

Policy 3401 General Payment

Responsible Office	Procurement	Effective Date	7/1/98
Responsible Official	Executive Director of Procurement	Last Revision	11/15/00

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Scope

This policy provides guidance governing all disbursements of University funds, except those for salaries and wages, and the appropriate usage of various payment methods. Salary and wage payments are addressed in Policy [3501](#) General Payroll Policy.

Policy Statement

The Accounts Payable Department, under the direction of the Executive Director of Procurement, is responsible for overseeing the payment process for the University, including oversight of appropriate payment method, the approval process, and disbursement controls. Certain specific responsibilities for payment of expenses, as described in this policy, are delegated to department administrators, business managers, business support center directors, and their duly authorized designees. All who have responsibility for any aspect of the University's payment functions must adhere to the provisions of this policy.

The University disburses funds for payment of goods and services only when the following conditions have been met:

- Expenses must be for a valid business purpose.
- Goods or services must have been procured in accordance with University purchasing policies. (See Policies [3201](#), [3205](#), [3301](#) and [3302](#).)
- Transactions must have been properly approved by an individual with decision-making authority and accountability for the funds being disbursed.
- Goods and/or services must have been received, or prepayment properly authorized.
- Transactions must include complete and accurate supporting documentation.
- Transactions must bear proper account codes, in accordance with established accounting policies.

Payments for goods and services are made payable only to the provider of those goods or services (or to a contractually named agent), and not to secondary parties such as other non-profit organizations, mutual funds, religious organizations, etc.

Goods and services are paid for in the following ways, within guidelines established by this policy:

1. vendor invoice

- contract order
 - standard purchase order
 - department order without a purchase order (OK to pay invoice)
2. purchasing card
 3. request for payment
 - check request
 - employee reimbursement request
 - petty cash reimbursement request
 - advance request.

The University Controller is responsible for working with the Procurement Office to develop quality assurance and internal control standards, to assess areas of risk, and to monitor the results of quality assurance reviews.

Reason for the Policy

The University must maintain control over the disbursement of its funds by requiring proper approval and consistent application of procedures for payment transactions. This policy seeks to promote fiscal control, timely and accurate disbursement of funds for external purchases and employee reimbursements, and compliance with state and federal regulations and donor restrictions.

Definitions

Authorizer - Primary

An administrator, business manager or duly authorized designee of a department, unit or business support center; the individual having budgetary responsibility for the transaction involved.

Authorizer - Secondary

An authorized transaction approver removed from the initiating department, unit or business support center who, for reasons of risk aversion or internal control, performs a secondary review and approval of certain transactions.

Business Support Center

An organizational unit that manages business operations for academic or other units, approving and conducting business transactions in accordance with University policies and procedures.

Check request

A request that a check be produced by the Accounts Payable Department in payment of items such as honoraria, royalties, subscriptions, etc., or in payment of certain non-purchase-order invoices.

Employee reimbursement request

A request to reimburse a University employee for appropriate expenses incurred for travel or entertainment (see Policies [3301](#) Traveling on University Business, and [3302](#) Business Meals, Entertainment, and Other Social Events); and for the purchase of miscellaneous items up to an established dollar limit (see Policy [3201](#) General Purchasing Policy).

OK to Pay invoice

An invoice authorized for payment by a department for orders placed directly with a vendor that are not associated with a purchase order or contract order.

Quality assurance review

Periodic review conducted by the office having oversight responsibility for a particular business process. The objective of such reviews is to assess compliance with policies and procedures, improve efficiencies, and identify areas where additional training is needed.

Requisitioner

An individual initiating a transaction for the purchase of goods and services; **or** an individual requesting payment of a transaction as permitted within this policy.

Web Invoice Payments (WIP)

A web application that allows departmental users to enter and authorize qualifying invoices for payment.

Policy Sections

3401.1 Payment Roles and Responsibilities

Accounts Payable Department

The Accounts Payable Department oversees the University's disbursement process to ensure that only authorized disbursements are made, that the disbursement process is efficient, and that tax reporting related to disbursements is completed. Accounts Payable processes invoices for payment in accordance with payment terms negotiated during the purchasing process.

Procurement Office

The Procurement Office is responsible for conducting quality assurance reviews to monitor the effectiveness and efficiency of the payment process, and to identify additional training needs for those authorized to approve payment transactions. The reviews include evaluation of the validity of the business purpose for individual transactions, the proper coding of allowable and unallowable costs per University policies and state/federal regulations, the appropriateness of charging instructions, and the presence of supporting documentation as required by policy or procedure.

Controller's Office

The Controller is responsible for working with the Accounts Payable Department to develop and maintain adequate internal controls in the disbursement process, and to assess risks and review quality assurance standards.

Departments and Business Support Centers

Every disbursement transaction must be authorized by the administrator, business manager, or business support center director (or their duly authorized designee) of the department having budgetary responsibility for the funds being disbursed. The administrator or business manager of a department, or the director of a business support center, is responsible and accountable for all transactions submitted by his/her department or center. Accordingly, the authorizer verifies that the transaction meets the conditions specified in the above policy statement, is appropriate within the department's approved annual budget, and is allowable within any applicable funding source restrictions.

Authorization

Accounts Payable will process only those transactions bearing appropriate departmental authorization, and secondary authorization if required.

- Payment for purchases made using a **standard purchase order or release against a contract** is authorized when a purchase requisition, release or purchase order is issued, and the receiving notification required is complete as described in Policies [3201](#) General Purchasing Policy and [3240](#) Receipt of Goods and Services. If a department administrator or business manager requests invoice approval, then the authorization occurs at the time the invoice is approved for payment.
- Payment for purchases made using a **purchasing card** is effectively approved at the time of purchase.
- Payment requests using Web Invoice Payments or other requests for payment (e.g., check request, employee reimbursement request, OK to pay invoice or petty cash replenishment request) must be authorized by the department administrator, business manager, or business support center director (or their duly authorized designee) prior to submission of the request.

In certain cases, secondary authorization is also required, as set forth below.

An administrator, business manager or business support center director who chooses to delegate authorization responsibility to individuals within his/her department or center must formally do so and advise Accounts Payable of that designation, in writing. The administrator remains accountable for transactions delegated within the department or center.

Secondary Authorization

Certain transactions require review and approval by a secondary authorizer because of a high risk for compliance problems, the special nature of the payment, or the size of the payment.

- Payment requests for purchases that are made within the departmental and business support center purchasing authorizations as defined in the [Controller's Office Fact Sheet](#), and accompanied by appropriate receiving notification (see Policy [3240](#)), will be paid without secondary authorization.
- Payment requests for transactions without a corresponding purchase order and beyond such authorizations but less than \$50,000 must be reviewed and approved by the Manager of Accounts Payable or his/her designee.
- All payments in excess of \$50,000 without a corresponding purchase order must be approved by the Executive Director of Procurement.
- Petty cash replenishment requests must be approved by Treasury Services.
- Requests for travel or expense advances of \$5,000 or more must be approved by the Manager of Accounts Payable or his/her designee.

Secondary authorizers review transactions for compliance with the conditions outlined in the Policy Statement above, but may not be in a position to attest to the appropriateness of the expenditure within the department's approved annual budget. Primary responsibility for budgetary appropriateness remains with the departmental authorizer.

3401.2 Internal Control and Segregation of Duties

Business process owners are responsible for developing good internal controls and for promoting a sound internal control environment; the Controller will consult with process owners and advise them

accordingly. Segregation of duties is an important component of a sound internal control environment, minimizing the risk of fraud, concealment of error, or loss.

The University has separated the functions of purchasing, vendor setup and maintenance, and accounts payable by delegating them to three distinct units.

Departments should strive to separate, as much as possible, the functions of purchasing and receiving, invoice processing and approval, and account reconciliation in order to add a measure of internal control within the department. Quality assurance reviews performed by the Procurement Office will include attention to the internal control environment of the departments and business support centers under review.

The authorizer of a transaction must not be the recipient of the funds disbursed.

3401.3 Vendor Invoice Payments

General

Vendor invoices may be categorized as follows:

- vendor invoice against a standard purchase order
- vendor invoice against a University contract order
- vendor invoice against a departmental contract order
- vendor invoice without a confirming purchase order.

For details on the appropriate use of the purchase methods mentioned above, see Policy [3201](#) General Purchasing Policy.

The University requests that vendors send invoices referencing a purchase order directly to Accounts Payable. If a department requests invoice approval on a submitted requisition, then the vendor will be directed by the Purchasing Department to send the invoice directly to the department.

When non-purchase-order purchases are made by a department directly with a vendor (i.e., a department order, as defined in Policy 3201), vendors should be instructed to send invoices to the department that ordered the goods or services, not to Accounts Payable.

Departments that process invoices through a subsystem that provides electronic submission to Accounts Payable may receive invoices directly from the relevant vendors.

When the department receives an invoice directly from the vendor, it is the responsibility of the department to submit that invoice to Accounts Payable as quickly as possible, and to expedite any other steps necessary to process the invoice for payment.

For payment purposes, vendor statements and fax copies of invoices are not considered appropriate supporting documentation for purchases, and the University will not pay from such statements or copies.

Invoices are processed in accordance with the procedures accompanying this policy, and all relevant financial, legal, and contractual requirements are observed.

Matching Requirements for Invoices Against Standard and Contract Orders

To assure that only valid payments are made for goods and services received, the University requires matching of various documents (i.e., invoices and purchase orders) associated with a standard or contract purchase order prior to releasing payment to a vendor. The table below illustrates the requirements for invoice matching.

Confirmation Type	Requirement for Confirmation	When Required
two-way confirmation	<ul style="list-style-type: none"> • purchase order • invoice* 	<ul style="list-style-type: none"> • standard purchase order or release against contract order less than \$5,000.
three-way confirmation	<ul style="list-style-type: none"> • purchase order • receiving acknowledgment • invoice* 	<ul style="list-style-type: none"> • standard purchase order or release against contract order over \$5,000.

* When a department requests invoice inspection and approval prior to payment, an approved invoice and matching purchase order are required for release of payment. In such cases, separate receiving acknowledgment is not required.

Vendor Invoices Without a Confirming Purchase Order (OK to Pay)

Departments may submit qualifying invoices for payment on-line via Web Invoice Payments (WIP). Invoices qualify for WIP if:

- the goods or services were ordered directly from a vendor without a purchase order or contract;
- the invoice does not exceed the dollar limit specified in the annual fact sheet issued by the Controller's Office; and
- the invoice does not involve goods and services not eligible for WIP, including those restricted to the Purchasing Department (see Policy [3201](#) General Purchasing Policy) and those under Policy [3220](#) Purchases of Restricted Items. Specific restrictions are listed in Procedure [3401 PR.4](#) Submitting Invoices for Payment.

When submitting invoices for payment via WIP, the department assumes responsibility for:

- verifying the accuracy of the invoice and appropriateness for web invoice payment
- retaining original invoices in accordance with University record retention guidelines.

If an OK to Pay invoice is not eligible for WIP, or access to WIP is not available, departments must submit the original paper invoice, properly authorized, to Accounts Payable for payment.

Receiving Acknowledgment

Policy [3240](#) Receipt of Goods and Services states the University's receiving requirements. It is expected that the requisitioner of goods and services will always perform a receiving function, confirming that the goods and/or services ordered were received in accordance with the order.

When a formal receipt acknowledgment is required, as shown in the table above, the Purchasing Department will notify the requisitioner of such a requirement at the time the purchase order is created, and Accounts Payable will place the invoice on hold. The requisitioner of the goods or services must send receipt notification to the Accounts Payable Department before the associated invoice can be processed for payment. Departments that process invoices through approved subsystems may require additional confirmations of receipt.

Departmental approval of invoices constitutes confirmation of receipt of goods and services.

Recurring Invoices

Recurring invoices may be created for payment transactions of fixed amounts occurring at regular intervals over a specific period of time. This method is typically used for leases, letters of agreement, interest payments and promissory loans. Accounts Payable monitors recurring payments for the

continuing validity of the agreements. All supporting documentation must accompany requests for recurring payments and should remain on file in Accounts Payable.

Electronic Invoices

Electronic interfaces and file transfers reduce the need for manual input of paper invoices into Accounts Payable and should be encouraged whenever feasible. The Procurement Office negotiates vendor agreements, including an agreement for the electronic submission of invoices. Often this agreement stipulates that payment will occur without the receipt of further documentation, and that necessary adjustments will be included in future billings. Departments, therefore, should thoroughly review their monthly financial statements for inappropriate or unauthorized transactions, and Accounts Payable should be notified immediately of any such erroneous transactions.

3401.4 Requests for Payment

Check Requests

Check requests may be submitted for direct payments to non-employees and other direct payments that cannot be made using a purchasing card or standard invoice payment methods. Non-employees are reimbursed for University-related travel in accordance with Policy [3301](#) Traveling on University Business.

Employee Reimbursements

Employees are reimbursed for travel, entertainment and other business expenses in accordance with Policies [3301](#) Traveling on University Business, and [3302](#) Business Meals, Entertainment, and Other Social Events. Employee reimbursement requests and supporting documentation must be filed in accordance with the relevant University policy and related procedures. Alternatively, the employee may be reimbursed from a petty cash fund for expenses up to \$200 if no advance was given.

Advance Requests

Requests for advances may be authorized for anticipated travel or non-travel expenditures related to University business as set forth in Policies [3301](#) Traveling on University Business, and [3305](#) Long-Term Activity and Other Expense Advances. Advances must be cleared in accordance with the relevant University policy and related procedures. If an employee does not clear an advance within the required time period, the outstanding advance amount will be recovered as set forth in the relevant policy.

Petty Cash Replenishment Requests

Petty cash fund custodians may periodically request replenishment of such funds using the appropriate procedures. A custodian cannot be the sole authorizer for the replenishment of his or her own petty cash fund; a secondary review and authorization is required.

In order to safeguard University assets, certain minimum documentation requirements must be met before a replenishment of petty cash can be made. See Policy [2815](#) Petty Cash Funds and related procedures.

3401.5 Purchasing Card

The Yale University Purchasing Card is a Yale-sponsored credit card issued to a qualifying employee. The intent of the card is to streamline the purchase of and payment for certain commodities. The use of this card also reduces disbursements of petty cash, check requests and employee reimbursements, and the processing costs associated with such transactions. Certain cards may require a reallocation of charges to the correct account. Department administrators are responsible for assuring that the correct accounting accompanies purchasing card charges.

Refer to Procedure [3215 PR.1](#) for purchasing card requirements, guidelines and details.

3401.6 Prepayments

Policy [3201](#) General Purchasing Policy sets forth the University's policy regarding prepayments, along with required approvals. The Accounts Payable Department will issue prepayments that meet those requirements and are properly authorized.

3401.7 Yale Internal Systems Invoice Interface

Certain departments are authorized to process transactions in a decentralized manner using subsystems that interface directly with the Accounts Payable system and automatically generate payments. These departments must adhere to University purchasing and payment policies and must maintain a sound internal control environment pertaining to their decentralized activities. Subsystem interfaces must meet established design standards in order to be approved for automatic transmission. Exceptions must be approved by the Controller's Office.

The Procurement Office is responsible for performing periodic quality assurance reviews of the transactions generated by departmental subsystems, including a review of exception reports produced by each interface.

3401.8 Forms of Payment

Checks

All checks (excluding payroll and specialty account checks) are issued by the Accounts Payable Department. A facsimile signature of the Associate Vice President for Finance is applied to all checks. A review and second signature is required for checks greater than \$50,000. See Exhibit [2805 EX.A](#) for a list of authorized signers.

Electronic Funds Transfers (EFT)

Electronic funds transfers include payments made via wire transfer which may be initiated by the submission of a Wire Transfer Request. Payment by wire transfer is appropriate under specific conditions, such as payment of a foreign vendor, tax remittances, and utility payments. Wire transfers may only be initiated with an appropriately authorized invoice as supporting documentation. Refer to Exhibit [2805 EX.A](#) for a list of those authorized to approve the execution of a wire transfer.

Procedures

[Petty Cash Fund procedures](#)

[3401 PR.1](#) Employee Reimbursements

[3401 PR.2](#) Check Request

[3401 PR.4](#) Submitting Invoices for Payment

[3401 PR.5](#) Accounts Payable Holds and Bounces

[3410 PR.1](#) Obtaining Exemption or Reduced Rate of Withholding for CT A&E Tax

Related Information

Policy [1104](#) Signature Authority and Delegation of Approved Authority

Policy [1105](#) Retention of University Financial Records

Policy [2815](#) Petty Cash Funds

Policy [3201](#) General Purchasing Policy

Policy [3205](#) Vendor Selection

Policy [3240](#) Receipt of Goods and Services

Policy [3301](#) Traveling on University Business

Policy [3415](#) Payments to Individuals Who Are Neither Citizens nor Permanent Residents of the United States

[2805.EX.A](#) Signature Authority for Wire Transfers and Checks Drawn on the University's General Operating Bank Accounts

Contacts

Subject	Contact	Phone
Invoice payments	Manager of Accounts Payable	432-2053
Purchase orders	Associate Directors of Purchasing	432-9980 or 432-9982
Vendor setup	Vendor Compliance Unit	432- 5810 or 432-5060
Purchasing card	Manager of Electronic Commerce	432-3227
Procurement process	Executive Director of Procurement	432-6534

Revision History

This revision effective 11/15/00.

Policy 3401 first issued 7/1/98.

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