

Oberlin College Standard Operating Policy and Procedures	SOP No. 1154-001 Accounts Payable Disbursement Policy
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TITLE: Accounts Payable Disbursement Policy

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GENERAL GUIDELINES

Oberlin College pays all necessary, appropriate, and reasonable business-related expenses incurred by faculty, staff, students, and other official College guests. The following principles form the basis for the College's travel expense reimbursement guidelines and procedures:

- The primary guidance for this Policy is the Internal Revenue Code (IRC) and its requirements for an accountable plan, along with industry standards for best practices. Accountable plan rules determine which expenditures may or may not be reported as taxable income to employees, students, and other College guests. The College's accountable plan rules are defined in Travel Policy, SOP No. 1154-002.
- The [Business Conduct Policy Manual](#) offers further guidance on general business and ethical issues and is a framework for faculty and staff to draw upon in the evaluation of specific circumstances.
- Individuals should neither gain nor lose personal funds as a result of official assignments. Each individual should be reimbursed for all necessary and reasonable expenses incurred in connection with the performance of approved College business.
- The College's policies have been designed to provide the greatest possible flexibility, therefore, when there is cause for an exception, it must be approved in writing by the Division Head, or other senior person authorized in writing by the Division Head to approve such an exception. Individual departments may establish more specific, detailed or restrictive policies or procedures, which the department should monitor and enforce. Individuals should ensure that they are aware of any particular requirements of their own department.
- Oberlin College is a nonprofit organization. All purchases should be tax exempt *except* for meals that are consumed (i.e. restaurants), airfare, hotel, and lodging. The College's Ohio tax exempt number is imprinted on the front of the College procurement card (P-Card) and the Local Vendor (LV) Invoice & Departmental Purchase Order (DPO). Documentation for tax exemption status / numbers in other states can be obtained from the [Office of Procurement and Auxiliary Services](#).
- Sponsored projects by the National Science Foundation (NSF) or National Institutes of Health (NIH) grants may have additional requirements not included in this Policy. The applicable award document and OMB Circular A-21 Cost Principles for Educational Institutions, 2 CFR, Part 220, NSF Award & Administration Guide, and NIH Grants Policy Statement must be followed.
- All expenses are subject to audit by the Controller's Office and by the College's external auditors, as well as by such agencies as the Internal Revenue Service (IRS), NSF (for government-sponsored research), and the internal and external auditors of non-government sponsors in order to ascertain that the expenses are proper and fully documented.

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RESPONSIBILITIES

Accounts Payable

The Accounts Payable area of the Office of the Controller is responsible for reviewing documentation, such as invoices, Request for Payment forms, or Travel Reimbursement / Business Summary Expense Reports prior to processing to verify that expenses are reasonable, appropriately authorized, and comply with the College's accountable plan. Request for Payments will be processed on a first come first serve basis within 7 - 10 business days. Incomplete requests will be returned to the department for follow up.

Employees and Students

The individual submitting documentation, such as an invoice, College P-Card statement, Request for Payment form, Travel Expense Report, or a Business Summary Expense Report will:

- Verify that all expenses requested to be paid or reimbursed by the College are valid and conform to this Policy and related procedures;
- Attest that expenses submitted for reimbursement are in accordance with College procedures; and, have not been paid through a previously submitted expense report, cash advance; or by any outside agency or other third party;
- Submit requests in a timely manner and within stated timelines documented in this and other related College policies and procedures;
- Remain accountable for ensuring that all expenses are incurred and all requests for payment or reimbursement of such expenses are submitted in accordance with this Policy even though the employee may delegate responsibility for a form's preparation to another employee; and,
- Ensure that their immediate supervisor has approved the payment request.

Authorizer/Approver

Individuals authorized to approve the business expenditures of others will be responsible for administering this Policy. Approvers must:

- Attest that the expense has a "bona-fide" business purpose;
- Request further documentation or explanation of expenses that appear to be excessive or unusual. Explanations should be included with the invoice, Business Expense Summary Report, and / or Request for Payment form when submitted to Accounts Payable for processing; and,
- Submit requests in a timely manner and within stated timelines documented in this and other related College policies and procedures.

The primary responsibility for the determination of the appropriateness of expenditures rests with the individual seeking reimbursement and the individual responsible for approval and

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authorization. Accounts Payable reviews the Request for Payment forms, invoices, and Travel Reimbursement / Business Summary Expense Report for compliance with the College's accountable plan as detailed in Appendix 1 of this policy as well as SOP No. 1154-002.

PAYMENT METHODS

The College utilizes multiple payment methods when paying for goods and services. Payment options include: check, College credit card and direct deposit. In specific limited situations, funds can be wired to the payee.

Checks are commonly used to pay:

1. *Regular Invoices*—Regular invoices are defined as invoices that have a purchase order and are entered for payment by the Office of Procurement and Auxiliary Services.
2. *Direct Pay Invoices*—Direct pay invoices do not require a purchase order. According to the College's [Procurement Policy](#) the following items can be treated as *Direct Pay* and do not require a Purchase Order:
 - a. Advertising (Requires review by the Vice President of Communications)
 - b. Airline tickets and ground travel
 - c. Art objects for the Allen Memorial Art Museum
 - d. Food supplies in the food service
 - e. Insurance
 - f. Library books and periodicals at all campus libraries (not including books for offices)
 - g. Magazine and newspaper subscriptions
 - h. Mailing lists
 - i. Membership dues
 - j. Musical instruments in the Conservatory
 - k. Party / entertainment food supplies
 - l. Purchases from local Oberlin vendors under \$500
 - m. Reprints from publications
 - n. Speaker's fees, honorariums
 - o. Taxes of any sort
 - p. Travel reimbursements and advances
 - q. Utilities
3. *Local Vendor (LV) Invoice & Departmental Purchase Order (DPO)*—A multipurpose form used between the College and local vendors. It contains the College's Ohio tax exempt number and authorizes a purchase when a local vendor invoices the College or when the vendor does not have a formal billing / invoice system. LV / DPOs can only be used for purchases that do not exceed a total of \$500.00. A supply of forms is available in Printing Services.

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Credit cards / Procurement Cards (P-Cards) are commonly used to pay:

1. *Meals and entertainment expenses*-If your position at the College requires frequent traveling contact the Office of Procurement and Auxiliary Services or go to the [Procurement](#) page of the [Procurement and Auxiliary Services](#) website for information about acquiring a College purchasing card; and,
2. Vendor invoices (if payment method accepted).

Direct Deposit:

1. Employee directed method of payment through individual PRESTO Self Service account
2. Eligible for employee reimbursements
3. Method of payment not available for payroll advances

Wiring of funds:

1. Required for payments in excess of \$200,000
2. Contact the [Assistant Controller](#) for assistance and specific instructions

Petty Cash:

1. Use is limited to department level reimbursement of small purchases (total receipt is less than \$10.00) such as office supplies, postage and COD deliveries.
2. Not to be used for the reimbursement of travel or entertainment expenses or for services rendered by individuals. These areas are highly scrutinized by the IRS and, therefore, subject to compliance review with the College's Accountable Plan Rules by the Controller's Office.
3. See SOP 1154-004 Petty Cash for additional guidance.

REIMBURSEMENT PROCESSING AND PAYMENT TIMELINES

Payment requests are processed on a first come first serve basis from the date received in the Controller's Office. Accounts Payable will review the requests and, if after the initial review, all documentation is complete, payment will be processed 7 – 10 business days from date received. If documentation is incomplete, Accounts Payable will return the request to the appropriate person(s) for resolution. After the documentation is returned to Accounts Payable, the processing time starts over again.

To ensure that all available discounts are taken and that the College complies with vendor terms, it is important that invoices be forwarded to Accounts Payable as quickly as possible.

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Students, employees, “bona-fide” volunteers, and official College visitors should complete the appropriate form listed in Appendix 3 when requesting reimbursement of eligible out of pocket expenditures.

EMPLOYEE VS INDEPENDENT CONTRACTOR DETERMINATION

The decision to classify an individual as an independent contractor (1099 Non-employee) versus an employee can be difficult. It is important for the College to correctly determine whether an individual providing services to the College is an employee or independent contractor. In the last several years, the IRS has aggressively scrutinized the classification of a worker by a business in order to determine whether the worker is an employee or an independent contractor. The misclassification of workers as independent contractors can cause substantial tax issues and penalties.

Given the increased scrutiny and need to demonstrate due diligence, the [Independent Contractor vs Employee Checklist](#) must be completed by the department prior to hiring an individual for their services.

The form is not needed for one time payments to guest speakers, panel participants, and roundtable participants.

In all situations, a [W-9](#) form must be completed if the payee is a U.S. citizen or other U.S. entity, including a resident alien individual and has not been previously paid by the College. If the payee has not been previously paid by the College and does not qualify to complete a W-9, then a [W-8BEN for foreign Entities](#) or [W-8BEN for foreign Individuals](#) form must be completed.

If the company or individual completing the form does not agree with the determination, written notification should be sent to the Controller. When this happens, the company or individual should complete [IRS form SS-8](#) Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding. If the determination by the Controller’ Office and Human Resources is “employee”, the “employee” will be placed on payroll until a ruling from the IRS is made. The payment for services will be paid through Payroll and any business expenses incurred will be reimbursed by Accounts Payable.

HONORARIUMS VS FEE FOR SERVICE

Honorariums

An honorarium is a gift for services for which no fee has been set or agreed upon in advance. An honorarium could be used as a “thank you” gift to a guest speaker or performer who, at no charge to the College, makes a presentation. The College responds with a token payment, gift, or other

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tangible gesture of appreciation. Protocol and custom suggest that the honorarium should be processed in advance, if possible, or close to the event taking place so the gift may be presented timely.

An honorarium, per IRS regulations, is reportable as income by the College. As a result, the intended beneficiary's social security number is required.

Fee for Service

Any compensation, monetary or non-monetary, negotiated, committed to, or otherwise forming an obligation to pay, made in advance is, by definition, not an honorarium. It is a fee and is subject to the applicable policies of the College, IRS, and other relevant agencies. Any verbal or written agreement in which the College will be obligated to pay for services, expenses, or accommodations is a contractual agreement and must be made in accordance with procurement regulations.

A fee cannot be paid to any current employee, permanent, part-time, full-time, or temporary. Payroll and other taxes must be withheld from any payments made to an employee.

It is important that the College properly classify an individual as an employee or independent contractor, an [Independent Contractor vs Employee Checklist](#) should be completed when a department needs the services of individuals to perform duties for the College.

New payees should complete the [W-9](#) form which is used to certify the payee's tax identification information. Include the W-9 as an attachment to the payee's payment request.

RENT, LEASE, AND OTHER SERVICE PAYMENTS

Payments for real property rent, personal property leases, or other services should be paid directly by the College. An employee should not pay for these types of expenses and seek reimbursement. There are potential reporting requirements for these types of payments; therefore, a completed [W-9](#) (for U.S. citizen or other U.S. entity, including resident alien individual) or a completed [W-8BEN for Foreign Individuals](#) or [W-8BEN-E for Foreign National Information Form](#) should be obtained from the payee prior to payment.

EXPENSES PAYABLE BY OTHER ORGANIZATIONS

An employee should only be reimbursed one time for any expenditure; therefore, if the College pays for the employee's expenses incurred while engaging in activities sponsored by another organization, it is the employee's responsibility to ensure the College is properly reimbursed. An employee may not be reimbursed directly by the sponsoring organization for any expenses paid for by the College.

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APPENDIX 1: ACCOUNTABLE PLAN RULES (SOP NO. 1154-002)

Payments from the College for ordinary (a common expense that is accepted in one's trade or business), and necessary (an expense that is helpful and appropriate; it does not have to be required) expenses, and those in compliance with this procedure, can be paid tax-free. Any expenses not in compliance with the College's accountable plan, as documented below, may not be reimbursed, or may be considered taxable income if reimbursed.

Under Oberlin's accountable plan rules, transactions such as advances, reimbursement requests, invoices and P-card transactions must meet the following conditions:

1. Payees must be employees, students, official College guests, independent contractors providing services, "bona-fide" volunteers providing valuable services to the College.
2. The expenses incurred must be business related and not personal in nature and incurred while performing services for the College.
3. All expenses must be substantiated within a reasonable period of time.
4. All amounts in excess of substantiated expenses (unused money from advances) must be returned to the College within 30 days from the date the expense was incurred or from return of trip.

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APPENDIX 2: IRS FORM W-9 REQUIREMENT

For the purpose of this document, a vendor is defined as any individual or business paid by the College and shall be referred to as “payee” interchangeably.

The Offices of the Controller and Procurement and Auxiliary Services require an IRS Form [W-9](#), for all new payees. The form must:

- Be legible.
- Contain name, street address, city, state, country, and postal code, type of entity, U.S. federal identification number, signature and date signed.
- Be issued within the last 12 months.

Reasons for this requirement

- The W-9 ensures that the College has the payee’s correctly spelled name and correct mailing address for purposes of 1099 reporting, if appropriate.
- The W-9 ensures that the College has a business’s legal name and DBA name.
- The W-9 ensures that the College has a payee’s correct Tax Identification Number (FEIN or SSN).
- The W-9 certifies that the payee is a U.S. entity as defined on the W-9 form.
- The W-9 certifies the payee’s tax withholding status.

Exclusions

A W-9 is not required for the following types of payments:

- Employees of the College including students receiving expense reimbursements.
- Non-resident Aliens or Foreign Entities (Requires [W-8 BEN](#) or [W-8 BEN-E](#))
- Petty cash reimbursements
- Student / term bill refunds

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APPENDIX 3: STANDARD FORMS

1. [Request for Payment Form \(RFP\)](#) – used to request the payment of out of pocket business expenses, mileage, honorariums, and student prizes. Reference the [Request for Payment Requirements Guide](#) for documentation requirements of common requests.
2. [Travel Expense Report](#) – used when requesting reimbursement of travel related expenses not paid with College p-card. Business Expense Summary is required backup if reimbursing for meals and entertainment.
3. [Business Expense Summary](#)– must be completed if requesting the reimbursement of dining and entertainment charges.
4. [Volunteer Expense Form](#)-used to reimburse expenses incurred while volunteering for the College as an Admissions Coordinator, Class Agent, or for various Alumni activities. Original receipts must be submitted for any portion that is to be reimbursed; copies of receipts are needed to establish dollar amounts for gift-in-kind contributions. Additional information and guidelines available on the [Alumni Association](#) website.
5. [W-9](#)-the College requires that all new payees (U.S. citizen or other U.S. entity, including a resident alien individual) submit a W-9 issued within the past year when requesting a payment. (Appendix 3)
6. W-8 BEN-Foreign payees must submit the appropriate [W-8 BEN for Individuals](#) or [W-8 BEN-E](#) for entities when requesting payment for goods or services.
7. [Independent Contractor vs Employee Checklist](#)-it is necessary to determine if a worker is an independent contractor or an employee and this checklist examines the nature of the relationship between the payee and the College to properly classify the payee under federal employment tax laws.
8. [Travel Advance](#)-can be requested by a traveler with the approval of their Department Head and if it is a generally accepted practice of their division to cover out-of-pocket, incidental expenses while traveling domestically.
9. [Missing Receipt Affidavit](#)-must be completed when a required, original receipt is lost or otherwise unavailable.
10. Request for [Meals and Entertainment Policy Exception or Adjustment](#)-Special request for exception or adjustment to SOP 1154-002 Meals and Entertainment.