



Applies to: Faculty, staff, students, visitors, vendors.

Responsible Office

Office of Business and Finance

POLICY

Issued: 08/01/2000
Revised: 01/01/2010
Edited: 08/27/2018

The Accounts Payable in the Office of Business and Finance is responsible for payment of the financial obligations of the university.

Purpose of the Policy

To establish procedures for review and payment of invoices for goods and services purchased by the university.

Definitions

Term	Definition
Credits	Represent funds due the university as a result of a previous overpayment to a vendor or agreements by the vendor that goods were not received or were unsatisfactory.
Discounts	A vendor's agreement to reduce the cost below the published price of goods or services.
Foreign draft	A check made payable in foreign currency. Foreign drafts cannot be issued in U.S. dollars.
Honoraria	Payments for one time teaching or speaking engagements to individuals not employed by the university.
Non-resident alien	Defined by the Internal Revenue Service as an individual who is not a U.S. citizen or a resident alien. A resident of a foreign country under the residence article of an income tax treaty is a non-resident alien individual for purposes of tax withholding.
Refund	Paying back money that has been paid to the university.
Reimbursement	Paying back money that was spent on behalf of the university.
Unidentified refunds	Payments received from vendors lacking necessary clarity as to the proper accounting treatment.
Vendor	Any entity (company or individual) paid through Accounts Payable.
Vendor maintenance	Process of adding and/or updating information for new and/or existing vendors.

Policy Details

- I. Accounts Payable in the Office of the Controller is responsible for printing and distributing checks in payment for goods and services purchased by the university.
- II. Goods and services are purchased in several ways, depending upon the type of purchase and the supporting documentation required. Accounts Payable makes payments either:
 - A. Against a purchase order and its associated invoice(s), or
 - B. Through a non-purchase order voucher.
- III. Regardless of the payment method, units must review all invoices and other payment related documents in a timely manner to ensure that charges are legitimate and should be paid.

PROCEDURE

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- I. Payment of invoices against a purchase order.
 - A. Vendor responsibilities.
 1. If an invoice is to be paid against a purchase order, the vendor should send the invoice directly to Accounts Payable.
 2. Ensure that the 10-digit purchase order number is accurately identified on all invoices.
 - B. Unit responsibilities.
 1. If the vendor sends an invoice directly to the unit, forward it immediately to Accounts Payable.
 2. Verify that the goods and services received are the goods and services that were ordered.
 3. Verify that the goods and services are satisfactory.
 4. Review invoices in the online procurement system as soon as possible to ensure the charges are legitimate and should be paid.
 5. Approve invoices for payment in the online procurement system.
 - a. Invoices less than \$3,000.00 do not require unit approval for payment.
 - b. Invoices \$3,000.00 or greater require unit approval before payment is issued. These invoices are automatically placed in pending status until the unit approves the payment via workflow in the online procurement system.
 - c. Invoices for payments against blanket purchase orders require unit approval, irrespective of the dollar amount.
 6. Deny the voucher via workflow in the online procurement system if the invoice should not be paid.
 7. Notify Accounts Payable via email if a voucher is approved in error. The voucher will be placed on hold.
 8. Notify Accounts Payable via email to release and pay an approved invoice formerly noted as on hold in the online procurement system.
 - C. Accounts Payable responsibilities.
 1. Make timely payment only on original invoices in accordance with the terms of the purchase order. Payments are not made on the basis of other documents, such as sales orders, packing slips, etc.
 2. Ensure that the invoice and purchase order match in price and quantity before payment is made. Send invoices that fail the match process to an expeditor in Purchasing for resolution.
 3. Ensure that the invoice and purchase order match in company name. Payment can only be made to the vendor listed on the purchase order which must match the name of the billing company.
 4. Record the system generated eight character voucher ID on approved invoices. Scan and store a copy of the invoice with the assigned voucher ID for review by the unit.
 5. Make payments following the stated terms of the purchase order, (e.g. Immediate, Net 10, Net 30, etc.).
 - a. Immediate – the payment is in the next check run following processing and workflow approval of the invoice.
 - b. Net 10 – the payment is sent 10 days from the invoice date, contingent upon workflow approval.
 - c. Net 30 – the payment is sent 30 days from the invoice date, contingent upon workflow approval.
- II. Payment through a non-purchase order voucher.
 - A. Overview.
 1. Purchasing determines which items may be purchased using non-purchase order vouchers (convenience order).
 2. Items purchased using non-purchase order vouchers do not require a requisition, and are not part of the encumbrance process.
 3. Non-purchase order vouchers encompass all payments not associated with a purchase order or **credits** processed by Accounts Payable.
 4. The most frequently occurring non-purchase order vouchers are:
 - a. Expenditures for specific convenience orders as authorized by Purchasing,
 - b. Payment requests including those for **honoraria**,
 - c. Credit memos, and
 - d. Cancelled checks.
 5. Non-wage payments for services provided by employees are processed as non-purchase order vouchers.
 - B. Payments of honoraria – are processed as non-purchase order vouchers as follows:



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1. Honoraria should not be recurring to the same individual.
2. Honoraria will be issued only to individuals, not companies.
3. Honoraria will not be paid to Ohio State employees.
4. Honoraria represent taxable income to the recipient. If accumulated honoraria payments are \$600.00 or more during a calendar year, a 1099 is issued to the recipient and the Internal Revenue Service.
5. Honoraria should not be confused with payments to employees or payments to independent contractors. The Internal Revenue Service has established guidelines that should be considered when determining how an employee is classified (refer to [Documentation Form for Non-Employee Work Arrangements](#)). Direct questions to the tax manager, [Tax Compliance](#), in the Office of the Controller.
6. Honoraria provided to **non-resident aliens** will be subject to 30% withholding, unless exempted under a tax treaty. See Non-Resident Aliens section (Procedure II-C) and Tax Compliance (Procedure XI) section for further details.

C. Non-resident aliens.

1. Ohio State is required to follow the regulations provided by the Internal Revenue Service. Certain documentation is required for all payments made to non-resident alien non-employees for **reimbursements**, honoraria, and services.
2. Visas are documents issued by the U.S. Department of State which give the alien permission to enter the United States for specific purposes. Visas must be applied for and granted at U.S. Embassies abroad prior to traveling to the U.S. On entering the U.S., the non-resident alien is assigned a “visa status” which corresponds to the visa type used to enter the country. A non-resident alien may enter the U.S. with a different visa status for each visit. The visa status in effect for the current trip to the U.S. (for which the non-resident alien is to receive payment) is very important because payments cannot be made to non-resident aliens with certain visa types. A non-resident alien must have the appropriate visa status to receive compensation or reimbursement of travel expenses. It is illegal to make payments to non-resident aliens with certain visa types.
3. Documents required to add a non-resident alien as a vendor for reimbursements (only) are as follows:
 - a. [University Vendor Maintenance Online Request](#). Enter in the comment section the type of payment to be made (e.g. reimbursement, etc.).
4. Documents/information required before payments can be processed to non-resident aliens for honoraria or for services are:
 - a. [University Vendor Maintenance Online Request](#). Enter the type of payment to be made (e.g. reimbursement, honoraria, services, etc.) in the comment section. If all services are performed outside the U.S., state this in the comments.
 - b. Visa.
 - c. Passport.
 - d. Non-resident’s email address.
 - e. Completion of Glacier Tax system which will determine tax status. See Tax Compliance (Procedure XI) for further information.
 - f. Non-resident alien’s permanent address in their foreign country, required for IRS Form 1042 reporting.
5. Although a non-resident alien’s country of residence has a tax treaty with the U.S., their payments may not be exempt from tax due to their visa status.
6. A ten digit purchase order number is required for payments or reimbursements when a convenience order number is not applicable.
7. If a non-resident alien does not complete submission of their tax status via the Glacier System, tax will be withheld from payments at 30%.

III. Check distribution.

- A. Vendors may not pick up checks. Accounts Payable will mail all checks to the “remit-to” address as shown on the vendor invoice.
- B. If a unit intends to send the check to an address which is different from the invoice, then a unit representative must pick up the check and assume responsibility that the vendor receives payment.



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- C. In cases of special handling as noted above, Accounts Payable must be notified prior to the payment date.
- D. Special handling of a check should be done infrequently as the exception, not the rule.

IV. **Discounts** and credits.

A. Discounts.

- 1. Discounts offered on a vendor's invoice will be taken by Accounts Payable regardless of the purchase order terms.
- 2. Timely approval of the invoice by the unit will optimize the university's ability to earn discounts.

B. Credits.

- 1. Credits are often in the form of a credit memo which is the vendor's written statement that the money is owed to the unit and that the university has the right to pay a certain amount less when the next check is issued to that vendor.
- 2. Credit memos are applied as net/immediate.
- 3. If a credit is received via a **refund** check from the vendor, the unendorsed check must be sent immediately to Accounts Payable. The check will be endorsed, deposited, and a credit to expense will be recorded in the unit's chartfield. Supporting documentation is sent to the unit from Accounts Payable.
- 4. Credits do not add funds back to the purchase order in the online procurement system or the encumbrance record in the General Ledger.

C. Uncollectible vendor credits.

- 1. All reasonable efforts will be expended to collect on vendor balances owed by vendors to the university.
- 2. It may not be possible to collect on credit balances with vendors who no longer actively do business with the university.
- 3. Outstanding vendor credit balances will be reviewed regularly throughout the year and vendors contacted regarding collection.
- 4. Annually, at fiscal year-end, all outstanding vendor credit balances will be analyzed to identify potentially uncollectible balances. Any vendor balance older than one year and greater than \$500 which is deemed to be uncollectible will be referred to Office of the University Bursar in the Office of Financial Services for additional collection efforts. Any vendor balance older than one year and less than \$500 which is deemed to be uncollectible will be written off with the approval of the University Controller.

D. **Unidentified refunds.**

- 1. All refund receipts are to be deposited timely per university cash handling procedures, as set forth in university policies for deposits.
- 2. Every effort is to be made to analyze every refund check received to identify the proper treatment to ensure that each is applied correctly in the university financials.
- 3. After all reasonable efforts have been expended to identify the appropriate accounting treatment for a refund, if that is still undetermined, the deposit is to be credited temporarily to the designated chartfield: Org. 85890 Fund 010213 Account 13320.
- 4. If the proper chartfield for an unidentified vendor refund is later identified and confirmed, the payment will be reclassified to the correct chartfield.
- 5. Annually, at fiscal year-end, the contents of the 85890 010213 13320 account must be analyzed. All deposits older than twelve months will be reclassified to the following chartfield: 85890 010035 64691.

V. Payments in foreign currency.

A. **Foreign drafts.**

- 1. A foreign draft must be payable to an individual or a business outside of the United States. The country on the address must be consistent with the currency requested. Foreign drafts for The Ohio State University are printed via the JPMorgan Chase "ACCESS" System. JPMorgan Chase Bank must have an agreement with a particular foreign country to issue a draft in that country's currency.
- 2. A foreign draft must be requested on a [Foreign Draft Request form](#) or a company invoice.
- 3. A convenience order number, a travel order number, or a 10 digit purchase order number is required to process a foreign draft.
- 4. Accounts Payable does not accept faxes requesting foreign drafts unless the invoice is over 90 days or if it is from the Office of Sponsored Programs or The Ohio State University Wexner Medical Center.



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5. Checks issued in foreign currency will use the currency rate effective the day the payment is processed, not the day the paperwork is received in Accounts Payable.
- B. International wire transfers.
 1. For high dollar value payments in foreign currencies (greater than \$100,000 USD) the preferred method of payment is via international wire transfer rather than foreign draft.
 2. See the Automated Clearing House and Wire Transfers (Procedure IX) regarding wire transfer requirements.
- VI. Lost/stolen checks and stop payments.
 - A. For checks suspected of being lost or misdirected, a waiting period of 21 days is required prior to Accounts Payable issuing a stop payment.
 - B. For checks suspected stolen, the vendor must submit a fraud packet to its bank and report to the appropriate law enforcement agencies. The fraud packet must be completed, notarized, and on file with JPMorgan Chase Bank prior to reissuance of the check.
- VII. Reimbursements and refunds.
 - A. All reimbursements and refunds are processed via the Payment Request Entry Page (PREP) in PeopleSoft.
 - B. Documentation for reimbursements and refunds must be original receipts and are maintained by the unit.
 - C. Payments are to be made in accordance with university policies.
- VIII. Electronic funds transfer (EFT).
 - A. Electronic funds transfer for employees.
 1. The Ohio State University reimburses all employees via EFT if they have payroll direct deposit.
 2. If the employee does not have payroll direct deposit, Accounts Payable will issue payment via check.
 3. Employee vendor information is uploaded into PeopleSoft Financials from PeopleSoft HR.
 4. Accounts Payable does not change any employee vendor information. All updates are provided by the Office of Human Resources.
 5. If the funds for an EFT are returned to the university, Accounts Payable will receive an “EFT Return Items Standard Report” from JPMorgan Chase. Accounts Payable uses this to follow up with the payee and the Office of Human Resources, and will reissue the payment when all issues are resolved.
 - B. Electronic funds transfers for companies.
 1. A company cannot mix payments types (some EFT and some by check). They must be all EFT or all check.
 2. Once a company has been established as a vendor by Purchasing, to request payment by EFT the company needs to complete the [Authorization Agreement for Direct Deposits of Electronic fund Transfer \(EFT\) Payments](#) form and fax it to Accounts Payable.
 3. Once the vendor has been established for EFT, they will continue to receive checks until all of the vouchers already in the system prior to entering the EFT information have been paid. The vouchers entered after the set up date will pay via EFT.
- IX. Automated clearing house and wire transfers.
 - A. Automated clearing house (ACH).
 1. To initiate an Automated Clearing House (ACH), unit personnel must obtain an [Electronic Funds Transfer Request](#) form and complete all required sections.
 2. The initiating unit must process a journal entry and record a journal number on the ACH request form.
 3. Forms must:
 - a. Have appropriate supporting documentation (e.g. invoice, completed payment request, etc.).
 - b. Be approved by the unit dean, vice president, chair, director, or senior fiscal officer.
 - c. Be forwarded to Accounts Payable via campus mail, email, or fax.
 - B. Wire transfers.
 1. To initiate a wire transfer, unit personnel must obtain an [Electronic Funds Transfer Request](#) form and complete all required sections.
 2. Forms must:
 - a. Have appropriate supporting documentation (e.g. invoice, completed payment request, etc.).
 - b. Be approved by the unit dean, vice president, chair, director, or senior fiscal officer.



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- c. Be forwarded to Accounts Payable via campus mail, email, or fax.
 3. Accounts Payable must forward any wire transfer request exceeding \$200,000 to the Office of Financial Services for approval and release.
 - X. Vendor maintenance.
 - A. Additions or changes to the vendor are initiated either through the Purchasing web site or the Payment Request Entry Page (PREP).
 - B. Refer to Non-Resident Aliens (Procedure II-C) regarding vendor maintenance requirements for non-resident aliens.
 - XI. Tax compliance.
 - A. Miscellaneous income (Form 1099-MISC).
 1. The university follows Internal Revenue Service guidelines for reportable income regarding issuance of a 1099.
 2. Vendors who receive reportable payments that when totaled are equal to or greater than the threshold for a particular reporting class will be issued a 1099.
 3. Form 1099 is issued for the following types of payments:
 - a. Compensation, stipend, and consultant fees.
 - b. Attorney's fees and gross proceeds.
 - c. Awards, including prizes, gifts, and honoraria.
 - d. Health care services, medical services.
 - e. Human subjects.
 - f. Rent.
 - g. Royalties.
 4. 1099 forms are issued at the end of January for the prior calendar year.
 5. Reimbursements are not considered taxable income.
 6. Invoices that combine services and reimbursable items must be itemized individually when submitting the payment.
 - B. Non-resident alien income (Form 1042).
 1. Ohio State uses the Glacier Tax System to manage tax liability according to Internal Revenue Service rules and regulations.
 2. The Glacier Tax System uses a questionnaire completed by the non-resident alien to determine if the individual has tax treaty exemption status or is subject to U.S. tax withholding and the rate of withholding.
 - a. The Glacier Tax System will generate the tax forms required.
 - b. The non-resident alien must print, sign, and mail the forms to the specified address.
 - c. If the non-resident alien does not complete the Glacier questionnaire, tax is withheld at 30%.
 - d. 1042 forms are issued by Payroll Services for payments made during the prior calendar year.
 - XII. Satellite accounts payable operations.
 - A. With the approval of Accounts Payable and the Chief Financial Officer, the university may operate satellite accounts payable (AP) processing operations within specified units. The need for establishing any satellite must be justified based upon each unique set of business requirements and must include valid reasons why the need cannot be met within the existing AP organizations.
 - B. Each AP satellite organization is managed autonomously within the departmental structures of each respective unit and must coordinate with central Accounts Payable regarding policies, procedures, internal controls, best practices, systems developments and modifications, and other key communications necessary for consistency and adequate controls.
 - C. Central Accounts Payable is responsible to provide input and guidance to the satellite operations regarding policies, procedures, internal controls, best practices, systems developments and modifications, and other key communications necessary for consistency and adequate controls. This will be accomplished through periodic meetings and establishment of agreed communication processes.



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Responsibilities

Position or Office	Responsibilities
Accounts Payable	<ol style="list-style-type: none"> 1. Print and distribute checks in payment for goods and services purchased by units. 2. Make payments against purchase orders or non-purchase order vouchers. 3. Make timely payment only on original invoices in accordance with the terms of the purchase order. 4. Ensure that the invoice and purchase order match in price and quantity before payment is made. Send invoices that fail the match process to an expeditor in Purchasing for resolution. 5. Ensure that the invoice and purchase order match in company name. 6. Record the system generated eight character voucher ID on approved invoices. Scan and store a copy of the invoice with the assigned voucher ID for review by the unit. 7. Make payments following the stated terms of the purchase order, (e.g. Immediate, Net 10, Net 30, etc.). 8. Take discounts on good or services regardless of purchase order terms. 9. Process credits received from and send supporting documentation to submitting unit. 10. Refer vendor balances to Accounts Receivable as appropriate. 11. Issue checks to reimburse employees who do not have payroll direct deposit. 12. Follow up on EFT Return Items Standard Reports. 13. Request approval of wire transfers in excess of \$200,000. 14. Provide input and guidance for AP satellite organizations. 15. Coordinate periodic meetings and agreed communication processes with AP satellite organizations.
AP satellite organizations	<ol style="list-style-type: none"> 1. Coordinate with central Accounts Payable. 2. Participate in periodic meetings and agreed communication processes.
Chief financial officer	Approve AP satellite organizations.
Financial Services	Approve and release wire transfer requests exceeding \$200,000.
Non-resident aliens	Complete tax forms provided by the Glacier Tax System.
Office of Human Resources	Provide updates to employee vendor information via PeopleSoft HR.
Payroll Services	Issue 1042 forms.
Purchasing	<ol style="list-style-type: none"> 1. Resolve issues related to mismatches of price and quantity between invoices and purchase orders. 2. Determine which items may be purchased using non-purchase order vouchers (convenience orders).
Tax manager	Respond to questions about non-employee work.
Units	<ol style="list-style-type: none"> 1. If the vendor sends an invoice directly to the unit, forward it immediately to Accounts Payable. 2. Review invoices and other payment related documents in a timely manner to ensure that charges are legitimate and should be paid. 3. Verify that the goods and services received are the goods and services that were ordered. 4. Verify that the goods and services are satisfactory. 5. Review invoices in the online procurement system as soon as possible to ensure the charges are legitimate and should be paid. 6. Approve invoices for payment in the online procurement system. 7. Deny the voucher via workflow in the online procurement system if the invoice should not be paid. 8. Notify Accounts Payable via email if a voucher is approved in error. The voucher will be placed on hold. 9. Notify Accounts Payable via email to release and pay an approved invoice formerly noted as on hold in the online Procurement System. 10. Complete documents to add a non-resident alien as a vendor for reimbursements, honoraria, and services. 11. Pick up and ensure delivery of checks that need to be sent to an address different from the invoice; notify Accounts Payable before payment date of this need. 12. Approve invoices in a timely manner so as to ensure that the university earns discounts. 13. Send any refund check received, unendorsed, to Accounts Payable immediately. 14. Deposit refund receipts. 15. Maintain original receipts for reimbursement and refunds. 16. Initiate Automated Clearing Houses (ACH) and wire transfers as desired. 17. Manage approved AP satellite organization, as appropriate.
University controller	Approve vendor balances to be written off, as appropriate.
Vendors	<ol style="list-style-type: none"> 1. If an invoice is to be paid against a purchase order, send the invoice directly to Accounts Payable. 2. Ensure that the 10-digit purchase order number is accurately identified on all invoices.



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Position or Office	Responsibilities
	3. Submit a fraud packet to your bank and report to appropriate law enforcement agency any suspected stolen check. 4. Request EFT as desired. 5. Complete university forms when requested.

Resources

Business and Finance forms, busfin.osu.edu/policies-forms
 Documentation Form for Non-Employee Work Arrangements, busfin.osu.edu/sites/default/files/non-employee-work.doc
 Authorization Agreement for Direct Deposits of Electronic Fund Transfer (EFT) Payments, busfin.osu.edu/system/files/eft_form.pdf
 Electronic Funds Transfer Request, busfin.osu.edu/system/files/elec-fund-trans.pdf
 Internal Revenue Service, www.irs.gov/
 Payment Request Entry Page online help, assist.ocio.osu.edu/assistPREP/WebHelp/PREP_ASSIST.html
 Vendor Maintenance Online Request Instructions, busfin.osu.edu/system/files/university_vendor_maintenance_instructions.pdf

Contacts

Subject	Office	Telephone	E-mail/URL
Policy questions	Accounts Payable, Office of Business and Finance	614-292-6831	busfin.osu.edu/accounts-payable
Purchasing issues	Purchasing, Office of Business and Finance	614-292-8200	busfin.osu.edu/purchasing
Employee v. non-employee work	Tax Compliance, Office of Business and Finance	614-292-0355	busfin.osu.edu/tax-compliance
Wire transfer requests over \$200,000	Financial Services, Office of Business and Finance	614-292-6261	
Uncollectable vendor credits	University Bursar, Office of Business and Finance	614-292-1056	bursar@osu.edu busfin.osu.edu/bursar

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