

Applies to: Faculty, staff, students, visitors, and vendors

## **POLICY**

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

### **Table of Contents**

Section	Title	Page
<b>Policy</b>		
II.	General Overview	1
<b>Procedures</b>		
I.	Payment of Invoices against a Purchase Order	1
II.	Payment through a Non-Purchase Order Voucher	2
III.	Non-Resident Aliens	3
IV.	Check Distribution	4
V.	Discounts and Credits	4
VI.	Payments in Foreign Currency	5
VII.	Lost/Stolen Checks and Stop Payments	5
VIII.	Reimbursements and Refunds	5
IX.	Electronic Funds Transfer (EFT)	6
X.	Automated Clearing House and Wire Transfers	6
XI.	Vendor Maintenance	7
XII.	Tax Compliance	7

### **Policy Details** *(optional)*

#### **II. General Overview**

- A. Accounts Payable in the Accounting office is responsible for printing and distributing checks in payment for goods and services purchased by college 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:
  1. Against a purchase order and its associated invoice(s), or
  2. Through a non-purchase order voucher for mileage and pcards.
- C. Regardless of the payment method, departments must review all invoices or other payment related documents in a timely manner to ensure that charges are legitimate and should be paid by initialing the invoice or marking the goods with the appropriate received status within the Colleague system.

## **PROCEDURE**

### **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.

Applies to: Faculty, staff, students, visitors, and vendors

2. If the vendor sends an invoice directly to a department, it should be forwarded immediately to Accounts Payable.
3. Ensure that the 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. Flag the appropriate status of the goods & services received in the Colleague system or provide written approval for payment.
  - a. Invoices that are \$1,000.00 or less which match the purchase order do not need departmental approval for payment.
  - b. Invoices over \$1,000.00 require departmental approval before payment is issued.
  - c. Invoices for payments against blanket purchase orders require departmental approval, irrespective of the dollar amount.

#### C. Accounts Payable Responsibilities

1. Make timely payment on original invoices whether received via mail, fax or email 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 the requisition initiator 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 voucher ID on approved invoices.
5. Make payments following the stated terms of the purchase order, (e.g. Immediate, Net 10, Net 30, etc.) at the discretion of the Accounting Manager.
  - a. Immediate – the payment is in the next check run following processing and approval of the invoice.
  - b. Net 10 – the payment is sent 10 days from the invoice date, contingent upon approval.
  - c. Net 30 – the payment is sent 30 days from the invoice date, contingent upon approval.

## II. Payment through a Non-Purchase Order Voucher

#### A. Overview

1. Items purchased using non-purchase order vouchers do not require a requisition and are not part of the encumbrance process.
2. Non-purchase order vouchers encompass all payments not associated with a purchase order or credits processed by Accounts Payable.
3. The most frequently occurring non-purchase order vouchers are:
  - a. Items listed in Section X. of the Expenditure Policy

---

Applies to: Faculty, staff, students, visitors, and vendors

- b. Mileage reimbursements (employee)
- c. Procurement card purchases
- d. Credit memos
- e. Petty cash reimbursements

### III. Non-Resident Aliens

- A. 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. Central Ohio Technical College is required to follow the regulations provided by the Internal Revenue Service. Certain documentation is required for all payments made to 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. [Substitute W-9 Form](#)
    - b. 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. Substitute W-9 Form
    - b. Enter in the comment section the type of payment to be made (e.g. reimbursement, honorarium, 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.

Applies to: Faculty, staff, students, visitors, and vendors

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 purchase order number is required for payments or reimbursements.
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%.

#### **IV. Check Distribution**

- A. It is the policy of Accounts Payable to mail all checks to the "remit-to" address as shown on the vendor invoice. Exceptions may be made to this policy by Accounts Payable if notified in writing with a justification for a department unit to pick up a check. A log is maintained and the person picking up the check will be required to sign the log and assumes responsibility for proper delivery of the payment to the vendor. Such special handling of a check should be done infrequently as an exception, not the rule.

#### **V. 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 college's ability to earn discounts.

##### **B. Credits**

1. Credits represent funds due the college 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 college 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 account.
5. Credits do not add funds back to the purchase order 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 college.
2. However, it may not be possible to collect on credit balances with vendors who no longer actively do business with the college.
3. Outstanding vendor credit balances will be reviewed regularly throughout the year and vendors contacted regarding collection.

Applies to: Faculty, staff, students, visitors, and vendors

4. Annually, at fiscal year-end, all outstanding vendor credit balances will be analyzed to identify potentially uncollectable balances.

#### 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 college cash handling procedures..
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 college 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 miscellaneous revenue account.
5. If the proper account for an unidentified vendor refund is later identified and confirmed and within the same fiscal year, the payment will be reclassified to the correct revenue account.

### VI. Payments in Foreign Currency

#### A. International Wire Transfers

1. An international wire transfer 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. In order to process an international wire the following information is needed: amount, account number where funds are to be deposited, IBAN code, SWIFT code, and the registered name associated with the bank account.
2. An international wire must be requested with all necessary information included by the appropriate approver via an e-mail to the Accounting Manager.

### VII. Lost/Stolen Checks and Stop Payments

- A. For checks suspected of being lost or misdirected, a waiting period of up to 14 days is required prior to Accounts Payable issuing a stop payment.
- B. For checks suspected stolen, the vendor should contact its bank and report to the appropriate law enforcement agencies. If the suspected check has not cleared the bank a stop payment will be issued, the check will be voided and reissued.

### VIII. Reimbursements and Refunds

#### A. Definitions

1. Reimbursement – paying back money that was spent on behalf of the college.
  2. Refund – paying back money that has been paid to the college.
- B. All reimbursements and refunds are processed via the purchase order system except for mileage reimbursements.
  - C. Documentation for reimbursements and refunds must be original receipts.
  - D. Payments are to be made in accordance with the college business expenditure policies.

Applies to: Faculty, staff, students, visitors, and vendors

## IX. Electronic Funds Transfer (EFT)

### A. Electronic Funds Transfer for Employees

1. The Central Ohio Technical College reimburses employees via EFT if they have signed up for direct deposit. This can be done through the employee's [my.cotc](#) account under Employee Information, Direct Deposit Information – Non-Payroll. See [Direct Deposit Information – Non-Payroll](#) instructions.
2. If the employee does not have direct deposit, Accounts Payable will issue payment via check.
3. If the funds for an EFT are returned to the college, Accounts Payable will receive notification from the bank. Accounts Payable will then follow up with the payee 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 all be EFT or all checks.
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.

## X. Automated Clearing House and Wire Transfers

### A. Automated Clearing House (ACH)

1. ACH transactions are used for payroll tax payments and other payroll deduction payments.
2. The Payroll department must process a journal entry to record the payments made.
3. The journal entry must:
  - a. Have appropriate supporting documentation (e.g. invoice, completed payment request, etc.).
  - b. Be approved by the Accounting Manager.
  - c. Be forwarded to the Accountant for processing.

### B. Wire Transfers

1. To initiate a wire transfer, department personnel must obtain an [Electronic Funds Transfer Request Form](#) or an [Electronic Funds Transfer Outside of U.S. Form](#).
2. Forms must:
  - a. Have appropriate supporting documentation (e.g. completed payment request, etc.).
  - b. Be approved by the Assistant Director of Business & Finance, Vice President of Business & Finance or the President.

Applies to: Faculty, staff, students, visitors, and vendors

**XI. 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 through the Purchasing department with the exception of employee vendor information which is initiated through the Human Resources department.

C. Purchasing will not create a new vendor until a completed [Substitute W9 Form](#) is received. The Substitute W9 Form must be filled out completely and signed by the vendor.

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

**XII. Tax Compliance**

A. Miscellaneous Income (Form 1099-MISC)

1. The college follows Internal Revenue Service guidelines for reportable income regarding the 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. 1099 forms are issued by the end of January for the prior calendar year.
4. Reimbursements are not considered taxable income.
5. Invoices that combine services and reimbursable items must be itemized individually when submitting the payment.

**Responsibilities**

Position, or Office	List of Responsibilities
Accounting	Printing and distributing checks in payment for goods and services purchased by college departments. Follow IRS guidelines to issue 1099 forms.
Purchasing	Establish and maintain vendor information and process purchase orders.
Human Resources	Maintain employee vendor information.
All departments	Provide proper documentation for purchases and provide payment approval as needed.
Vendors	Fill out the Substitute W9 Form and submit invoices to Accounts Payable for processing.

Applies to: Faculty, staff, students, visitors, and vendors

## Resources

- [Substitute W9 Form](#)
- [EFT Vendor Information Form](#)
- [Expenditure Policy](#)
- [Electronic Funds Transfer Form](#)
- [Electronic Funds Transfer Outside of U.S. Form](#)
- [Internal Revenue Service](#)

## Contacts

Individual or Office	Office	Telephone	E-mail/URL
Janice Boyce, Accounting Manager	Accounting	740-366-9244	<a href="mailto:jboyce@cotc.edu">jboyce@cotc.edu</a>
Amy White, Senior Accountant	Accounting	740-364-9629	<a href="mailto:awhite@cotc.edu">awhite@cotc.edu</a>
Randi Redman, Accounts Payable Clerk	Accounting	740-366-9118	<a href="mailto:rredman@cotc.edu">rredman@cotc.edu</a>
Kimberly Sibert, Purchasing Manager	Purchasing	740-366-9233	<a href="mailto:ksibert@cotc.edu">ksibert@cotc.edu</a>
Molly Hahn, Information Assistant	Purchasing	740-366-9234	<a href="mailto:mhahn@cotc.edu">mhahn@cotc.edu</a>
Beth Moss, Purchasing Agent	Purchasing	740-366-9235	<a href="mailto:bmoss@cotc.edu">bmoss@cotc.edu</a>
Patsy Henderson, Human Resources Assistant	Human Resources	740-366-9367	<a href="mailto:phenderson@cotc.edu">phenderson@cotc.edu</a>

## History

All changes must be listed sequentially, including edits and reviews.

Issued: Unknown

Revised: 07/2015

Edited:

Reviewed: