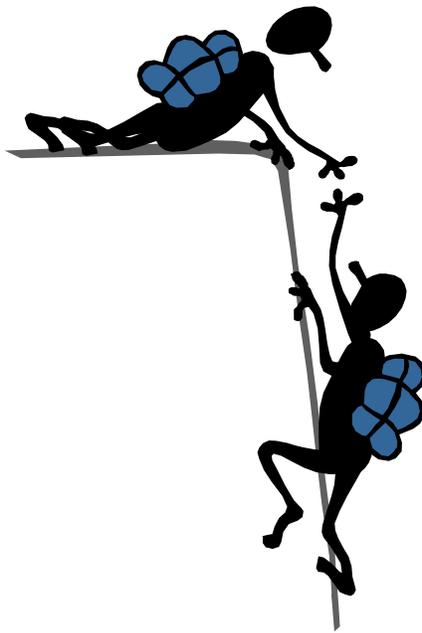


Working with Accounts Payable

(This document is a complement to the VO System Reference Manual)



Updated 05/10/2016

Bill Cahill 294-5124

bpcahill@iastate.edu

Carole Gill 294-5181

cagill@iastate.edu

Working with Accounts Payable

Agenda

Objectives:

- Describe the recommended invoice processing steps
- Helping you to avoid common problems associated with each step
- Provide an overview of encumbrances related to purchase orders
- Explain payment schedules, to avoid misunderstandings at fiscal year-end

Overview of Invoice Processing Steps (pages 3 - 6)

How to Find the Status of a Payment (pages 7 – 10)

VO System Reference Manual (59 pages)

<http://www.controller.iastate.edu/controller/vomanual.pdf>

Overview of Encumbrances -

<http://www.controller.iastate.edu/accounting/encumbrances.htm>

Voucher Processing Schedule –

<http://www.controller.iastate.edu/accounting/vchrproc.htm>

Check Printing Schedule –

Our check printing schedule is available at:

<http://www.controller.iastate.edu/accounting/checkprintingschedule.htm>

By the second week in June our fiscal year-end schedule will be available at

<http://www.controller.iastate.edu/controller/yearend.htm>

Posting of Accounting Entries –

<http://www.controller.iastate.edu/accounting/postingofaccountingentries.htm>

Questions from participants

Accounts Payable Contacts:

Patsy Griffith 515-294-7662 pgriffith@iastate.edu

Nancy Fausch 515-294-2848 nfausch@iastate.edu

INVOICE PROCESSING STEPS – RECOMMENDED PRACTICES

Payments to outside vendors usually require a purchase order number. Exceptions: registration fees, subscriptions, memberships, utilities, airline tickets, and purchases made with a P-Card or through cyBUY.

1.) The vendor releases goods or performs services after obtaining a purchase order number.

Recommended Practice:

Vendors should not release goods or perform services without having received a purchase order number from the university department. (Of course, payments for some goods can be made by the P-Card or through cyBUY, but the focus of this training session is for the transactions where the vendor is contacting ISU requesting payment.)

Potential Delays and Problems:

No purchase order number is recorded when the order is taken:

Without a purchase order number, the vendor cannot be assured that the person obtaining the goods or services has been authorized to obligate the university. Payment of the invoice will be delayed until a valid purchase order number has been established or identified.

2.) The vendor sends the invoice to Accounts Payable.

Recommended Practice:

Invoices should be mailed to Iowa State University, Accounts Payable, 1520 Administrative Services Building, 2221 Wanda Daley Dr., Ames, IA 50011-1004, faxed to 515-294-6470, or e-mailed to invoices@iastate.edu.

Potential Delays and Problems:

The invoice is mailed to the department:

If the vendor mails the invoice to the department receiving the goods or services, Accounts Payable is unaware that an invoice has been received, so the payment process does not begin. If the department receives the invoice, it should immediately forward it to Accounts Payable. The department also should notify the vendor to mail future invoices directly to Accounts Payable.

The vendor mails a statement instead of an invoice:

To avoid duplicate payments, we prefer to pay from individual invoices. If only a statement is mailed, it will be returned with a request for individual invoices.

3.) Accounts Payable enters the invoice on the appropriate purchase order.

Recommended Practice:

Vendor invoices should have a valid purchase order number and a unique invoice number.

Potential Delays and Problems:

The vendor does not provide a purchase order number:

Accounts Payable sometimes can determine the correct purchase order number based on memory or from information available internally. However, this is a time-consuming and error-prone practice. About half of the invoices we receive do not contain a valid purchase order number. Invoices will be paid more rapidly and more accurately if the

vendor provides the correct purchase order number. If Accounts Payable is not confident that it has identified the correct purchase order number to be charged, the invoice will be forwarded to Purchasing for further investigation.

The vendor does not provide an invoice number:

All vendors should have a system that provides unique invoice numbers on their invoices. This allows their customers to distinguish between identical invoice amounts, and allows the vendors to correctly determine which invoices are being paid when the customer mails a check. Unfortunately, many do not provide a unique invoice number, so Accounts Payable must create one to populate that field on the VO Document. We often use the date of the invoice, with the amount or a few additional letters of text. This delays payment, and makes duplicate payments more likely.

4.) Accounts Payable scans the invoice and generates a VO Document.

Recommended Practice:

Accounts Payable scans invoices and generates VO Documents every business day.

Potential Delays and Problems:

Scanner Functioning:

There is only one scanner, which can create capacity limitations on high-volume days, or when the scanner is not functioning properly.

5.) The Accounting Office audits and approves the VO Document and routes it to the departments that initiated the Web Req and that are funding the expenditure.

Recommended Practice:

Unlike other payment processes, the Accounting Office audits and approves the document before the funding department.

Potential Delays and Problems:

A taxpayer identification number is missing on a payment for services:

If a taxpayer identification number is required but is not yet available, the Accounting Office must delay approval until this information is provided by the payee.

6.) The funding department receives and approves the VO Document

Recommended Practice:

Funding departments should review each VO Document to determine if the goods have been received or if the services have been provided.

Potential Delays and Problems:

The department does not review the VO Document:

Accounts Payable does not know if the goods have been delivered for the correct prices, or if the services have been provided. Since many of our invoices arrive without valid purchase order numbers, Accounts Payable also is making educated guesses about which purchase order number to charge. **We depend on departments to review every VO Document to prevent inappropriate payments.** Sometimes a vendor will send us an invoice, even though payment already has been made by a P-Card. If Accounts Payable

creates a VO Document for the invoice and no one at the department reviews the VO Document, the vendor will be paid twice.

The funding department delays approval because of a dispute with the vendor:

If there is a problem with a product or the performance of a service, please use the “Hold” option and put a comment in the Notes and Attachments section stating the problem **and** notify Purchasing. Purchasing agents can provide assistance in resolving the dispute with the vendor.

The VO Document is not approved:

Although approximately 80% of VO Documents are negative approval, which means payment will take place after seven calendar days, the other VO Documents will not be paid unless the funding department actively approves them.

Payment needs to be expedited:

Negative approvals can be expedited if the funding department clicks the Approve button. Checks are written the evening of each business day after the last approver has approved. Emergency checks are no longer an option.

7.) Checks are generated after the last funding department has approved the VO Document.

Recommended Practice:

After the last funding department has approved the VO Document, checks are printed Monday, Tuesday, Wednesday, Thursday, and Friday evenings, and mailed from the Administrative Services Building the next business morning.

Potential Delays and Problems:

Weekends and holidays:

Weekends and holidays will delay the mailing of the check to the vendor.

Weak Internal Controls for Check Distribution:

Checks for outside vendors should not be mailed to campus addresses or picked up by employees in the Administrative Services Building unless absolutely necessary. These practices make check fraud more likely, and are an inappropriate use of staff time. Proper planning and awareness of our check writing schedule should make these practices unnecessary.

Foreign Drafts, Wire Transfers, ACH Transfers:

Payments by methods other than an Iowa State University check require special processing by the Treasurer's Office and our bank. (Note: When the payment is made by ACH or wire transfer, no documents are sent to the vendor. However, there is a short text message we can send.)

8.) The vendor receives the check, cashes it, and applies it to the outstanding invoice.

Recommended Practice:

Usually this goes very smoothly, as the invoice information is printed on the check stub.

Potential Delays and Problems:

Payment application errors:

Large companies sometimes use a lockbox service, and the correct information about the invoices is not transmitted to the company. We sometimes have vendors who insist on applying the check to the oldest outstanding invoice, rather than the one identified with our remittance. Application errors can also be the result of human error within the company. In all of these cases, Accounts Payable assists the vendor with resolving the discrepancies.

The check is lost or delayed in the mail (or wherever):

The Accounting Office will replace a check free of charge if it has been outstanding more than ten business days. Please contact Carole Gill at 515-294-5181 or Teresa Wacha at 515-294-0457, if you are convinced it is more than a simple delay in the mail.

The vendor cannot determine where to apply the check:

Some vendors throw away the stub from the sealed check that has the information about which invoices are being paid. Accounts Payable will provide this information to vendors upon request.

Iowa State University has utilized a vendor credit, issued a debit memo to adjust a charge, or deducted sales tax or freight:

If the vendor has not properly recorded the adjustments we have included as remittance information our records will not match. Accounts Payable will provide assistance to vendors to resolve discrepancies.

Payments to foreign vendors:

The postal and banking systems in some countries are not as efficient as we sometimes expect. Even payments by wire transfer, which happen the same day within the United States, can take several days to reach overseas vendors. If the payment was by an Iowa State University check, the Accounting Office can reissue the check at no charge if more than ten business days have elapsed. Please contact Carole Gill at 515-294-5181 or Teresa Wacha at 515-294-0457. For foreign currency drafts or wire transfers, please contact Brad Dye at 515-294-1002.

HOW TO FIND THE STATUS OF A PAYMENT

There are several steps required between when ISU receives the invoice and when the vendor receives the check. Following the recommendations in **INVOICE PROCESSING STEPS – RECOMMENDED PRACTICES** (see pages 3 - 6 above) can avoid unnecessary delays. The information below (presented in reverse chronological order) can help you to find the status of a payment if you suspect a problem, or if you have been contacted by a vendor about a past-due invoice.

1.) The check has been cashed by the vendor.

The vendor probably will not call you if they have cashed the check, unless they have applied it to the wrong invoice.

Where to look:

In e-Data, find the transaction that has posted to your account and click on the Org Ref Number, which is X24641 in the example below.

Tran Date	Fiscal Period	Description	Doc Type	Doc Number	GL Object Type	Object Code	Object Name	Sub Object Code	Original Document Number (KFS Organization Doc Number)	Org Ref Number (KFS Org Ref ID)	Origination Code (KFS Reference Origin Code)	Sub Account	Amount
2/15/2016	08	EMERGENCY PAYROLL	SB	844419	IN	0079	MESC INTRAMURAL INCOME				01		50.00
2/15/2016	08	RICOH USA INC	CHKD	843233	96978	EX	0569	MESC REPAIRS & MAINTENANCE	C50272614	X24641	VO		131.00

The resulting screen will be similar to this:

Additional Transaction Information		Print
Payee Name: RICOH USA INC	Check Date: 02/15/2016	
Check Number: 096978	Total PO Amount: 2,445.30	
PO Number: C5-02726-14	Total Invoiced: 625.35	
PO Invoice Number: 5040273440	Total Remaining: 1,819.95	
Voucher/Reference Num: X24641	Net This Invoice: 131.00	

The Check Number is listed as 096978. Although the **Net This Invoice** amount in the image above is shown as \$131.00, this reflects the voucher amount, and not necessarily the check amount.

To determine the amount and status of the check, go to the KFS **Administration** tab, rather than the Main Menu. In the middle column of the Administration screen, click on **Check Reconciliation**. On the Check Reconciliation Lookup screen, enter the **Check Number**, and click **Search**. The leading zero for the Check Number is optional.

The **Bank Amount** is the amount of the check, which may be higher than the amount of the voucher. Vouchers approved on the same day to the same vendor usually are combined into a single check. In this case, Check Number 096978 actually was for \$1,080.94.

One item retrieved.

Actions	Check Number	Bank Code	Bank Name	Check Date	Presentation Date	Source Code	PDP Amount	Bank Amount	Check Status	Recon Status Code
edit copy	96978	31	BANKERS TRUST CHECKS	02/15/2016	02/22/2016	P	1,080.94	1,080.94	CLRD	

Common Check Statuses:

CLRD = the vendor cashed the check, and it cleared our bank

ISSD = the check has been issued, but has not cleared our bank

CDIS = the check has been cancelled by ISU

STAL = the check was not cashed by the vendor within the allowed time

What might have gone wrong?

Accounts Payable can assist the vendor if they have applied the payment to the wrong invoice. It is also possible that the vendor's accounts receivable department is working with outdated information.

2.) The check has been written, but the vendor has not cashed it.

VO Documents approved by the last funding department have checks written Monday, Tuesday, Wednesday, Thursday, and Friday nights. The checks are mailed from the Administrative Services Building the following business day.

Where to look:

Refer to the instructions in 1.) above to determine the amount and status of the check.

What might have gone wrong?

The check may have been lost in the mail:

We ask that you allow two weeks after the date of the check before requesting a duplicate check. If the vendor has not received the check after two weeks, you can contact Carole Gill (515-294-5181) or Teresa Wacha (515-294-0457) in the Accounting Office to stop payment and reissue. There is no charge for this service.

3.) The VO Document has been approved by the funding department, but the check has not been written.

VO Documents approved by the last funding department have checks written Monday, Tuesday, Wednesday, Thursday, and Friday nights.

Where to look:

If you do a Doc Search in the VO System (using either the payee name, PO number, or invoice number) and see that the VO Document has a Route Status of ENROUTE, it still is in the process of being approved. If the Route Status is FINAL, it will be included in the next check writing.

What might have gone wrong?

Please go to the VO System to confirm that the VO Document is in FINAL status, which means it has been approved by the last departmental approver. Approval might have been required by multiple departments, which will be detailed in the Route Log tab.

4.) The VO Document has been approved by the Accounting Office, but has not yet been approved by the funding departments.

After the Accounting Office has approved the VO Document, it is automatically routed to the department that created the Web Req, and then to all the funding departments. In practice, this usually is only one department, but multiple departments can be involved.

Where to look:

Go to your Action List to see if the document is waiting for your approval. If not, you can do a Doc Search to search by the Payee Name, using a date filter. Under Doc Search, click the Detailed Search button at the top of the screen, enter the payee name with an asterisk on both sides in the Title field (e.g., *SYSAID*), and click Search. Once the VO Document has been located and opened, click on the Route Log to see whose approval is currently pending. (You can also do a Doc Search by Purchase Order Number instead of Payee Name.)

What might have gone wrong?

Since the approval of multiple departments sometimes is required, there can be a delay even after your department has approved. The Route Log within a VO Document will display whose approval is currently pending.

5.) The VO Document has been generated, but has not been routed to the funding department for approval.

Where to look:

A VO Document will not appear in your Action List until your approval is required. However, you can do a Doc Search as described in 4.) above.

What might have gone wrong?

Before routing to the funding department, the Accounting Office must audit and approve the VO Document. The Accounting Office must approve an average of nearly 250 VO Documents each business day, which means that approval is not instantaneous. Also, some VO Documents must be delayed while tax identification numbers or other tax information is solicited from the vendors.

6.) The invoice has been entered by Accounts Payable, but the VO Document has not been generated.

Once Accounts Payable has determined a purchase order number and entered the invoice, we can trace it on the ADIN's IN system.

Where to look:

Most departments do not have the IN system as part of their ADIN menu, which would allow you to review the invoices entered under a particular purchase order number. However, you can contact Accounts Payable.

What might have gone wrong?

Even if an invoice has been entered in the IN System, a VO Document is not generated until the matching invoice is scanned by Accounts Payable.

7.) The invoice has been received in Accounts Payable, but not entered.

If the invoice has been mailed to Accounts Payable, 1520 Administrative Services Building, 2221 Wanda Daley Dr., Ames, IA 50011-1004; faxed to 515-294-6470; or e-mailed to invoices@iastate.edu, it should be entered on our system within 24 hours.

Where to look:

Until an invoice is entered on our system, there is no online source to review to determine the status. However, you can call Accounts Payable at one of the phone numbers listed below if you have an immediate need to know if we have received an invoice:

Patsy Griffith	515-294-7662	pgriffith@iastate.edu
Nancy Fausch	515-294-2848	nfausch@iastate.edu

What might have gone wrong?

Wrong Address:

If the vendor mailed the invoice to an address other than 1520 Administrative Services Building, 2221 Wanda Daley Dr., Ames, IA 50011-1004 Accounts Payable would not have received or entered it. If the vendor contacts you, please ask them to fax a copy of the invoice to 515-294-6470 or email to invoices@iastate.edu or mail to Iowa State University, Accounts Payable, 1520 Administrative Services Building, 2221 Wanda Dale Dr., Ames, IA 50011-1004.

No Purchase Order Number:

Accounts Payable cannot enter an invoice without a purchase order number. If the vendor did not print the purchase order number on the invoice, and we could not research the purchase order number, the invoice will be delayed while the Purchasing Department contacts the department to do a Web Requisition.