

Payment Processing North Carolina Accounting System (NCAS)

Most State agencies use the North Carolina Accounting System (NCAS) for financial transaction processing. The entities that do not use NCAS are DOT, Employment Security Commission, the University System, and the Community Colleges.

All of the NCAS agencies use the Department of Administration's (DOA) E-Procurement System for processing purchasing transactions, and they use NCAS for processing payment transactions. Both E-Procurement and NCAS are tools to be used by the agencies, and therefore all transaction entry is done by the agencies. Neither DOA nor OSC create transactions for the agencies, but rather maintain the tools with which the transactions are processed.

Following is a list of the transactions performed during the purchasing-to-payment process.

E-Procurement Processing:

Requisitions

NCAS agency requesters enter requisitions for goods and services into the E-Procurement System. Those requisitions are approved by appropriate agency personnel, after which they are passed to NCAS for funds checking and commitment of funds against available budget.

Purchase Orders

Once a requisition has been completely approved and has passed funds checking, the E-Procurement creates a purchase order and sends it to the vendor electronically. At the time the purchase order is created, it is passed to NCAS for another funds check and for encumbrance against the appropriate budget balance, and entry in the general ledger.

Receiving

When goods are received from the vendor, the agency enters the receipt in E-Procurement against the appropriate purchase order line. With the exception of inventory transactions, receipts do not generate any general ledger entries, but the receipt is passed to NCAS to allow three-way matching (purchase order – receipt – invoice) during payment processing.

NCAS Processing:

Matching Invoice Processing

When vendors send invoices for purchased goods and services, the payables clerk enters the invoices into NCAS and matches them against the appropriate purchase orders and receipts that were interfaced previously from the E-Procurement System. If the three-way match is successful, then the invoice is accepted for payment processing according to the payment terms. If there is a matching problem, the invoice is automatically directed to the buyer for resolution.

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Direct Invoice Processing

There are some transactions (utilities, employee reimbursements, etc.) that do not utilize a purchase order and therefore do not utilize that matching process for invoice processing. These “direct” invoices require approval of authorized agency personnel, but they are not matched against a purchase order from E-Procurement. In addition to the off-system approval, the NCAS System performs a funds check against the appropriate budget to insure funds are available to pay the invoice, encumbers those funds, and then the invoice is accepted for payment processing according to the payment terms.

Payment Processing

Each agency determines when to process payments and sets the NCAS payment controls for their agency. This includes not only the date of payment processing, but also the date of the next payment processing cycle, so that the NCAS System can calculate which invoices must be paid during the current cycle. As stated previously, NCAS automatically pays invoices according to the entered payment terms (net 30, net 60, etc.). When the payment cycle is run, the agency’s payments are produced, either on a paper check or electronically in an ACH file, depending on the vendor’s preference. Paper checks are printed at the agency and distributed by agency personnel. When payment is made, NCAS automatically reverses the encumbrances and posts the expenses into the general ledger.

Payment Policy

The State’s cash management policy dictates that we pay vendors neither earlier nor later than the due date determined by the agreed payment terms. The NCAS System automatically pays vendors’ invoices on the date due. Late payments occur only if the agency is late entering the invoice into NCAS, the agency puts a hold on the payment, the agency enters the wrong payment terms, or the agency does not stick with the “next processing date” entered during the last payment cycle.

E-Procurement/NCAS Interfaces:

Prior to the implementation of E-Procurement, NCAS was used by state agencies for the entire procurement process, from requisition creation through payment to the vendor. The processing was done in a fully integrated system which shared transactions and vendor records between multiple business functions.

Although the relationship between E-Procurement and NCAS often is referred to as an integration, it is, in fact, a series of interfaces. A fully integrated system allows multiple business functions to share the same electronic data files, so the data is maintained in one location or system. With an interface, on the other hand, data is transmitted between systems, but the data is maintained in multiple locations and results in file duplication. In the E-Procurement/NCAS

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transaction interface, for example, requisition records, purchasing records and receipt records are maintained in both systems.

Transaction Processing

Aside from the actual transaction processing files, there are several interfaces that transmit data between E-Procurement and NCAS. Each night, valid accounting distributions, buying entities, etc. are transmitted from NCAS to E-Procurement to insure requesters are selecting valid NCAS values during requisition creation. NCAS also transmits ARRA designations to help with reporting to OSBM's NC OpenBook system. Also nightly, E-Procurement sends valid grant and bid information to NCAS to help insure data integrity on NCAS feeds to the NC OpenBook system.

When requisitions are submitted in E-Procurement, the transaction interface sends the data to NCAS for requisition creation and funds checking. If funds checking should fail, NCAS passes an appropriate message back to E-Procurement. When a purchase order number has been assigned in E-Procurement and the document submitted, the transaction interface sends the data to NCAS again for purchase order creation and encumbrance posting. Finally, when receipts are entered in E-Procurement, the transaction interface sends the data to NCAS for creation of the receipt record to be used in matching against the vendor's subsequent invoice. The three-way match (purchase order – receipt – invoice) and subsequent payment takes place in NCAS.

In another interface, NCAS sends payment records every month to the E-Procurement team to be used for billing vendors the 1.75% marketing fee.

Vendor Information

As long as State entities operate separate business systems, there will be multiple vendor files throughout State Government. The various systems may interface vendor between them, but each will use its own file to create transactions. Even if the State were to adopt one enterprise system for purchasing for the entire State, and another enterprise system for payment processing throughout the State, the lack of integration likely would result in separate vendor files. For example, the accounts payable function pays some vendors directly, with no purchase order involved, and such "direct pay" vendors would not be required in the purchasing vendor file.

The E-Procurement vendor file is separate from the NCAS vendor file, but data is interfaced between the two systems. When E-Procurement was first implemented in 2001, NCAS interfaced its entire vendor file to E-Procurement. Since E-Procurement allows its vendors to add and maintain their own records, they asked the NCAS vendors to review the data in the E-Procurement vendor file and make any needed revisions. Unfortunately, a number of these vendors changed locations on some of those records, which meant that a vendor's Charlotte location in E-Procurement, for example, was recorded in the NCAS vendor as its Raleigh location. As a result, NCAS does not use vendor update data from E-Procurement's vendor file, in order to protect the integrity of vendor activity reporting in NCAS. New vendors, however, are sent daily from E-Procurement into the NCAS vendor files.