

ACCOUNTS PAYABLE

Objective:

To determine if the department/unit administers payment of vendor invoices are in accordance with institutional and state policies and procedures.

Potential Impact:

Results in purchases exceeding allowable limits or payments outside of contract, reimbursement of personal expenses, financial loss for the institution and negative publicity.

Helpful Tools:

- UH System Administrative Memorandum:
[03.A.01 – Expenditures of all Funds Administered by the University of Houston System](#)
- UH – Downtown Policy Statement:
[Financial Affairs – 05.A.18 - Cash Handling Policy](#)
[Financial Affairs – 05.C.01 - Procurement - General](#)
[Financial Affairs – 05.A.06 - Contract Administration Policy](#)
- UHD Website:
[Accounts Payable](#)
[Processing Vouchers](#)
[Accounts Payable Forms](#)

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Frequently Observed Weaknesses/Deficiencies:

- Incorrect PeopleSoft account coding.
- Failure to key vendor invoice numbers per vendor's invoice or know what to do when there is no vendor invoice number.
- Failure to determine and use correct dates in "Calculation Basis Dates".
Invoice Receipt Date Invoice Date
Goods Receipt Date Acceptance Date
- Exceeding voucher dollar limits.
- Failure to use Sale and Use Tax Exemption certificate when making purchases.
- Failure to disclose UHD's sales and tax exempt status to vendor.
- Failure to submit itemized receipts from vendor.
- Submission of illegible receipts in supporting documentation.

- Failure to process purchase requisition before confirming order with vendor.
- Insufficient/Incomplete supporting documentation scanned into vouchers.
- Contracts that need amendments.
- Failure to complete contract coversheet.
- Failure to request invoice from vendor for contracted services.
- Incorrect address for payment (other than for ACH payments).
- Failure to indicate 'Handling' as 'EN' for memberships/registrations for enclosures to be mailed with the check.
- Failure to check 'Separate' box on the 'Payments' page of the voucher to generate separate checks to coffee and water vendors.
- Failure to include approved TR as back up registration payments/or failure to get TR approved before paying for registrations.
- Making payments for future services more than six weeks in advance.
- Failure to submit Receiving Reports when products/goods are received and services completed.
- Failure of signer to date the Receiving Report with the date goods are actually received and services completed.
- Failure to create and submit vouchers into workflow in timely manner.
- Mishandling of vendor invoice/statement credits and vendor credit memo's resulting from returned merchandise.
- Failure to reconcile past due balances on invoice/statement to ensure checks have cleared the bank.
- Submitting vouchers for payment to be made by wire transfer or foreign draft into PeopleSoft Workflow.

Best Business Practices:

1. Account Code Definitions - Use "Chartfield Values" in PeopleSoft to search account codes for definitions. (Add Chartfield Values to "Favorites" and reference often. Navigation: Set Up Financials/Supply Chain/Common Definitions/Design Chartfields/Define Values/Chartfield Values then "Add to Favorites".)
2. Voucher Retrieval/Inquiry - Retrieve vouchers and handle voucher inquiries by keying the vendor's invoice number into PeopleSoft as it is represented on the vendor's invoice including "0" and alpha characters. Call the vendor when there is no vendor invoice number (especially with small and sole proprietary businesses) and ask them to submit invoices to UHD with invoice numbers to ensure payment and accurate follow-up inquiry.
3. Invoice Payment Date Calculations - Contact the Accounts Payable (AP) Manager to schedule a one-on-one review of the use and importance of "Calculation Basis" dates in accordance with the state mandated "Prompt Payment and Payment Scheduling". (Invoices must be clocked-in when received at UHD and the first UHD date clocked is the Invoice "Receipt Date".)
4. Documenting Dates of Receipt/Service – Establish a procedure for documenting dates when goods are received and services are completed for your area. These critical dates are used in the "Calculation Basis" dates of the voucher (i.e. Goods Receipt Date and Acceptance Date). The Goods Receipt Date indicated on Receiving Report must be the date the goods were received at UHD.
 - Use the dock date for goods received on the dock in Central Receiving,
 - Use the "Goods Receipt" date for items delivered directly to your office.
 - Use the date the service has been completed and accepted by the Project Manager for services.
5. Purchase Requisition - Submit a Purchase Requisition for purchases expected to exceed \$5,000.01. A Purchase Requisition must be submitted:

- Into workflow to generate a Purchase Order
 - Before the order is confirmed with the vendor
6. Tax Exempt Purchases - The Business Manager or Office Administrator should print and supply a copy of the "Sales and Use Tax Exemption Certificate" to each employee who makes outside purchases on behalf of the university.
 7. Tax Exempt Status - Inform vendors of UHD's Sales and Use Tax Exempt status when an order is placed.
 8. Credit Card Receipts - Submit a legible, itemized receipt that lists the:
 - Item(s) purchased
 - Cost of each item
 - Vendor name and location
 - Date of purchase
 - Time of purchase
 - Sales tax paid, if any

(The credit/debit card approval receipt does not replace the itemized receipt nor is it sufficient supporting documentation alone.)

9. Purchase Voucher (Supporting Documentation) - Scan and upload into the Purchase Voucher supporting documentation that is sufficient to answer any question that may be asked by AP voucher auditors, UHS internal auditor or external auditor.
10. Contracts - Take the time to develop clear and specific contracts and contract terms in order to reduce the need for amendments and cover service needs from the vendor. Uncontrollable circumstances that change the contract terms need to be assessed and amendments processed before the work is performed and payment is made to vendor to avoid violation of purchase policy and procedure. Contracts are required for most services vendors. When in doubt, call Contract Administration.
11. Payment Remittance Address - Confirm the "remit to" payment address on the "Payment" page of the voucher. [Note: Several addresses may be indicated on a vendor's invoice, including a correspondence address, corporate office address and/or remit to address.] A system message will appear if the vendor is set up for ACH/Direct Deposit payment and the ACH address must be indicated on "Payments" page of the voucher.
12. "Basic" versus "Enclosure" Payments - Be aware the Handling field on the "Payments" page for all vouchers default to "BP" (Basic Payment) which indicates USPS mailing of check upon printing. Vouchers created for payment of memberships and registration for conferences and training must have forms forwarded with the check. "EN" for enclosures must be indicated for UHS Treasury personnel to print forms and include in mailing envelope with check.
13. Payments for Coffee and Bottled Water Vendors - Use the "Separate Payment" field on the "Payments" page of the voucher to generate a separate check for payment to coffee and bottled water vendors. This allows the payment to be posted to the correct account by the vendor's Accounts Receivable department and eliminates past due balances on subsequent invoices.
14. Travel Request Requirement - Inform the personnel in your area who travel that a TR (Travel Request) must be approved before paying registration on-line, paying by P-Card or having a purchase voucher created for payment.
15. Advance Payments - Payment to vendors requesting payment in advance of services being rendered must be processed on a Purchase Order. A Purchase Requisition must be forwarded to the Purchasing Department with 'Advance Pay' indicated.
16. "Early Bird" Discounts Payments (i.e. Conference Registration) :
 - Must result in a significant saving
 - Can be paid on a Purchase Voucher if the amount is less than \$5000.01

17. Submitting Purchase Vouchers - Create and submit Purchase Vouchers into work flow at least 10 days before it is due to the vendor. Problems resulting in voucher denial in workflow can be resolved and re-submitted by the voucher creator without a delay in payment and/or late payment interest being generated.

18. Invoice Credits vs. Merchandise Credits

Invoice Credits – The vendor has reduced the ‘current charges due’ by credit amounts and description indicated on the invoice. The net due amount in the invoice should be paid.

Merchandise Credits – A credit memo has been sent by the vendor as a result of returned merchandise or a unit cost reduction that was not originally applied in error. This credit memo (credit invoice) will have a unique number that is to be used to create a credit Purchase Voucher. The ‘Voucher Comments’ must include information on related vouchers and paid invoice(s) numbers as well as the Purpose/Benefit.

19. Past Due Balances – Use “Payment Inquiry” to reconcile past due balances. Either:

- Verify the vendor check has cleared the bank, or, if not,
- Submit a stop payment and reissue request to Accounts Payable

20. Payments Needing Wire Transfer or Foreign Drafts – Do not submit these vouchers into workflow. Create voucher and obtain signatory approval on hardcopy. Forward voucher and supporting documentation to the Director of Accounts Payable.

AREA

This questionnaire is designed so that “no” answers indicate that an internal control weakness may exist and the procedure/process may need to be examined in greater detail. **Comments should be provided for “No” answers.** When such weaknesses are identified, a change in the process may be necessary OR a control may need to be put into place to address the weakness. The appropriate UHD contact office (as outlined in the self-assessment text) may be contacted for assistance with identified weaknesses.

Self-Assessment of Internal Controls for Contracts	Yes	No	N/A	Comments
Does the Department have an established procedure to determine the proper PeopleSoft account for each payment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are proper PeopleSoft accounts used on all payment documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are invoice numbers correctly entered into all payment documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are purchase requisitions submitted for all items exceeding \$5,000.01 before order is confirmed with the vendor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are Sales and Use Tax Exemption Certificate forms used for all purchases?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are legible itemized receipts and all necessary supporting documentation submitted with vouchers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all payments for contracted services made in accordance with the terms set forth in the contract or amendments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are the correct vendor addresses being used to make payments to the vendors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are vouchers correctly noted with “EN” (Enclosure) for payments that require forms to be mailed with the check?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all coffee and bottled water vouchers marked with “Separate Payment” to preclude combining with other department payments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Have Travel Requests (TRs) been approved before payments are made for registration even if paying with a P-Card?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are “Early Bird” discounts for Conference registrations being utilized?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Self-Assessment of Internal Controls for Contracts	Yes	No	N/A	Comments
Are payments for goods made no more than 6 weeks in advance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are Advance Payments done by Purchase Requisition through the Purchasing Office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all dates of receipts of goods and services properly documented and reported on the Receiving Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Are all vouchers entered into the Workflow system in a timely fashion to be completed in time to avoid late payment interest?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does the department have a process for ensuring the proper use of vendor credits and for reconciling past balances that appear on vendor invoices/statements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

This is a living document and will be updated as revisions are necessary. Periodically, you may want to check for updates and revisions. We welcome any questions and feedback regarding the information contained in this tool including any comments regarding how this may be more useful and effective.