



Accounts Payable Procedures

Office of Accounts Payable

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ACCOUNTS PAYABLE PROCEDURES INTRODUCTION

Purpose of Procedures

These procedures outline the proper requirements for each payment method processed through Accounts Payable.

All USD payments to external suppliers and non-employees are subject to these procedures for proper processing and issuance of payments.

Schools and departments may implement more stringent procedures, as long as those procedures do not contradict the procedures herein. These procedures outline the university's minimum requirements; additional restrictions may be imposed by a Vice President or the President of the university. Any additional restrictions should be monitored to ensure compliance with internal controls within the school or department.

It is the responsibility of each employee that submits payment requests and each worktag manager who approves the use of funds, to be cognizant of and to follow these procedures and all other expense-related procedures mandated by the university. The university assumes no financial responsibility for expenses incurred by employees who fail to adhere to these procedures.

The University complies with the Accountable Plan rules as stipulated in Internal Revenue Service (IRS) Publication 463. Please note, on occasion the Finance Office may impose additional requirements that are not outlined herein.

General Disclosure on University Expenditures

The expenditure procedures outlined herein are in effect for any payments issued by The Office of Accounts Payable on behalf of the University. It is at the discretion of the Office of Accounts Payable that any questionable payment request may be referred to the appropriate Vice President for further review and/or approval.

Refer to the Human Resources website for the complete [Expense Reimbursement Policy](#). USD Staff and Faculty must use the Torero Travel and Expense system for out-of-pocket reimbursement requests, cash advance requests, and reconciliation of their University issued corporate credit card – please refer to the Travel and Expense Expenditure Procedures for further information.

Services Provided by the Office of Accounts Payable

Accounts Payable is an office within the Finance Office, and performs the following functions:

- Ensures expenditure compliance with policies and procedures set forth by the university, sponsored projects, the Internal Revenue Services, and the State Board of Equalization
- Administers university expenditures policies and maximum reimbursable rates for non-employees
- Accrues and pays sales/use tax on taxable items
- Reviews and approves payment requests for non-employee reimbursements, stipends, and honoraria
- Issues invoice payments to vendors/suppliers
- Oversees the Student Athlete Expense Card Program
- Processes independent contractor payments and issues 1099s
- Issues student refunds checks

Note: Employee reimbursements must go through Torero Travel and Expense.

If you have any questions on which payment method to use, please reach out to ap@san Diego.edu.

University Schools and Departments Should Use the Office of Accounts Payable for the following:

Forms of Payment Methods:

- Direct deposit and electronic funds
- Paper Check
- Student Petty Cash
- Wire Transfers

Payment Requests:

- Prizes and awards (Employees will be paid by Payroll)
- Vendor invoice payments (via Purchase Order – see Procurement Procedures)
- Non-employee payments via Payment Request

Supplier/Vendor Invoice Payments:

- California sales tax
- Issuance of 1099 tax forms
- Non-California resident income tax withholding
- Supplier/vendor invoice payments (via Purchase Order – see Procurement Procedures)

Related Services Provided by the Travel and Expense Office

The Travel and Expense Office is a department within the Finance division and handles all employee out of pocket reimbursements (travel and non-travel), travel bookings (airfare requirement), cash/travel advances, and USD One Card. **Please refer to the Torero Travel and Expense Procedures for further information.**

Related Services Provided by Procurement Services

Procurement Services is a department within the Finance Division. It is a centralized university resource charged with ensuring that all goods and services are procured/purchased at the maximum value and most competitive cost. Procurement also ensures that all purchases are in compliance with university and governmental policies, and in accordance with best practices.

SECTION 1 - PETTY CASH

1.1 Employee Petty Cash

All USD Staff and Faculty are required to use the Torero Travel and Expense system to request out-of-pocket reimbursements. **Petty Cash is not available for employee reimbursements.** Please refer to the Travel and Expense Procedures for further information.

1.2 Petty Cash Vouchers (Students Only)

Use the Petty Cash Voucher for the reimbursement of travel, meals, incidentals, mileage, supplies, and other miscellaneous items where the aggregate reimbursement amount is \$100 or less. Reimbursements exceeding \$100 must be processed as payment requests in Workday. Petty Cash Vouchers should be completed with all documentary evidence attached and then presented to the University Cashier for cash reimbursement. Petty Cash Vouchers may not be used for per diem reimbursement.

SECTION 2 – RESTRICTED GIFTS AND ENDOWMENT FUNDS

Funds received from restricted gifts or endowment funds may carry limited spending terms that must be followed in addition to normal University spending procedures.

SECTION 3 - ELECTRONIC PAYMENTS

3.1 Electronic Funds Transfer (EFT/ACH) For Suppliers and Entities

All suppliers located in the US, other than Independent Contractors should set up to be paid via Electronic Fund Transfer (ETF). Domestic ETF payments are processed by the Office of Accounts Payable through the Automated Clearing House (ACH), a secure and fast payment transfer system that electronically connects USD's bank to all other US financial institutions.

Suppliers and independent contractors with banks located outside the US will be paid via wire - transfer.

3.2 Wire Transfers

Outbound wire transfers are processed through the Office of Accounts Payable. (Inbound wire transfers are processed through the Office of Treasury and Financial Systems). Outbound domestic wire transfers should only be used when the supplier does not accept a university check, One Card, or electronic deposit

(ACH) payment. Outbound international wire transfers may be used with suppliers that do not accept the One Card.

When requesting an international wire transfer, the currency will be converted on the day of wire transaction.

Wire transfers should be submitted to the Office of Accounts Payable within a minimum of five (5) business days' notice.

Under no circumstances will a wire transfer be used to pay for personal expenses, including expenses that are part business and part personal.

SECTION 4 – PAYMENT REQUESTS

4.1 Payment Request Overview

Request for payments are processed in Workday for all non-employee payments and when the use of a One Card is not an allowable option by USD. Please refer to the One Card Procedures for more information.

4.2 Payment Schedule

The Office of Accounts Payable will process payments for fully authorized payment requests within 5 business days of – of final approval. This may take longer due to questions/concerns from AP. The Office of Accounts Payable generates ACH payments every Tuesday morning and check payments every Thursday morning. Wire transfers are processed daily, as needed.

4.3 Purchase Requisition

An electronic Purchase Requisition must be submitted to Procurement Services through Workday **prior** to the issuance of a Purchase Order and before a commitment is made to a vendor. Once an authorization is received on a correctly completed Purchase Requisition, Procurement Services converts the Purchase Requisition into a Purchase Order (PO). Any purchase requiring a Purchase Requisition should not be placed on the University One Card. **Please refer to the Procurement Services website for more information or email procurement@sandiego.edu.**

4.4 Student Organizations

The University will not issue a check directly to a student organization. Operational support of a recognized student organization may be provided with approval of the project's budget administrator by one of the following methods:

1. Transfer of funding via journal entry between the funding project and the student organization (contact the Accounting Office);
2. Transfer of budget between the funding project and the student organization (contact the Office of Budget and Treasury);
3. Reimbursement to a student member of the organization on the basis of actual expenses incurred as evidence by third-party receipts. Documentation submitted with the approved Expense Report must include the transaction date; the name of the

- business establishment; the location; the cost; the business purpose; and the names of all persons involved; or
4. Direct payment to the service provider (e.g., caterer, entertainer, musician, etc.) on the basis of an original, approved, third-party invoice.

SECTION 5 – SUPPLIER INVOICE CONTENT AND MAILING INSTRUCTIONS

5.1 Required Invoice Content

Each supplier invoice should match the Purchase Order by price, supplier name, and ordered items. The Office of Accounts Payable will only pay from an itemized invoice. An invoice is a supplier-generated document that should include all of the following:

- Bill to USD
- Ship to USD
- Purchase Order Number (if applicable)
- Invoice Number
- Itemized Order Details
- Supplier Name
- Date of Invoice
- Remit Address of Supplier
-

5.2 Invoice Mailing Instructions

To ensure prompt payment and to avoid late-penalties, all invoices should be mailed directly by the supplier to the department contact.

5.3 Delivery and Shipping of Items Purchased

All university expenditures (i.e. all goods and merchandise paid for with university funds) must be delivered directly to the University of San Diego campus or a valid USD address. Items shipped to non- USD addresses are not allowable nor reimbursable. Shipping to a non-USD address is strictly prohibited.

SECTION 6 - INDEPENDENT CONTRACTORS / HUMAN SUBJECTS / PRIZES AND AWARDS

6.1 Independent Contractors

The Internal Revenue Service (IRS) requires the university to properly classify Independent Contractors. The university's Independent Contractor policies identify the steps, documents, and processes to use to ensure proper classification of and subsequent payment to Independent Contractors. **Please refer to the Procurement Services website for further information.**

6.2 Human Subjects, Prize Recipients, and Award Recipients

Processes and forms needed to facilitate payments to human subjects, prize recipients, award recipients, and standardized medical patients are charted below.

Documentation	Less Than \$25 / transaction	More Than \$25 / transaction	Less Than \$600 / calendar year	More Than \$600 / calendar year	More than \$1,500 / calendar year
Paperwork/ Request Form	Payment Request	Payment Request	Payment Request	Payment Request	Payment Request
Identification/ Forms	W-9	W-9	W-9	W-9	W-9 and subject to Withholding if non-California Resident service provider

Notes about payments to human subjects, prize recipients, award recipients, etc.:

IRS Form W-9 / 1099s -- When a non-employee is being paid for personal services, a W9 is required. When the annual payment amount is \$600 or more, the individual will receive an IRS Form 1099 from the university.

Non-California Resident Withholding -- When a prize/award recipient, etc. is being paid \$1,500 or more per year by the university and is a non- California resident who performed services in the state of California, the university is required to withhold 7% income tax.

Employee Recipients of Prizes And Awards – If the recipient of an award or prize is an employee the requests for awards and prizes will be sent to and processed by Payroll.

6.3 Payment of Honoraria

An honorarium payment is a gratuitous payment to a lecturer or a professional person outside the University community (not a University faculty or staff member) as an expression of thanks. It is taxable income and is reportable to the Internal Revenue Service if the sum of annual payment(s) to the vendor exceeds \$600 annually.

6.3.1 Honoraria for US Citizens

Prior to processing the payment in AP, please obtain a signed W-9 Form completed by the payee. The honorarium recipient and payment information will be entered into Workday as a 1099 vendor.

Once the recipient's vendor profile has been approved by Vendor Maintenance in the Procurement Services, follow the instructions on the Accounts Payable website for completing a Payment Request Form. Include the payee's name and home address. In the space labeled **Description/Business Purpose**, provide all available details for the honorarium payment.

The amount of the honorarium should be specified in correspondence with the honorarium recipient. Submit the Payment Request, attaching a copy of the correspondence along with a flyer or a memo describing the event to the Office of Accounts Payable.

An honorarium is taxable income that is reported to the IRS on Form 1099 if the sum of annual payment(s) to the vendor exceeds \$600 annually. However, expenses reimbursed to an honorarium recipient are not considered taxable income.

A payment is not treated as honorarium if the payment is for specified services rendered by an independent consultant, University student or employee. Payments to University staff or Faculty members must be processed through Payroll as additional compensation.

Please note: Under IRS regulations, honoraria payments are considered taxable income. Therefore, as a matter of policy, the recipient of an honorarium payment may not transfer the payment to another organization or individual. If the honorarium recipient wishes to transfer the payment to another organization or individual, he or she must receive the money and then donate it. The only exception to this rule is employees of certain Federal Government Agencies. If the honoraria recipient is an employee of a Federal Government Agency please contact the Office of Accounts Payable.

As a general rule, an individual who assigns or transfers compensation for personal services to another individual or entity is not relieved of Federal income tax liability, regardless of the motivation behind the transfer. Therefore, an honorarium earned by an individual is reportable as additional income to the individual performing the services, even if the actual payment is made to a charity or other third party.

An individual may, however, indicate in writing to the university before the services are performed that they decline the honorarium and requests (but does not demand) that the honorarium be donated by the University to a specific charity. Because the individual declined the honorarium before it was earned, they will not be treated as receiving taxable income. The University may consider and may choose to abide by a request to donate the funds to a charity, but it is not required to do so and at all times retains the full discretion and control as to how the honorarium funds declined by the individual are to be used.

6.3.2 Honoraria for Foreign (Nonresident Alien) Individuals

Depending on the type of payment, all payments made to or on behalf of a nonresident alien or foreign entity are generally subject to income tax withholding unless specifically exempted, either by U.S. tax law or an income tax treaty. Generally, payments not exempt from withholding, are subject to 30% federal income tax withholding, in accordance with Internal Revenue Service (IRS) regulations. To claim an exemption from tax withholding under an income tax treaty, the payee must submit the appropriate exemption request form to Payroll.

Prior to agreeing to pay an honorarium payment to a non-resident alien, you must confirm that the individual is present in the United States under an immigration status that allows him or her to perform an activity for which a payment may be made. Foreign individual visitors (including visa exempt Canadians who enter with only a passport and who have declared their reason for visiting the U.S. is business or Mexicans with Border Crossing Cards) that meet certain criteria may receive honoraria payments, even though they are not otherwise authorized to work in the United States and are not eligible for a social security number (SSN). Prior to agreeing to pay an honorarium payment to a non- resident alien, you must also confirm that the individual is not

subject to U.S, economic or trade sanctions under the Office of Foreign Assets Control (OFAC). A listing of sanction programs can be found on the OFAC website at <http://www.treas.gov/offices/enforcement/ofac/>.

The four criteria that **must** be met for foreign individual visitors on a B-Visa:

- “usual academic services” (typically lectures);
- for periods up to nine days at a time during any six-month period;
- for no more than five institutions per six-month period; and
- for higher education or nonprofit/government research institutions.

Please note: Under IRS regulations, honoraria payments are considered taxable income. Therefore, as a matter of policy, the recipient of an honorarium payment may not transfer the payment to another organization or individual. If the honorarium recipient wishes to transfer the payment to another organization or individual, he or she must receive the money and then donate it. The only exception to this rule is employees of certain Federal Government Agencies. If the honoraria recipient is an employee of a Federal Government Agency please contact the Office of Accounts Payable.

SECTION 7 - PAYMENT AUDITS / COMPLIANCE REQUIREMENTS / MISAPPROPRIATIONS

7.1 Payment Audits

The Office of Accounts Payable conducts audits on reimbursements and payments to confirm compliance with university policies. Payment processors verify that expenses incurred on all university forms of payment adhere to the university's Accounts Payable Policies and Procedures. Payment audits are performed for each payment request.

7.2 Code of Ethics

Because no set of policies can contemplate every possible scenario that may arise, it is expected that

when incurring expenses, university employees will act in an ethical manner consistent with the university's Code of Ethics (www.sandiego.edu). This compliance is expected, regardless of whether a particular rule or policy provides guidance in a specific situation.

7.3 Conflict of Interest Policy

Every employee of the university must avoid both actual conflicts of interest and the appearance of conflicts of interest, and be in compliance with the university's Conflict of Interest and Ethics Policy & Procedure (www.sandiego.edu).

The term "conflict of interest" refers to situations in which financial or other personal considerations compromise, or have the appearance of compromising, an individual's professional judgment and ability to perform his or her university responsibilities.

The Finance Office may also identify actual or apparent conflicts of interest. In the event that the Finance Office identifies a situation that is or appears to be a conflict of interest, the Controller will request that a disclosure be made according to university policies and will coordinate with the relevant department, unit or school to address and manage the conflict. The Finance Office may suspend taking action on the reimbursement or payment request that initiated the disclosure, until the conflict has been resolved.

Several expense-related situations are specifically prohibited under the Conflict of Interest and Ethics Policy:

- Conditioning any actual or potential business relationship with the university on a charitable gift or contribution to the university;
- Participating in any way in any negotiation or transaction between the university and a business entity in which you or your close relation has a personal, managerial or substantial financial interest. A "close relation" is defined as a spouse, mutual financial dependent, significant other, or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin;
- Soliciting personal gifts or special favors from individuals or entities that provide, or seek to provide, services or supplies to the university; and
- Accepting personal gifts or special favors from individuals or entities that provide, or seek to provide, services or supplies to the university. This does not include occasional gifts of nominal or modest value (less than \$75.00 in value) or isolated invitations to lunch or dinner.

SECTION 8: RECRUITING AND RELOCATION EXPENSES

www.sandiego.edu/provost/documents/faculty-recruit-toolkit.pdf

Expenses associated with recruiting a new employee are reimbursable and are not taxable to the candidate. All incurred business expenses must comply with the Travel and Expense Procedures.

Until the candidate has accepted the new position in writing, the candidate is on recruitment status. Multiple trips back and forth to the university are acceptable for recruitment.

Once the new employee has accepted the new position in writing, the candidate is no longer in recruitment status. Expenses associated with transferring an employee from his/her current to his/her new work location are considered relocation expenses.

Relocation expenses are prohibited from being charged to a One Card. Relocation must go through Payroll for the deduction of applicable taxes. Please consult with Payroll for further information.

Travel expenses incurred in connection with the recruitment of key employees must be approved by the appropriate Vice President. In general, expenses incurred should not exceed the limits described herein and should be consistent with the terms set forth in these procedures.

SECTION 9 – OTHER

9.1 Gifts

Gifts of any nature should be extremely infrequent in nature and employees should process them in Torero Travel and Expense system. Please refer to the Torero Travel and Expense Procedures for further information on reimbursement of gift purchases or gift purchases on a One Card.

9.1.2 Non-Employees (Includes students and external guests)

Cash equivalents (i.e. gift cards) should not exceed an aggregate \$25 per year and they will be included as income on a 1099 form. Tangible Gifts/non-cash equivalents need to qualify under the *de minimus fringe benefit clause* and be infrequent in nature. If the tangible gift exceeds \$25, the entire gift amount will be included on a 1099 form.