

70.400 Purchasing and Accounts Payable Topics

Office: Business Services
Procedure Contact: Director of Business Services
Related Policy or Policies: Noted within procedure statement

Revision History

Revision Number:	Change:	Date:
001	Update content and format	2-17-2017

A. Purpose

An alphabetical grouping of criteria for use by personnel who make decisions pertaining to purchasing and invoice payments. SOU seeks to ensure that the policies and procedures related to purchasing and accounts payable are documented, communicated, clearly understood, and consistently applied.

B. Definitions

Noted in the procedures themselves.

C. Procedures

CRITERIA - ALPHABETICAL LISTING

A

Agency Funds

A fiduciary relationship exists between an institution and other organizations for which it manages agency funds. The Director of Business Affairs ensures that agency funds are disbursed to suppliers only when the invoice or other request for payment is signed by an authorized agency organization representative.

Alcoholic Beverages

Use of university funds for purchasing alcoholic beverages is limited to:

Alcoholic beverages served at group functions that are part of a university-sponsored conference or event where the full cost of such beverages is recovered through resale or charges to the participants or sponsoring group.

The university is responsible for ensuring compliance with all laws and Oregon Liquor Control Commission regulations, including obtaining a one-day license for serving beer and wine. Any external caterer must be approved as a university vendor for insurance purposes and IRS reporting. The university is also required to adopt the minimum risk control rules and policies of the [State of Oregon Department of Administrative Services Alcohol Risk Control Procedure 125-7-401](#) when serving alcohol or permitting alcohol to be served at university functions.

See also FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

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Alumni Organizations

Alumni associations may be subsidized only to the extent of providing office space and funds to maintain alumni records necessary for SOU requirements ([IMD 6.051\(2\)](#)).

Assigned Compensation

An independent contractor may assign his rights to compensation for services rendered to SOU to a third party, e.g., a charitable organization. To comply with tax law, SOU will issue a check to the third party but records the compensation as income to the person rendering the service. The total amount paid to the individual in a calendar year will be reported by the institution to the federal government on a Form 1099.

SOU employees may also contribute through payroll deductions to charitable organizations meeting the institution's approval. Because these contributions are made through payroll deductions, SOU must withhold tax on the employee's gross pay.

Athletic Department Fund-Raising Expenses

Expenses related to Athletic Department fund-raising are paid from auxiliary enterprise operating funds. Fund-raising costs include travel expenses and entertainment of donors, volunteer workers, and other supporters of athletic programs.

Auditing Services

The Secretary of State Division of Audits performs auditing services for all state agencies, including state-aided institutions and agencies. Audit costs are paid from institution funds. Use account code 28003 (Audit Expense). Prior written approval from Division of Audits is required before auditing services may be performed by an outside auditing firm.

B

Business License Fees

State institutions are not required to pay business license fees.

C

Cancellation Charges

Costs resulting from state cancellation of an order may be charged against state funds.

Completion Dates and Change Orders

Claims for work performed after contract completion date may not be processed until the date has been extended by a change order. An increase in contract amount must be approved by a change order before an invoice reflecting the increase can be paid.

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Conference and Workshop Expenses - Executive Office Approval Unnecessary

Selected self-supporting instructional program expenses do not require institutional executive office approval if their cost is recovered through participant fees. A participant fee may consist of a single basic fee or fees that are separately identified and collected.

Examples of such programs include those sponsored by the English Language Institute (ELI) and the Oregon Center For Advanced Technology Education (OCATE).

Examples of applicable program expenses include the following:

- housing fees
- meals
- refreshments during breaks
- parties
- special trips or tours

Contract Claim Review

Wage certifications are required for new construction or repair contracts exceeding \$50,000 (OAR 839-025-010091)(a).

Performance bonds are required for contracts involving a public improvement.

Contract numbers should be referenced in Banner invoices in the commodity field to assist with HB2500 reporting requirements.

Directors of Business Affairs or their delegates may enter into contracts of varying amounts, depending on the goods or services being purchased. The president of each institution shall provide the an up-to-date list of those authorized to sign contracts with amounts and types of contracts authorized (refer to: <https://inside.sou.edu/bus-serv/contracting/index.html>)

Contributions

SOU has no authority or obligation to make disbursements for voluntary contributions or donations.

Credit Cards

Charge slips from VISA, Master Card, American Express and similar credit organizations are acceptable as support for reimbursement claims if they are sufficiently detailed to permit a proper audit of the transaction (e.g., a charge slip is sufficiently detailed to support a claim for reimbursement of lodging expenses if it contains the same detail required by FPM 95.100, section .260[1]). The information must be entered on the charge slip by the lodging establishment.

When a vendor's invoice is legally assigned to a bank, payment is made directly to the assignee bank. SOU Procedure prohibits payment of invoices for merchandise and services on a stolen or lost credit card from an oil company.

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D

Data Processing Services and Products - Evaluation

Information technology procurement must be based on obtaining the most appropriate hardware, software, and service taking into consideration purchase price, installation costs, compatibility, and maintenance costs, and using fair and competitive procurement practices. Gifts from vendors and products received for testing or evaluation must not influence purchase decisions.

Disbursements To Foreign Countries

When making disbursements to foreign countries, use a recognized, accurate online conversion tool to convert a foreign currency total to U.S. dollars. Enter the U.S. dollar amount on the invoice.

Institutions are responsible for ensuring that proper exchange rates are used.

Discounts

Check each invoice and purchase order for discount terms and take the maximum discount offered.

Duplicate Invoices

Sometimes vendor invoices are copies. Institution personnel authorized to approve payments should determine whether a copy replaces the original invoice in order to approve valid disbursements and avoid duplicate payments.

E

Entertainment and Hosting Expenses

See FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

Equipment Lease or Rental

Equipment should be rented or leased only in these instances:

- It is needed for a short time.
 - It is highly sophisticated and has low durability or quickly becomes obsolete.
 - Its value is more than \$5,000, and benefits or fixed-term costs associated with leasing make it more attractive than purchase.
 - Company maintenance personnel are key factors, e.g., data processing equipment.
- a. Transportation Equipment: Automobiles, boats, aircraft and other means of conveyance may be rented for use in conjunction with approved travel without a prior formal agreement. (See [FPM 95.100](#).)
 - b. Evaluation for Possible Purchase: Rental or lease of equipment to evaluate it for possible purchase is assumed to be incidental to purchase. The required purchase approvals apply.
 - c. Property Taxes: Taxes on property held under a lease or lease/purchase contract are paid by the lessor (owner), not the lessee (institution).

Employee Recognition Awards

See FPM 57.200, Employee Recognition Awards.

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F

Federal Gasoline Taxes

Employees are reimbursed for federal gasoline taxes paid when making gasoline purchases in emergency situations.

Flower Purchases

Some flower purchases are considered acceptable expenses. Flowers may be purchased for these uses:

- use in classes such as botany or biology
- use in home economics courses
- use at commencements, convocations, etc.
- use in a Student Activities' sponsored function, such as a drama production (cost is charged to a student activity fund)

Review all other charges carefully because they are not normally considered proper expenditures of institution funds.

Foreign Assets Control

Transaction Control Regulations are administered by the [U.S. Department of the Treasury, Office of Foreign Assets Control](#). The regulations prohibit or restrict commercial and financial transactions involving certain foreign countries. These regulations prevent transactions contrary to the interests of the United States. Specific regulations are listed in the [U.S. Code of Federal Regulations, Title 31, Part 505](#). For more detailed information and names of countries currently sanctioned, contact the Office of Foreign Assets Control, U.S. Department of the Treasury, Washington, D.C. 20220 (Ph. 1-800-540-6322).

G

Gratuities

Tips paid by SOU employees for services received while on travel assignments are personal expenses and cannot be reimbursed. An exception is made when reimbursement for actual meal expenses is approved prior to travel. In such cases, a gratuity of up to 15% of the meal expense may be reimbursed when supported by a receipt.

- a. Gratuity - Employee Discretion: This prohibition on reimbursing employees applies to all individual gratuities for personal services where paying the tip is optional and the amount of the tip is within the individual's discretion. For example, tips for services related to the employee's lodging or transportation or for meals covered by per diem basis may not be reimbursed.

See also FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

Groups and Guests - Refreshments, Meals, Transportation, and Hosting Non-Employees

See FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

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I

Informants' Fees

State regulations require signed receipts when a request is made for reimbursement for cash payments to informants. Reimbursement without signed receipts is permitted when the following is done:

- The receipt is prepared with all pertinent information, including date, payee's name, amount, place and services received, and
- An attempt has been made to obtain a signature. Informant fee payments for which signatures cannot be obtained must be listed in chronological order on a reimbursement request. Include a certification signed by the staff member stating the following:
 - Funds were paid to payee for the purpose indicated.
 - The signature of payee could not be obtained.
 - The information or other data obtained was necessary and valuable to the research project to which the charge is being made.

Interest On Overdue Accounts

Interest is paid on overdue private vendor accounts when a claim is not paid within 45 days and the vendor presents a bill for the late payment charge. The 45-day period begins when the invoice is received. Interest may begin to accrue on the 46th day. Late payment charges are limited to two-thirds of one percent per month or eight percent per year and cannot exceed the vendor's usual charge. Late payment charges are recorded with account code 28911 (Late Charge - Vendor Payments). (See [ORS 293.462.](#))

Interest On Purchases

Income that vendors acquire through interest on state agency obligations is tax exempt. ("Obligations" are notes or contracts that require deferred, interest-bearing payments, such as installment sales contracts.) Expressed contractual provisions for interest payment -- stated either as a dollar amount or percentage rate -- are required to qualify for the tax exemption.

Interest charged on such obligations should reflect this tax exemption, i.e., the interest rate should be substantially lower than the rate when interest is taxable.

A vendor who does not profit from interest payments has no incentive to offer a lower interest rate because the tax exemption has no value. In such a case, it may be beneficial to arrange for financing through a profit-making third party that will offer a lower interest rate, such as a bank or equipment investment firm. In some cases, legal counsel may be used to word contracts or make arrangements with vendors.

Invoice Adjustments

In normal business practice, vendors issue credit memoranda for adjustments of which they have been advised. Normally the credit memo is applied against a subsequent purchase.

Itemizing Purchases

Generally, when an employee purchases materials or supplies and requests reimbursement, all purchases must be documented and records maintained for audit purposes.

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L

Licenses - Occupational - Fee Payment

SOU is responsible for establishing policies and procedures for authorizing and approving reimbursement for occupational licenses, including any related guidelines or other criteria the public university deems appropriate.

Lost Books

The individual responsible for a book's safekeeping is charged for its loss. Charges cannot be made to institution funds for lost books.

M

Meals Served At Meetings

See FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

Memberships and Dues

SOU is responsible for establishing policies and procedures for authorizing and approving the payment or reimbursement for membership fees or dues for governmental and professional organizations, including any related guidelines or other criteria the public university deems appropriate.

Mileage

The mileage rate in negotiated contracts, such as for engineering or architectural services, should agree with the current approved rate. Claims for mileage at rates in excess of the current approved rate are allowable when included on invoices for repair services by outside organizations.

P

Permanent Resident Applications

As part of an employment-based permanent resident application/PERM process, it is allowable to pay for the following expenses:

1. United States Citizenship and Immigration Service I-140 application fee
2. All costs incurred for advertising the position as required by the PERM process

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Prevailing Wage Certification

Before payment is made on a contract for a project in which all contracted construction services and related materials exceeds \$50,000 for repair, improvement or construction of a building or other public work, certified payroll records are required in accordance with ORS 279C.800 et seq. The certified payroll records must state the prevailing wage rates for workers in each trade or occupation employed on the project, certify that workers will be paid no less than those rates, and contain additional information regarding the individual workers as required by ORS 279C.800 et seq. Certified payroll records are required for both contractors and subcontractors. Certificates must (i) be signed by the contractor or subcontractor or his legal representative, (ii) be notarized, and (iii) be submitted by the contractor or subcontractor to the public agency by the 5th day of the month following the month during which the work was completed. If the contractor or subcontractor does not submit the certified payroll records each month, SOU institutions are required to withhold 25% of any amount earned by these parties until the records have been received. Once the records have been submitted, the withheld pay must be paid within 14 days.

Certified payroll records are not required for equipment repairs or for maintenance such as janitorial services and window cleaning.

Progress Payments

Contractor requests for progress payments and accompanying architect or engineer certificates must be checked for proper signature prior to approval. Wage certifications must also accompany the first such request or any request involving work not previously covered by a wage certification. A complete list of sub-contractors should be provided with the first request of each contract as well.

Property Assessments

A property assessment is the value placed on property for tax purposes. Treat property assessments like land acquisitions. Taxes on auxiliary enterprise property may be paid from excess XI-F(1) sinking funds or proceeds from XI-F(1) bonds. Taxes on property used for educational and general purposes may be paid from budget monies or XI-G funds allocated for land acquisition.

Public Utilities Franchise Fee

When business or occupation taxes or license, franchise or operating permit fees imposed on a utility company or city exceed three percent for gas utilities or three-and-a-half percent for electric or steam utilities, the utility company may, via billing, charge the excess percentage on a pro rata basis to customers, including state agencies. Institutions will pay from institution funds ([OAR 860-22-0040\(1\)](#) and [OAR 860-22-0040\(5\)](#)).

R

Real Estate Acquisitions - Fees

Refer invoices associated with land acquisition (e.g., title insurance and property purchase options) to the Director of Business Services/Controller.

Although the State of Oregon does not normally pay recording fees, it pays lease recording fees.

Filing fees associated with the vacating of streets are legitimate charges against state funds.

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Refreshments Served At Meetings

See FPM 56.100, Non-travel Meals, Refreshments and Hospitality Expenses.

Research Subjects - Payment of

Persons engaged as research subjects are neither employees nor independent contractors, and payments to them should be processed as regular invoices using account code 25140 (Research Subjects).

Research subjects are not covered by SAIF. Agreements with research subjects should state clearly that SAIF coverage is not provided and that the subjects are ineligible for Worker's Compensation in the event of injury or illness.

Rewards To Students

Institutions may offer rewards to students for information leading to the arrest and conviction of individuals who tamper with fire equipment, turn in false alarms, destroy or misuse university property, and engage in similar conduct (J. McKeever, Assistant Attorney General, letter to J. Casby, 06/01/87).

S

Safety Devices

When the department head involved considers a safety device a necessity, and the employee may not work without it, the expense may be paid from institution funds. If the device is not required as a condition of employment, the employee bears its cost. Safety devices and other equipment purchased by the state remain state property whether used by one or several employees.

Statute Of Limitations - Presentation of Claims

[ORS 293.321](#) has established a two-year limitation for presentation of claims.

Stipends

A stipend is a subsistence allowance paid to a person engaged in a training or research program. Stipends may be paid in advance or arrears, depending upon terms of the agreement with the granting agency.

Student Property Loss

Normally, SOU has no responsibility for replacing a student's property that is lost or destroyed through no fault of an SOU employee. For information about possible insurance coverage, contact the SOU Risk Management Coordinator within the Finance and Administration Office.

Student Refunds

Refunds of tuition, fees, housing charges, or deposits paid by a student are made to the student only. Such refunds may not be made to a third party even when evidence indicates that the third party may have provided the funds.

Exceptions may be granted by the Director of Business Affairs if circumstances warrant special treatment.

In the event of the payee's death, an institution may make a refund to the closest survivor upon receipt of Form CO-192, Affidavit to Obtain Payment Due Deceased Person (see FPM 105.300.190).

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T

Tax Exempt Status of SOU

See SOU Fiscal Procedure Manual section 90.100, Taxation.

Taxes

State of Oregon agencies are exempt from paying federal taxes on purchases of gasoline, oil, etc. If an employee paid for a product and is seeking reimbursement, or if the product was purchased and possession taken in another state, taxes may be paid. Agencies are exempt from paying state, city or county taxes in some instances. SOU is subject to real and personal property taxes on property owned but not used for institutional purposes, such as miscellaneous rentals. State-owned property which located within an irrigation district is subject to taxation by the district.

See Equipment Lease or Rental, for information regarding personal property taxes on leased or rented equipment.

Telephone Charges - Long Distance - Business

Business-related, long-distance telephone charges may be paid from institution funds. An employee on travel status may be reimbursed for one long-distance call to a family member on the first day of travel and every second day thereafter. An employee on travel status may also be reimbursed for a long-distance call to a family member to advise the relative of a change in travel schedule or to convey a message through that relative to the employee's office or a to business associate when the office or associate cannot be reached directly during regular office hours. See FPM 95.100 for information on itemization and receipt requirements.

Transportation Charges

Vendor invoices should not include freight charges for purchases made "FOB destination" unless the purchase order, or separate contract, indicates the vendor can add prepaid freight charges. The freight charge should be deducted from the payment if the invoice includes such a charge for which there is no prior agreement to pay.

V

Vehicle Repairs

When a private vendor repairs a state vehicle, the vendor invoice for parts and repair must identify the vehicle. Either the vehicle license number or the Motor Pool's vehicular unit identification number may be used for identification.

Visa Petition Fee

The fee for a visa petition to classify a non-immigrant as a temporary worker or trainee is an allowable expenditure. Reimbursement of expenses the alien incurs while procuring a visa through the American Consulate is an allowable expense.

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CONTACT INFORMATION

Direct questions about this Procedure to the following offices:

Subject	Contact
General questions from institutional personnel	Service Center
Service Center	Director of Business Services

This procedure may be revised at any time without notice. All revisions supersede prior procedures and are effective immediately upon approval.

D. Appendix

N/A