Payment Procedure (Accounts Payable)

<table>
<thead>
<tr>
<th>Office of Administrative Responsibility:</th>
<th>Supply Management Services (Business Services)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approver:</td>
<td>Associate Vice-President (Finance &amp; Supply Management Services)</td>
</tr>
<tr>
<td>Scope:</td>
<td>Compliance with this university procedure extends to all Academic Staff and Colleagues, Support and Excluded Staff as outlined and defined in Recruitment Policy (Appendix A and Appendix B Definitions and Categories)</td>
</tr>
</tbody>
</table>

Questions? Contact: SMS Payment Services customerservice@sms.ualberta.ca

Overview
Supply Management Services (SMS) Payment Services is responsible for issuing payment for business transactions to University of Alberta (UofA) external suppliers (suppliers) and others. This procedure is to be followed to generate payment arising from:

- the purchase of goods and/or services in accordance with established UofA purchasing procedures. For cost-effective purchasing and to lessen administrative payment costs, SupplyNet and the Corporate Purchasing Card (PCard) should be the first purchasing options pursued; for details see: Purchase Order Procedure and Purchasing Methods and Dollar Limits – SMS Website.
- any contracts, agreements or transactions outside of SMS’ purchasing authority.
- reimbursement for travel and incidental out-of-pocket expenses incurred by non-employees or visitors to the UofA.

This procedure does not apply to:

- payments to employees for travel and expense reimbursements. For further information see: Travel Processes & Expense Procedure and Expense Reimbursement Procedure (UAPPOL);
- payments to individuals deemed to have an employment relationship with the UofA. For further information see: Determination of a Worker's Status Procedure (UAPPOL) and follow appropriate HRS employment procedures; or
- honorarium payments to individuals, which are processed via HRS Payroll.

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

- accurate and timely,
- supported by the required and complete documentation,
- paid only after goods and services are received in satisfactory condition (as applicable),
- approved by the budget owner and expensed to the correct chart of accounts (COA), and
- recorded in the proper fiscal period.
**PROCEDURE**

Summary:

SMS Payment Services processes payments under the following categories only, using the payment processes noted in Chart #1.

**CHART #1: PAYMENT PROCESS FOR TRANSACTION TYPE AND VALUE**

<table>
<thead>
<tr>
<th>Type of Transaction</th>
<th>Value</th>
<th>Payment Process</th>
<th>Invoice Required</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchase Order:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SupplyNet PO</td>
<td>&lt; $25,000</td>
<td>Invoice must be received online by the Requester; then invoice matching to PO is automatically approved for payment.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>≥ $25,000</td>
<td>Invoice must be received online by the Requester; then invoice matching to PO is routed online to budget owner for approval.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Direct Pay Invoice:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To pay for transactions that do not typically warrant a Purchase Order and cannot be paid by PCard.</td>
<td>Any value</td>
<td>Budget owner must approve paper invoice (printed name and signature); indicate “Direct Pay”, speed code, account, then send invoice via campus mail to Payment Services.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Preferred Supplier Agreement:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To pay invoices for only the preferred supplier agreements listed on SMS’ website, where SupplyNet orders are not used.</td>
<td>&lt; $25,000</td>
<td>Invoice with Contract # and Speed Code/Account is automatically approved for payment.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>≥ $25,000</td>
<td>Budget owner must approve the paper invoice (printed name and signature); indicate Contract #, speed code, account, then return to Payment Services via campus mail.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Payment Request:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donation, Research Grant or Royalty</td>
<td>Any value</td>
<td>Any Donation, Research Grant or Royalty transaction with or without an invoice, requires a Payment Request form to be completed and approved by the budget owner. Additional authorizing signatures may be required. Refer to the Gift Expenditure Procedure for donation limits.</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Any type of payment without an invoice or where an invoice is not typically issued to the University.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Any value</td>
<td>Payment Request form must be completed and approved by the budget owner. Appropriate supporting documentation (i.e. agreement) is attached.</td>
<td>No</td>
</tr>
<tr>
<td><strong>Non-Employee Reimbursement:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel and/or incidental out-of-pocket expenses incurred by visitors, guests or students</td>
<td>Any value</td>
<td>Non-Employee Reimbursement form is approved by the budget owner (and independent reviewer if applicable). Receipts are attached.</td>
<td>No</td>
</tr>
</tbody>
</table>
As noted in Chart #1, the majority of payments require an invoice prior to payment processing. To avoid delays, units must ensure that invoices meet the standards in Chart #2 for financial control and legislative purposes, prior to submitting to SMS Payment Services for processing.

**CHART #2: INVOICE STANDARDS**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>The document presented for payment must be an actual invoice.</td>
<td>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 are not acceptable documents).</td>
</tr>
<tr>
<td>The external supplier must prepare the invoice.</td>
<td>The invoice cannot be prepared internally (such as by the budget owner).</td>
</tr>
<tr>
<td>The invoice must be billed to the University of Alberta.</td>
<td>Invoices billed to a non-UofA party will not be paid (e.g. billed to Alberta Health Services). If the invoice is not billed to UofA, the unit must request that the supplier correct and reissue the invoice.</td>
</tr>
</tbody>
</table>

The invoice must provide complete details.

- Name and email or phone number of UofA contact.
- Order number if applicable (e.g. official UofA purchase order number, contract number).
- Supplier name, remittance information, address and telephone number or email.
- Unique invoice number.
- Invoice date.
- Description of goods/services purchased (including unit price and quantity of each item, as applicable).
- Total tax and GST/HST registration number (if applicable).
- Total amount due and currency of settlement (i.e. CAD or USD).

1. **PAYMENT OF A PURCHASE ORDER INVOICE**
2. **PAYMENT OF A DIRECT PAY INVOICE**
3. **PREFERRED SUPPLIER AGREEMENT INVOICE**
4. **PAYMENT REQUEST**
5. **NON-EMPLOYEE REIMBURSEMENT**
6. **PAYMENT TERMS, METHODS, CORRECTIONS, WITHHOLDING TAX AND WCB ASSESSMENTS**
7. **RETENTION AND FILING OF SOURCE DOCUMENTS**

1. **PAYMENT OF A PURCHASE ORDER INVOICE**
   a. When an order is placed through SupplyNet, the supplier must submit an invoice using one of the following three electronic options (instructions are provided to suppliers on the PO):
      - Use the “Create Invoice” action button provided with the PO email; or
      - Create an online invoice by logging into the Coupa Supplier Portal (for suppliers); or
      - Email a pdf copy of the invoice to invoices@ualberta.coupahost.com.
   b. The invoice is electronically routed, via SupplyNet, to the requester listed on the PO. The requester must receive the goods and services online in order for payment to be issued. While not mandatory for punch-out catalogue orders, receiving an invoice online is strongly recommended.
c. Invoices that are received online, match the PO and are less than $25,000 CAD (excluding GST/HST) are automatically approved and posted for payment.

d. Invoices that are received but do not match the PO, exceed tolerance thresholds, or are greater than $25,000 CAD, are routed online to the requester and budget owner for electronic approval.

2. PAYMENT OF A DIRECT PAY INVOICE

There are specific circumstances where it is neither practical nor warranted to issue a purchase order to a supplier, either due to the nature of the transaction or due to the supplier being a public or government entity. In all cases, the use of a PCard must be first considered. If the supplier does not accept credit card or the initiating employee or department does not have a PCard, request an invoice from the supplier.

**CHART #3: ELIGIBLE DIRECT PAY TRANSACTIONS AND SUPPLIERS**

<table>
<thead>
<tr>
<th>Eligible Transaction Categories</th>
<th>Eligible Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catering &amp; Hospitality (excluding facility/event contracts or hotel agreements)</td>
<td>Alberta Health Services</td>
</tr>
<tr>
<td>Courier, freight, or postage</td>
<td>City of Edmonton &amp; other municipalities</td>
</tr>
<tr>
<td>Grants to other organizations</td>
<td>Covenant Health</td>
</tr>
<tr>
<td>Institutional memberships</td>
<td>Government of Alberta</td>
</tr>
<tr>
<td>Insurance premiums, fees or claims</td>
<td>Other public sector entities/organizations</td>
</tr>
<tr>
<td>Journals, pages charges, reprints, open access</td>
<td>Receiver General for Canada</td>
</tr>
<tr>
<td>Paper shredding or document destruction services</td>
<td>Student Associations or Societies</td>
</tr>
<tr>
<td>Permit or license application fees</td>
<td>Students' Union (UofA)</td>
</tr>
<tr>
<td>Registrations for conferences, workshops, seminars</td>
<td>The Faculty Club (hospitality and departmental memberships only)</td>
</tr>
<tr>
<td>Secondment Agreement and Internship payments</td>
<td>Universities/Colleges, Schools</td>
</tr>
<tr>
<td>Shared Project costs</td>
<td></td>
</tr>
<tr>
<td>Sponsorships</td>
<td></td>
</tr>
<tr>
<td>Subscriptions (excluding software)</td>
<td></td>
</tr>
<tr>
<td>Transportation (charter bus, taxi)</td>
<td></td>
</tr>
<tr>
<td>Utilities (phones, power, gas, electricity)</td>
<td></td>
</tr>
<tr>
<td>Water (water bottle/coolers)</td>
<td></td>
</tr>
</tbody>
</table>

a. Suppliers, organizations and other external entities must submit the invoice directly to the unit that initiated the transaction.

b. The budget owner approves the invoice by affixing their printed name and signature. Indicate “Direct Order” on the invoice along with the appropriate speed code, account and GST code (if applicable and different from the default).

c. The approved paper invoice is sent to Payment Services via campus mail.
Invoices for transactions or suppliers not listed above as eligible for Direct Payment Invoice, require a purchase order and will not be paid without reference to a purchase order number on the invoice.

3. PREFERRED SUPPLIER AGREEMENT INVOICE

Preferred supplier agreements are listed on SMS Procurement and Contract Management’s website and the majority indicate that orders are to be placed through SupplyNet (See section 1. Payment of a Purchase Order Invoice, above).

However, for the few preferred suppliers that specifically indicate “Do not order through SupplyNet”, the process for paying an invoice is as follows:

a. The supplier must submit an invoice directly to Payment Services.

b. Invoices less than $25,000 CAD (excluding GST/HST) are posted for payment.

c. Invoices that exceed $25,000 CAD are forwarded to the ordering unit by SMS, via campus mail, and matched to the packing slip (if applicable). The budget owner must approve the paper invoice by affixing their printed name and signature and then mail the original paper invoice to Payment Services for processing.

4. PAYMENT REQUEST

Because a source document is required for all payments, a Payment Request form is required to initiate payment for transactions where an invoice is not normally provided.

For donations, grants and royalties, a Payment Request form must be completed whether or not an invoice has been received. For further details see: Payment Services, Payment Requests (SMS website) and Gift Expenditure Procedure (UAPPOL).

Examples requiring a form only, without an invoice, are listed in Chart #1.

a. A Payment Request form must be completed by the initiating unit and sent by campus mail to Payment Services, along with appropriate supporting documentation such as a signed agreement, memorandum of understanding or, in the case of a refund, proof of payment to the UofA.

b. The budget owner must approve the Payment Request form by affixing their printed name and signature. The appropriate speed code, account and GST code (if applicable and different from the default) should be included on the form, and then mailed via campus mail to Payment Services for processing.

c. If the payment is expensed to research/special purpose funds, independent review approval, via printed name and signature, is required.

5. NON-EMPLOYEE REIMBURSEMENT

Payments may be made to non-employees for eligible out-of-pocket expenses incurred while visiting or conducting business at the invitation of the UofA. Eligible expenses for non-employees are the same as for employees. For further information: see Travel Processes & Expense Procedure (UAPPOL) and Guidelines for Payments to or on Behalf of Individuals (SMS website).
a. The initiating unit must complete the Non-Employee Reimbursement form and forward to the non-employee (claimant) for signature. This form is fillable and should be completed online to ensure accurate business purposes and expense types are selected from the drop-down lists. Hand-written forms will be returned without processing.

b. The budget owner must approve the form by affixing their printed name and signature.

c. If the payment is expensed to research/special purpose funds, independent review is required (printed name and signature). Subject to grant conditions, one-over-one approval may be required.

d. Mail the completed form and all original receipts via campus mail to Payment Services for processing.

6. PAYMENT TERMS, METHODS, CORRECTIONS, WITHHOLDING TAX AND WCB ASSESSMENTS

a. Payment Terms

UoA default payment terms for suppliers is Net 30 days and payment to the supplier is issued 30 days from the date of the invoice. Reimbursement of expenses to non-employees are made on the payment cycle immediately after data entry. Cheque and Electronic Funds Transfer (EFT) payments are issued weekly (Wednesdays) as payments become due.

b. Payment Methods

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 or held for pickup.

Payments are made by cheque in CAD or USD as requested on the invoice. Suppliers have the option of receiving funds electronically by submitting an Electronic Funds Transfer form or an Electronic Payments US Currency form to Payment Services.

Payments in currencies other than CAD or USD are issued by wire transfer directly 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 form must be submitted with the invoice if the supplier’s bank information (including mandatory IBAN) is not on the invoice. UoA bank transfer fees apply and will be charged to the originating unit. Some receiving and intermediary banks also charge wire and/or exchange fees which could be deducted from the amount received by the payee and these are the sole responsibility of the person receiving the funds.

c. Credit Invoices

Suppliers may issue credit invoices for returned goods or pricing correction. Payment Services processes credit invoices by applying the credit invoice to the PO (and associated speed code and account) that was used to pay the original invoice. Once processed, the credit amount is deducted from the next payment issued to the supplier.

If future payments are not made to the 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 reinstates the original expense to the originating unit’s COA and inactivates the supplier.
d. Invoice Corrections and Supplier Disputes

If an 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 supplier.

If the invoice is in “pending receipt” status and needs to be disputed and sent back to the supplier for revision, the Requester on the PO must notify Payment Services by emailing customerservice@sms.ualberta.ca.

If the invoice is in “pending approval” status, and needs to be disputed (e.g. sent back to the supplier for revision), the requester or budget owner on the PO may “reject” the invoice and must include a reason in the online comments section of the invoice.

If goods or services ordered are over-billed, or if goods were physically received but were subsequently returned, the requester on the PO must contact the supplier and request a credit invoice be submitted. The original invoice must be received as is, approved and paid; the over-billing will be resolved when the credit invoice is applied.

e. 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 in the voucher 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, the unit must provide the supplier name, invoice number, AP voucher number and a brief description of the error to Payment Services who will correct the error.

A minimum institutional threshold of $250 per line is required to correct transactions within (to and from) operational funds (F100, F210, F310, F320, F520, F551, F552, Exxx). This institutional threshold is not applicable if the correction involves research or special purpose funds (F330, F53x, F550).

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 will process the correction.

f. Non-Resident Withholding Tax on Services

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

g. WCB (Worker’s Compensation Board) Assessments

SMS will self-assess and remit Worker’s Compensation Board (WCB) fees for contractors without an active WCB account. The fee will be charged against the COA provided on the purchase order. For further information: see Contracting for Services Procedure (UAPPOL).
7. RETENTION AND FILING OF SOURCE DOCUMENTS

CRA regulations require that the university (unit) retain source documents for six years plus the current year. This includes the original financial transaction complete with original approval signatures and supporting documents, which must be presented for audit verification and review upon request.

a. Units are required to retain the following source documents:
   - any relevant documents in support of direct pay and payment request transactions including correspondence with the supplier or organization. SMS recommends filing paper source documents by supplier name and fiscal year as centrally as possible within the unit or faculty.

b. Supply Management Services retains the following original source documents on behalf of the university:
   - paper invoices,
   - Payment Request forms with supporting documentation provided by the unit, and
   - Non-Employee Reimbursement forms with detailed receipts and supporting documentation.

c. The following electronic documents are considered original source documents and are retained within SupplyNet:
   - requisitions, purchase orders, quotes
   - online receipts, scanned packing slips (in SupplyNet)
   - electronic invoices (.pdf, cxml or online) created and submitted by the supplier.

DEFINITIONS

<table>
<thead>
<tr>
<th>Definition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>External suppliers</td>
<td>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.</td>
</tr>
<tr>
<td>Non-employee</td>
<td>For the purposes of travel expense reimbursement a non-employee is generally described as an individual without an employment relationship requiring reimbursement of travel or incidental out-of-pocket 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.</td>
</tr>
<tr>
<td>Budget owner</td>
<td>An employee who has been assigned a budget in the financial system and therefore has signing authority to make expenditures within amounts and scope of their budget and within maximum limits.</td>
</tr>
</tbody>
</table>
Chart of accounts (COA) 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

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Accounts Payable Journal Voucher Entry (to process corrections to APV transactions)
Electronic Funds Transfer (EFT)
Non-Employee Reimbursement
Payment Request
Wire Transfer

RELATED LINKS

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Canada Revenue Agency
Contracting for Services Procedure (UAPPOL)
Expense Reimbursement Procedure (UAPPOL)
Gift Expenditure Procedure (UAPPOL)
Guidelines for Payments to or on Behalf of Individuals (SMS/HRS Website)
Payment Services, Payment Requests (SMS Website)
Procurement Contract Management, Preferred Suppliers (SMS Website)
Purchase Order Procedure (UAPPOL)
Travel Processes & Expense Procedure (UAPPOL)