



Direct Payment/Low Value Purchase

Division: Administration and Finance
Department: Procurement
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Authority:

ICSUAM 5205, Low Value Purchases

Objective:

To comply with the ICSUAM requirement to develop and maintain practices, limits and procedures governing low-value purchase transactions where little or no value can be added by processing the transaction through standard procurement procedures. Campus practices shall ensure strong internal controls that mitigate procurement abuses, comply with Trustee policy, ensure observance of good business practices and provide appropriate checks and balances.

Statement:

A direct payment may be made for University obligations for which little or no value can be added by processing the transaction through standard procurement procedures. The *preferred* method for processing such transactions is the University Procurement Card (P-Card).

- In cases where use of the P-Card is not feasible, a Direct Payment Request may be submitted for **Allowable Transactions**.
- If the transaction has already occurred the invoice for the transaction will be processed as a **Post-Transaction Direct Payment** request as discussed below.

A. Prohibited Transactions

Direct Payment Requests will not be approved for Prohibited Transactions at any time. Campus users may not request post-transaction approval of any Prohibited Transactions. The following are the three categories of Prohibited Transactions:

1. The following types of purchases regardless of cost:
 - a. Consulting
 - b. Services (With the exception that transcription and editing fees provided by vendors working entirely off-site are allowable)
 - c. Direct payment of legal settlements (Note: All legal settlements and attorney fees must be approved by General Counsel and the Associate Vice President for Fiscal Affairs, *in addition to approvals required by this Practice Directive*)
 - d. Payments to entities outside the United States
2. Purchases that:
 - a. Do not comply with SF State policies against nepotism
 - b. Split costs to avoid the \$5,000 threshold
 - c. Do not comport with all laws
 - d. Are in violation of SF State or CSU policy
3. If there is a systemwide or campus preferred contract in place, then a purchase with a non-preferred vendor or source is prohibited. For a listing of systemwide contracts, see: <https://csyou.calstate.edu/groups/csp/contractstore/Lists/contracts/currentcontracts.aspx>

B. Allowable Transactions up to \$5,000

Allowable transactions are any transactions other than those that are prohibited. Transactions up to \$5,000 do not need to be pre-approved.

C. Pre-Approval for Direct Pay Requests for Allowable Transactions over \$5,000

1. Any purchase over \$5,000 must be pre-approved.
2. Send an e-mail to the Director of Procurement with a quote requesting pre-approval of the transaction. The e-mail must include the following information:
 - a. Description of the transaction. If the transaction involves services be sure to indicate if the services will be performed on campus or off campus.
 - b. Dollar amount of the transaction, including tax if applicable.
 - c. Vendor name and, if known, whether the vendor is existing or new.
 - d. The returned e-mail approval from the Director of Procurement or designee will be evidence of pre-approval and must be provided to Accounts Payable.
3. A valid unexpired contract, agreement, memorandum of understanding or other binding document executed between the vendor and an authorized employee of the Procurement Department constitutes acceptable Pre-Approval. A copy of the documentation must be included

in the Direct Payment package. For lengthy agreements a copy of the cover page, the page showing the contract term and the signature page are sufficient.

D. Post-Transaction Direct Payment requests

Transactions that have not been pre-approved will be rejected, leaving the initiator personally liable for the expense until approved by campus officials as provided below. It is the responsibility of the party initiating the Post Transaction Direct Payment Request to obtain all necessary approvals or authorizations. Neither Procurement nor Accounts Payable is responsible for any payment delays caused by failure to comply with this Practice Directive.

1. The Post Transaction Direct Payment request must contain the justification explaining why a transaction was initiated without Pre-Approval as provided in this Practice Directive. The justification must also include a statement that the initiating party has been trained in the appropriate procedure for such transactions in the future.
2. The Post Transaction Direct Payment Request must be signed by someone with appropriate authority (Business Manager, Department Head or Chair, Dean or AVP) as well as the appropriate Vice President or Provost.

The Post Transaction Request will be reviewed by the Director of Procurement. If approved, the Director will forward the Request to the Vice President of Administration and Finance who must approve all Post-Transaction Direct Payment requests before they can be processed by Accounts Payable.

E. One-time Pass

Individuals who do not comply with the requirements of this practice directive may be given a one-time pass on purchases up to \$1,000, at the discretion of the Director of Procurement. These non-compliant individuals will be informed that their actions did not comply with SF State's purchasing standards, will receive proper training, and will be provided a copy of this practice directive. Individuals who are non-compliant with this practice directive on more than one occasion will be personally liable for any expenses incurred, without exception.

F. IT Transactions

For purchases of IT Software or Hardware, the [Technology Acquisition Review](#) must be completed before payment is made. The completed Technology Acquisition Review Form must be attached to the Direct Payment Request in order for the request to be processed.

For a list of IT Software and Hardware that has already been approved through a Technology Acquisition Review, please see the [TAR Approved Catalog](#).

Procedures:

[Direct Payment Request Procedure](#)

Searchable Words:

“Direct Payment”, “Allowable Transaction”, “Prohibited Transaction”, “Pre-Approval”, “Post Transaction”

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