

VII. Accounts Payable Processes

A. Overview

Accounts Payable staff process all non-payroll disbursements through the Oracle Accounts Payable application, including purchase order payments, invoice payment forms, travel and other employee reimbursements and stipend payments made to graduate research assistants. In addition, Accounts Payable staff prepare and distribute 1099 forms to individuals receiving payments from RIT for services.

Objectives:

In this chapter you will learn about:

- how payments are processed for items purchased on an RIT purchase order
- how to request payments for non-purchase order purchases
- how payments to independent contractors are processed
- how to process reimbursements to RIT employees
- how to process stipend payments to graduate research assistants
- Procurement card processes
- when checks are produced in Accounts Payable

B. Purchase Order Payments

Key Word:

Requisition

1. Purchases for all goods over \$1,500 are made through the Purchasing Department by creating an on-line *requisition* in the Oracle Purchasing application.
 - a. Digital Den, Dining Services and Wallace Memorial Library have special purchasing arrangements to purchase commodity items for use in their business operations.

Refer to Chapter XV: Purchasing Processes and Procedures for more information about purchase orders.

Refer to Lesson 1: Create a Requisition in the Requisition Section of the Oracle Training Manual.

2. Purchases for services over \$5,000 require three competitive quotes and must be made through the RIT Purchasing Department using a purchase order.

Refer to the [Controller's Office](#) web page for additional information about processing payments to [Independent Contractors](#):
<http://finweb.rit.edu/controller/accounting/workerstatus.html>.

3. When a supplier invoice is received in Accounts Payable, staff enter the information into the Oracle Accounts Payable application for payment.
 - a. If the goods have been received and the quantity and price match the purchase order, Accounts Payable will approve the invoice and pay according to the supplier terms.
 - b. If the invoice does not match the purchase order, it will be placed on "invoice hold".
 - i. For example, if the items have not been received through RIT Central Receiving, the invoice will be placed on hold.
 - ii. An e-mail "alert" will be sent automatically to the requestor asking him/her to notify Central Receiving if the goods have been received.
 - iii. Once Central Receiving updates the Oracle Purchasing application with the receiving information, the hold will be removed automatically and the invoice will be approved for payment.
 - c. The payment is transferred to the general ledger and posted when it is approved, not when it is paid.

Detailed information regarding payments, including vendor name & purchase order number, is available through the Account Inquiry function of the Oracle GL Reporting & Inquiry responsibility. Refer to Lesson 1 Perform an Account Inquiry of the Reporting & Inquiry Oracle Training Manual.

C. Invoice Payment Forms

1. Invoice Payment Forms are used to request payments for goods and services not purchased on a purchase order.
2. When an Invoice Payment Form is received in Accounts Payable, an authorized signature form must be on file for the approver, the "business purpose" field must be completed in full and supporting information such as an original supplier invoice must accompany the form.
 - a. Accounts Payable staff enter the information into the Oracle Accounts Payable application and approve for payment.
 - b. The payment is transferred to the general ledger and posted when it is approved, not when it is paid.

[Invoice Payment Forms](#) with instructions are available from The HUB Print/Postal Services or on the [Controller's Office](#) web page:
<http://finweb.rit.edu/controller/forms.html>.

D. Petty Cash

1. Petty Cash Forms may be used to reimburse employees for small dollar purchases of \$50.00 or less.
2. Completed Petty Cash Forms, with original receipts and the appropriate departmental approvals, are taken to the Cashier's window in the Student Financial Services Office for processing. Note: employees requesting reimbursement must present identification to the Cashier.
3. Accounting staff enter the account number and reimbursement amount into the Oracle general ledger each day.

E. Encumbrance Accounting

Key Word:

Encumbrance

1. An *encumbrance* is a type of journal entry generated to record anticipated expenditures.
2. Encumbrance entries for purchasing transactions (requisitions and purchase orders) or accounts payable transactions (invoice payment forms) are created and reversed automatically in the Oracle General Ledger application.
3. There are three encumbrance types:
 - a. A "commitment" encumbrance is created automatically when a purchase requisition is approved in the Oracle Purchasing application. The entry is reversed when the requisition becomes a purchase order.
 - b. An "obligation" encumbrance is generated automatically when a purchase order is approved in the Oracle Purchasing application. The entry is reversed when the purchase order is matched to the invoice or when the order is cancelled.
 - c. An "invoices" encumbrance is generated automatically when an invoice is matched to a purchase order. The entry is reversed when the invoice is approved for payment.

Detailed information regarding encumbrances is available on the [Controller's Office](http://finweb.rit.edu/controller/) web page: <http://finweb.rit.edu/controller/>.

Key Words:

Independent Contractor

Form W-9

Form 1099

F. Payments to Independent Contractors

1. An individual must meet certain guidelines established by the IRS to be considered *independent contractor*.
2. To process payments to independent contractors engaged for less than \$5,000, the department sends a signed contract and a completed *Form W-9* along with an Invoice Payment Form to Accounts Payable.

3. When engaging an independent contractor for services costing \$5,000 or more, the department creates a purchase requisition and sends a signed contract and a completed Form W-9 to the Purchasing Department for processing.
 - a. When services are rendered and an invoice is received from the independent contractor, the department approves it for payment and sends it to Accounts Payable for processing.
4. Accounts Payable staff prepares *Form 1099's* for all individuals who receive \$600 or more in compensation for services during a calendar year.
5. All services performed by RIT employees acting as independent contractors are processed through the bi-weekly or semi-monthly payroll process, not through the accounts payable process.
 - a. When an RIT employee provides additional services to RIT, the department completes an Additional Payment Form. The payment is subject to tax withholdings at the employee's regular withholding rate.

Complete instructions for determining whether an individual is an [independent contractor](#) and for processing payments are located on the [Controller's Office](#) web page:
<http://finweb.rit.edu/controller/accounting/workerstatus.html>.

G. Employee Travel Advances and Reimbursements

1. RIT employees who travel may be entitled to receive a travel advance prior to departing for their trip. NTID employees obtain cash advances using a Citibank government travel card.
 - a. Advances of up to \$50.00 per day may be requested on an Invoice Payment Form and directed to Accounting (GEM, 6th floor) for processing.
 - b. Checks for travel advances are sent to the Cashier's Window to be picked up by the employee.
 - c. Employees account for the advance on a Travel Expense Report upon the completion of the trip.
 - d. Excess funds are returned to RIT.
 - i. Complete a Deposit ID Form and take it along with the amount due to RIT (either cash or a check) to the Cashier's Window.
2. Employees are required to complete a Travel Expense Report for business travel when they have obtained a travel advance, or when airfare or an overnight stay is part of the trip.
 - a. Employees who travel should send an approved Travel Expense Report, with original receipts, to Accounting within 5 days of the completion of the trip.

- b. Accounts Payable staff review Travel Expense Reports and process reimbursements, usually within 5 business days of receipt, provided that all documentation accompanies the Travel Expense Report.
- c. Reimbursement checks are mailed to the employee's home.

The [RIT Travel Policy and Procedure Manual](http://finweb.rit.edu/controller/travel/travemanual.html) is located on the [Controller's Office](http://finweb.rit.edu/controller/) web page:
<http://finweb.rit.edu/controller/travel/travemanual.html>.

[Travel Expense Reports](http://finweb.rit.edu/controller/forms.html) with instructions are available from the HUB Print/Postal Services or on the [Controller's Office](http://finweb.rit.edu/controller/) web page:
<http://finweb.rit.edu/controller/forms.html>.

3. Miscellaneous employee reimbursements of \$50.00 or more are processed through Accounts Payable using an Invoice Payment Form.
4. Miscellaneous reimbursements for mileage and out-of-pocket expenses totaling less than \$50.00 may be processed through petty cash.

H. Payments to Graduate Research Assistants

1. Graduate Research Assistants (GRAs) conduct original, professional-level research primarily for the purpose of fulfilling the requirements for an advanced degree (i.e., the research is related to the student's field of study).
2. GRAs receive a predetermined stipend over the term of their appointment, typically one academic year. The stipend amount is based on the GRA's appointment/level of effort (hours devoted to their research up to a maximum of 20 hours per week) and classification.
3. The stipend payment is processed via accounts payable.

Detailed information about payments made to Graduate Research Assistants is available on the Controller's Office web page:
<http://finweb/controller/payable/graduate.html>

I. Accounts Payable Check Processing Schedule

1. Accounts Payable staff processes payments to suppliers each Monday and Wednesday evening; checks are mailed on Tuesdays and Thursdays.
2. Payments for employee travel advances, reimbursements and student refunds are processed daily.

- a. Reimbursement checks are mailed to employees' homes.
- b. Advances and student refunds are picked up by employees at the Cashier's Window (Bursar's Office).

J. Procurement Card Processes

1. RIT faculty and staff employees may apply for an RIT VISA procurement card, with departmental approval.
2. Use of the procurement card streamlines the procurement process for cardholders and it should be used for all purchases less than \$1,500 (travel expenses may not be charged to the procurement card).
3. For internal billing purposes, an RIT 24-digit general ledger account number is linked to each VISA card.
4. Purchase transactions are available for all cardholders to review daily through the bank's Internet reporting system.
 - a. Authorized cardholders may have access to the bank's Internet reporting system to make account number changes before the information is moved to the ledger.
 - b. Throughout the month, Accounting transfers the information into the Oracle General Ledger application.
 - c. The bank's Internet reporting system also provides cardholders with daily transaction information to help them keep track of their departmental budgets.
5. Cardholders receive a monthly statement from the bank that summarizes transactions for the period.
 - a. Cardholders must attach original receipts to the statement, indicate the business purpose for each purchase, obtain their department head's approval, and forward to Accounting.
 - b. Accounting reviews all documentation and files the statements for audit purposes.
6. RIT pays the bank directly for all purchases once per month.

The [RIT Procurement Card Guide](#) and procurement forms are available on the [Controller's Office](#) web page:
http://finweb.rit.edu/controller/pro_card.html.