



OBJECTIVE

To establish procedures for review and payment of invoices for goods and services purchased by the university.

POLICY

Applies to: Faculty, staff, students, visitors, vendors
 Issued: 08/2000
 Revised: 09/2008
 Edited: 09/2009

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II. General Overview

- A. Accounts Payable in The Office of the Controller is responsible for printing and distributing checks in payment for goods and services purchased by university departments.
- B. Goods and services are purchased in several ways, depending upon the type of purchase and the supporting documentation required. As detailed in this policy, Accounts Payable makes payments either:



- a. Against a purchase order and its associated invoice(s), or
 - b. Through a non-purchase order voucher.
- C. Regardless of the payment method, units must review all invoices and other payment related documents in a timely manner to ensure that charges are legitimate and should be paid.

PROCEDURE

Applies to: Faculty, staff, students, visitors, vendors
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I. Payment of Invoices against a Purchase Order

A. Vendor Responsibilities

- 1. If an invoice is to be paid against a purchase order, the vendor should send the invoice directly to Accounts Payable.
- 2. If the vendor sends an invoice directly to a department, it should be forwarded immediately to Accounts Payable.
- 3. Ensure that 10-digit purchase order number is accurately identified on all invoices.

B. Department Responsibilities

- 1. Verify that the goods and services received are the goods and services that were ordered.
- 2. Verify that the goods and services are satisfactory.
- 3. Review invoices in the online Procurement System as soon as possible to ensure the charges are legitimate and should be paid.
- 4. Approve invoices for payment in the online Procurement System.
 - a. Invoices less than \$1,000.00 do not require departmental approval for payment.



- b. Invoices \$1,000.00 or greater require departmental approval before payment is issued. These invoices are automatically placed in pending status until the department approves the payment via workflow in the online Procurement System.
 - c. Invoices for payments against blanket purchase orders require departmental approval, irrespective of the dollar amount.
5. Deny the voucher via workflow in the online Procurement System if the invoice should not be paid.
 6. Notify Accounts Payable via email if a voucher is approved in error. The voucher will be placed on hold.
 7. Notify Accounts Payable via email to release and pay an approved invoice formerly noted as on hold in the online Procurement System.

C. Accounts Payable Responsibilities

1. Make timely payment only on original invoices in accordance to the terms of the purchase order. Payments are not made on the basis of other documents, such as sales orders, packing slips, etc.
2. Ensure that the invoice and purchase order match in price and quantity before payment is made. Invoices that fail the match process are sent to an expeditor in Purchasing for resolution.
3. Ensure that the invoice and purchase order match in company name. Payment can only be made to the vendor listed on the purchase order which must match the name of the billing company.
4. Record the system generated eight character voucher ID on approved invoices. A copy of the invoice with the assigned voucher ID is scanned and stored for online review by the department.
5. Make payments following the stated terms of the purchase order, (e.g. Immediate, Net 10, Net 30, etc).
 - a. Immediate - the payment is in the next check run following processing and workflow approval of the invoice.



- b. Net 10 – the payment is sent 10 days from the invoice date, contingent upon workflow approval.
- c. Net 30 - the payment is sent 30 days from the invoice date, contingent upon workflow approval.

II. Payment through a Non-Purchase Order Voucher

A. Overview

- 1. Purchasing determines which items may be purchased using non-purchase order vouchers (convenience order).
- 2. Items purchased using non-purchase order vouchers do not require a requisition, and are not part of the encumbrance process.
- 3. Non-purchase order vouchers encompass all payments not associated with a purchase order or credits processed by Accounts Payable.
- 4. The most frequently occurring non-purchase order vouchers are:
 - a. Expenditures for specific convenience orders as authorized by Purchasing
 - b. Payment requests including those for honoraria
 - c. Travel payments
 - d. Credit memos
 - e. Cancelled checks
- 5. Non-wage payments for services provided by employees are processed as non-purchase order vouchers.

B. Payments of Honoraria

- 1. Honoraria are processed as non-purchase order vouchers as follows:
 - a. Honoraria are payments for one time teaching or speaking engagements to individuals who are not employed by the university.
 - b. Honoraria should not be recurring to the same individual.
 - c. Honoraria will be issued only to individuals, not companies.



- d. Honoraria will not be paid to Ohio State employees.
- e. Honoraria represent taxable income to the recipient. If accumulated honoraria payments are \$600.00 or more during a calendar year, a 1099 is issued to the recipient and the Internal Revenue Service.
- f. Honoraria should not be confused with payments to employees or payments to independent contractors. The Internal Revenue Service has established guidelines that should be considered when determining how an employee is classified (refer to [Documentation Form for Non-Employee Work Arrangements](#)). Direct questions to the Tax Manager in the Office of the Controller.
- g. Honoraria provided to non-resident aliens will be subject to 30% withholding, unless exempted under a tax treaty. See Non-Resident Aliens section and Tax Compliance section for further details.

C. Non-Resident Aliens

A non-resident alien is defined by the Internal Revenue Service as an individual who is not a U.S. citizen or a resident alien. A resident of a foreign country under the residence article of an income tax treaty is a non-resident alien individual for purposes of tax withholding.

1. The Ohio State University is required to follow the regulations provided by the Internal Revenue Service. Certain documentation is required for all payments made to a non-resident alien, non-employees for reimbursements, honoraria, and services.
2. Visas are documents issued by the U.S. Department of State which give the alien permission to enter the United States for specific purposes. Visas must be applied for and granted at U.S. Embassies abroad prior to traveling to the U.S. On entering the U.S., the non-resident alien is assigned a "visa status" which corresponds to the visa type used to enter the country. A non-resident alien may enter the U.S. with a different visa status for each visit. The visa status in effect for the current trip to the U.S. (for which the non-resident alien is to receive payment) is very important because payments cannot be made to non-resident aliens with certain visa types. A non-resident alien must have the appropriate visa status in order to receive compensation or reimbursement of travel expenses. It is illegal to make payments to non-resident aliens with certain visa types.



3. Documents required to add a non-resident alien as a vendor for reimbursements (only) are as follows:
 - a. [Accounts Payable Payment Compliance Form](#)
 - b. Purchasing Vendor Maintenance Request. Enter in the comment section the type of payment to be made (e.g. reimbursement, etc).
4. Documents/information required before payments can be processed to non-resident aliens for honoraria or for services are:
 - a. [Accounts Payable Payment Compliance Form](#)
 - b. Purchasing Vendor Maintenance Request. Enter in the comment section the type of payment to be made (e.g. reimbursement, honoraria, services, etc). If all services are performed outside the U.S., state this information in the comments.
 - c. Visa
 - d. Passport
 - e. Non-resident's email address
 - f. Completion of Glacier Tax system which will determine tax status. See Tax Compliance Section XI. for further information.
 - g. Non-resident alien's permanent address in their foreign country, which is required for IRS Form 1042 reporting.
5. Although a non-resident alien's country of residence has a tax treaty with the U.S. their payments may not be exempt from tax due to their visa status.
6. A ten digit purchase order number is required for payments or reimbursements when a convenience order number is not applicable.
7. If a non-resident alien does not complete submission of their tax status via the Glacier System, tax will be withheld from payments at 30%.



III. Check Distribution

- A. Vendors may not pick up checks. It is the policy of Accounts Payable to mail all checks to the "remit-to" address as shown on the vendor invoice.
- B. If a department intends to send the check to an address which is different from the invoice, then a department representative must pick up the check and assume responsibility that the vendor receives payment.
- C. In cases of special handling as noted above, Accounts Payable must be notified prior to the payment date.
- D. Special handling of a check should be done infrequently as the exception, not the rule.

IV. Discounts and Credits

A. Discounts

- 1. Discounts are a vendor's agreement to reduce the cost below the published price of goods or services.
- 2. Discounts offered on a vendor's invoice will be taken by Accounts Payable regardless of the purchase order terms.
- 3. Timely approval of the invoice by the department unit will optimize the university's ability to earn discounts.

B. Credits

- 1. Credits represent funds due the university as a result of a previous overpayment to a vendor or agreements by the vendor that goods were not received, or were unsatisfactory.
- 2. Credits are often in the form of a credit memo which is the vendor's written statement that the money is owed to the department and that the university has the right to pay a certain amount less when the next check is issued to that vendor.
- 3. Credit memos are applied as net/immediate.



4. If a credit is received via a refund check from the vendor, the unendorsed check must be sent immediately to Accounts Payable. The check will be endorsed, deposited, and a credit to expense will be recorded in the department's chartfield. Supporting documentation is sent to the department from Accounts Payable.
5. Credits do not add funds back to the purchase order in the online Procurement System or the encumbrance record in the General Ledger.

C. Uncollectible Vendor Credits

1. All reasonable efforts will be expended to collect on vendor balances owed by vendors to the university.
2. However, it may not be possible to collect on credit balances with vendors who no longer actively do business with the university.
3. Outstanding vendor credit balances will be reviewed regularly throughout the year and vendors contacted regarding collection.
4. Annually, at fiscal year-end, all outstanding vendor credit balances will be analyzed to identify potentially uncollectible balances. Any vendor balance older than one year and greater than \$500 which is deemed to be uncollectible will be referred to the Accounts Receivable department in the Office of Financial Services for additional collection efforts. Any vendor balance older than one year and less than \$500 which is deemed to be uncollectible will be written off with the approval of the University Controller.

D. Unidentified Refunds

1. Unidentified refunds are payments received from vendors which lack the necessary clarity as to the proper accounting treatment.
2. All refund receipts are to be deposited timely per standard university cash handling procedures, as set forth in the Office of Financial Services policies for deposits.
3. Every effort is to be made to analyze every refund check received to identify the proper treatment in order to ensure that each is applied correctly in the university financials.
4. After all reasonable efforts have been expended to identify the appropriate accounting treatment for a refund, if that is still undetermined, the deposit is to be



credited temporarily to the designated chartfield: Org. 85890 Fund 010213 Account 13320.

5. If the proper chartfield for an unidentified vendor refund is later identified and confirmed, the payment will be reclassified to the correct chartfield.
6. Annually, at fiscal year-end, the contents of the 85890 010213 13320 account must be analyzed. All deposits older than twelve months will be reclassified to the following chartfield: 85890 010035 64691

V. Payments in Foreign Currency

A. Foreign Drafts

1. A foreign draft is a check made payable in foreign currency. Foreign drafts cannot be issued in U.S. dollars.
2. A foreign draft must be payable to an individual or a business outside of the United States. The country on the address must be consistent with the currency requested. Foreign drafts for The Ohio State University are printed via JPMorgan Chase "ACCESS" System. JPMorgan Chase Bank must have an agreement with a particular foreign country in order to issue a draft in that country's currency.
3. A foreign draft must be requested on a Foreign Draft Request form, or a company invoice.
4. A convenience order number, a travel order number, or a 10 digit purchase order number is required to process a foreign draft.
5. Accounts Payable does not accept faxes requesting foreign drafts unless the invoice is over 90 days or if it is from The Ohio State University Research Foundation or The Ohio State University Medical Center.
6. Checks issued in foreign currency will use the currency rate effective the day the payment is processed, not the day the paperwork is received in Accounts Payable.

B. International Wire Transfers

For high dollar value payments in foreign currencies (e.g. greater than \$100,000 USD) the preferred method of payment is via international wire transfer rather than



foreign draft. See the Automated Clearing House and Wire Transfers section IX. regarding wire transfer policies

VI. Lost/Stolen Checks and Stop Payments

- A. For checks suspected of being lost or misdirected, a waiting period of 21 days is required prior to Accounts Payable issuing a stop payment.
- B. For checks suspected stolen, the vendor must submit a fraud packet to its bank and report to the appropriate law enforcement agencies. The fraud packet must be completed, notarized, and on file with JPMorgan Chase Bank prior to reissuance of the check.

VII. Reimbursements and Refunds

A. Definitions

Reimbursement -- paying back money that was spent on behalf of the university.

Refund -- paying back money that has been paid to the university.

- B. All reimbursements and refunds are processed via the Payment Request Entry Page (PREP) in PeopleSoft.
- C. Documentation for reimbursements and refunds must be **original** receipts and are maintained by the departmental unit.
- D. Payments are to be made in accordance with the university business expenditure policies.

VIII. Electronic Funds Transfer (EFT)

A. Electronic Funds Transfer for Employees

1. The Ohio State University reimburses all employees via EFT if they have payroll direct deposit.
2. If the employee does not have payroll direct deposit, Accounts Payable will issue payment via check.
3. Employee vendor information is uploaded into PeopleSoft Financials from



PeopleSoft HR.

4. Accounts Payable does not change any employee vendor information. All updates are provided by the Office of Human Resources.
5. If the funds for an EFT are returned to the university, Accounts Payable will receive an "EFT Return Items Standard Report" from JPMorgan Chase. Accounts Payable uses this to follow up with the payee and the Office of Human Resources, and will reissue the payment when all issues are resolved.

B. Electronic Funds Transfers for Companies

1. A company cannot mix payment types (some EFT and some by check). They must be all EFT or all check.
2. Once a company has been established as a vendor by Purchasing, to request payment by EFT the company needs to complete the EFT Vendor Information Form and fax it to Accounts Payable.
3. Once the vendor has been established for EFT, they will continue to receive checks until all of the vouchers already in the system prior to entering the EFT information have been paid. The vouchers entered after the set up date will pay via EFT.

IX. Automated Clearing House and Wire Transfers

A. Automated Clearing House (ACH)

1. To initiate an Automated Clearing House (ACH), department personnel must obtain an [Electronic Funds Transfer Request Form](#) from the Office of the Controller web site and complete all required sections.
2. The initiating department must process a journal entry and record a journal number on the ACH request form.
3. Forms must:
 - a. Have appropriate supporting documentation (e.g. invoice, completed payment request, etc).
 - b. Be approved by the department's dean, vice president, chair, director, or senior fiscal officer.



- c. Be forwarded to Accounts Payable via campus mail, email or fax.

B. Wire Transfers

1. To initiate a wire transfer, department personnel must obtain an [Electronic Funds Transfer Request Form](#) from the Office of the Controller web site and completes all required sections.
2. Forms must:
 - a. Have appropriate supporting documentation (e.g. invoice, completed payment request, etc).
 - b. Be approved by the department's dean, vice president, chair, director, or senior fiscal officer.
 - c. Be forwarded to Accounts Payable via campus mail, email or fax.
3. Accounts Payable must forward any wire transfer request exceeding \$200,000 to the Office of Financial Services for approval and release.

X. Vendor Maintenance

A. Definitions

1. Vendor Maintenance -- the process of adding and/or updating information for new and/or existing vendors.
2. Vendor -- Any entity (company or individual) paid through Accounts Payable.

B. Additions or changes to the vendor are initiated either through the Purchasing web site or the Payment Request Entry Page (PREP).

C. Accounts Payable will not create a new vendor until a completed [AP Payment Compliance Form](#) is received. The AP Payment Compliance Form must be filled out completely and signed by the vendor. If all fields are not completed, the vendor will not be created.

D. Refer to the Non-Resident Aliens (Procedures Section II.C.) regarding vendor maintenance policy for non-resident aliens.



XI. Tax Compliance

A. Miscellaneous Income (Form 1099-MISC)

1. The university follows Internal Revenue Service guidelines for reportable income regarding issuance of a 1099.
2. Vendors who receive reportable payments that when totaled are equal to or greater than the threshold for a particular reporting class will be issued a 1099.
3. Form 1099 is issued for the following types of payments:
 - a. Compensation, stipend, consultant fees.
 - b. Attorneys, fees and gross proceeds.
 - c. Awards, including prizes, gifts and honoraria.
 - d. Health care services, medical services.
 - e. Human subjects.
 - f. Rent.
 - g. Royalties.
4. 1099 forms are issued at the end of January for the prior calendar year.
5. Reimbursements are not considered taxable income.
6. Invoices that combine services and reimbursable items must be itemized individually when submitting the payment.

B. Non-Resident Alien Income (Form 1042)

1. Ohio State uses the Glacier Tax System to manage tax liability according to Internal Revenue Service rules and regulations.
2. The Glacier Tax System uses a questionnaire completed by the non-resident alien to determine if the individual has tax treaty exemption status or is subject to U.S. tax withholding and the rate of withholding.



- a. Glacier Tax System will generate the tax forms required.
- b. The non-resident alien must print, sign and mail the forms to the specified address.
- c. If the non-resident alien does not complete the Glacier questionnaire, tax is withheld at 30%.
- d. 1042 forms are issued by Human Resources for payments made during the prior calendar year.

XII. Satellite Accounts Payable Operations

- A. The Division of Accounts Payable in the Office of the University Controller is responsible for payment of the financial obligations of the university. With the approval of the Chief Financial Officer, the university may operate satellite accounts payable (AP) processing operations within specified departments. The need for establishing any satellite must be justified based upon each unique set of business requirements and must include valid reasons why the need cannot be met within the existing AP organizations.
- B. Each AP satellite organization is managed autonomously within the departmental structures of each respective business unit, however is responsible to coordinate with the central Division of Accounts Payable in the Office of the University Controller regarding policies, procedures, internal controls, best practices, systems developments and modifications, and other key communications necessary for consistency and adequate controls.
- C. The Division of Accounts Payable in the Office of the University Controller is responsible to provide input and guidance to the satellite operations regarding policies, procedures, internal controls, best practices, systems developments and modifications, and other key communications necessary for consistency and adequate controls. This will be accomplished through periodic meetings and establishment of agreed communication processes.



RESOURCES

Ohio State, [Accounts Payable](#), 614-292-6831

Ohio State, [Purchasing](#), 614-292-8200

[Expenditures Policy #4.11](#)

[Internal Revenue Service](#)

Forms: <http://www.ctrl.ohio-state.edu/forms/forms.shtm>