

PAYMENT

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Owner.

Category:	F. Finance
Parent Policy:	F22
Approval Date:	October 2, 2015
Effective Date:	October 2, 2015
Procedure Owner:	Chief Financial Officer

Overview:	<p>Business Services issues payments to external suppliers (suppliers) and other entities for a variety of business transactions. This procedure is to be followed to generate payment arising from the purchase of goods and/or services in accordance with established Olds College purchasing procedures.</p> <p>The purpose of this procedure is to ensure that payments made to external suppliers or entities are:</p> <ol style="list-style-type: none"> 1. Paid in the correct amount and in a timely manner; 2. Supported by appropriate documentation; 3. Paid only for goods and services received in satisfactory condition (if applicable); 4. Approved by the Budget Owner; 5. Expensed to the correct chart of accounts (COA); and 6. Recorded in the fiscal year in which the goods or services were received or the transaction took place.
Procedures:	<p>This procedure addresses the following:</p> <ol style="list-style-type: none"> 1. Payment of an invoice; 2. Invoice standards; 3. Payment terms; 4. Credit invoices; 5. Invoice corrections and supplier disputes; 6. Invoice processing and coding changes; and 7. Retention and filing of invoices and source documents. <p>1. Payment of an invoice</p> <p>The following are the four ways to pay an invoice at Olds College:</p> <ol style="list-style-type: none"> 1. Corporate Purchase Card

Budget Owners and anyone that the Budget Owner has authorized a Purchase Card for may pay an invoice to the Budget Owner's area by using a Corporate Purchase Card. The Budget Owner is responsible for ensuring that all coding is completed online and all supporting documentation is provided to Accounts Payable by the last working day of the month. Refer to *Purchase Card System Procedure*.

2. **Purchase or Services Requisition**

A **Purchase Requisition** is prepared in PeopleSoft in advance of the purchase, approved by the Budget Owner(s) and then submitted to Purchasing. Purchasing then prepares a Purchase Order. When received, the invoice then needs to be provided to Business Services within 2 working days of receipt to be paid automatically by Accounts Payable. If the invoice is for \$10,000 or more, it needs to be approved by the Budget Owner which requires the Budget Owner's signature, printed name and date.

Contracting for Services with Individuals and Unincorporated Businesses requires a **Services Requisition** form (*Contract for Services with an Individual or an Unincorporated Business Services Requisition*) in addition to the PeopleSoft Purchase Requisition. When a Services Requisition is required, departments are also to complete a determination of Worker's Status Checklist to determine employee versus contractor status. Payments should be processed through Payroll. Contracting for instructional delivery should be processed through payroll. Contracting for Services with Incorporated Businesses are processed like all other invoices.

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 College 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.

An invoice for goods or services received without a referenced Purchase Order (if required) is a circumvention of purchasing procedures and requires a Payment Request Form. Although the preparation of the Payment Request Form will allow for payment of the invoice, it is still an example of non-compliance with purchasing procedures that will require escalation if issues of non-compliance are recurring. The exception to using the Payment request form for a non-compliant invoice is if the invoice pertains to a contract. If you receive an invoice pertaining to a contract for which you have not submitted a purchase requisition, prepare an online requisition, attach a copy of the contract and invoice to the requisition, and submit the original invoice to Purchasing with the requisition noted on it.

3. **Payment Request Form**

A Payment Request Form may be used if all of the following conditions exist:

- Submitted to Accounts Payable within 5 working days of receiving the invoice;
- The payment cannot be made using a Purchase Card;
- A Purchase Order (PO) will not be required for the purchase;
- There is an approved Budget or an approved Budget Variance Approval Form; and
- The payment request is for less than \$1,000 or for a series of approved fiscal year payments.
- The payment request form may also be used if there is not an invoice, but there is alternate, sufficient support for the payment in the following situations:

*Refer to [Payment Request](#).

i. **Donation to a Registered Charity**

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, all donations require approval of the Chief Financial Officer (CFO).

ii. **Royalties**

- Copyright Royalties may need to be paid due to reproduction of literary, dramatic, musical or artistic work.
- Patent Royalties may need to be paid for the use of, or 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 Olds College 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). Budget Owners 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 College and applicable withholding amounts. Where the income is taxable in Canada, CRA requires the College 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.
- Budget Owners are responsible for obtaining and providing to Accounts Payable 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.

iii. **Grants**

Grants or sub-grants transferred to other institutions must have copies of all grant agreements and supporting documentation forwarded to the Senior Accountant, Operations in Business Services before any payments are made.

iv. **Refunds**

Refunds to students and non-employees are processed using the Payment Request Form if the original fee or payment made to the College 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.

4. Travel and Expense

A Travel and Expense Payment can be submitted in the PeopleSoft Travel and Expense Module for the following:

- Per diem travel claims; and
- Reimbursements for Olds College expenses paid for personally by the requester by means other than the Corporate Purchase Card.

Refer to *Travel Expense Procedure*.

2. Invoice Standards

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

The invoice must be original

Accounts Payable will only accept a photocopied, faxed or emailed invoice if the account holder has printed their name, the date and signed the invoice. It is the Budget Owners responsibility to ensure that they only approve invoices for payment once. For example, invoices paid by a Purchase Card cannot also approve a payment by cheque or wire.

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 the 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 Olds College

Payment Services will not pay invoices billed to a non-Olds College party. If the invoice should be paid by but is not billed to Olds College, the Budget Owner must request that the supplier correct and reissue the invoice.

The invoice must be detailed and include the following information:

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

3. Payment Terms

Olds College 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 are typically made every second Friday for all properly completed, supported and approved invoices or payment requests received in Accounts Payable by the Tuesday before the cheque run.

All cheques must be issued and mailed by Accounts Payable to the address of the supplier or payment recipient. Payments cannot be issued to an external supplier or non-employee in care of an Olds College mailing address, nor will cheques be forwarded to Budget Owners to deliver or hold.

Payments are made by Electronic Funds Transfer (EFT) or cheque in Canadian or US dollars as requested on the invoice. Payments in currencies other than CAD or USD are issued by wire transfer directly from the College'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. The supplier's bank information (including mandatory IBAN) must be provided on the PeopleSoft Purchase Requisition if the payment is not made by wire. Additional bank transfer fees apply and will be charged to the originating unit.

4. Credit Invoices

Suppliers may issue credit invoices for returned goods or pricing correction. Accounts Payable processes credit invoices by entering a credit to the coding that was used to pay the original invoice. 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 College a credit, Accounts Payable requests a refund from the supplier. After three attempts to recover the funds from the supplier, Accounts Payable writes off the credit to the originating coding and inactivates the supplier.

5. Invoice Corrections and Supplier Disputes

If the Purchase Order or contract invoice is incorrect or there is a dispute with the supplier (i.e. goods or services have not been satisfactorily received), the Budget Owner must immediately notify Purchasing for assistance in resolving the issue. Accounts Payable should also be notified to hold payment to the supplier until the matter is resolved. If an invoice is incorrect, the Budget Owner is responsible for contacting the supplier directly to resolve the issue. Purchasing will provide assistance if the unit cannot easily resolve the issue with the supplier.

6. Invoice Processing and Coding Changes

An invoice keying correction is required 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 in the PeopleSoft Accounts Payable Module. If the incorrect coding was provided by the Budget Owner a Journal Entry Form with referenced, complete supporting documentation must be prepared, reviewed, approved and signed by the Budget Owner and needs to be provided to Accounts Payable. Required supporting documentation includes a copy of the General Ledger transaction, the supplier name, a copy of the invoice, AP voucher number and a brief description of the reason for the coding change to Accounts Payable, who processes the change. 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 Budget Owner must immediately notify Accounts Payable, who processes the change.

7. Retention and Filing of Source Documents

CRA regulations require that the College 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.

Original source documents that require retention include the following:

- Packing Slips;
- Documents indicating original written approval of the account holder on orders;
- Any other relevant documents in support of purchasing transactions including quotes, order confirmation from supplier and any correspondence with the supplier;
- Purchase requisitions;
- Service requisitions;
- Original Invoices (Budget Owners may temporarily retain copies of Invoices for the purpose of transaction review and verification);
- Purchase agreements and contracts;
- Payment Request Forms with supporting documentation provided by the Budget Owner; and
- Travel Expense Forms with supporting documentation.

Forms

Related forms include the following:

- Purchase Requisition;
- Service Requisition;
- Payment Request Form;
- Travel Expense Form;
- Interdepartmental Transfer Form; and
- Electronic Funds Transfer (EFT) Form;

Definitions:

External suppliers: Include individuals and business entities external to Olds College from which goods and/or services are purchased. This excludes College areas that provide goods and services to other College areas.

Budget Owner: The individual responsible for ensuring charges to their areas are

	<p>compliant with all College policies and procedures and, if applicable, with donor/sponsor terms and conditions (e.g. Dean, AD, Researcher, Project Manager).</p> <p>Chart of accounts (COA): The COA includes the full chart field string to which a financial transaction is coded.</p>
<p>Related Information:</p>	<p>F02 Budget Owner Responsibility Procedure F22 Purchase Card System Procedure F22 Contract for Services with an Individual or an Unincorporated Business Services Requisition Form F22 Payment Request Form F22 Travel Expense Procedure</p>
<p>Review Period:</p>	<p>3 years</p>
<p>Revision History:</p>	<p>New: October 2015</p>