

# HOWARD UNIVERSITY POLICY

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<b>Policy Number:</b>	Business and Finance Policy
<b>Title:</b>	AD HOC PAYMENTS POLICY
<b>Responsible Officer:</b>	Chief Financial Officer Delegated to: Chief Procurement Officer
<b>Responsible Office:</b>	Office of the Chief Financial Officer Delegated to: Office of Procurement and Contracting Office of the Controller
<b>Effective Date:</b>	June 1, 2024 (Interim)
<b>Next Review Date:</b>	July-December 2024

## I. POLICY STATEMENT

The Office of Procurement and Contracts (OPC) is responsible for providing guidance and ensuring due diligence in the processing of ad hoc payments for the Howard University (“the University”). The goal of this policy is to ensure ad hoc payments include only those payments that are made to those individuals that are not employed by the University and are truly non-taxable.

## II. AD HOC PAYMENT DEFINITION

An ad hoc payment is a payment outside of the normal invoicing and check request process where circumstances dictate that a payment be advanced, approved and implemented expeditiously, including to ensure that an essential service is delivered timely or to avoid an adverse consequence for the University. It is utilized in a limited number of instances expressly identified herein, and for a one-time payment made on a case-by-case basis to address specific needs or situations that do not fit within the standard payment processes. Ad hoc payments are completed for specific reasons, including student refunds, non-work-related stipends, and other special requests.

The overall objective of the ad hoc payments policy is to provide flexibility for the University to address specific payments outside of the regular payment structures, but at the same time minimize the use of the ad hoc payments system in favor of established systems where more extensive controls exist to ensure fiscal accuracy. Effective, June 1, 2024, ad hoc payments should only be made to individuals whom the University does not employ and ***should only include the following payment situations:***

- **Student refunds** – The University returns funds to students due to an overpayment of tuition, fees, or other expenses, or because of adjustments to financial aids and scholarships, course drops or withdrawals.

- **Other Non-Taxable Student related payments –**
  - **Qualifying scholarship and fellowship grants** - The University provides other non-taxable student related payments that include qualifying scholarship and fellowships grants in exchange for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant. The scholarship/fellowship grant is used for tuition and fees required for enrollment or attendance at the University, or for fees, books, supplies, and equipment required for courses at the University which is distributed in cash.
  - **Stipends to Students** - The University also provides fixed sum stipend payments to students or researchers, to support their living expenses or cover specific costs associated with their academic pursuits. Stipends are distinct from salaries and wages in that they are generally not tied to specific employment duties or hours worked, but rather intended to support individuals during a particular period of study, research, or training.

**Note:** With respect to the amounts received as a qualifying scholarship or fellowship grant, are *all* of the following requirements *must* be satisfied to be deemed non-taxable:

- a. The recipient is a candidate for a degree at the University (can be undergraduate or graduate and can be full or part-time)
- b. The Scholarship/Fellowship grant is used for tuition and fees required for enrollment or attendance at the University, *or* for fees, books, supplies, and equipment required for courses at the University; and
- c. The Scholarship/Fellowship grant is not used for incidental expenses such as room and board, travel, and optional equipment that are not required for either enrollment at the University or attendance in a course of instruction at the University.

### III. POLICY PROCEDURES

The following procedures should be followed for ad hoc payments that fall within one of the three payment situations described above:

#### 1. Identify Non-Tax Payments

Prior to initiating any ad hoc payments, the requestor should ensure the payments clearly fit into one of the categories listed in Article II and otherwise appear to be characterized as non-taxable. Refer to the attached [Howard University Payment Decision Tree](#) as a general guide for determining the reporting and withholding obligations with respect to certain payments made by the University.

#### 2. Request Submission

Once the requester determines the payment is non-taxable, the requester will first submit an Ad Hoc Supplier request in Workday. Then requester will create a formal ad hoc task by submitting a Supplier Invoice Request (“SIR”) which should be submitted within

Workday. The memo section of the request should include details such as proof of payee eligibility, the purpose of the payment, amount, and any supporting documentation. Refer to the attached Workday Ad Hoc Payments Quick Reference Card.

### **3. Review and Approval**

Upon receipt of the request, the Cost Center Manager will review the payment to ensure compliance with university policies and non-taxable status. The review may involve cross-referencing with relevant financial records and consulting with the appropriate personnel. Non-tuition, qualified scholarships and grants will require Human Resource approval prior to processing. If the student works to receive payment, Human Resources must review to determine if the individual should be hired and paid via payroll. Once approved, the process will either auto complete or route to the next reviewer in General Accounting. All ad hoc payments above \$2,500 will be routed to the Controller for review and approval.

### **4. Payment Processing**

Once the request is approved, the AP specialist will verify the recipient's information including the recipient's identity, contact details, and preferred payment method to ensure accuracy. Next, the payment AP Specialist will process the payment in Workday and ensure the payment is labeled appropriately to reflect its purpose and nature.

All payment verification will occur during the Supplier Request approval and set up process. Accounts Payable will create a separate supplier category to differentiate Ad Hoc payees from traditional suppliers. The AP Specialist will create a SINV. The AP Specialist will continue to use the current naming convention for Stipends. The SINV will route according to the existing approval workflow.

Requested payments that do not meet the criteria for an Ad Hoc payment must follow the University normal vendor payment process and appropriate documentation must be provided to Procurement for vendor setup and a vendor invoice to Accounts Payable for processing payment.

### **5. Documentation and Record-Keeping**

ACCOUNTS PAYABLE should maintain detailed records of all ad hoc payments, including the purpose, amount, recipient information, approval documentation, and any supporting evidence. This documentation is crucial for ensuring transparency in financial transactions.

### **6. Monitoring and Reporting**

ACCOUNTS PAYABLE will work with the Office of Compliance to regularly monitor ad hoc payments to ensure compliance with university policies and regulatory requirements. Monitoring should include generating reports of ad hoc payments on a quarterly basis to track payment activity and identify any irregularities or discrepancies.

### **7. Continuous Improvement**

ACCOUNTS PAYABLE should periodically review the ad hoc payments procedure

annually to identify areas for improvement and ensure alignment with evolving regulations and best practices. ACCOUNTS PAYABLE should solicit feedback from stakeholders involved in the process to identify any irregularities or discrepancies.

## **8. Training and Awareness**

HR will provide training and guidance to university personnel involved in processing ad hoc payments to ensure they understand their roles and responsibilities. The objective is to raise awareness about the importance of adhering to established procedures and compliance standards.

## **9. Assistance**

Questions regarding adherence to the policy should be directed to HR or the Controller's Office for assistance in applying the policy.

# **IV. EXAMPLES**

## **1. When are ad hoc payments appropriate?**

### **Student Refunds**

- refund for the overpayment of tuition, fees, or other expenses until refunds can be processed and paid through Workday Student.
- Student Accounts and Financial Aid Departments require students to provide their direct deposit information to keep this to a minimum.
- refund for scholarship adjustments or financial aid due to discrepancies or changes after disbursement.
- refund for course drops or withdrawals.

### **Qualified Scholarships, and Fellowship Grants**

- student payments for research support rather than for wages or services rendered.
- Student teaching assistant stipends to cover living expenses rather than payment for services rendered.
- payments to students for living expenses, materials, equipment, or travel associated with academic research.
- payments to students for fellowships that are awarded to graduate students or postdoctoral researchers to cover their living expenses, research costs, or other educational expenses.
- Payments to students participating in training programs, workshops, or professional development activities to cover the costs associated with attending the training program such as registration fees, accommodations, or travel expenses.

### **Qualified Scholarship and Fellowship Grants**

- Scholarship or fellowship for research or teaching services.

## **2. When are ad hoc payments not appropriate?**

- Payments made in exchange for services (if the individual has to perform work for the payments received).
- Payments made to employees and independent contractors sourced from federal, state or local grant or contract funds.
- Payments made in the normal course of business including employee and student wage payments.
- Payments made based on agreed upon amounts that constitute a contractual arrangement.

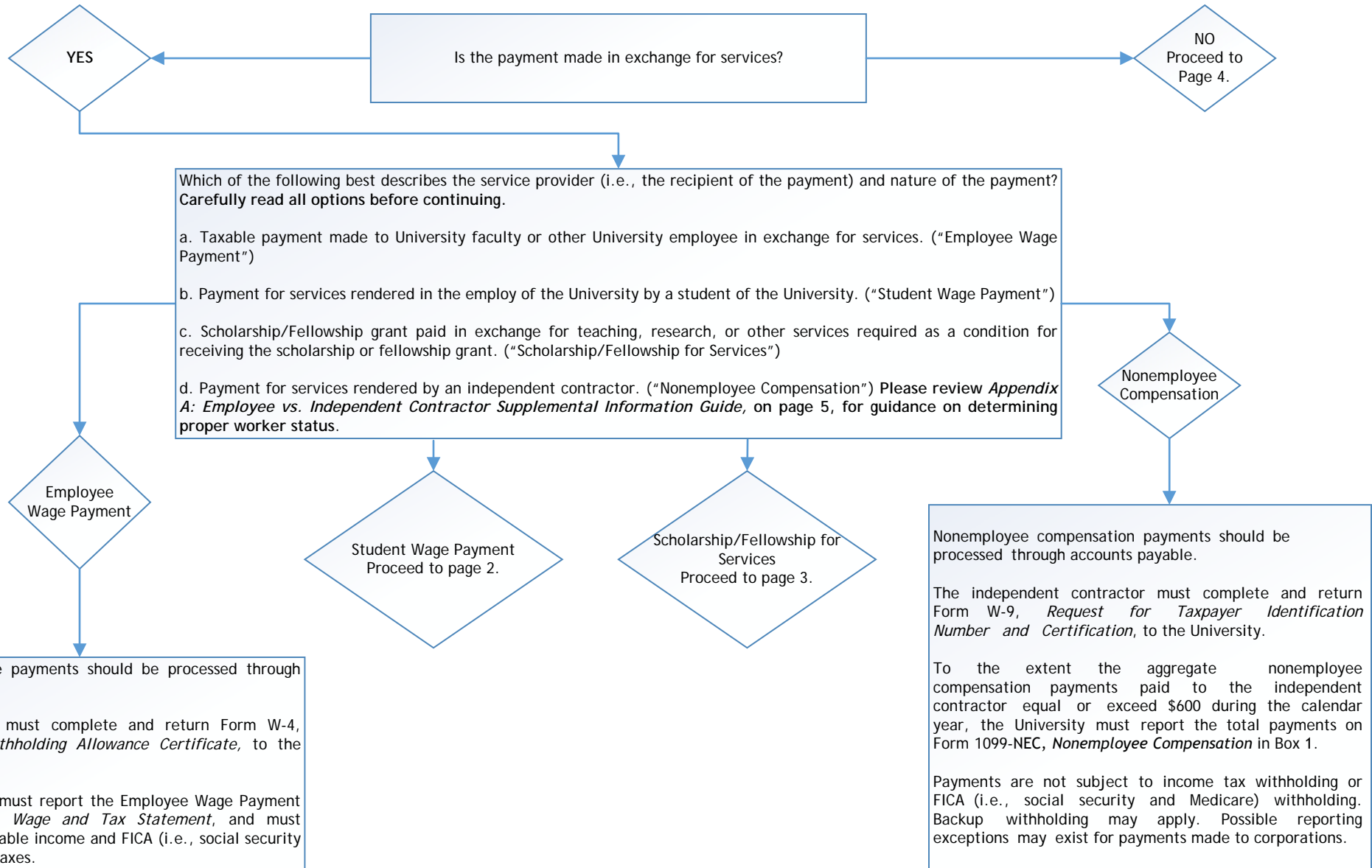
## **V. ENFORCEMENT**

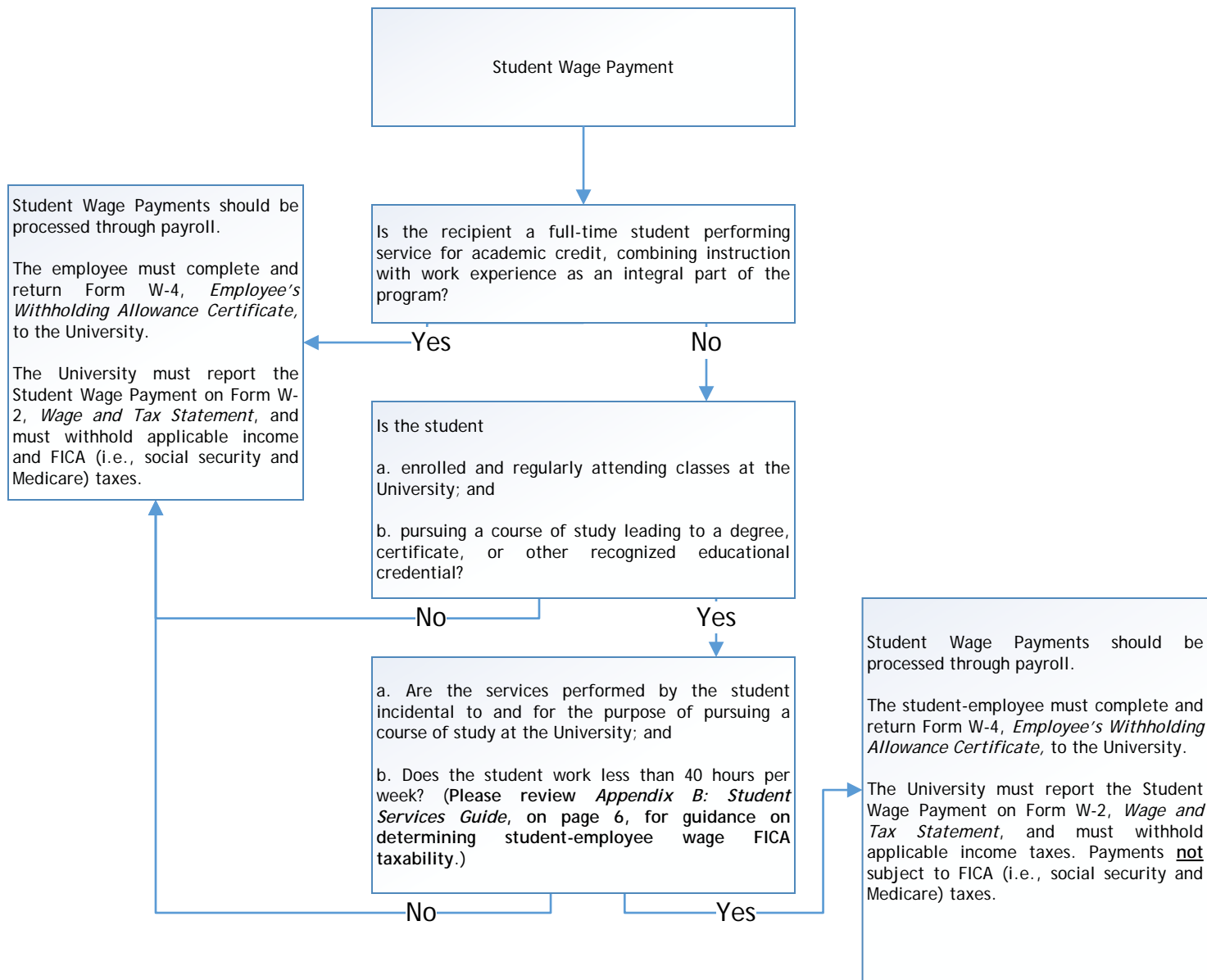
The enforcement of this Policy shall comply with the policies and procedures set forth in the Employee Handbook, Student Handbook, and by the Office of Human Resources and the Office of Student Affairs. The range of disciplinary actions in response to violations of this Policy shall include:

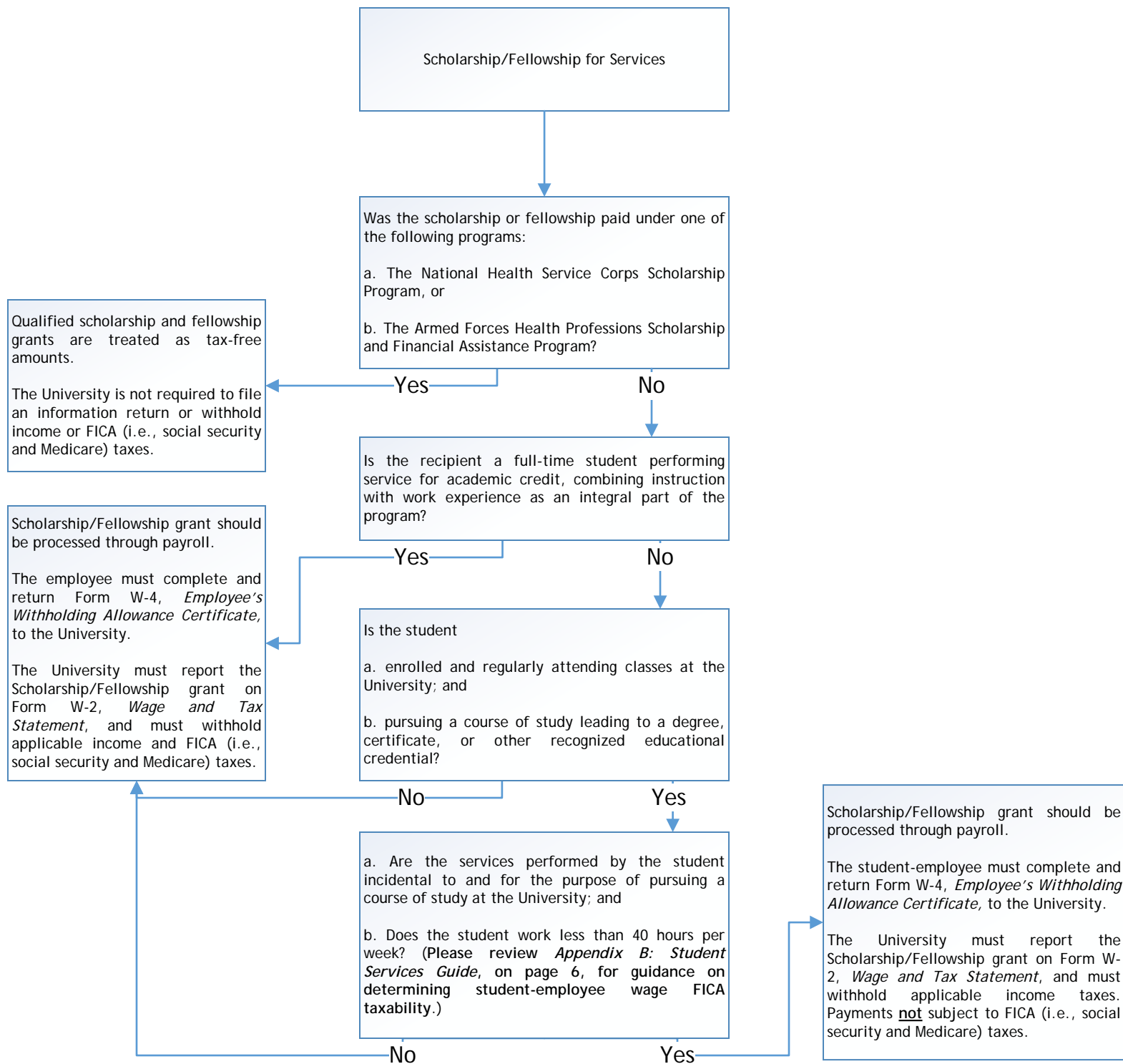
- A. Termination of employment or student enrollment status.
- B. Revocation of ERP access.

## Howard University Payments Decision Tree

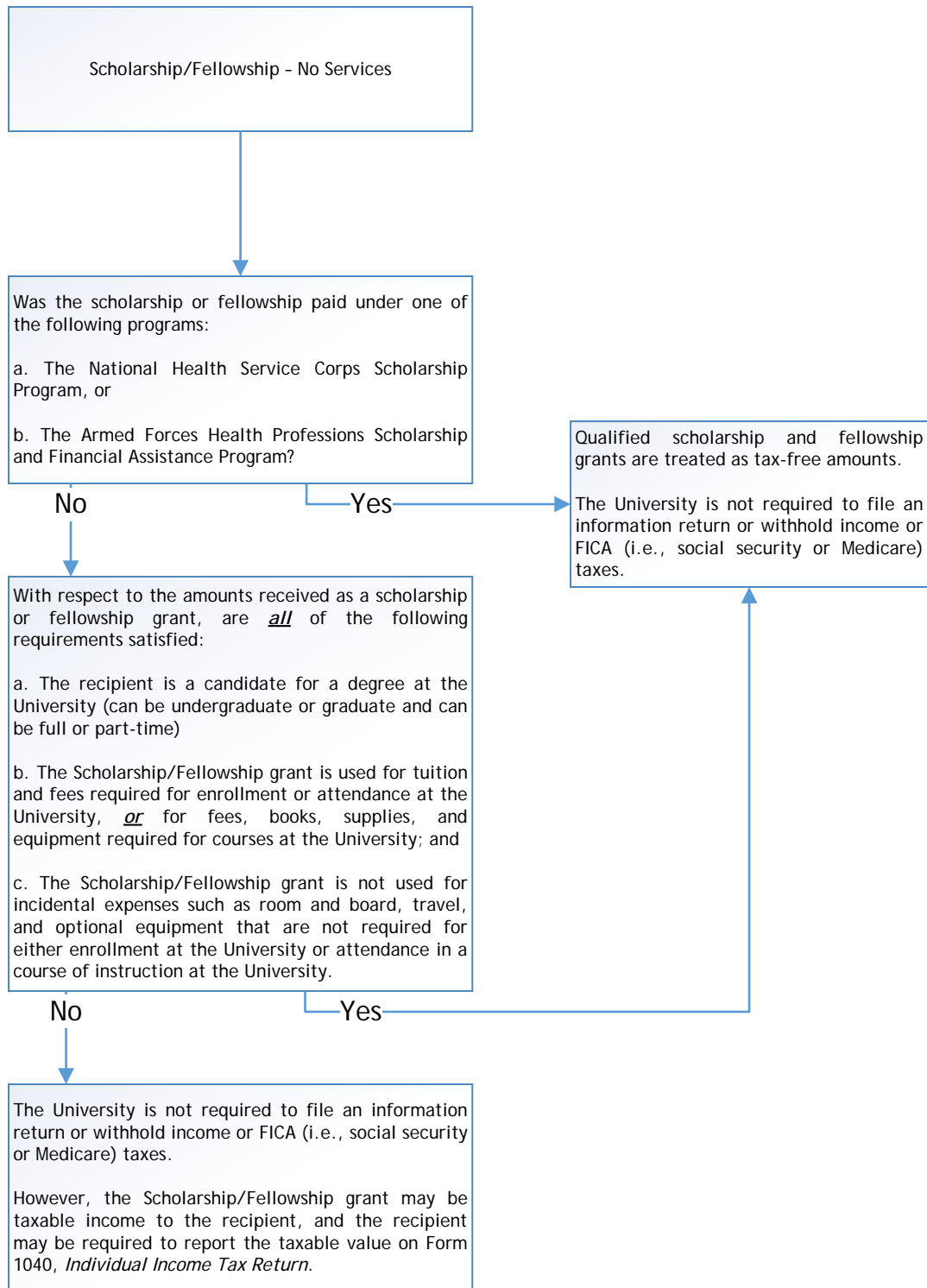
**Note:** This decision tree is meant to be used as a general guide for determining the reporting and withholding obligations with respect to certain payments made by Howard University (the “University”) in the normal course of business. The decision tree is not intended to address the taxability of non-cash fringe benefits, expense reimbursements (e.g., under the accountable plan rules), or other benefits/perks. In addition, the decision tree should not be used to determine the reporting and/or withholding requirements in connection with payments made to non-U.S. persons.











## Howard University Payments Decision Tree

### Appendix A: *Employee vs. Independent Contractor Supplemental Information Guide*

A worker can either be an employee or an independent contractor for tax purposes. If the worker is an employee, then the University is generally required to withhold employment taxes on wages paid to the worker and to report such wages and tax withholdings on IRS Form W-2, *Wage and Tax Statement*. The University must furnish Form W-2 to the employee and file the Form W-2 with the Social Security Administration by specified deadlines. The University will also be responsible for reporting wage and tax information on other employment tax returns at the federal, state, and local levels.

An independent contractor is not an employee for tax purposes, so the University does not have to withhold or pay employment taxes. Instead, the independent contractor is treated as receiving nonemployee compensation. The University is generally required to report compensation paid to each independent contractor in Box 1 of Form 1099-NEC, *Nonemployee Compensation*, when the total compensation payments made to the individual equal \$600 or more during the calendar year. The University must furnish Form 1099-NEC to the independent contractor and file the Form 1099-NEC with IRS by specified deadlines. In some cases, backup withholding may be required where the independent contractor does not provide the payer with its TIN in a timely manner (e.g., via Form W-9).

The IRS prefers that workers be treated as employees for various reasons, including that the employment taxes are withheld and paid over to the IRS by the University at the time payments are made.

For federal employment tax purposes, the usual *common law* rules are applicable to determine whether a worker is an independent contractor or an employee. All the facts must be considered and the IRS has divided the facts that provide this evidence into three categories - *Behavioral Control*, *Financial Control*, and the *Relationship of the Parties*.

*Behavioral Control* covers facts that show whether the University has a right to direct and control what work is accomplished and how the work is done, through instructions, training, or other means.

*Financial Control* covers facts that show whether the University has a right to direct or control the financial and University aspects of the worker's job. This includes:

- The extent to which the worker has unreimbursed University expenses
- The extent of the worker's investment in the facilities or tools used in performing services
- The extent to which the worker makes his or her services available to the relevant market
- How the University pays the worker, and
- The extent to which the worker can realize a profit or incur a loss

*Relationship of the Parties* covers facts that show the type of relationship the parties have, including:

- Written contracts describing the relationship the parties intended to create
- Whether the University provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay
- The permanency of the relationship, and
- The extent to which services performed by the worker are an integral part of the University

## Howard University Payments Decision Tree

### Appendix B: *Student Services Guide*

To qualify for the student FICA exemption, an employee must be a student who is enrolled in and regularly attending classes at the University. In addition, the employee's services must be incident to and for the purpose of pursuing a course of study at the University. Whether an employee's services are incident to and for the purpose of pursuing a course of study is determined separately for each academic term.

The educational aspect must predominate over the service aspect of the relationship between the University and the employee for the employee's services to be incident to and for the purpose of pursuing a course of study. Except in the case of a full-time employee (see the following discussion), whether the educational aspect or the service aspect predominates is determined by considering all the relevant facts and circumstances.

#### *Employee benefits:*

Whether an individual is eligible to receive one or more employment benefits is a relevant factor. For example, eligibility to receive vacation, paid holiday and paid sick leave benefits; eligibility to participate in a retirement plan or arrangement; or eligibility to receive employment benefits such as reduced tuition [other than qualified tuition reduction provided to a teaching or research assistant who is a graduate student], life insurance, qualified educational assistance, dependent care assistance programs, or adoption assistance suggest that the service aspect of an employee's relationship with the employer is predominant. Eligibility to receive health insurance employment benefits is not considered in determining whether the service aspect of an employee's relationship with the employer is predominant.

#### *Professional employee:*

If an employee has the status of a professional employee, that suggests he or she is not a student. For this purpose, a *professional employee* is an employee whose primary duty consists of the performance of services requiring knowledge of an advanced type in a field of science or learning, whose work requires the consistent exercise of discretion and judgment in its performance, and whose work is predominantly intellectual and varied in character. Additionally, if the individual is required to be licensed under state or local law in order to perform the services provided to the school, college, or university, then such individual is a licensed professional, which further suggests that the individual is not a student.

#### *Full time employee:*

The student FICA exception does not apply to services performed by an employee who is considered a full-time employee based on the employer's standards and practices. An employee whose normal work schedule is 40 or more hours per week is always considered a full-time employee. An employee's normal work schedule is not affected by increases in hours worked caused by work demands unforeseen at the start of the academic term. However, whether an employee is a full-time employee is reevaluated for the remainder of the academic term if the employee changes employment positions.