project Office Invoice Transmittal/Approval Sheet** (*transmittal*) by filling in the following fields:<br>✓ Date received at HHSDC<br>✓ Date received at Project Office<br>✓ PTS log number<br>✓ Action item number<br>✓ Assigned staff<br>✓ Date routed to staff<br>✓ Vendor<br>✓ PO #<br>✓ Invoice #<br>✓ Total amount of invoice<br>✓ Due date to HHSDC Accounts Payable<br><br>• Check the box for "Contract invoice".<br><br>*See Appendix B for a sample Natomas Park Project Office Invoice Transmittal and Approval Sheet.* | AS |
| 6. | Make a copy of the invoice. | AS |
| 7. | Create the invoice folder and attach the transmittal to the front of invoice folder (plum colored). Invoice folder should contain:<br>• Copy of invoice<br>• Copy of a blank Std. 209<br>• Backup material (if any) | AS |
| 8. | Route invoice folder to fiscal staff to process. | AS |
| 9. | File original invoice in the Project Office's Central Library. | AS |

**2. Initial review of contract invoice**

| Step | Action | Responsible person(s) |
|---|---|---|
| 1. | Fill in the following fields on the transmittal in the "Fiscal – Initial Review" section:<br>• Date received<br>• Initial | Fiscal |
| 2. | Using contract requirements, verify the personnel, classification and rates conform to the contract. | Fiscal |
| 3. | If travel expenses are included with the invoice, check the contract and audit the claim(s) to ensure:<br>• Travel expense claims are consistent with contract terms.<br>• Vendor has submitted receipts to support all expenses claimed. If vendor has not included proper documents, contact vendor to provide the information.<br>• Expenses do not exceed State's per-diem rate.<br>Disallow any cost(s) without receipts or in excess of state-allowed rates.<br><br>**Note**: Anytime during the review, Fiscal may contact the vendor for clarification. | Fiscal |
| 4. | Is invoice complete and correct?<br><br>If yes, **go to Step 7.**<br><br>If no, due to missing information or incorrect/improper billing, **go to Step 5**. | Fiscal |

| Step | Action | Responsible person(s) |
|---|---|---|
| 5. | **Cannot process invoice - Missing information or incorrect/improper billing –** (e.g.: missing signature, expense claims not attached, etc.)<br>Contact the vendor to determine if information can be provided or invoice corrected and resubmitted (fax) to the Project Office within one working day, to be followed up by the original revised document.<br>• If yes, hold invoice for one working day. Once information or corrected invoice is delivered, **go to Step 7.**<br>**Note:** If information or revised invoice is not delivered within one working day, follow the "if no" instruction (below) for having vendor resubmit invoice.<br>• If no, inform vendor invoice will not be paid and that vendor must resubmit invoice to HHSDC Accounts Payable once information is provided or correction has been made to the invoice. Tell the vendor they will be receiving two copies of an Invoice Dispute Notification (Std. 209) form. The vendor must submit a copy of the Std 209 with the resubmitted invoice. The other copy is for their file. **Go to Step 6.** | Fiscal |
| 6. | **Not approved/disputed** – See introduction of this document for examples of reasonable cause to dispute an invoice.<br>• Fill out a blank Invoice Dispute Notification form (Std. 209). *See Appendix C for a sample Std.209.* An electronic copy of the form is located on the server in the Readme folder (T:\Readme\Forms).<br>**Important:** Type in the necessary information, click on "File" menu and choose "Save As" to save the information in your personal folder.<br>• Create an e-mail note to the Accounts payment staff responsible for the invoice and attach a copy of the Std. 209. Add your manager as a "cc" and send.<br>**Note:** If you did not use the electronic form of the Std. 209, fax a completed copy of the Std 209 to:<br>**HHSDC Accounts Payment, Attn: (Technician name)**<br>**FAX 739-7876**<br>**Note:** Do not send the Invoice Transmittal/Approval sheet to Accounts Payable for disputed invoices.<br>• Go to procedure **#5, Close out invoice.** | |

<table>
<tr><th>Step</th><th>Action</th><th>Responsible person(s)</th></tr>
<tr><td>7.</td><td>On the transmittal, fill in the following fields:<br><br>Note: If the FM and the SM is the same person, do not fill in the FM section. Instead, draw a slash through the FM section and fill in the SM section. <u>If you do not know who the FM and SM are for this invoice, please see the Deliverable Monitor in Admin. Support.</u> Future plans are to have a list available in the README folder that will contain the SM and FM information.
<table>
<tr><th>Section</th><th>Field</th></tr>
<tr><td>Fiscal – Initial Review</td><td>Check the “Yes” box for “Invoice Information verified”</td></tr>
<tr><td>Fiscal – Initial Review</td><td>“Date routed to Functional Manager”</td></tr>
<tr><td>Fiscal – Initial Review</td><td>In “Comments”, indicate :<br>✓ Dollar amount of the invoice after initial review<br>✓ PCA code(s) that applies to this invoice<br>✓ Other comments</td></tr>
<tr><td>Functional Manager</td><td>“Name” of Functional Manager.</td></tr>
<tr><td>Functional Manager</td><td>“Due date to the State Admin. Manager” (two working days after the date routed to Functional Manager)</td></tr>
<tr><td>State Admin. Manager</td><td>“Name” of State Admin. Manager</td></tr>
<tr><td>State Admin. Manager</td><td>“Due date to Fiscal” (four working days after the date routed to the Functional Manager).</td></tr>
<tr><td></td><td></td></tr>
</table></td><td>Fiscal</td></tr>
<tr><td>8.</td><td>Route the invoice folder with transmittal to the FM.</td><td></td></tr>
</table>

**3. Approve/disapprove contract invoice for payment**
***Note****: If the FM and the SM is the same person, the SM will be the FM in this procedure.*

| Step | Action | Responsible person(s) |
|---|---|---|
| 1. | On the Invoice Transmittal, in the "Functional Manager" section, indicate the date the FM received the invoice. | FM |
| 2. | • Review the invoice and backup material.<br>• Validate for:<br>✓ Hours worked<br>✓ Tasks performed<br>✓ Acceptance of deliverable(s)/service (This may require checking the PTS Deliverables Tracking).<br>• Validate the PCA code(s) and dollar amount indicated by Fiscal in the Fiscal's "Comments" field. If you disagree with the PCA code and/or dollar amount, indicate the correct PCA code(s) and/or dollar amount on the transmittal in the Functional Manager "Comments" field. | FM |
| 3. | <u>If you need to obtain more information/correction from vendor</u>, go to step 4.<br><u>If everything is correct and you can approve</u>, **go to step 5.** | FM |

| Step | Action | Responsible person(s) |
|---|---|---|
| 4. | Contact the vendor to determine if information/correction can be provided (fax) to Project Office within one working day, to be followed up by the original revised document.<br><br>**Note:** If the vendor cannot provide the FM with the needed information before the due date to the State Admin. Manager, then the invoice should be disapproved. Follow the "if no" instruction (below) for having vendor resubmit invoice.<br><br>**<u>If yes</u>**, hold invoice for one working day.<br>✓ Once information is delivered, make correction on the invoice.<br>✓ Indicate comments in the Functional Manager "Comments" field.<br>✓ **Go to Step 5, "If you can certify everything is correct".**<br><br>**<u>If no</u>**, this invoice becomes a dispute and cannot be approved for payment. HHSDC has 15 working days from receipt of an invoice in HHSDC Accounts Payable to dispute an invoice. Therefore, as soon as you know an invoice is disapproved:<br>✓ Inform vendor invoice will not be paid and they must resubmit invoice to HHSDC Accounts Payable once information is provided or correction has been made to the invoice.<br>✓ Tell the vendor they will be receiving two copies of an Invoice Dispute Notification (Std. 209) form. The vendor must submit a copy of the Std 209 with the resubmitted invoice. The other copy is for their file.<br>✓ Fill out the Std 209 Dispute Notification copy included in the invoice folder. Fill in the following areas:<br>❖ The reason(s) for dispute<br>❖ The name of the vendor you spoke with regarding the dispute<br>❖ A contact name and phone number if the vendor has questions regarding the dispute<br>✓ **Go to Step 5, "If not approved".** | FM |

| Step | Action | Responsible person(s) |
|---|---|---|
| 5. | **Complete the following on the transmittal in the "Functional Manager" section:**<br><br><u>If you can certify that everything is correct</u> -<br>✓ Sign the invoice transmittal.<br>✓ Check the "Yes" box in the "Approved for payment" field.<br>✓ Indicate date routed to State Admin. Manager.<br>✓ Go to Step 6.<br><br><u>If not approved</u> -<br>Indicate the reason for not approving in the "Comments" field.<br>✓ Check the "No" box in the "Approved for payment" field.<br>✓ Sign the transmittal.<br>✓ Indicate date routed to State Admin. Manager.<br>✓ Go to Step 6. | FM |
| 6. | Route the invoice folder (invoice, std.209, notes, backup material, transmittal) to the State Administrative Manager (SM).<br><br>**<u>Note</u>**: If the FM and SM is the same person, the SM would have already filled in the transmittal information and signed the transmittal in the "State Administrative Manager" section. | FM |
| 7. | On the Invoice Transmittal, in the "State Administrative Manager" section, indicate the date the SM received the invoice. | SM |
| 8. | • Review the invoice information.<br>• If you disagree with the FM's review and conclusion, discuss the issue with the FM to come to an agreement whether or not to approve for payment.<br>• In the "State Administrative Manager" section:<br>✓ Sign the invoice transmittal.<br>✓ Check the appropriate box in the "Approved for payment" field.<br>✓ Indicate date routed to Fiscal. | SM |
| 9. | Route the invoice folder to Fiscal. | SM |

**4. Inform HHSDC Accounts Payable**

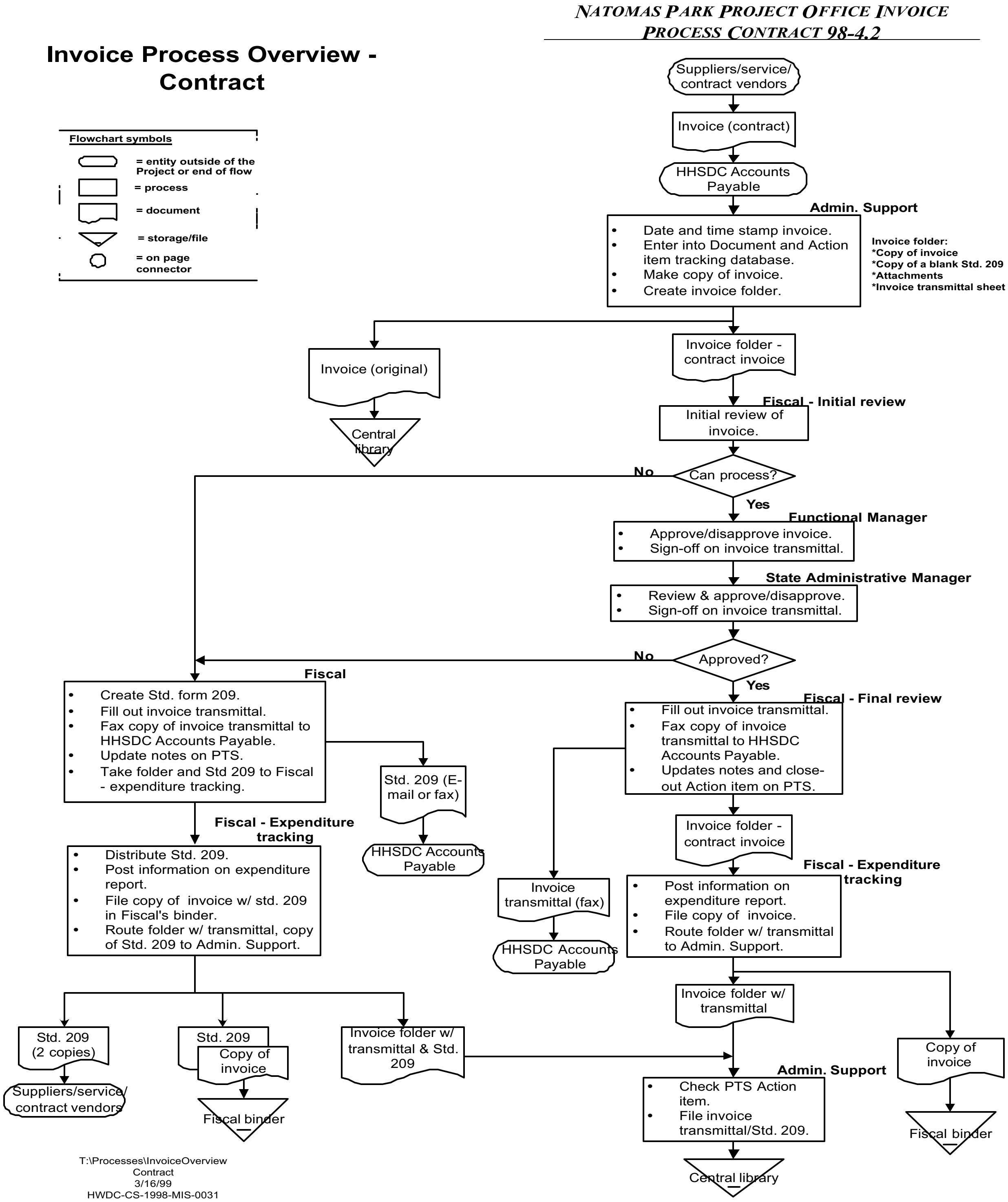
*This procedure occurs after FM and SM review.*

| Step | Action | | Responsible person(s) |
|---|---|---|---|
| 1. | <u>If SM informs you that the invoice is disapproved</u>:<br><br>✓ Fill out/complete the Invoice Dispute Notification (Std. 209) using information provided by the FM.<br><br>**Note:** Re-create Std. 209 using electronic form (preferable) or neatly write in the remaining information. Refer to procedure #2, "Initial review of contract invoice", step 5 for location of electronic Std. 209 and completion.<br><br>✓ Create an e-mail note to the Accounts payment staff responsible for the invoice. Note on e-mail the invoice is in dispute and attach electronic copy of the Std. 209. Add your manager as a "cc" and send.<br><br>**Note:** If you did not use the electronic form of the Std. 209, fax a completed copy of the Std 209 to:<br>**HHSDC Accounts Payment,**<br>**Attn: (Technician name)**<br>**FAX 739-7876**<br><br>**Note:** Do not send the Invoice Transmittal/Approval sheet to Accounts Payable for disputed invoices. | <u>If invoice is approved /amended</u>:<br><br>• On the invoice transmittal, in the "HHSDC Accounts Payable Information" section, fill in the "Expense month/year", "Division", and "Cost Center".<br><br>✓ In the "PCA codes" field, fill in the PCA codes and the dollar amount of each code.<br><br>✓ If there is not enough room to list all the PCA codes and cost breakdown, attach a note to the transmittal and indicate on the transmittal in the "Comments" field to see note attached<br><br>✓ Fax invoice transmittal (and corrected invoice and notes, if any) to:<br>**HHSDC Accounts Payment,**<br>**Attn: (Technician name)**<br>**FAX 739-7876** | Fiscal |
| 2. | Go to procedure **#5, Close out invoice**. | | Fiscal |

**5. Close out invoice**

| **Step** | **Action** | **Responsible Person(s)** |
|---|---|---|
| 1. | Update invoice status in the events field in PTS Action Item Tracking – Events/Resolution.<br><br>**Note:** If disapproval/dispute, indicate the date and the reason for disapproval/dispute. | Fiscal |
| 2. | <u>If approve/amend,</u> route invoice folder with transmittal to the Project Office's Fiscal – expenditure tracking.<br><u>If disapprove/dispute,</u><br>✓ Make three copies of Std 209.<br>✓ Take original Std. 209, Std 209copies, the invoice folder with transmittal to the Project Office's Fiscal – expenditure tracking.<br>✓ Inform fiscal staff you have a dispute that must be processed immediately. | Fiscal |
| 3. | <u>If approve/amend:</u><br>✓ Post expenditure and file copy of invoice and back-up material (if needed) in fiscal binders.<br><br><u>If disapprove/dispute:</u><br>✓ Check the Std 209 for completeness.<br>✓ Mail two copies of Std. 209 to vendor.<br>✓ Attach one copy of Std. 209 to invoice and file invoice and back-up material in fiscal binders.<br>✓ Put a copy of Std. 209 in invoice folder. | Fiscal (expenditure tracking) |
| 4. | Put invoice folder with attached transmittal in Admin. Support's file basket. | Fiscal (expenditure tracking) |
| 5. | • Check PTS Action Item Tracking – Events/Resolution to make sure appropriate fields and notes have been filled in. If not, fill in the necessary information.<br>• Close out the PTS Action Tracking item if it has not been closed out.<br>• File the transmittal and Std. 209 behind the original invoice in the project library.<br>• If copy of blank Std. 209 was not used, set aside to be used for another invoice. | AS |

# Appendix A - Flowchart of the Invoice Process Overview - Contract



# Appendix B – Sample Natomas Park Project Office Invoice Transmittal and Approval Sheet

## HHSDC Natomas Park Office
## Invoice Transmittal and Approval Sheet

| | | | |
|---|---|---|---|
| **Date rec'd at HHSDC:**<br>**Date rec'd here:**<br>**PTS Log Number:** | | **Vendor:**<br>**PO #:**<br>**Invoice #:** | |
| **Action Item number:** | | **Total amt. of invoice:** | |
| **Assigned staff:**<br>**Date routed to staff:** | | **Due date to HHSDC Accts. Payable:** | |

**Check one: Miscellaneous invoice** ❑ **Contract invoice** ❑

**Admin. Support – Process (misc. invoices)**

Date received:

Comments:

**Date faxed to HHSDC Accts. Payable:**

PTS Action Item closed ❑

Date routed to Fiscal – Expenditure Tracking:

*Reviewer (signature):*

**Fiscal – Initial Review (contract invoices)**

| | |
|---|---|
| Date received:<br>Invoice information verified: **Yes** ❑ **No** ❑<br>Comments: | Initial:<br>Date routed to Functional Manager: |

**Functional Manager (FM)**

| | |
|---|---|
| **Name:** | |
| Due date to State Admin. Mgr. : | Date FM Received: |
| Approved for payment? **Yes** ❑ **No** ❑ | Date routed to State Admin. Manager: |
| *Functional Manager (signature):* | |
| Comments: | |

**HHSDC Accounts Payable Information This invoice is approved for payment.**

**Expense month/year**:

**Division** ________ **Cost Center** _______

**PCA code(s)**

| | |
|---|---|
| PCA code: ________ | PCA code: |
| $________________ | **$** _________________ |
| PCA code: ________ | PCA code: |
| $ _______________ | $ _________________ |

*Comments:*

**State Administrative Manager (SM)**

| | |
|---|---|
| **Name:** | |
| Due date to Fiscal:<br>Approved for payment? **Yes** ❑ **No** ❑ | Date SM Received:<br>Date routed to Fiscal: |
| *State Admin. Manager (signature):*<br>Comments: | |

**Fiscal - Final Review /close out**

| | |
|---|---|
| **Name:** | Initial: |
| Date received from SM: | PTS Action item closed ❑ |
| **Date faxed to HHSDC Accts. Payable:** | |

| Fiscal – Expenditure Tracking | | | Admin. Support | |
|---|---|---|---|---|
| **Date received:** | **Date to Admin. Support:** | **Initial:** | **Date PTS verified:** | **Initial:** |

# Appendix C – Sample Invoice Dispute Notification (Std. 209)

STATE OF CALIFORNIA

**INVOICE DISPUTE NOTIFICATION**

STD. 209 (NEW 3-87) 93 96178

(Mail in a window envelope.)

**VENDOR ADDRESS**

| | |
|---|---|
| DATE | |
| INVOICE NUMBER | |
| AMOUNT | $ |
| DATE RECEIVED | |
| REFERENCE NUMBER(S) | |

— (fold) —

**The invoice referenced above is disputed for the following reasons:**

- ☐ Goods/Services not received
- ☐ Noncompliance with contract
- ☐ Incorrect billing/amount due
- ☐ Partial shipment received
- ☐ Duplicate billing
- ☐ Invoice belongs to another department
- ☐ Damaged goods
- ☐ Invoice not properly executed
- ☐ Other____________________

**THIS NOTIFICATION IS A FOLLOWUP TO A PHONE CONVERSATION WITH THE PERSON FROM YOUR COMPANY WHOSE NAME APPEARS BELOW**

| NAME | DATE OF CONVERSATION |
|---|---|
| | |

**IF YOU HAVE ANY QUESTIONS REGARDING THIS DISPUTE, CONTACT:**

| NAME | TELEPHONE NUMBER (include Area Code) |
|---|---|
| | |

— (fold) —

**FOR STATE AGENCY USE ONLY**

| DATE DISPUTE RESOLVED | INITIAL |
|---|---|
| | |
| RESOLUTION | |

**RETURN THE GOLDENROD COPY OF THIS NOTIFICATION WITH THE CORRECTED INVOICE**

(For your convenience, the return address has been positioned for use in a window envelope.)

**RETURN TO:**

DISTRIBUTION:
White — Vendor
Canary — Purchasing
Pink — Accounting
Goldenrod — Vendor (To be returned to age
Blue — File