

Accounts Payable Internal Process and Policies for Payments



Direct Orders, Purchase Order Payments, and Direct Debits

Implemented February 2007

~~Updated November 2009~~

Updated March 2016

Table of Contents

Background	3
Accounts Payable Standard Process.....	3
Direct Payments.....	3
Recurring Payments.....	3
Distributed Directs – HFS Process.....	4
Libraries Process.....	4
Rush Payments.....	4
ARIBA PO Payments.....	5,6
Payments to Foreign Entities.....	7
Tolerance.....	7
Check Handling.....	8
Payment Methods.....	9
Miscellaneous.....	9
Additional Resources.....	10

Background

Procurement of goods and services occur in the following formats:

- **Electronic procurement system (ARIBA)**-a Purchase Order is created after an electronic purchase requisition is approved and submitted to the vendor. The Purchase Order is replicated in SAP.
- **Direct orders outside of the electronic procurement system**- an order is placed with a vendor by a department. The vendor will send an invoice that is paid upon approval of a direct invoice voucher.
- **Department purchasing card order**-an order is placed with a vendor by a department. These orders should be charged to the ordering department's purchasing card upon shipment of the goods.

In the procurement model, a good or service is ordered at a predetermined or estimated price. When the good is received or the service provided, payment is owed to the vendor. The vendor will provide a bill for the good or service, which should be close to the price identified or estimated during the requisition stage. When these conditions are met, the vendor's bill should be paid.

Accounts Payable Standard Process

Once the Accounts Payable staff receives an invoice voucher, the goal is to have it processed with 48 hours, and paid according to the vendor's payment terms.

Upon receipt, the AP clerk will:

- Check Invoice Voucher for accuracy and approvals
- Match invoice with vendor master data
 - If new vendor, arrange for Master Data team to create one
- Key invoice into SAP system

Direct Payments

Non-PO Invoices via Direct Invoice Voucher (No purchase order, no encumbrance)

- Customer departments send completed Invoice Voucher – with supporting documentation and approval signatures – to the Central Accounts Payable.
- Central Accounts Payable clerk will review for completeness, check vendor master data, enter into system.
 - If vendor master data missing, contact Vendor Master Data Team to set up.

Non-PO Invoices via ZV60

- Department will enter their invoices directly into SAP using Tcode ZV60
- Once the transaction is parked, a printout of the transaction will be stapled to the invoice (in place of an invoice voucher).
- The printout will be routed for approvals.
- Once fiscal approval has been obtained, the printout and invoice will be sent to the Business Office for review.
- Upon BO review, the printout and invoice are sent to Central Accounts Payable for posting.

Non-PO Invoices via ZV60 Upload (Primarily Student Life will use this method)

- o Student Life Business Office will enter invoices into Excel Spreadsheet template for ZV60 Upload
 - o Entries per upload should be limited to 20 invoices
- o Once the transactions are parked, a printout of the transactions will be stapled to the invoice (in place of an invoice voucher).
 - o Invoices should be stacked in document number order, with printout on top.
- o The printout will be routed for approvals.
 - o Each document number will be approved with one signature on the printout, as long as each document is within the signers' comptroller delegation authority.
 - o If any document exceeds the signers' comptroller delegation authority, it will be forwarded to the next fiscal approver for review.
- o Once fiscal approval has been obtained, the printout and invoice will be sent to the Business Office for review.
- o Upon BO review, the printout and invoice are sent to Central Accounts Payable for posting.

Recurring Payments

Payments can be set up to repeat on a specified schedule, for the same dollar amount each pay date. Recurring payments are created via invoice voucher with the following information included:

- First Payment Date
- Last Payment Date
- Interval (Monthly, Weekly, Daily)
- Reference Information (Invoice number, etc)
- Recurring Amount

Rush Payments

Accounts Payable staff prioritize invoice vouchers that are clearly marked as "RUSH". The goal is to have rush payments processed within 24 hours of receipt of the voucher.

- Hand deliver rush check requests to Accounts Payable for vendor payments, or to the Tax Department for personal payments.
- A completed DIV, including appropriate approvals and backup documentation is required

Libraries Direct Invoice Voucher Process

- o Libraries completes Invoice Voucher according to the following guidelines:
- o Include Vendor Name and Address.
- o Include Vendor Number (if known).
- o Provide unique 'Payable Number' in Reference field (See Libraries naming convention list).
- o Libraries will keep list cross referencing payable numbers with invoices paid.
- o Central Accounts Payable will list invoice numbers on check stub (up to 50 characters). If not enough space, AP staff will send list of invoices paid to vendor as an enclosure.

Personal Payments (Payments to Individuals)

- o Customer departments send completed Invoice Voucher – with a Payee Certification Form (PC), supporting documentation and approval signatures – to the Tax Department.
- o Tax Dept clerk reviews for completeness, checks vendor master data
 - If vendor master data missing, contact Vendor Master Data Team to set up.
- o Tax Department audits, forwards to Accounts Payable to key into SAP.

ARIBA Purchase Order Payments

Orders for goods and services are placed in the ARIBA system. As procured items are delivered, designated individuals in each department or organizational unit are responsible for updating the ARIBA system to indicate that the order has been received. This activity serves as an authorization to pay for that good or service. Fiscal Approver training includes instruction on receiving in ARIBA.

All paper invoices for orders placed through the ARIBA system will be mailed to WL Accounts Payable. All electronic invoices come directly into ARIBA through the ARIBA Network. Accounts Payable staff will query the ARIBA system to review the status of orders before processing an invoice for payment.

Process for Invoices with ARIBA Purchase Order Number

The individuals in the role of Accounts Payable – WL are responsible for reviewing and paying invoices received from Purchase Orders through the ARIBA system.

Upon receipt of a vendor invoice, Accounts Payable staff audit for payment terms, price discrepancies, and line item detail. Accounts Payable staff will query the system against the appropriate order number, and review the status of that order. ***Audit issues include problems with pricing or with receipt of goods.***

- All paper invoices for ARIBA orders will be mailed to Central Accounts Payable on the West Lafayette campus.
- As invoices for ARIBA orders arrive, Accounts Payable staff will perform a *System Search* by PO number to verify the order. The Accounts Payable staff will enter the invoice into the ARIBA system, which will then automatically post in the SAP system for payment.
- If the Accounts Payable staff determines that further discussion is needed with the department before paying an invoice, they will notify the Department Business Office, or a similar entity within the area.
- Payment tolerance for orders is 15% (with \$100 cap) or \$25, whichever is greater. The tolerance does not include freight charges, Accounts Payable clerks are expected to apply the ‘reasonable test’ to freight charges if less than or equal to \$500. Any freight charges exceeding \$500 will require further investigation by Account Payable clerks beginning with approval by the appropriate buyer in Purchasing.
- If invoices are entered and blocked for payment because they are out of tolerance, “Invoice Reconciler” for the department will need to research the issue, update the ARIBA system with an invoice reconciliation approval.
- If an invoice arrives with no reference to Purchase Order, the Accounts Payable staff will send the invoice to the ordering Department’s Business Office. The Business Office will need to identify the order, complete a paper invoice voucher, attach it to the supplier invoice, and return all to Accounts Payable, unless supplier is foreign, in which case see Process for Electronic Payments to Foreign Entities.

Following are potential scenarios the Disbursement staff will encounter when verifying the status of orders and the actions Disbursement staff will take for each scenario:

Order is Fully Received

1. If the order has been marked as 'received' in the ARIBA system AND the cost reflected on the invoice is within tolerance, Accounts Payable will process payment of the invoice.
2. If the order has been marked as 'received' in the ARIBA system but the cost reflected on the invoice is out of tolerance, the ARIBA system will block the invoice for payment and route for "Invoice Reconciliation".

Partially Received Orders

1. If the order has been partially received, the invoice is for a partial shipment AND the invoice is within tolerance, Accounts Payable will process payment of the invoice.
2. If the order has been partially received, the invoice is for a partial shipment but the invoice is out of tolerance, the ARIBA system will block the invoice and route for "Invoice Reconciliation".
3. If the order has been partially received but the invoice reflects the total cost for all items on the order, the items being invoiced will be entered into the system, creating an out-of-tolerance item for quantity. The ARIBA system will block the invoice and route for "Invoice Reconciliation".

Unreceived Orders

1. Invoices will not be paid until the order has been received.

ADDITIONAL SCENARIOS

Fully Received with Additional Items

1. If the order is fully received but the invoice reflects the delivery of additional items, Accounts Payable will enter the number of items being invoiced into the system, creating an out-of-tolerance situation for quantity. The ARIBA system will block the invoice and route for "Invoice Reconciliation".

Wire Transfers

Process for Electronic Payments to Foreign Entities

ARIBA orders

If Purchasing obtains quote with bank account information, will make information available to Accounts Payable

- o Once order received and out-of-tolerance approval obtained, if applicable, from Customer department, Accounts Payable staff prepares the Form 52A.
- o If supplier bank information missing, Accounts Payable staff contacts Customer department to obtain information.
- o Accounts Payable staff prepares and sends the Form 52A to Treasury Operations.
- o Treasury Operations contacts Department for missing/incorrect bank information, if applicable.
- o Treasury Operations processes transaction.

- o Treasury Operations forwards Form 52A to Accounts Payable for data entry into system.
- o Encumbrance closes when payment run is processed.

Direct Pays (No purchase order, no encumbrance)

- o Customer departments send completed Direct Debit Journal Voucher & 52A – with supporting documentation and approval signatures – to the Tax Department.
- o Accounts Payable routes to Tax Dept for tax implications and verification of Comptroller approval
- o Tax Dept prepares new vendor set-up form (if necessary), reviews for taxability, and forwards paperwork to Treasury Operations.
- o Treasury Operations processes the transaction
- o Treasury Operations forwards Direct Debit Journal Voucher and Form 52A to Accounts Payable for data entry into SAP.

Tolerance

This relates to mis-matched dollar amounts between an invoice from the vendor and the amount on the order; and mis-matched quantities between an invoice from the vendor and the quantity on the order. The tolerance levels are applied on a line by line basis, not on an invoice total basis. An out of tolerance situation on a single line of an invoice causes the entire invoice to be blocked from payment in the ARIBA system.

- The Accounts Payable staff will automatically release an invoice if the difference between the invoice amount and the order amount is < 15% up to an invoice overage of \$100.
- If an item is out-of-tolerance > 15% but < \$25, the item will be manually unblocked by Accounts Payable and paid with no action required by department.
- If an item is out-of-tolerance > 15% and the amount is > \$25, but < \$100, negative approval guidelines will be applied as follows:
 - o Business Offices will have 5 business days to respond to ap@purdue.edu if NOT okay to pay.
 - o If there is no action by the department the payment will be released in 5 business days.
- If an item is out-of-tolerance > \$100, positive approval is required by the department.
 - o The item will remain on the blocked invoice report until action is taken by the Business Office.
 - o The vendor will remain unpaid until action is taken by Business Office.
 - o Items on the list longer than 10 days will be reported to the Comptroller.
- If an item is out-of-tolerance due to quantity, positive approval is required by the department.
 - o The item will remain on list until action is taken by the Business Office.
 - o The vendor will remain unpaid until action is taken by Business Office.
 - o Items on the list longer than 10 days will be reported to the Comptroller.

NOTE: Shipping charges are not included when calculating out-of-tolerance, unless the shipping is a line item on the Purchase Order.

Check Handling

Held Checks

Checks may be requested to be held for pick-up at the Reception Desk at Freehafer Hall. Held checks are indicated by marking 'Y' in the "Held Check?" box on the invoice voucher. A contact person name and phone number must be clearly marked on the DIV. Checks may be picked up at the reception desk in Freehafer Hall.

Enclosures

Enclosures will not be sent from Accounts Payable; instead departments are encouraged to utilize the 50-character text field that we have available to us on our remittance advice for payment explanation. Any text information of 50 characters or less may be placed in the field marked "Text to appear on remittance advice" contained in the DIV form. If a department finds that 50 characters is insufficient to explain a payment to a vendor, the check should be marked as a "Held Check" and someone from the department will need to pick up the check and process its mailing as necessary.

Check Copies/Cancellations/Re-writes

There are several reasons why a check may need to be voided and re-written, or the payment simply cancelled.

- Paid to wrong vendor
- Lost/Stolen
- Torn/Ripped
- No longer needed
- Duplicate
- Incorrect Amount

For help with this process, see

<https://www2.itap.purdue.edu/bs/BPP/Processes/Cancel%20and%20rewrite%20process.pdf>

Payment Methods

Purdue University uses the following methods when paying vendors:

- Automated Clearing House (ACH)
- Single Use Credit Card Accounts (SUA)
- Checks
- Wire Transfer
- Purchasing Card

ACH

ACH is a method of payment that electronically transfers funds to the vendor's bank account.

- To establish a vendor payment via ACH, the ACH authorization form must be completed by the vendor and sent to Accounts Payable with the first DIV
- This authorizes all future payments to the same vendor to be paid via ACH

SUA

SUA is an electronic credit card based payment solution that has the controls of a check payment. Enrollment of the supplier is required for this payment method.

Checks

If a domestic vendor has not completed the authorization form for payments via ACH, the vendor master record will default to check as a payment method. See

<https://www.purdue.edu/business/procurement/acctpay/sua.html> for more information on SUA.

Wire Transfer

Wire transfer is a method of payment that electronically transfers funds to the vendor's bank account on the same day it is initiated. This is most commonly used for foreign vendors, whether in US Dollars or foreign currency. See B@P process on "How to Pay a Non PO Related Invoice via Wire Transfer" <https://www2.itap.purdue.edu/bs/BPP/Processes/PayNonPOInvoiceWireTransfer.pdf>

Purchasing Card

A Purchasing Card is a Purdue MasterCard used to conduct University business. See "Purchasing Card Handbook" at <http://www.purdue.edu/ecco/pdf/pcardhbk.pdf>

Miscellaneous

Cancelled Orders

If the order has been cancelled but an invoice is received for the order, Accounts Payable will review file to see if a credit has also been received. If a credit has been received, the invoice and the credit will be entered into the system at the same time. If a credit has not been received, Accounts Payable contact the department to obtain a credit.

Follow Up Process

The Accounts Payable staff will contact departments as discussed in the out-of-tolerance guidelines above when discrepancies exist between the invoice and the order information in the ARIBA system. If the Business Office does not respond within the indicated time frame, Accounts Payable will forward the list to the Comptroller for review.

Additional Resources

BAP 100 – Online Accounts Payable Training

B@P Payments and Reimbursements -

https://www2.itap.purdue.edu/bs/BPP/public/view_moduleInformation.cfm?view=mod67&name=Payments%20%20Reimbursements

Check Copies/Cancel/Rewrite Process - <http://www.purdue.edu/acctpay/Forms/cancelRewrite.html>

Vendor Invoice Report -

Purchasing Card Handbook -
<http://www.purdue.edu/ecco/pdf/pcardhbk.pdf>

Wire Transfer - <https://www2.itap.purdue.edu/bs/BPP/Processes/PayNonPOInvoiceWireTransfer.pdf>