**Office of the Chancellor**

**Pennsylvania State System of Higher Education**

**Guidance Document**

**Guidelines for Direct Payments to Vendors**



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 Director of Financial Management

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**Issuing Unit:** Administration and Finance

**History:** N/A

**Related Document:** N/A

**Additional References:** N/A

**I.** **Background**

This document provides updated guidance to clarify the appropriate use of direct pay payments to vendors and to reinforce procurement procedures.

Direct pay payments are payments made to outside entities without the need for a formal purchase order or procurement sourcing event. These types of payments are typically made for one-off, non-recurring expenses.

**II. Direct Pay Payments**

**Effective July 1, 2025**, **the direct pay categories listed below**, *further detailed in the attached list*, **must be processed through the direct pay method, regardless of amount**.

1. **Non-Employee Payments** - Payments to non-employee individuals for services or reimbursements without an agreement.
2. **Utility Payments** - Payments for ongoing operational needs to utility providers.
3. **Membership Fees** - Payments made for recurring memberships that provide access to professional organizations, or journals that benefit the organization.
4. **Government Entities** - Payments made to government agencies for various regulatory requirements, licenses, permits, other official fees.
5. **Colleges, Universities, Accreditation Entities** - Payments made to non-profit educational institutions and accreditation organizations for services related to education and certification.
6. **Refunds** - Payments made to return funds to students or other entities due to overpayments, cancellations, or unused funds.
7. **Grants, Subawards, Return of Grant Funds** - Payments to grant awardees based on sub-awards and payments made to return funds to the grant agency.
8. **Memorandum of Understanding (MOU) and Affiliation Agreements** - Payments made under a MOU, or affiliation agreement, between the university and another entity.
9. **Employee Travel** - Payments made to employees to cover expenses incurred during business-related travel. Note: For universities using the SAP travel module, the Direct Pay form should not be used for these payments.
10. **Legal Payments** - Payments for obligations related to lawsuits.

These payments, which do not fall under traditional procurement, are to be sent directly to the university’s Accounts Payable office for processing.

Additional Dining Services may be processed in accordance with university current policies as either a Direct Pay or Purchase Order.

**III.** **Small Dollar Limit No Longer Permitted for Direct Pay Purchases**

The option to use direct pay for procurement-related items under $5,000 will no longer be available. This change ensures consistency, improves compliance, and streamlines procurement operations across all universities in the system.

**IV. Other Purchases**

All other purchases of goods and services, regardless of amount, require processing through the procurement system, or an authorized purchasing card (pcard) when appropriate. A purchasing card remains an option for small, one-time purchases. Please check your university’s pcard policy for small dollar allowable expenditures.

**Pennsylvania State System of Higher Education**

**Direct Pay Guidance**

Direct pay payments are payments made to outside entities without the need for a formal purchase order or procurement sourcing event. These types of payments are typically made for one-off, non-recurring expenses. Direct payments are often categorized into distinct types based on the nature of the transaction. Below are predefined direct payment categories and some common examples**. Any "after-the-fact" payment for the procurement of goods or services that fall outside of this direct pay guidance may only be made pursuant to a fully executed settlement agreement.**

| **Category** | **Description** | **Examples** | **Documentation Required for Payment** | **Exclusions** | **Other Notes** |
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| **Non-Employee Payments** | Payments to non-employee individuals for services or reimbursements without an agreement. | Payments to athletic officials, freelancers, speakers, guest lecturers, speaker fees, candidate interview reimbursements, student or non-employee travel reimbursements, co-op teacher stipends, outside legal counsel.    | Invoice or Appropriate travel receipts, where applicable.  | Below Bid Threshold Only. Direct payments in this category are intended to be below the then-effective bidding threshold. If any expense in this category is to exceed the bid threshold, it should be processed through procurement for competitive sourcing |  |
| **Utility Payments** | Payments for ongoing operational needs to utility providers. | Monthly bills for electricity, water, gas, internet, and phone services |  | The State System has strategic sourcing contracts in place that competitively source utility supply, where available. State System Universities may direct pay all utility invoices for supply and distribution. However, they do not have the authority to select a supplier outside of the State System’s strategic sourcing initiatives.  |  |
| **Membership Fees** | Payments made for recurring memberships that provide access to professional organizations, or journals that benefit the organization. | Professional membership dues, journal subscriptions. |  |  |  |
| **Government Entities** | Payments made to government agencies for various regulatory requirements, licenses, permits, other official fees.  | Business license fees, regulatory fees, insurance payments to DGS/FARM, postage.  |  |  |  |
| **Colleges, Universities, Accreditation Entities** | Payments made to non-profit educational institutions and accreditation organizations for services related to education and certification.   | Accreditation fees, membership dues to educational consortia, affiliate reimbursements. |  |  |  |
| **Refunds** | Payments made to return funds to students or other entities due to overpayments, cancellations, or unused funds.  | Student refunds, scholarship refunds, returning unused grant funds. |  |  |  |
| **Grants, Subawards, Return of Grant Funds** | Payments to grant awardees based on sub-awards and payments made to return funds to the grant agency.  | Grant sub-award payments. Return funds to a grant agency. | Fully executed grant or subaward agreement, with appropriate legal approval for form and legality.  | Does not include services, materials or supplies purchased in furtherance of a grant award. These should be processed as a procurement. |  |
| **Memorandum of Understanding (MOU) and Affiliation Agreements**  | Payments made under a MOU, or affiliation agreement, between the university and another entity. | Payments to partner institutions for collaborative projects and education opportunities, payments to external organizations for joint research initiatives, shared faculty/staff, shared courses, tuition waivers.   | Fully executed MOU or affiliation agreement, with appropriate legal approval for form and legality.  | Does not include the provision of any service, material or supplies by a partner institution or affiliated entity. These should be processed as a procurement. |  |
| **Employee Travel** | Payments made to employees to cover expenses incurred during business-related travel. | Reimbursement for airfare, hotel stays, meals, transportation, conference fees, and other travel-related expenses.  | Appropriate travel receipts and business justification.  |  | Travel reimbursements must comply with State System Travel Policy: <https://www.passhe.edu/policies/documents/BOG_Policies/Policy%201986-07-A.pdf> |
| **Legal Payments** | Payments for obligations related to lawsuits.  | Payments of legal settlements, verdicts, court fees, penalties. | Fully executed settlement agreement or court order, with appropriate legal approval for form and legality.  |  | Any "after the fact" payment for the procurement of goods or services that fall outside of this direct pay guidance must be pursuant to a fully executed settlement agreement.  |
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| **Additional Dining Services - Process in Accordance with Current University Procedures** | Payments to dining services suppliers, for services other than student meal plans under the dining services contract.  | Payment for catering services.  | Payment must be made to the university's awarded dining services vendor, for services that are included within the scope of work of the university's dining services contract. |  | Although covered by a procurement contract, payments **may** be made by direct pay, rather than the issuance of a PR/PO if currently allowed by the university. |

 | Payments to dining services suppliers, for services other than student meal plans under the dining services contract. | Payment for catering services.  | Payment must be made to the university's awarded dining services vendor, for services that are included within the scope of work of the university's dining services contract. |  | Although covered by a procurement contract, payments may be made by direct pay, rather than the issuance of a PR/PO if currently allowed by the university. |