



Accounts Payable Policy

POLICY No.:

Responsible Executive:

Responsible Office:

Effective:

Revised:

PURPOSE

The purpose of this policy is to define the responsibilities and procedures of the accounts payable department and the policy governing non-payroll expenditures of the University.

SCOPE

This policy applies to payments for University expenses that are not salaries and wages.

DEFINITIONS

Request for payment (in this policy), refers to any submission to accounts payable requesting a disbursement of University funds (exceptions are salaries and wages). Examples include, but are not limited to, vendor invoices, check request forms, travel advance and reimbursement forms, and gift card purchase forms.

POLICY & PROCEDURE

The primary responsibilities of the Accounts Payable department ("AP") are 1) timely payment of the University's expenses and 2) ensuring the expenses fall within the University's and IRS's (where applicable) established guidelines. The University qualifies as a 501(C)(3) not-for-profit entity, and also receives various grants from government agencies; additionally, the IRS has strict guidelines for employee reimbursements.

To ensure the University complies with our established policies and with any applicable government policies, each expense must be properly documented with a verified business purpose. An authorized source document (invoice, travel reimbursement form with accompanying receipts, etc.) must be present with each request for payment. AP reviews all submissions for mathematical accuracy, permissibility, and proper documentation of items received/services rendered. The University does not have a central receiving department; it is the responsibility of the initiating department to certify that goods have been received or services have been rendered.

The business purpose for each request for payment must be clear; requests for payment submitted without a clearly defined business purpose or lacking other necessary supporting documents will be returned to the requestor for correction. Required documents are discussed in this policy under "Types of Requests for Payment."

In order for AP to process payment to a vendor (other than employees and students), the Business Operations department must have on file:

US Person/Entity – Form W-9, Request for Taxpayer Identification and Number;

Foreign Person performing work in the United States – Form W8-BEN *

Foreign Entity performing work in the United States - Form W8-BEN-E *

**please refer to section below on foreign payments for more detail.*

These requirements apply regardless of the form of payment. Foreign payments being processed as wires through the Bursar's office are not exempt from these form requirements.

Exceptions will be granted only for employment candidates seeking agreed-upon, substantiated travel reimbursements. In this case, a phone number must be on file.

PAYMENT CYCLE

Payment processing (referred to in this policy as the "check run"), which also includes ACH (direct deposit payments) - is completed each Thursday of the standard work week. This schedule will be modified during holiday weeks or other important campus events. The campus will be notified of any schedule modifications in advance via the Wilkes Today daily email. In the event the University is closed unexpectedly on a scheduled payment date, payments will be processed on the next business day. Due to student refund processing requirements, AP occasionally processes payment batches on days other than those listed above, but is unable to perform special check runs to accommodate last-minute payment requests. The receipt of an invoice prior to Thursday's check run does not guarantee inclusion in that week's batch for the following reasons: 1) In the case of new vendors, possible delay in the event there is difficulty in obtaining their set-up information; 2) invoice volume depending on the time of year; and 3) staffing levels. One week is the standard notice that should be given on all requests for payment; for best results, please allow 10 business days whenever possible.

Wherever possible, AP will take advantage of early payment discounts.

TYPES OF PAYMENTS

Goods or Services (non-PCARD):

The first step in initiating a purchase for a good or service is to submit a **purchase requisition** to the **Business Operations Department**. Business Operations will then generate a purchase order that creates a formal contract between the University and the vendor for the purchase of all materials, parts, supplies, equipment, repairs and/or services, consultant services, construction and construction-related items. Please refer to Business Operations Policy for additional information on purchase orders and contract requirements.

If a request for direct payment of an invoice is received with no corresponding purchase order, it will be returned to the requestor who will be required to receive approval of a University Vice President in order to proceed with payment. This will result in processing delays. All vendors have been informed of the University's requirements for purchase orders.

Invoices for Goods and Services- An **invoice** is the valid source document that supports the payment of a good or service; it is representation from a third party that a product or service has been provided to the University. Packing slips, statements, and receiving documents are **not** invoices and cannot be used to pay a vendor. Valid invoices will always contain a clearly marked invoice number. Vendors should send invoices to:

PREFERRED METHOD IS VIA EMAIL:
accountspayable@wilkes.edu

or alternatively mail to:

Wilkes University
Accounts Payable / Finance Office
84 West South Street
Wilkes-Barre, PA 18766

If a department receives a vendor invoice, it should be immediately forwarded to accounts payable and the vendor should be informed of the proper address above.

Accounts payable will match the invoice to a purchase order and will scan it to the originating department for confirmation that the goods were received or that the services have been performed, and will inquire as to whether the purchase order should be closed. In the event there is any discrepancy, AP will request the department to resolve the issue before payment will be made.

Vendors whose invoices provide ACH payment instructions will be paid via ACH direct deposit. Foreign entities will be paid via wire. Currency exchange rate will be converted on the date of payment. Attempts will be made to solicit ACH information from other domestic US and Canadian vendors; if unavailable, payments will be made via paper check.

Volunteer speakers or performers (i.e. speakers without contracted payment arrangements with the University) will not be paid or reimbursed for travel by Accounts Payable. Noncash gifts of a nominal amount may be purchased for unpaid speakers or performers by the initiating department.

PCARD – See Business Operations PCARD Policy.

Charitable Donations

Wilkes University is a not-for-profit, tax-exempt institution, chartered to fulfill certain educational, research, and public service missions. Generally, the University does not contribute financially to other not-for-profit charitable organizations. Occasionally, however, the University will donate to other charitable organizations in the following allowable cases:

- Donations approved by the President or a University Vice President; or
- One-time contributions of \$500 or less made to 501(C)(3) charities; or
- Donations paid for by student clubs and agency funds.

If one of the above guidelines is met, requests to pay charitable donations may be submitted to accounts payable via a check request signed by the budget manager and

must be accompanied by a letter to the receiving organization. The University will not reimburse individuals for charitable donations made with their own funds.

Due to IRS implications, the University prohibits political contributions in all cases.

Employee Reimbursements/Expenses

Prior to using personal funds, employees should first consider their ability to justify the expense has a valid purpose for the conduct of University business. Items of a personal nature will not be reimbursed. If an employee is uncertain as to whether an expense will be reimbursable, please contact in advance both your department head (for eligibility and available funding) and AP to verify that it is a valid business expense that will be approved.

Reimbursements must be requested within 60 days from the date incurred. More stringent deadlines apply at fiscal year-end; all employees should review the Finance office year-end closing memo, released annually, for specific requirements.

Prohibited Reimbursement Items

Alcohol

Alcohol consumed while traveling is not reimbursable. On campus, alcohol may only be served through the university's food vendor for University functions. Exceptions to off-campus rules include Advancement and Advancement Events.

Sales Tax

The University is tax exempt from sales tax on most purchases. Sales tax will not be reimbursed on the purchase of goods that could have been purchased via some other means tax-free by the University (PCARD, purchase requisition).

Service Providers

Due to IRS implications, employees will NOT be reimbursed for payments to service providers and petty cash payments to service providers are prohibited. All service provider payments must go through the purchase order and invoice process. Examples of service providers include, but are not limited to, photographers, magicians, musical performers, translators, limousines and transportation, etc.

IT-related purchases

Desktop printers, scanners, and other technological items will not be reimbursed. Purchases of these items must be approved in advance by IT and must go through the purchase order and invoice process.

Political contributions

Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds will not be reimbursed. This prohibition includes benefits held on behalf of such candidates.

Donations to charitable organizations

The University will not reimburse individuals for charitable donations made with their own funds. See "Charitable Donations" section above for allowable donations and appropriate process for requesting a donation.

Furniture purchases

All furniture purchases must be first approved by the Director of Facilities and must go through the purchase order and invoice process.

Potentially Reimbursable Items

Clothing - including uniforms

The IRS allows for nontaxable clothing, including uniforms, to be provided or reimbursed to employees in limited situations. To be considered tax free, the employee must wear the clothes as a condition of employment and the clothes must not be suitable for everyday wear. Clothing items of low value may be treated as non-taxable if provided infrequently. Requires a check request, valid receipt (proof of payment) and signature of budget manager.

Business meals (non-travel)

Business meals may be provided tax free if they meet one of the following tests: (1) directly related test - main purpose of the meal is the active conduct of business; business is actually conducted during the meal period; and there is more than a general expectation of a specific business benefit at a future time (2) associated test – associated with the active conduct of employer's business and directly before or after a substantial business discussion. Requires a check request with a thorough explanation of the business purpose, valid receipt (proof of payment), names of attendees, and signature of budget manager and Office of Sponsored Programs ("OSP") if grant related.

Conference Fees

Requires either 1) a check request with a thorough explanation of the business purpose, valid receipt (proof of payment) and signature of budget manager and OSP if grant related, OR 2) if additional expenses are being claimed related to traveling to the conference, the conference fee can be submitted on the Employee Travel Reimbursement and Travel Advance Reconciliation form along with other travel expenses and required signatures.

Supplies (Office, Classroom, etc. - Business-Related) – A list of preferred suppliers can be found on the Business Operations Portal.

Reimbursement requires a check request with a thorough explanation of the business purpose, valid receipt (proof of payment) and signature of budget manager and OSP if grant-related. Please note the prohibition on sales tax reimbursements above.

Gift cards

Purchases of gift cards will be reimbursed in limited situations. Allowable purchases of gift cards include prizes and awards at University functions and club giveaways. Purchases of gift cards for employee bonuses and gifts (including student workers) **will not** be reimbursed unless part of an approved HR employee recognition program.

Travel Expenses – Non-Employee

Requires a non-employee travel reimbursement form and valid documentation of the expenses (receipts, mapquest, etc.). Travel expenses that are at a fixed amount (no receipts) as part of a contract will be subject to form 1099-MISC reporting.

Travel Expenses – Employee

Please refer to Travel Policy for allowable travel expenses. Meals consumed when employee is traveling away from their home on University business may be reimbursable (although daily limits apply – please refer to Travel Policy). Coffee, soda, water, gum, snacks, and other miscellaneous purchases while traveling or during work **do not** qualify as reimbursable meals even if the daily total falls within the daily limit. Allowable reimbursements require employee travel reimbursement and advance reconciliation form along with acceptable documentation following the guidelines in the Wilkes University travel policy.

Employees are encouraged to take advantage of direct deposit. Anyone who has not enrolled at the start of employment with AP direct deposit has the opportunity to enroll by contacting AP. Contact accountspayable@wilkes.edu for the enrollment form. Anyone not enrolled in direct deposit at the time of the check run will be paid via check, mailed to their home address on file unless otherwise specified on the request for payment.

Gift card purchase forms

The Gift Card Purchase Form is used to submit a request to purchase gift cards from one of our approved vendors – see portal for current list. If you are selecting a Visa or other card containing an activation fee, include the activation fee in your purchase price. Allowable purchases of gift cards include prizes and awards at University functions and club give-aways. Purchases of gift cards for employee bonuses and gifts (including student workers) **are not** allowed unless part of an HR approved employee recognition program.

Advances

Refer to separate policy- non-payroll employee advances.

Stipends

Payments to students/individuals as compensation for work performed for the University will be paid through the payroll department (provided the payee is not an independent contractor operating a trade or business). Interns who are paid a stipend to offset expenses/defray costs (as opposed to receiving compensation for services), who are not employees of the University, may be paid through the accounts payable process.

STIPENDS WILL BE PAID BY PAYROLL IF ONE OF THE FOLLOWING IS TRUE:

1. The individual is not an independent contractor operating a trade or business, and the payment is for compensation for services, as follows:

- The amount represents compensation for past, present, or future services
- The activity funded is subject to the direction or supervision of the University
- The payment enables the recipient to pursue studies or research for the benefit of the University

2. The individual is currently an employee of the University (includes student workers) and will receive form W2 from Wilkes for this calendar year.

STIPENDS WILL BE PAID BY ACCOUNTS PAYABLE IF THE FOLLOWING IS TRUE:

Stipends are provided to those who are ineligible to receive a regular salary in exchange for the duties they perform, such as interns. The stipend allows an individual to pursue work that is normally unpaid by helping defray living expenses. Rather than being paid for their services, they are provided with stipends to provide financial support for costs such as room, board, and travel, while engaged in the service or task.

TAXABILITY AND REPORTING OF ACCOUNTS PAYABLE STIPENDS:

Non-Taxable

A fellowship payment received by a candidate for a degree, also called a "scholarship" payment by the IRS, is not taxable income to the student if it is used only for tuition and required fees and/or course related expenses, such as fees, books, supplies and equipment that are required of all students enrolled in courses. These payments are not taxable income to the student and are not reportable to the IRS on any form.

Taxable

A payment, typically known as a "stipend", used for living and incidental expenses such as room and board, travel, equipment, i.e. computer or other expenses that are not required of all students enrolled in courses. These payments to a Wilkes student are taxable income to the student but are not reportable by the University to the IRS on any form. (**Example: Honors program stipend**) It is the student's responsibility to report taxable income on their personal tax return. Stipends paid to **non-university students** are taxable and reportable on Form 1099-MISC.

RELEASE OF CHECKS

Once a check has been printed and signed, it becomes a negotiable instrument that can be cashed by the recipient. It is therefore important that controls are exercised over the release of checks to designated payees. Vendor checks will be mailed to the vendor except in limited cases where a department has made arrangements in advance to deliver the check to the vendor. Non-payroll employee checks will be mailed directly to the payee's address of record unless the payment requests indicates the check will be picked up. Checks may be picked up at the AP office. Valid identification such as a driver's license will be required and the employee or designee will be required to sign a form indicating that they have picked up the check.

PENNSYLVANIA (PA) WITHHOLDING TAX

Beginning in 2018, anyone making payments of PA source non-employee compensation or business income totaling \$5000 or more during and calendar year to non-PA-resident individuals or single-member LLC's must withhold PA income tax. In order to ensure compliance with these new requirements and in order to avoid having to "catch up" withholding if the amount unexpectedly reaches the threshold, the University policy is to withhold Pennsylvania income tax at the current tax rate of 3.07% on any non-PA-resident or single-member LLC who are expected to be paid at least \$2500 in a calendar year by the University for services rendered.

FEDERAL WITHHOLDING ON FOREIGN PAYMENTS

The IRS regulations require that when services are provided in the US by a foreign individual or entity, federal income tax must be withheld in the amount of 30% unless: 1) the income is exempt under a provision of a tax treaty between the foreign vendor's country and the US or 2) is effectively connected with the conduct of a trade or business in the USA (i.e., the vendor files a US tax return.)

To avoid withholding, foreign vendors must supply the appropriate forms – **Individuals:** Form W8-BEN to identify the individual as a foreign person and Form 8233 to claim no withholding under a tax treaty. **Entities:** Form W8-BEN-E to identify the entity as a foreign entity and to claim a tax treaty. If the entity is claiming that the income is effectively connected with a trade or business in the US, Form W8-ECI is required.

IRS REQUIREMENTS FOR SERVICE PROVIDERS

Generally, payments made to an independent contractor or unincorporated vendor for services require the University to prepare and mail a Form 1099-MISC for US persons/entities or a Form 1042-S for international persons/entities performing services in the US. Before paying a new independent contractor, AP must receive approval from Human Resources that the person is not an employee of the University. Direct reimbursements for travel expenses will not require a form 1099-MISC if the payee provides substantiating receipts. Fixed-amount travel allowances incorporated into a contract (without substantiating receipts) will be subject to form 1099-MISC reporting.

EXCEPTIONS

NONE

FORMS

RESPONSIBILITY

The Finance Office is responsible for the establishment and oversight of this policy.

RESOURCES
