

Approval Date: August 20, 2012

Parent Policy: [Supply of Goods and Services Policy](#)

## Payment Procedure (Accounts Payable)

<b>Office of Administrative Responsibility:</b>	Office of Supply Management Services
<b>Approver:</b>	Associate Vice-President (Finance & Supply Management Services)
<b>Scope:</b>	Compliance with this university policy/procedure extends to all Academic Staff and Colleagues and Support Staff as outlined and defined in Recruitment Policy (Appendix A and Appendix B).

<b>Contact for questions about this procedure:</b>	<b>SMS Customer Service</b> 780-492-4668 <a href="mailto:customerservice@sms.ualberta.ca">customerservice@sms.ualberta.ca</a>
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### Overview

Payment Services issues payment to **external suppliers** (suppliers) and other entities for a variety of business transactions. This procedure is to be followed to generate payment arising from:

- Purchase of goods and/or of services in accordance with established University of Alberta purchasing procedures
- Other contracts and agreements which are under the authority and responsibility of other individuals or units on campus outside of Supply Management Services (SMS), which are not subject to SMS purchasing procedures
- Payments for travel expenses incurred by **non-employees** of or visitors to the University

This procedure does not apply to:

- Payments of any nature to students, employees or contractors deemed to have an employment relationship with the University of Alberta – contact Payroll Operations
- Payment of travel or expense reimbursements to University of Alberta employees – see *Travel Expenses Procedure* and *Expense Reimbursement Procedure-Goods and Services*

### Purpose

The purpose of this procedure is to ensure that payments made to external suppliers or entities are:

- Paid in the correct amount and in a timely manner
- Supported by appropriate documentation
- Paid only for goods and services received in satisfactory condition (if applicable)
- Approved by the **account holder**
- Expensed to the correct **chart of accounts (COA)**
- Recorded in the fiscal year in which the goods or services were received or the transaction took place

**PROCEDURE**

Summary:

1. [Payment of an Invoice](#)
2. [Payment Without an Invoice](#)
3. [Invoice Standards](#)
4. [Payment Terms](#)
5. [Credit Invoices](#)
6. [Invoice Corrections and Supplier Disputes](#)
7. [Invoice Processing and Accounting Errors](#)
8. [Retention and Filing of Invoices and Source Documents](#)

	Type of Transaction	Value	Payment Process
<b>WITH AN INVOICE</b>	<b>Purchasing (SMS)</b>		
	Purchase Order (PO) and Preferred Supplier Agreement (PSA)	< \$10,000	invoice paid automatically by Payment Services
		>=/>\$10,000	<b>account holder</b> approves and submits invoice to Payment Services
	Low Dollar Purchase (LDP) and Contract for Services (CFS)	any value	<b>account holder</b> approves and submits invoice to Payment Services
	<b>Other Contract/Agreement (Non-SMS Purchasing)</b>		
	Sponsorship/Contribution Shared Project Cost/External Transfer Membership Copyright Conference Registration Permit/License Application Fees Secondment Agreement	< \$5,000	<b>account holder</b> approves and submits invoice to Payment Services
>=/> \$5,000		<b>account holder</b> approves <u>Payment Request Form</u> , attaches invoice and submits to Payment Services	
<b>WITHOUT AN INVOICE</b>	Donation Royalty Grant Refund Sponsorship/Contribution Shared Project Cost/External Transfer Utility	any value	<b>account holder</b> approves <u>Payment Request Form</u> , attaches supporting documents and submits to Payment Services
	Non-Employee Travel Reimbursement	any value	<b>account holder</b> approves <u>Non-Employee Travel Expense Payment Form</u> , attaches receipts and submits to Payment Services

**1. PAYMENT OF AN INVOICE**

The source of the transaction is important in determining how to make a payment. There are two situations where an invoice is issued to the University: Purchasing (SMS) and Other Contracts/Agreements (Non-SMS purchasing).

- a. Purchasing (SMS) Invoice (to pay for goods or services)

Supply Management Services is the signing authority to enter into contracts on behalf of the University of Alberta for the purchase of goods and services, including contracts for building construction and alterations; for the retention of professional services; and the license of software to the University. Purchases are initiated by departments or units by submitting an online Purchase Requisition, completing a paper Services Requisition, or if eligible, by a distributed purchasing method (i.e. Low Dollar Purchase or Preferred Supplier Agreement order).

An external supplier must issue an invoice for every purchase of goods or services. All invoices submitted to Payment Services are to be original and prepared by the supplier. Each invoice must reference one of the following in accordance with established University of Alberta purchasing procedures:

- a University Purchase Order (PO) or Preferred Supplier Agreement (PSA) contract number or
- a Contract for Services with an Individual (CFS) Services Requisition number or
- a speed code and account number as per the Low Dollar Purchase (LDP) procedure

i. PO and PSA Invoices

- Mailed directly to Supply Management Services (SMS) by the supplier
- Data from the invoice is entered into the PeopleSoft Accounts Payable system.
- Invoices less than \$10,000 CAD (excluding GST/HST) are posted for payment
- A copy of the PO invoice is forwarded to the ordering unit to match to order and receiving documents.  
Note: Copies of PSA invoices are not forwarded to the ordering unit, as many preferred suppliers submit electronic invoice data to SMS. The priced packing slip provided by the preferred supplier serves as documentation for transaction review after the payment.
- Invoices \$10,000 CAD and greater are forwarded to the ordering unit by SMS to be matched to order and receiving documents and approved with the printed name and signature of the account holder prior to posting the payment.

ii. LDP and CFS Invoices

- Mailed directly to the ordering unit by the supplier.
- Invoices of any value must be matched to order and receiving documents and approved with the printed name and signature of the account holder prior to payment processing.
- The appropriate speed code, account and GST code (if applicable and different from the default) are to be clearly indicated on the invoice.

Approved invoices are to be returned to Payment Services within five (5) working days of receipt by the unit to ensure timely payment to the supplier. Payment will not be issued until the original approved invoice has been received by Payment Services, with the exception of PO invoices less than \$10,000 which are automatically paid.

Compliance with Purchasing Procedures

LDP and PSA procedures under the *Supply of Goods and Services Policy* outline specific dollar thresholds and restrict certain commodities for purchase under these methods with the intent to uphold the University's overarching commitment to comply with Provincial and Federal Government regulations and other University policies. Orders that are not eligible to be placed using one of the distributed purchasing methods must be initiated by the unit by submitting an online Purchase Requisition or paper Services Requisition to SMS who then issues the Purchase Order to the supplier. The resulting invoice referencing the Purchase Order is paid as per the process outlined above.

An invoice for goods or services exceeding established LDP or PSA dollar limits or for restricted items without a referenced Purchase Order is a circumvention of purchasing procedures does not require an online Purchase Requisition for payment purposes – this will not make the transaction compliant. In the interest of ensuring that suppliers are paid in a timely manner for goods and services delivered to the University, approved invoices are processed for payment and non-compliance with purchasing procedures is noted by SMS. SMS will escalate recurring issues of non-compliance as appropriate.

Non-Resident Withholding Tax on Services

Certain transactions may fall under the non-resident tax legislation and may be subject to withholding of tax. In accordance with the provisions of the *Income Tax Act (Canada)*, the University will withhold and submit

15% of the fees charged on each invoice for services performed in Canada by a non-resident unless the Contractor obtains from Canada Revenue Agency (CRA) a waiver or reduction in the amount to be withheld. Withheld amounts are paid to CRA monthly and the non-resident supplier is issued a T4A-NR tax slip in February.

b. Other Contract/Agreement Invoices (non-SMS Purchasing)

Instances arise when the University receives an invoice from another institution, organization or entity, but goods or services have not been purchased, the transaction may not be categorized under an existing SMS Purchasing system or the authority to enter into the contract or agreement resides outside of SMS. Various other individuals on campus have been granted the authority to enter into contracts for specific acquisitions such as, but not limited to: real estate; live animals; academic programs and employment (see UAPPOL – *Schedule A, Signing Authority for Contractual Obligations on Behalf of the Board of Governors of the University of Alberta*)

Note: An online Purchase Requisition is not submitted for these types of transactions unless a formal contract issued by Supply Management Services is required by the unit. If a Purchase Order is signed and issued by SMS, the invoice is processed as a “Purchasing Invoice” outlined above in 1.a.

Examples common to most units across the University:

- Sponsorship/Contribution: Payment to a not-for-profit organization in return for advertising or promotion of University brand, products or services. An invoice may or may not be issued to the University
- Shared Project Cost/External Transfer of Funds: Funds paid to other companies, organizations or institutions to defray the costs of shared projects as per a memorandum of agreement (i.e. payment to Alberta Health Services for shared salaries). An invoice may or may not be issued to the University.
- Secondment Agreement: Payment to an external organization for reimbursement of salary and benefits of their employee temporarily assigned to the University.
- Membership Fee or renewal from an accredited national organization
- Copyright fee
- Conference registration
- Application fee (for a license, permit or registration)

For all invoices, if the value is less than \$5,000 CAD (excluding GST/HST), the invoice is to be approved with the printed name and signature of the account holder. The appropriate speed code, account and GST code (if applicable and different from the default) are to be clearly indicated on the invoice and submitted to Payment Services for payment processing.

If \$5,000 or greater, a Payment Request Form approved by the account holder is submitted with the invoice to Payment Services for payment processing.

If an invoice is not issued to the University, see below, section 2.

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## 2. PAYMENT WITHOUT AN INVOICE

In specific situations, payment may be made to an individual or entity without an invoice using a Payment Request form or a Non-Employee Travel Payment form as applicable.

a. Payment Request Form

This form is used to request a payment be issued to an individual, organization or entity, but there is no invoice to support the transaction. The completed form is to be approved with the printed name and signature of the account holder and submitted to Payment Services for payment processing. If the payment is expensed to research/special purpose funds, internal control review is required. Attach all supporting documentation,

such as receipts or memoranda of agreement. The Payment Request form is required to initiate payment for the following transactions:

- i. Donation to a Registered Charity (see *Gift Expenditure Procedure*)  
The Payment Request Form must include the active registered charity business number for all donations to Canadian registered charities. This information may be found on Canada Revenue Agency's (CRA) website. In addition to approval of the account holder, certain donations may require approval of the Vice-President (Finance and Administration).
- ii. Royalties  
Two types of royalties are listed on the Payment Request form:
  - Copyright Royalties: for copyright in respect of reproduction of literary, dramatic, musical or artistic work
  - Patent Royalties: for the use of, or the right to use any copyright of scientific work, patent, trade mark, design or model, plan, secret formula or process, industrial, commercial or scientific equipment or information concerning industrial, commercial or scientific experience.

Royalty payments are considered income by Canada Revenue Agency (CRA) so the University must report payments to CRA and issue tax slips to recipients in February for payments made the previous calendar year.

Canadian resident recipients receive a T5 tax slip for royalty income paid (exclusive of GST). University units are responsible for providing the royalty recipient's current address for payment and Social Insurance or Business Registration Number for income tax purposes on the Payment Request Form.

Non-Residents of Canada receive an NR4 tax slip (in February) for royalty income paid by the University and applicable withholding amounts. Where the income is taxable in Canada, CRA requires the University to withhold 25% of the payment unless the beneficiary (non-resident) can demonstrate eligibility of a lesser rate of withholding under a tax treaty between Canada and the non-resident's country. Units are responsible for obtaining and providing to Payment Services an NR301 – Declaration of Eligibility for Benefits Under a Tax Treaty completed by the non-resident. The Payment Request Form must also include the non-resident's foreign tax identification number, the type of royalty and the appropriate rate of withholding which can be found on CRA's website.

Non-Resident Tax Calculator and Tax Treaties

NR301 – Declaration of Eligibility for Benefits Under a Tax Treaty

- iii. Grants (or sub-grants)  
Sub-grant transfers to other institutions must be coordinated through the Research Services Office (RSO). Once an agreement has been reached between the University and institution receiving the sub-grant, RSO forwards the Payment Request Form to Payment Services.
- iv. Refunds  
Refunds to students and non-employees are processed using the Payment Request Form if the original fee or payment made to the University was by cash or cheque. For original payments made by credit card, the refund must be processed back to the original credit card. A copy of the original receipt or deposit record is required as supporting documentation to be attached to the Payment Request Form.

b. Non-Employee Travel Expense Payment Form

Payments may be made to **non-employees** of the University for eligible out-of-pocket expenses incurred while visiting or conducting business at the invitation of the University of Alberta. Eligible expenses for non-employees are the same as for employees and may be found in the *Travel Expense Procedure*.

The non-employee's mailing address and banking information (if applicable) must be complete and all original receipts attached to Non-Employee Travel Expense Payment Form. The form must be approved by the

account holder and internal control (if expensed to research/special purpose funds). The completed form and receipts are submitted to Payment Services.

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### 3. INVOICE STANDARDS

Invoices must meet the following standards for financial control and legislative purposes:

The invoice must be original	Payment Services will accept a photocopied, faxed or e-mailed invoice provided the account holder has indicated on the invoice that it is the original and has not been previously paid.
The document presented for payment must be an actual invoice	Payment Services will not process payment of a document other than an invoice (e.g. supplier statement, order confirmation, e-mail message, commercial invoice for purpose of Canadian Customs clearance).
The invoice must be prepared by the external supplier	The invoice cannot be prepared internally (i.e. cannot be prepared by the account holder).
The invoice must be billed to the University of Alberta	Payment Services will not pay invoices billed to a non-UAlberta party. If the invoice should be paid by but is not billed to UAlberta, the unit must request that the supplier correct and reissue the invoice.
The invoice must be detailed	<p>The following information must be provided on the invoice:</p> <ul style="list-style-type: none"> <li>• name and phone number of UAlberta contact</li> <li>• order number if applicable (e.g. official UAlberta purchase order number, contract number, preferred supplier agreement order reference number)</li> <li>• supplier name, remittance information, address and telephone number</li> <li>• invoice number</li> <li>• invoice date</li> <li>• description of goods or services purchased (including unit price and quantity of each item, if applicable)</li> <li>• total tax and GST/HST registration number (if applicable)</li> <li>• total amount due and currency of settlement (i.e. CAD or USD)</li> </ul>

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### 4. PAYMENT TERMS

University default payment terms of invoices are Net 30 days, meaning payment to the supplier is issued 30 days after the date of the invoice. Payments to non-employees for travel expenses are made on the payment cycle immediately after data entry. Cheque and Electronic Funds Transfer (EFT) payments are issued once weekly (Wednesdays) as payments become due.

All cheques must be issued and mailed by Payment Services to the address of the supplier or payment recipient. Payments cannot be issued to an external supplier or non-employee in care of a University of Alberta mailing address, nor will cheques be forwarded to units to hand-deliver or held for pickup.

Payments are made by cheque in Canadian or US dollars as requested on the invoice. Suppliers paid in Canadian dollars to an account with a Canadian bank have the option of receiving funds electronically by submitting an Electronic Funds Transfer Form to Payment Services. Payments in currencies other than CAD or USD are issued by wire transfer directly from the University's bank to the supplier's specified bank account. Wire transfers are also issued to payment recipients located in countries outside North America, regardless of currency. A Wire Transfer Payment Request Form must be submitted with the invoice if the supplier's bank information (including mandatory IBAN) is not on the invoice. Additional bank transfer fees apply and will be charged to the originating unit.

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## 5. CREDIT INVOICES

Suppliers may issue credit invoices for returned goods or pricing correction. Payment Services processes credit invoices by entering a credit to the speed code and account that was used to pay the original invoice then forwards a copy to the unit to match to original financial records. Once processed, the credit will be deducted from the next invoice paid to the supplier. If future orders are not placed with that supplier owing the University a credit, Payment Services requests a refund from the supplier. After three attempts to recover the funds from the supplier, Payment Services writes off the credit to the originating unit's COA and inactivates the supplier.

## 6. INVOICE CORRECTIONS AND SUPPLIER DISPUTES

If the PO or contract invoice is incorrect or there is a dispute with the supplier (i.e. goods or services have not been satisfactorily received), the unit must immediately notify the responsible Supply Consultant within Procurement and Contract Management for assistance in resolving the issue. Payment Services should also be notified to hold payment to the supplier until the matter is resolved.

If an LDP or PSA invoice is incorrect, the unit is responsible for contacting the supplier directly to resolve the issue. Procurement and Contract Management will provide assistance if the unit cannot easily resolve the issue with the supplier.

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## 7. INVOICE PROCESSING AND ACCOUNTING ERRORS

An invoice processing error occurs when a transaction posts successfully to the General Ledger and the supplier has been paid, but a keying error has resulted in an incorrect COA being charged. Corrections originating in Accounts Payable must be corrected by an Accounts Payable Journal Voucher (APJV). If the unit is unable to process an APJV correction (e.g. the charge belongs to another unit), the unit must provide the supplier name, invoice number, AP voucher number and a brief description of the error to Payment Services who corrects the error.

If the payment to the supplier has not yet been issued or if an incorrect GST code has been applied resulting in an error to the GST rebate, the unit must immediately notify Payment Services, who processes the correction.

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## 8. RETENTION AND FILING OF SOURCE DOCUMENTS

CRA regulations require that the University retain source documents for six years plus the current year. This includes the original financial transaction complete with original approval signatures and supporting documents for audit verification and review. SMS recommends filing source documents by supplier name and fiscal year as centrally as possible within the department or faculty.

Units are required to retain the following original source documents:

- packing slips
- documents indicating original written approval of the account holder on orders (SMS recommends that units use the Preferred Supplier Agreement Order Form and Low Dollar Purchase Order Form)
- any other relevant documents in support of purchasing transactions including quotes, order confirmation from supplier and any correspondence with the supplier

Supply Management Services retains the following original source documents on behalf of units:

- original invoices (units may temporarily retain copies of invoices for the purpose of transaction review and verification)
- paper Services Requisitions
- purchase agreements and contracts
- Payment Request Forms with supporting documentation provided by the unit
- Non-Employee Travel Expense Payment Forms with supporting documentation

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## **DEFINITIONS**

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. <a href="#">▲Top</a>	
<b>External suppliers</b>	Individuals and business entities external to the University from which goods and/or services are purchased. This excludes University units that provide goods and services to other University units.
<b>Non-employee</b>	For the purposes of travel expense reimbursement a non-employee is generally described as an individual without an employment relationship requiring reimbursement of travel expenses on a one time basis or infrequently. Examples include: visiting speakers, lecturers or researchers, students participating in field trips or other curricular activities, interviewees for University positions.
<b>Account holder</b>	The individual responsible for ensuring charges to the COA indicated on invoice (or other financial transaction) are compliant with all University policies and procedures and, if applicable, with donor/sponsor terms and conditions (e.g. Dean, Chair, Researcher, Project Manager)
<b>Chart of accounts (COA)</b>	The COA includes the full chart field string to which an invoice (or other financial transaction) is expensed, and is represented by a speed code and account for data entry purposes.

## **FORMS**

Should a link fail, please contact [uappol@ualberta.ca](mailto:uappol@ualberta.ca). [▲Top](#)

[Payment Request Form](#)

[Non-Employee Travel Expense Payment Form](#)

[Accounts Payable Journal Voucher Entry Form](#) (to process corrections to APV transactions)

[Electronic Funds Transfer \(EFT\) Form](#)

[Wire Transfer Payment Request](#)

## **RELATED LINKS**

Should a link fail, please contact [uappol@ualberta.ca](mailto:uappol@ualberta.ca). [▲Top](#)

[Canada Revenue Agency](#)

[Non-Resident Tax Calculator and Tax Treaties](#)

[NR301 – Declaration of Eligibility for Benefits Under a Tax Treaty](#)