

DISBURSEMENTS: INVOICE PROCESSING IN RESPONSE  
TO PURCHASE AUTHORIZATIONS

D-371-36

ACCOUNTING MANUAL

Page 1

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<u>Contents</u>	<u>Page</u>
I. Introduction	2
II. Definitions	2
III. Sales and Use Taxes	3
IV. Payment of Vendor Invoices -- Special Method	3
V. Payment of Vendor Invoices -- Departmental Approval Method	3
A. Verification	3
1. Comparison to Purchase Order	3
2. Verification of Receipt	4
3. Auditing Invoices	4
B. Resolving Discrepancies	4
1. Unit Price Discrepancies	4
2. Quantity Discrepancies	4
3. F.O.B. Point Discrepancies	5
4. Other Discrepancies	5
C. Certification for Payment	5
D. Timing of Payments	5
VI. Payments to Foreign Vendors	6
VII. Internal Control Procedures	6
A. Accounts Payable	6
B. Department	6
VIII. Responsibilities	6
A. Department	6
1. Approval	6
2. Receiving Procedures	7
3. Invoice Review	7
4. Submission of Certification	7
B. Accounting Office	7
IX. References	8

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I. INTRODUCTION

This chapter outlines University policy and procedures related to processing vendor invoices received in response to purchase authorizations. The format of such invoices may be either paper or electronic. Generally, the process ends with a payment either by check or by the transfer of funds electronically via Electronic Funds Transfer (EFT) or Electronic Data Interchange (EDI).

The chapter does not cover direct charges, reimbursements, or procurement card transactions. For policies and procedures related to University direct charge payments, refer to Accounting Manual chapter [D-371-16](#), Disbursements: Approvals; for the University policy and outlines procedures related to procurement card purchases, refer to Chapter [D-371-76](#), Disbursements: Use of Procurement Cards for Low-Value Purchases.

Section IX contains a list of other relevant Accounting Manual chapters.

II. DEFINITIONS

**Invoice** - For the purposes of this chapter, an invoice is a request for payment issued by a vendor in response to a **purchase authorization** prepared by a University department (low-value purchase authorization) or the purchasing department (high-value or blanket purchase order).

**Low Value Purchase Authorization (LVPA)** - Authorization to spend up to \$5,000 per transaction, granted in writing by the materiel manager to individuals in departments (See Part III, Section IX of Business and Finance Bulletin, [BUS-43](#), Materiel Management, for the criteria governing such transactions.)

\* **Special Method Limit** - Vendor invoices below a threshold established by campuses and medical centers may be processed without prior departmental approval (see section IV below).

III. SALES AND USE TAXES

The University is subject to sales and use taxes imposed by the State of California for the privilege of consuming tangible personal property in California. Therefore, the appropriate sales and use tax amount must either be paid or accrued, based on information contained in the purchase authorization or invoice. For more information on the application of California Sales and Use Tax regulations to University purchases, refer to the University of California Sales and Use Tax Manual, which is located at the following web site address:

<http://www.ucop.edu/ucophome/policies/sutm/welcome.html>

IV. PAYMENT OF VENDOR INVOICES -- SPECIAL METHOD

- \* Under the special method, invoices below a threshold determined by the campus or medical center, for example \$10,000 or less, may be certified for payment and processed without prior departmental approval.

The original invoice can be paid by the due date or within a specified period, e.g., discount period, unless the department notifies accounts payable that there is some discrepancy and that the invoice should not be paid.

Campuses have the discretion to modify the method of matching invoice to purchase order and/or receiving documents depending upon their accounts payable system and what best achieves the objective of internal control.

V. PAYMENT OF VENDOR INVOICES -- DEPARTMENTAL APPROVAL METHOD

The procedures in this section apply to invoices that are not processed under the special method.

A. VERIFICATION

1. Comparison to Purchase Authorization

Invoices should be compared to the original purchase authorization document to ensure that the order number is valid. If there is no two-way match, accounts payable should research the discrepancy with the department or the vendor.

V. PAYMENT OF VENDOR INVOICES -- DEPARTMENTAL APPROVAL METHOD

A. VERIFICATION (Cont.)

2. Verification of Receipt

Confirmation that the invoiced goods or services were received should be obtained by accounts payable prior to issuing a payment, e.g., a departmental certification acknowledging receipt may be recorded on the invoice or a copy of the receiving document on-line.

3. Auditing Invoices

All invoices in this category should be reviewed to verify the following:

- Accuracy of mathematical computations (extensions, discounts, taxes, footings, etc.).
- Item descriptions, unit prices, quantities received, F.O.B. points, discount terms, applicable taxes, and any other terms of the purchase order or other type of procurement authorization. In addition, the reviewer should verify that the vendor name and remit-to address are correct.

Procedures for resolving discrepancies between purchase authorizations and invoices are contained in Section B below.

B. RESOLVING DISCREPANCIES

1. Unit Price Discrepancies

The lower of the amount charged by the vendor or the purchase authorization amount should be paid if the unit price is incorrect.

2. Quantity Discrepancies

Discrepancies between purchase authorizations and invoices should be referred to the department in the following circumstances:

- The difference in cost resulting from the discrepancy exceeds the purchase order amount by 20 percent; or
- The discrepancy for an individual item is 20 percent or more.

3. F.O.B. Point Discrepancies

All F.O.B. point discrepancies between the purchase authorization and the invoice should be referred to purchasing or the department for approval to pay the invoice.

4. Other Discrepancies

Other discrepancies between purchase authorizations and invoices should be referred to purchasing or the department. This category includes items specified in the purchase authorization such as shipping terms, shipping charges, special handling charges, UPS charges, etc. Accounts payable should be notified that a particular item is approved or rejected.

C. CERTIFICATION FOR PAYMENT

After a two-way match has been established, invoices must be approved for payment by an authorized departmental approver. This may be done either with on-line approval or by returning the approved invoice to accounts payable.<sup>1</sup>

D. TIMING OF PAYMENTS

Campus procedures must be developed and implemented to ensure that the payment of *nondiscountable* invoices of \$5,000 or more is delayed until the expiration of the payment term. (For more information on payment terms, refer to Accounting Manual chapter [D-371-23](#), Disbursements: Discount Terminology.)

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<sup>1</sup> Unless the campus uses a post-authorization notification system.

VI. PAYMENTS TO FOREIGN VENDORS

If a purchase order, or other contractual document, indicates that payment to a foreign vendor should be made in foreign currency, the exchange rate in effect on the date of the payment applies.

VII. INTERNAL CONTROL PROCEDURES

A. ACCOUNTS PAYABLE

Where possible, the individual(s) responsible for reviewing invoice payments must not be assigned other invoice processing responsibilities.

As a general rule, vendor checks should not be returned to the department. However, if such a procedure cannot be avoided, the check should be logged in by accounts payable and signed for by the receiving department. Periodically, the department's logs should be reviewed by management.

Accounting Manual chapter [C-173-15](#), Cash: Check Controls, contains information on check processing controls, including transmittal of checks and check signing controls.

B. DEPARTMENT

Departments should ensure that payments charged to their accounts are valid by establishing appropriate internal control procedures, such as assigning a staff member to review all payments. The departmental reviewer should not be assigned any responsibility for requisitioning, ordering, or certifying that goods or services were received.

VIII. RESPONSIBILITIES

A. DEPARTMENT

1. Approval

The individual certifying that goods and services were received must have a signature authorization on file in accounts payable.

2. Receiving Procedures

The department (or the receiving department) must certify that the goods and services were received in acceptable condition, in the quantity ordered.

3. Invoice Review

Departments should review invoices prior to payment, in accordance with the procedures outlined in this chapter. Invoices failing under the special method are not subject to this review, subject to the discretion of the campus and medical center accounting offices.

4. Submission of Receipt Certification

Where certification of receipt must be submitted to accounts payable, such certification must be forwarded promptly in order to prevent loss of discounts and to maintain satisfactory relations with the vendor.

B. ACCOUNTING OFFICE

The accounting office is responsible for ensuring that the policies and procedures set forth in this chapter are followed when invoices are processed for payment.

IX. REFERENCES

Accounting Manual Chapters:

A-000-7	Official Documentation Required in Support of University Financial Transactions
A-115-2	Accounting Codes
C-173-15	Cash: Check Controls
D-371-12.1	Disbursements: Accounting For and Tax Reporting of Payments Made through the Vendor System
D-371-16	Disbursements: Approvals
D-371-23	Disbursements: Discount Terminology
D-371-28	Disbursements: Freight
D-371-35	Disbursements: Honorarium Payments
D-371-76	Disbursements: Use of Procurement Cards for Low-Value Purchases
T-182-76	Taxes: State Fuel Tax

University of California Sales and Use Tax Manual

Business and Finance Bulletins:

G-28	Policy and Regulations Governing Travel
BUS-43	Materiel Management
BUS-77	Independent Contractor Guidelines
BUS 79	Entertainment

DISBURSEMENTS: INVOICE PROCESSING IN RESPONSE  
TO PURCHASE AUTHORIZATIONS

D-371-36

ACCOUNTING MANUAL

Page 9

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Risk Manager J. Hahn, Joint policy letter to the Accounting  
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University Controller Joseph A. Pastrone, Letter to  
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Director Donald L. Alter, Memorandum to Accounting Officers  
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Barrett