

DHHS POLICIES AND PROCEDURES

Section II:	Budget and Analysis
Title:	Cash Management Plan
Chapter:	Management of Inventory and Supplies, Cash Management Over Inventory and Supplies
Current Effective Date:	8/1/02
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Inventory Quantity on Hand Policy

Inventories shall be managed in a manner that ensures that only the minimum supply level necessary to conduct business without disruption is stocked. Economical order quantities shall be considered in implementing procedures to control inventories.

Purchase Requisition Policy

1. Requisitions are to be prepared by authorized staff and are to be approved by the respective section chief. Requisitions are to be sent to the division/facility/school purchasing office for issuance of a purchase order or contract if available funds checking is automatically performed when the purchase order or contract is entered in the North Carolina Accounting System (NCAS) Purchasing System. A hard copy of the requisition is not needed in accounts payable units at this time. It is the Department of Health and Human Services (DHHS) policy that all procurements including contracts should be encumbered in the NCAS. Any item that will not be automatically encumbered by NCAS must be certified for available funds and manually encumbered by the division/facility/school budget offices. Invoices and requests for payment that are not properly encumbered will be refused for payment until available funds are certified at the fund object level by the division/institution budget office.
2. Once the purchase order is processed and entered by the purchasing officer (buyer) into the NCAS, the appropriate account(s) and center(s) are automatically encumbered or the item is placed on the budget exception que for resolution by the division/facility/school budget office. The requisition is not matched against the purchase order. At the time the invoice is received, matching occurs to the purchase order. Payment will not be authorized for any procurement until the goods or services are received and accepted by an authorized division/facility/school receiving unit, and the receiving report is entered in the NCAS for matching to the invoice and purchase order. For contracts and other payments the chief of the section responsible for administration of the contract or administrative approval of the service or the division purchasing officer will approve and forward a signed DHHS Payment Voucher Request with the original invoice to the designated DHHS Controller's Office

Accounts Payable Unit. Requests for payment on contracts must include the applicable reimbursement/certification form signed by the contractor.

3. Purchases from petty cash shall be in accordance with DHHS Purchasing Manual Policy. See rules and procedures governing small purchases and local purchasing authority (LPA). In general, divisions/facilities/schools may make small purchases off state contract up to \$500 per purchase. These purchases can be made from a petty cash fund if usage is requested and approved when the fund is established or reauthorized each year. Questions concerning small purchase rules should be directed to the DHHS Purchasing Office.

The Fixed Asset System (FAS) Responsibility

1. An annual inventory of the division/facility/school fixed assets is to be conducted before May 31.
2. To assure the accuracy of fixed assets records on a continuing basis, it is necessary to reconcile Fixed Asset System (FAS) records with NCAS on a periodic basis. A DHHS Controller's office employee shall be assigned FAS responsibility for each division/institution (designated FAS employee). The division/facility/school designated FAS employee shall reconcile the FAS records to the NCAS records on a monthly basis.
3. An additional reconciliation may be necessary after completion of the annual physical inventory and the resulting FAS adjustments. This year-end reconciliation will be of primary importance in assuring the integrity of the division annual financial statements and will also be the responsibility of the designated FAS employee. Balancing and reconciliation forms and procedures are outlined in the Fixed Assets System User's Manual.
4. Each division/facility/school section Chief or Program Manager shall be assigned responsibility for their equipment. Any transfer of equipment or other assets from one section/office/NCAS Center must be formally transferred by completing the appropriate forms. These forms must be completed, signed and forwarded to the division/facility/school designated FAS employee in the DHHS Controller's Office. Individuals to whom equipment is assigned are not relieved of responsibility for that equipment, regardless of whether it has been physically transferred to others, unless written notice of release of the item and reassignment to another individual is submitted to the designated FAS employee via the appropriate forms.
5. The DHHS Section Chiefs or Program Managers in each DHHS division, facility, school shall conduct an annual inventory of equipment and other assets in their charge costing \$500 or more in accordance with procedures issued annually by the DHHS Controller's Office accountant with fixed asset responsibility for the

division/facility/school. Items costing less than \$5,000 are not counted for reporting in the State's Comprehensive Annual Financial Report (CAFR).

6. Federally funded fixed assets are identified in the FAS. Prior to transfer (either inter or intra-division/institution) or other disposition of federally funded fixed assets, the DHHS Section Chief who has custody of the fixed assets will consult with the designated FAS employee to determine if the transfer meets federal requirements. The appropriate FAS transfer or disposal forms must be completed, signed and forwarded to the designated FAS employee. The divisions/facilities/schools will follow prescribed uniform standards governing the utilization and disposition of property furnished by the federal government or acquired in whole or in part with federal funds or whose costs have been charged to a federal grant or contract when surplusing property (capitalized equipment).
7. Fixed asset surplus procedures as defined by the Fixed Asset System's User Manual and the Department of Administration State Surplus Property Agency will be followed.

Physical Inventory of Supplies

A physical inventory of supplies is required for inclusion in the department's CAFR each year before June 30. Division/facility/school sections that have responsibility for placing orders or maintaining supply inventories have the responsibility for conducting a physical inventory supplies and reporting the results to the DHHS Controller's Office.

For questions or clarification on any of the information contained in this policy, please contact [The Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).