

**Department of Finance and Administration – Policy 6**  
**Contract Payments After Closing or Purging of Contract From Stars**  
*(Revised March, 2005)*

**Introduction and Background**

1. In the normal course of business there are times when it is necessary to make payments pursuant to a contract after the contract end date and after the contract has been closed or purged from STARS. The need for such payments is generally not a contract issue as neither the end of a contract period nor closing or purging a contract from STARS generally affects the legal responsibility for payment of contractor compensation. However, the need for such payments may pose budgetary and accounting issues if the procuring agency failed to recognize and sufficiently accrue the liability prior to the contract being closed or purged from STARS.
2. Whenever the State accepts goods or services delivered pursuant to the terms of a contract and within the contract period, the state shall be legally responsible for the payment of contractor compensation in accordance with applicable contract terms. The state's liability for contract payment is not affected by the end of the contract period or state accounting procedures. Late contract payments shall be made in accordance with the requirements of this Policy Statement.

**Applicability and Effective Date**

3. This Policy Statement is issued by the Department of Finance and Administration under the authority granted by TCA 4-3-1007. It shall apply to any state agency that creates written contractual relationships binding to the state, and that is responsible for payment for goods and services rendered under the terms of such a written contract. This policy statement shall be applicable when signed.

**General Rule: Late Payment Procedure**

4. A request for late contract payment should be prepared by completing the Late Contract Payment Request in Appendix A. All approvals should be obtained prior to processing payment. The following information should be included in the Late Contract Payment Request.
  - a. Procuring state agency name
  - b. Allotment code (number and name)
  - c. Agency contact
  - d. Contractor name
  - e. Term of the contract
  - f. Contractor vendor number (EIN or SSN)
  - g. Contract number (or if through TOPS, include a PO Number).

- h. Fiscal year of late payment
- i. Date of services or date goods ordered
- j. Amount of the late contract payment requested and available contract balance.
- k. A brief description of the purpose of the contract.
- l. A description of the reason for the late payment

### **Required Approvals and Documentation**

- 5. All approvals must be obtained by the procuring state agency prior to presenting the request to the Division of Accounts for action, to include the standard approval required for any payment pursuant to a contract.
  - A. For requests \$10,000 or less – Approval by the Department Head and agency budget officer.
  - B. For requests over \$10,000 but less than \$100,000 – In addition to approval by the Department Head and agency budget officer, approval of the Commissioner of Finance & Administration through the Budget Division.
  - C. For requests over \$100,000 – Approval by the Department Head, agency budget officer, Commissioner of Finance and Administration through the Budget Division, the Comptroller of the Treasury, and approval of all other State officials who approved the original contract.
- 6. Once all approvals are obtained, the request for a late contract payment should include the standard documentation required for any payment pursuant to the particular contract. This should include the invoice and voucher information sufficiently documented so that payment can be identified as made under the closed or purged contract. If deemed appropriate a copy of this subject contract (and any amendments) may be included. Fiscal officers should key these transactions using the TC transaction code that would have been used had the contract still been in STARS (Please ignore the “document warning” message).

### **Accounting**

- 7. A late contract payment under this Policy 6 shall occur only when a contract period has ended, the contract has been closed or purged from STARS, and there was no or insufficient accrual for expenses incurred under the contract. A late contract payment under this policy shall be recorded in the fiscal year in which the payment is made, and shall not be retroactively recorded in the fiscal year in which the contract period ended. If such payment is material, the expenditures shall be recognized as a prior period adjustment in the subsequent financial statements.

## **Circumstances That Cannot Be Resolved Through Policy 6**

8. Some contract situations may occur which are outside the scope of procedures developed in this Policy Statement. These situations would include:
  - A. Services have been rendered after the contract has ended.
  - B. The Contract period has ended. However the maximum liability of the contract has been exceeded although services were rendered during the term of the contract.
  - C. An agency wants to extend the term of a contract after the contract has ended.
  - D. Goods were purchased without authority and outside the scope of purchasing regulations.
9. Normally under these circumstances, a new contract, contract amendment or purchase authorization for the acquisition of the subject goods or services will be required. The Office of Contracts Review makes this determination for contracts based on the circumstances of each situation. If the situation involves a procurement of goods, then the department should contact the Department of General Services Purchasing Division for emergency purchasing procedures prior to payment.

### **Exceptions**

10. Exception requests to this policy may be directed to the Chief of Accounts, Department of Finance and Administration for review. Any exceptions approved by the Department of Finance and Administration shall be filed with the Comptroller of the Treasury within ten business days.