HOWARD UNIVERSITY POLICY

Policy Number: 300-001
Policy Title: ACCOUNTS PAYABLE: PAYMENTS TO VENDORS
Responsible Officer: Chief Financial Officer
Responsible Office: Office of the Chief Financial Officer (Controller)
Effective Date: June 29, 2011

I. POLICY STATEMENT

To ensure the responsible stewardship of Howard University funds and safeguard the brand of Howard University ("the University"), it is the University's policy to conduct business according to the principles of accountability, completeness, timeliness and accuracy. Guided by these principles, the University shall make timely payment of appropriate invoices in the most efficient manner possible and properly report outstanding liabilities. Further, the University expects all members of the University community and all vendors conducting business with the University to follow this policy.

Stewards of University funds must expend funds according to sound business practices predicated on accountability, completeness, timeliness and accuracy. Adherence to a uniform policy assures fair, consistent, equitable, and judicious use of University funds. Expenditures paid by the University shall occur in the furtherance of the University's mission. Therefore, it is incumbent upon each person responsible for making decisions on expenditures to ensure that funds are expended consistent with this policy.

This policy pertains to payments to third party vendors only. For additional discussion and analysis of the accounting policy related to other payments please refer to these separate guidelines:

1. Travel and Business Reimbursement
2. Stipends
3. Refunds on Student Accounts

II. RATIONALE

This policy establishes a uniform policy and procedure for the invoicing, receiving, recording and remitting of payments to vendors for goods and services used in the ordinary course of business. This policy is not applicable to travel and business (T&B) expenses, refunds to students or stipends; these payments are covered under separate University policies. The requirements of this policy should be applied in conjunction with the Strategic Sourcing and Asset Management (SSAM) policies and other relevant policies of the University, e.g., the Code of Ethics and Conduct.

This policy is not intended to provide all inclusive guidance and the user is advised to understand the provisions of the underlying authoritative literature as well as other University policies that might provide additional detail and guidance.

Under *Financial Accounting Standard Codification 210.10.45*, obligations are classified as current obligations if their liquidation is reasonably expected to require the use of existing resources properly classified as current assets, or the creation of other current liabilities.

III.   ENTITIES AFFECTED BY THIS POLICY

This policy affects all departments of the University except Howard University Hospital.

IV.   DEFINITIONS

Accounts Payable is a type of short-term debt, typically the amount owed by an organization to its suppliers or vendors for goods and services purchased on credit. The University incurs obligations to suppliers and vendors for the purchase of goods and services used in the ordinary course of business. The Accounts Payable department (AP) is responsible for the auditing and processing of invoices and payments for the University. These terms are significant to the AP workflow:

AP performs the following duties associated with this objective:
- Invoice receipt and electronic storage
- Monitoring vendor credits
- Handling payment inquiries from vendors and the University community
- Oversight of document matching
- Processing payments
- Accounting system interface
- Archiving documents and payment history

Accountability – AP ensures all purchases are properly authorized prior to payment disbursement, invoices are paid only once and University assets are safeguarded from fraud. Further, AP ensures that transactions are documented for auditing purposes.

Accuracy – In order to properly report both the outstanding liabilities and the expenses of the University, AP must accurately record vendor data in the voucher process.

The significant general ledger accounts related to Accounts Payable are:

GL Acct #	Account name	Account description
2000	Accounts payable – Control	This is the main AP account used by PeopleSoft to record all matched invoices.
2001	Accounts payable – Contra	This account tracks any differences

GL Acct #	Account name	Account description
		between the general ledger and the AP sub ledger.
2002	Accounts payable Year-end accrual	This account records month and year-end accruals.
2010	Accounts payable – Other	This account records adjustments to processed invoices such as checks on hand, returned ACH transactions, checks to be voided, etc.
5100	Various expense accounts	The offset to the AP accounts.

Automated Clearing House (ACH) transactions – Electronic financial payments made to vendors in lieu of a check.

Budget Check – A PeopleSoft tool which ensures commitments and expenses do not exceed budgets and the transaction type is in accordance with the budget.

Completeness – In order to be timely processed the invoice must contain specific, basic information:
1. Invoice number and date.
2. Purchase order number.
3. Vendor name.
4. Bill To and Ship To addresses.
5. Date(s) of delivery of goods or service.
6. A detailed description of goods purchased or the services rendered and the location where the goods were delivered or the services provided.

Purchase order (PO) – A Purchase Order is a document issued by a University buyer indicating types, quantities and agreed prices for products and / or services the vendor will provide to the University. Sending a *Purchase Order* to a vendor is a legal offer extended by the University to buy products or services and can only be sent by appropriate SSAM personnel.

Strategic Sourcing and Asset Management (SSAM) –Strategic Sourcing and Asset Management (SSAM) works closely with the Accounts Payable Department in implementing this policy.

Timeliness – the University is committed to reporting expenses for goods and services in the period rendered. Also, the University is committed to paying invoices in a timely manner and to taking advantage of vendor discounts. For these reasons, the timely presentation of the invoice to AP is critical. Vendors should send all invoices directly to AP and not to the campus contact. Timely certification of receipt by the receiving department is critical.

Vouchering– The internal intent to make a payment to a vendor. The voucher is produced after the invoice is received and matched to a PO and receiving documents. Approved vouchers when processed become checks or ACH payments.

V.   POLICY PROCEDURES

This policy shall be implemented according to a meticulous process of matching purchase orders, invoices and receiving documentation. Best practices are incorporated into the following controls to ensure that accounts payable amounts are correct, properly, accurately and timely recorded, processed only once, and appropriately recorded in financial statements:

1. Vendors are entered into PeopleSoft by SSAM only.

2. Vendors are not paid until a completed W-9 is entered into PeopleSoft by SSAM.

3. All invoices received by AP are date and time stamped and logged electronically into a receiving folder. All invoices should be submitted directly to AP. If an invoice is sent to the requesting department directly, it is that department's responsibility to forward the invoice to AP immediately after reviewing and acknowledging receipt of the goods or services. This will facilitate payment within terms and will mitigate the risk of misplaced, lost or held invoices, that cause delay in proper accounting and higher costs to the University. No invoices should be held in departmental offices.

4. Only authorized AP personnel may log into the PeopleSoft AP module and process invoices. Access is restricted through the use of passwords.

5. All invoices must be approved under the University's authority work flow.

6. Accounts payable vouchers must be supported with an original invoice, the University authorized purchase order and documented receipt of goods and services. The purchase order and the receiving data are entered into PeopleSoft by SSAM employees.

7. The invoice must contain a detailed description of the services rendered or goods provided, the date(s) of delivery of the goods or services and the University location where the services were provided or goods delivered. Payment for invoices which lack sufficient information may be delayed.

8. In the event the invoice is either a partial payment or an estimate, the vendor must clearly indicate the arrangement on the invoice or contract. In these situations, the vendor is required to provide the same level of documentation as described in V.7 above.

9. Invoice numbers are entered into PeopleSoft exactly as provided by the vendor. Modification of the invoice number could lead to duplicate processing. Modification is strictly prohibited except as permitted by the AP Manager.

10. Entry of the invoice information is complete, accurate and valid.

11. Acknowledgment of the receipt of all goods and services must be made by the Receiving department. For services and goods shipped directly to the ordering department, it is the responsibility of the ordering department to notify the Receiving department that the services or goods have been satisfactorily received. Notification should be provided to *receiving@howard.edu*.

12. Differences between the purchase order and the invoice are flagged, researched and resolved prior to processing payments. Differences include different vendor name, quantity difference or dollar difference.

13. Sales tax should not be included on any invoice because the University is a tax-exempt entity. AP shall provide documentation to support the tax-exempt status, including a sales tax exemption number and certificate, if necessary, to the vendor.

14. All purchases of capital assets are processed by AP. Employees should not use University issued credit cards or procurement cards to purchase capital assets. *[Employees should consult Howard University Procurement Card policy and procedures for more information.]*

15. All charitable contributions are processed by AP. Employees are prohibited from using University issued credit cards to make a charitable contribution.

16. The AP Manager runs *Budget Check* periodically throughout the day to ensure sufficient budget exists to pay the invoice. Funding issues are escalated to the grant/project's analyst for analysis and action. Only after the grant/project analyst makes the necessary changes does the AP technician proceed with processing the invoice.

17. AP mails all payments to the address of record. Any payments involving special handling, such as being overnight shipments or picked up in person require advance approval. The use of overnight shipping and rush processing of payments will be limited to emergency situations.

18. AP processes checks twice per week and ACH payments twice per week. Check and ACH payments are processed on alternate days.

19. ACH payments are processed by the AP Supervisor or AP Manager.

20. Checks less than $20,000 have an electronic signature. Checks from $20,000 to $99,999 require the physical signature of either the Chief Financial Officer or the Assistant Treasurer. Checks greater than $100,000 require two signatures; the Chief Financial Officer (or their designate) and the Assistant Treasurer (or their designate). The Chief Financial Officer (or their designate) reviews all checks, and supporting documentation, greater than $50,000 prior to release. Consult the Delegation of Authority policy for more information.

21. All ACH payments are reviewed by the Assistant Treasurer (or their designate) and returned to AP for processing. The Chief Financial Officer (or their designate) reviews all ACHs, and supporting documentation, greater than $50,000 prior to release.

22. AP Technicians should not have access to check stock or the check printer.

23. Requests for immediate payment require the authorization of either the Associate Vice President of Strategic Sourcing or the AP Manager prior to processing. Immediate payment requests must have an authorized purchase order.

24. Missing, duplicate and long outstanding checks should be investigated. Adjustments to the PeopleSoft ledger will be processed by the AP Supervisor or AP Manager.

25. Positive pay data is transmitted to the bank after each check payment batch.

26. Any questions regarding this policy should be directed to the AP Manager. Questions may be sent electronically to AccountsPayable@howard.edu or telephoned to (202) 806-2324.

VI.   INTERIM POLICIES

There are no interim policies.

VII.   SANCTIONS

Violations of the legal and ethical use provisions of this policy are serious infractions and shall result in disciplinary actions as allowed by Human Resources policies and procedures.

The General Counsel of the University, as the Chief Compliance Officer, shall have ultimate authority in determining serious violations and recommending appropriate sanctions.

VIII. HYPERLINK

www.howard.edu/policy