

MANAGEMENT OF ACCOUNTS PAYABLE

Title: Management of Accounts Payable	Number: 3.16-1.0710.1
Approved by the Board of Governors Date: May 22, 2018	Implementation Date: May 22, 2018
History: None Revised and Approved by the Board of Governors: Scheduled Review Date:	Origin:

RATIONALE

The H. Lavity Stoutt Community College recognises that it is necessary to purchase goods and services to conduct its operations. This policy seeks to ensure:

- A clear, concise and timely understanding of accounts payable policies
- Proper approval of all expenditures
- Prompt and accurate processing of purchase orders and check requests
- Timely payment of invoices and check requests
- Consistency in communicating with vendors and administrators concerning accounts payable matters

DEFINITIONS

Recurring Payments – payments that occur at regularly scheduled intervals and the payee, payment amount, and accounting distribution remain constant.

Budget Holder - the person who has oversight of the budget.

Countersigner - the cabinet member to whom the budget holder reports.

Purchase Requisition – an internal document used by a department to request authorization to purchase goods or services from a vendor.

Purchase Order – a commercial document sent from a purchaser to a vendor that authorizes the purchase.

Foreign Currency Payment – a payment made in a currency other than US dollars.

Stale Dated Check – check paid to a vendor and has not been cashed within six (6) months from the check date.

POLICY

1. Permission to purchase goods and services must be authorized by the budget holder and the responsible cabinet officer or the College is not liable for payment. Employees are strongly discouraged to purchase goods or services without prior approval. Such purchases may not be reimbursed.

2. Purchases of varying levels of expenditures require increasing levels of approval.
3. Single sourcing of vendors for goods and services is discouraged.
4. Vendor return policy and Fiscal Services' procedures must be adhered to in the case of damaged or partial shipment of goods
5. Advances or reimbursements for \$50.00 or less are permitted but are generally restricted to local purchases.
6. An invoice submitted for payment requires approval by the budget holder and must be supported by either an approved purchase order and receiving report or a check request.
7. All checks for goods and services require two authorized signatories.
8. Check remittances to vendor require supporting documentation such as an invoice #, description of the goods and services provided or the purpose of the payment.
9. Vendor files must be kept in a current file for the first two years and archived for an additional four years.
10. A current trade license must be maintained in the accounts payable file for all vendors, consultants etc. that conduct business with HLSCC

PROCEDURES

1. Permission to purchase goods and services

Permission to purchase goods and services must be supported by either an approved purchase order, an approved check request or an approved contract. Budget availability must be checked and approved before permission to purchase goods and services can be authorised. Permission to purchase goods and services will be granted as follows:

(a) Approved Purchase Requisition

- The requesting department completes an approved purchase requisition and submits to Fiscal Services for processing.
- The purchase requisition must be completed in full and should include the general ledger account and department to be charged. It should also include a description of the goods; the quantity; unit cost; amount and total cost.
- If a purchase requisition is less than \$5,000, it does not require a bid but must be signed by the preparer and approved by the budget holder and the countersigner.
- If the purchase requisition is between \$5,000 and \$24,999, it must be supported by two bids and approved by the budget holder and the responsible cabinet member;
- If the purchase requisition is between \$25,000 and \$50,000, it must be supported by at least two bids and approved by the President in addition to the budget holder and the responsible cabinet member;
- If a purchase requisition is over \$50,000, it must be supported by three bids and approved by the

Board of Governors and President in addition to the budget holder and the responsible cabinet member;

- Fiscal services complete purchase orders every Wednesday;
- Departments must submit purchase requisitions to Fiscal Services at least five (5) business days prior to the next run to be processed in the current run.
- Fiscal services will accommodate emergency situations where a justification for the emergency has been provided.

(b) Purchase Order

- Once the Fiscal Services receives the approved purchase requisition, the accounts payable officer reviews the document for accuracy and completeness. This includes footing and cross-footing totals, recalculations of unit cost to total cost and checking the general ledger account for appropriateness.
- If the documentation is complete, Fiscal Services complete the purchase order.
- If the documentation is incomplete Fiscal Services returns the original to the department for correction. A copy is maintained in Fiscal Services for follow-up purposes.
- The completed purchase order is approved by the Bursar or designee.
- The original purchase order is sent to the requesting department. The department sends the original purchase order to the vendor to initiate the purchase.
- Fiscal Services maintains a copy of the purchase order on file for payment purposes and to follow-up on purchase orders that are outstanding for more than two (2) months.
- Fiscal Services also reviews the "Open Purchase Order Report" monthly to identify purchase orders that may require additional investigation or follow-up.

(c) Check Requests

- Check requests are required when the vendor is not willing to extend credit or will only accept payment by check
- The check request form must be completed in full
- The check request must be signed by the preparer and approved by the budget holder and the cabinet officer providing oversight.
- If the check is for five thousand (\$5,000) or more, it requires the same bid requirements and authorisation as outlined for purchase requisitions (above).
- A vendor proforma invoice must be attached to the check request.

(d) Approved Contract

- If a department wishes to enter into a contractual arrangement such as a lease or rental, an insurance policy, a license, or contract, an approved contract must be in place prior to the purchase.
- The draft contract must be supported by a valid trade license.
- The contract is initiated by the budget holder and approved by the responsible cabinet member and the President.
- A copy of the approved contract is sent to the responsible cabinet member and Fiscal Services. The original is maintained in the President's Office.

2 Purchases for \$5,000.00 or more

- For purchases of five thousand (\$5,000) or more, the requesting department must secure at least two written bids, quotations, or proposal and must be approved by the responsible cabinet member.
- For bids twenty-five thousand (\$25,000) to fifty thousand (\$50,000), the requesting department must secure at least two written bids, quotations, or proposal and the purchase must be approved by the responsible cabinet member and the President.
- Bids over fifty thousand (\$50,000) the requesting department must secure at least three written bids, quotations, or proposal and the purchase must be approved by the responsible cabinet member, the President and the Board of Governors
- Where there may be only one qualified vendor, documentation must be provided for the justification.
- Copies of the bids or proposals must be attached to the approved purchase requisition or check request before submitting to Fiscal Services.

3. Damaged Goods/other Goods Returned

If goods are found to be unacceptable for any reason or if a department wishes to return merchandise:

- The department must contact the vendor immediately to determine the return policy.
- The department must also contact Fiscal Services to arrange payment (as required) before shipping.
- If shipping is via courier, the returning department must complete the relevant courier form.
- If the return is via freight forward, and the supplier is responsible for the return; the supplier will arrange payment to the freight company.
- If goods are returned via freight and HLSCC is responsible for the return, the responsible department must complete or arrange an alternative method of payment such as a wire transfer.

4. Partial Shipments

If a department receives a partial shipment, the department must:

- Make a copy of the receiving report and purchase order.
- Indicate on the purchase order which items were received and reconcile to the invoice
- Send a copy of the receiving report, purchase order, and approved Invoice to Fiscal Services for processing.
- Repeat the process until all subsequent shipments have been received.

5. Authorisation for Payment

Payment for goods and services must be approved by the appropriate officers before submitting to Fiscal services as follows:

(a) Purchase Order Payments

- Budget Holder must review and approve the invoice for payment.
- The approval must include verifying the purchase order #; and verifying that the goods and services on the invoice agrees to the receiving report and purchase order.
- Once verified, the budget holder must sign and date the invoice, and marks "OK TO PAY" before submitting to Fiscal Services for payment.
- If there are discrepancies between the purchase order, invoice or receiving report, the budget holder must make the corrections on the invoice and purchase order before approving and

submitting the documents to Fiscal Services for payment

(b) Check Requests

- For invoices received via check request, the approved for payment must be completed in advance and must include a quote or proforma invoice.
- Cash requests must adhere to the same bid and authorization requirements as previously discussed.
- Once the goods are received, the budget holder must review the invoice and receiving report for completeness, must initial and send the original to Fiscal Services.
- Fiscal Services must also review the documents for completeness and if in order, must attach to the payment and file the documents.

(c) Approved Contracts

- For invoices resulting from an approved contract such as a lease agreement, rental agreement, insurance policy, license fee agreement or other contractual agreement, authorization to pay must be granted when the contract is duly executed.
- For the initial payment, the budget holder must complete a check request in full before submitting to Fiscal Services in full. The check request must be approved by the budget holder and the responsible cabinet member.
- Additional approval is not required unless there is a change to the contract agreement.
- Future payments are treated as recurring payments.
- Where a contract is payable to an independent contractor, Fiscal services must verify that there is a valid trade license before processing the payment.

(d) Recurring Payments

- If invoices occur at regularly scheduled intervals; and the payee, payment amount and accounting distribution remains constant; Fiscal Services must set up a "Recurring Payment Schedule" in the accounting system.
- In addition, Fiscal Services must monitor the recurring payment schedule monthly to identify expiring contract and advise budget holders three months in advance of contracts that may require renewal.

(e) Payments required in a Foreign Currency

- A check request must be completed for all payments required in a foreign currency.
- Before payment can be made, Fiscal Services must contact the bank to obtain the foreign exchange rate.
- The wire transfer must be executed the same day that the exchange rate was secured to avoid fluctuation in foreign currency conversion.

(f) Payments for \$50.00 or less

- If a payment is for \$50.00 or less and used for local purchases, it may be paid through petty cash.
- The requestor must complete a petty cash request form to initiate the payment.
- Petty cash requests must be signed by the requester and approved by the budget holder.
- Once merchandise has been secured, the requester must submit receipts for the purchase and settle any variances within twenty-four (24) hours of the purchase or the request, whichever is earlier.

- Petty cash requests will not be granted where an outstanding settlement is pending.

6. Establishing Payment Priority

- All invoices should be paid by the due date or thirty days from the invoice date, whichever is earlier, providing that funds are available.
- Where funds are not readily available the following payment priority must be implemented as follows:
 1. Payment of salaries and payroll benefits (payroll taxes, social security, NHI and other employee payroll deductions)
 2. Payment of contract services, such as consultants, security contracts, and custodial contracts
 3. Reimbursements to employees, where purchases have been approved in advance for employees to pay for goods and services.
 4. Other instances where non-payment would negatively impact HLSCC's operation if not paid.
 5. Most delinquent outstanding invoices, especially when it impacts a prior year.

7. Processing Payments

- Fiscal Services must review the invoices submitted for payment to ensure that the invoice is an original and is supported by an approved purchase order or an approved check request.
- If the invoice is not an original, Fiscal services must perform alternate procedures to minimise a duplication of payment. This may include searching the vendor records to see if the invoice was previously paid.
- The accounts payable officer must reconcile the detail on the invoice to the receiving report, check for mathematical accuracy, and investigate any variances.
- If documentation is complete, the accounts payable officer must create a batch control total and enters the invoices into the accounting system for payment.
- The accounts payable officer must generate a batch validation report that must reconcile to the batch control total.
- The supervisor or designated officer must post the invoices in the financial accounting system.
- Once posted, the accounts payable officer must run a "Cash Disbursement Report" of invoices proposed for payment. The accounts payable officer must submit the report with supporting documentation to the Bursar or designee for approval.
- Once approved, the accounts payable officer must print checks.
- Accounts payable officer submits checks with supporting documentation for signatures along with a check signor cover sheet. The cover sheet shows the total amount paid, check number range of checks issued and voided, prepared by, approved by, and the respective dates.
- The Bursar or designee must sign the checks (as one of two signatures required) and must post the payment into the financial accounting system.
- The accounts payable officer must submit the checks to a second authorised signatory for approval.

8. Approving Remittance Checks

- All remittance checks must be signed by two authorized signatories
- Checks for \$5,000 or less are signed by any two (2) authorized signatories
- Checks over five thousand (\$5,000) must be signed by the Chairman of the Board of Governors or designee and one other authorised signatory

9. Completing the Check Remittance

Check remittances must be supported by appropriate supporting documentation as follows:

- Where the remittance check includes a vendor invoice number, the invoice number will suffice, and no additional supporting documentation is required.
- Where the remittance does not include a vendor invoice number, the description of the goods and services must be written directly on the check or a copy of the supporting documentation must be attached.
- If a remittance is prepared via a draft, ACH payment or wire transfer, a description of payment must be included on the electronic draft, ACH payment or wire transfer.

10. Sending out Checks

- Checks may be sent via mail, HLSCC messenger service, or picked up directly by the vendor.
- A separate check log must be maintained for all checks sent via HLSCC messenger or picked up by the vendor.
- The log should include the check date, check number, payee's name, the name of person releasing the check, the name of the person (messenger) picking up the check, and recipient information.
- Recipient information must include the name of the person receiving the check, recipient's signature, and date check was received.
- A log must also be maintained for checks sent via the mail, even though the recipient signature is not available. The accounts payable officer or designee must check the listing of outstanding checks monthly to ensure that check has cleared the bank. If the check has not cleared the bank, Fiscal Services must contact the vendor to determine the status.

11. Maintaining Accounts Payable Records

A filing system should be maintained for all vendor payments.

- The current filing system must include activities for the current year and the preceding year.
- Vendor records must be filed alphabetically with the most recent activity on top (or in the front)
- Vendor files over two (2) years must be clearly labelled and archived and files over six years must be destroyed.

12. Voiding a Payment Check

- A check must be voided if an error occurs during processing; the check is stale dated; or the check is lost or misplaced.
- If an error occurs during check processing, the accounts payable officer must void the check and simultaneously reissue a new check. A copy of the voided check must be attached to the new

check before submitting for approval. The check signor coversheet must also list the checks that were voided.

- If a check is stale dated, Fiscal Services must contact the vendor to determine the reason.
- If the check was lost or misplaced, Fiscal Services must place a stop payment on the old check. Once stop payment has been confirmed by the bank, the accounts payable officer must issue the new check, and charge a stop payment fee to the vendor in accordance with the fee schedule.
- A copy of the voided check must be maintained in the voided check file.
- A monthly reconciliation must be completed for checks voided.