

**FAP 111-45-00**  
**PAYMENT DOCUMENTS**

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1. Contracts are special purpose documents used for authorizing purchases and payments for commodities and services procured by the Commonwealth.
2. Pursuant to KRS 45A.075, Contracts, except authorized by law, shall be awarded by:
  - a. Competitive sealed bid (KRS 45A.080; 200 KAR 5:306; FAP 111-35-00);
  - b. Competitive negotiation (KRS 45A.085; KRS 45A.695; 200 KAR 5:307; FAP 111-57-00);
  - c. Noncompetitive negotiation (KRS 45A.095; 200 KAR 5:309; FAP 111-08-00; FAP 111-09-00; FAP 111-10-00; FAP 111-39-00);
  - d. Competitive bidding exceptions as established by: FAP 111-08-00; FAP 111-09-00; FAP 111-10-00; or
  - e. Small purchase procedure (KRS 45A.100; FAP 111-55-00).
3. A Contract shall not be required for the following items, unless it is an agreement, which meets the definition of a "Memorandum of Agreement (MOA)" (KRS 45A.690(1)(d)):
  - a. Transactions that can be made by Journal Voucher (JV);
  - b. Items that can be purchased or paid by Imprest Cash or Procurement Card under the agency's small purchase authority; or
  - c. Transactions that can be handled by inter-account.
4. A vendor invoice shall be required for payments against a Contract, if specified in the purchasing document. The original vendor invoice shall be retained in the agency for the period of time required by the appropriate record retention schedule. The invoice shall be on the official invoice form of the vendor. A vendor invoice for a Personal Service Contract (PSC) shall be in the form and manner as required by KRS 45A.695(10).
5. An agency shall ensure that adequate funds are available within its budget for immediate payment before placing an order.
6. An agency shall review invoices for Contract compliance. The contractor shall be held accountable to perform at acceptable levels.
  - a. Acceptance and rejection requirements for goods or services shall be clearly outlined in the Contract.
  - b. The invoice shall only be approved if the product or service billed has been delivered per the specifications within the Contract. Examples of items that shall be monitored include:
    1. The quality of work;
    2. Work schedule/timetable;
    3. Conflicts;
    4. Budgets;
    5. Payments;
    6. Data; and
    7. Subcontractors.

- c. In deliverables-based Contracts, all milestones shall be fully met before remitting payment.
  - d. Invoices shall meet invoicing requirements and have enough detail to be sufficient for a proper audit.
7. An agency shall select the appropriate payment method for all goods and services. For payments against a document that has been entered into and encumbered funds within the state's eProcurement and accounting systems, an agency shall process an electronic invoice that will liquidate the encumbrance when payment is authorized. If exercising small purchase authority, or if specifically authorized in the terms of the Contract, an agency may make payments using a Procurement Card. All payments referencing Contracts established in the state's eProcurement system shall be made in the state's eProcurement system and reference the appropriate Contract.
  8. If an agency pays a vendor more than thirty (30) working days after receipt of both satisfactory goods or services and satisfactory invoice, the agency shall determine under the provision of KRS 45.451 – KRS 45.458 whether the Commonwealth owes the vendor a penalty.
  9. **Master Lease Contract:** An agency desiring to use financing as its payment method for a procurement shall do so using the Master Lease Purchase Contract. All requests and transactions shall be processed under the direction of the OPS.