

Payment Processing for Purchase Order Invoices

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Payment Process

The payment process involves many elements:

- Processing timely payments to vendors, verifying pricing and terms of the Purchase Order
- Monitoring vendor statements and investigating invoicing or payment errors
- Requesting and processing credit memos
- Resolving problems, providing assistance and direction to departments in settling disputes with vendors arising from payment deductions
- Providing follow-up service on outstanding invoices to ensure payment in a timely fashion
- Applying refund checks to the proper accounts
- Researching returned checks to cancel, void or reissue

Invoices

Purchase Order Invoices must be submitted to Accounts Payable for auditing and processing. If a department receives an invoice from the vendor, the invoice must be sent immediately to Accounts Payable, 202 PCO to be processed.

- Invoice is received from the vendor
- Invoices are processed in Control Groups for the purpose of controlling voucher numbers and system totals once the group is complete
- Invoices are processed on line in the AP/PO system and the following is verified
 - Vendor name
 - Vendor remit address
 - Line items
 - Quantities
 - Totals
 - Payment and Freight terms
- The invoice is saved and a voucher is created
- Vouchers go thru a nightly matching, budget check and posting process. During the matching process match rules are applied to verify the following
 - Invoice price to the PO price
 - Vendor number on voucher to vendor number on PO
 - There is an on line receipt if the PO requires receiving
- An email notification is sent to the requestor (or their designee) the following day to let them know the voucher is ready for review on the APPO web pages.
 - The view voucher link takes them directly to an on-line voucher report
 - Within 3-4 business days of receiving the email notification an image of the corresponding invoice is viewable from the voucher report

Invoice Number

The invoice number identifies the vendor invoice that is being paid, and is usually assigned by the vendor. If the vendor does not provide an invoice number, the invoice total dollar amount and invoice date are used. In some instances the vendor account number and invoice date may be used.

Short Payments

If a vendor overcharges the University, Accounts Payable makes the necessary deduction and provides a short payment message on the vendor's check stub. Examples of "short pay" are sales tax, inappropriate freight charges, goods or services not ordered or not received, or prices greater than the contracted price. [↑top](#)

Credit Memos

If the University has overpaid an invoice, or if merchandise has been returned, Accounts Payable requests and applies the credit memo to the same MFK. Payments will not be made to vendors that have credit balances. The AP/PO system will hold vouchers until the vendor has a debit balance before creating a payment.

- If the invoice has not been paid and the credit cancels the invoice entirely, the voucher will be reversed
- If the invoice amount is greater than the credit amount, a credit adjustment voucher will be entered
- If the invoice has been paid, a credit adjustment voucher will be entered and applied to the next payment to the vendor

If you have questions regarding the use of credits or credit memos, please contact accounts payable at acntpay@uiowa.edu

Voucher Reports

The voucher report provides departments information on invoices which have been received by Accounts Payable and entered into the AP/PO System.

Vouchers entered for:

- Non Equipment Purchases and
- Purchases Orders less than \$10000.00
- E-mail notifications are sent to the Requestor or their designee the day after the voucher is created
- Payments are automatically made within payment terms , the earliest of the discount due date or the scheduled due date

If payment is to be held or you have questions please contact accounts payable at acntpay@uiowa.edu

Vouchers entered for:

- Purchase orders \$10,000 and greater
- Purchases where the iacct is 6730 or 6740(capital equipment)
- Purchase Orders for Professional Service agreements \$5000.00 and greater where the iacct is between 6200-6235.
- An e-mail notification is sent to the requestor
- The department must enter an electronic receipt directly into the PReq system and provide the equipment information when appropriate
- Payments will not be made until a receipt has been entered

Adjustment Voucher

An adjustment voucher is created when Accounts Payable enters credit memos, charge backs and/or adjusted invoices in the AP/PO system.

- E-mail notifications are sent to the requestor or their designee when the voucher is created
- Credit adjustments will be applied to the next check sent to the vendor, when the amount of the check is greater than the credit amount

Delinquent Voucher Reports

Delinquent voucher e-mail notifications for Capital Equipment and or greater than or equal to \$10,000 are sent monthly to the department requestor or designee.

- E-mail serves as notice that the vouchers was not paid on the scheduled due date and are on hold status
- Requestors or their designee should complete the receipt and equipment information and return to Accounts Payable or provide information as to why payment should be held within 10 days of receipt of the e-mail. [↑top](#)

Department's Responsibility

- Compare voucher reports and invoices with receiving records and purchase orders for accuracy
- Review voucher reports promptly to ensure that any cash discounts are processed within the voucher payment terms
- For PO's requiring receiving enter a receipt into the PReqs system
- Process on line CV for MFK changes
- If problems occur (i.e. damaged product, short shipments, merchandise returned, overpricing), notify Accounts Payable to hold the voucher, request credit and/or short pay
- For returned merchandise, contact the vendor for authorization to return
- Notify Purchasing for all purchase order changes, additions and deletions
- Verify Statement of Account
- Before calling the Accounts Payable Department, visit the [Frequently Asked Questions](#) (FAQ)

Refund Checks

Refund checks are received and deposited in the corresponding purchase order's MFK. Accounts Payable is responsible for requesting and depositing vendor refund or rebate checks. Vendors may issue refund checks for:

- Credit memos
- Rebates
- Returned goods if the merchandise has already been paid
- Duplicate payments
- Overpayments

eVouchers

The eVoucher system is a web based application used to process payments for Services and Non Services vouchers.

Non Services eVouchers

Non services eVouchers are used to pay for transactions without the issuance of a purchase order. These transactions are normally low dollar, less than \$3000.00 and there would be no value added by creating a purchase order and having it reviewed by purchasing.

Creating a Non Services eVoucher

- Vouchers are entered on line thru the e-Pro application by the department.
- Provide department name, contact and phone number
- Provide a specific business purpose for the payment
- Search for the vendor to see if they already exist in the APPO system
 - If yes, select the vendor number and the address fields will automatically be populated on the voucher
 - If yes, but the address needed is not available, select the vendor number, then click update address and enter in the new address
 - If no, click on the new vendor box and fill in the appropriate vendor information
- Fill in the invoice number
- Provide quantity, unit of measure (UOM), description, unit price
- Fill in the MFK. For multiple MFK's enter in the dollar amount to be charged to each MFK.
- Attach Supporting documentation electronically to the voucher
- Voucher numbers starting with the letter V followed by 7 digits will be assigned when the voucher is saved
- Voucher is routed thru workflow and must have two levels of approval in the department
- Voucher arrives in Accounts Payable for auditing
- Once approved by Accounts Payable voucher is loaded to AP system for payment [↑top](#)

Many items that are routinely purchased using a Non-Services eVoucher are:

- Charter Services for bus and air
- Emergency transportation to UIHC
- Fees; such as transcripts, academic testing, inspections, entrance fees, lab and x-ray fees for patients, lab animal maintenance fees
- License Applications
- Memberships
- Prepayments<\$3000
- Reimbursements
- Subscriptions
- Conference charges for rentals, services and equipment
- Exhibit fees for artwork
- Freight
- Medical Services
- Postage
- Refunds
- Research Subjects
- Utilities

Items that are not allowed on eVouchers:

- Animals (including fertilized embryos)
- Automotive Repairs
- Controlled Substances
- Gasoline
- Long Term Leases, Rentals
- Printing and Photocopying
- Radioactive Materials
- Travel reimbursements to individuals
- Any goods or services
- Business Cards
- Cylinder Gases and Liquid Nitrogen
- Hazardous Chemicals, Materials
- Personal Items
- Purchase involving trade of University Property
- Telephones, Related Equipment not compatible with University system (contact Telecommunications)
- Weapons and Ammunition

** Alcoholic Beverages are restricted to certain funds. See The University of Iowa Operations Manual, Part 5, Chapter 11, Section 11, or view at www.uiowa.edu/~our/opmanual/v/11.htm#1125 ↑[top](#)

Services eVouchers

Services eVouchers are used to make independent contractor payments to individuals who are providing a service to the University of Iowa and who are using a social security number or an individual tax identification number (ITIN). Services vouchers are routed to payroll in workflow for approval prior to payment. Please see the payroll website for more information regarding payments of this nature.

Items that are routinely paid for using a services eVoucher are:

- Awards
- Consultant
- Guest Speaker
- Honorariums
- Musician/Performer
- Peer Reviewer
- Royalties
- Stipends
- Transcription fees

Check Processing

Accounts Payable usually produces checks on Wednesdays and Fridays. ACH (electronic payments) are processed daily, Monday – Friday. Exceptions may occur as a result of holidays or other special circumstances.

- The Payment Coordinator initiates the payment process by setting the payment date, pay thru date and next payment date
- Vouchers are selected for payment based on the scheduled due date on the voucher
- A Trial Register listing all vendor names and dollar amounts of each payment for the pay cycle is reviewed and approved by the Payment Manager
- Checks are printed by the Payment Coordinator
- A positive pay file of all checks is created and sent to the bank for each pay cycle
- A file of all ACH payments is created and sent to the bank for each pay cycle
- Checks are sorted, verified and distributed according to their handling code

Payment Cancellation and Voucher Reissue

Checks returned due to an incorrect address or from a vendor are reviewed by the “Check Specialist” to determine if the check should be reissued or cancelled. Cancelled checks are noted as “Void” and the reason is noted in the comments field. The liability for the payment is then reversed.

1099 Reporting

1099 reporting is used to report miscellaneous income for individuals and companies who have been paid \$600.00 or more in non employee service payments during a calendar year with the exceptions of royalty payments of \$10.00 or more.

1099 reporting is done on a 1099-MISC tax form and is determined by the vendor’s application form and/or the Institutional Account in the MFK. Categories currently being reported on a yearly basis to the IRS are:

- Medical and Health Services
- Non-employee compensation services
- Rents
- Royalties

FAQ’s For 1099

What is a 1099-MISC and what does it mean?

A 1099-MISC is a type of tax form. It is used to report miscellaneous income for individuals and companies who have been paid \$600 or more in non-employee service payments during a calendar year with the exception of royalty payments of \$10 or more.

What type of payments are reported on a 1099-MISC?

Examples of payments reported on a 1099-MISC form include:

- Awards
- Honorariums
- Medical / Dental Services
- Performers
- Rents
- Royalties
- Guest Speakers / Lectures
- Legal Services
- Other Services
- Prizes
- Research Subjects

What is the difference between a Form W-2 and a Form 1099-MISC?

Both of these forms are called information returns. The Form W-2 is used by employers to report wages, tips and other compensation paid to an employee. The form also reports the employee's income tax and Social Security taxes withheld and any advanced earned income credit payments. The Form W-2 is provided by the employer to the employee and the Social Security Administration.

A Form 1099-MISC is used to report payments made in the course of a trade or business to another person or business who is not an employee. The form is required among other things, when payments of \$10 or more in gross royalties or \$600 or more in rents or compensation are paid. The form is provided by the payer to the IRS and the person or business that received the payment. [↑top](#)

I received a Form 1099-MISC instead of a Form W-2. I'm not self-employed; I do not have a business. How do I report this income?

If payment for services you provided is listed in box 7 of [Form 1099-MISC](#) (PDF), you are being treated as a self-employed worker, also referred to as an independent contractor. You do not necessarily have to "have a business," but simply perform services as a non-employee to have your compensation treated this way. The payer has determined that an employer-employee relationship does not exist in your case. That determination is complex, but is essentially made by examining the right to control how, when, and where you perform those services. It is not based on how you are paid, how often you are paid, or whether you work part-time or full-time.

When are 1099-MISC Forms distributed?

IRS regulations mandate that Form 1099-MISC be distributed no later than January 31 of the year following payment. Forms 1099-MISC are mailed via the US Postal Service no later than January 31. Please allow time for delivery.

Who do I contact regarding Form 1099-MISC questions relating to amount, payment detail, incorrect Tax ID or name listed on the form, lost or did not receive Form 1099-MISC?

If you are a University of Iowa employee or vendor paid by the University, questions pertaining to Form 1099-MISC can be addressed to Sherry Moffit in Accounts Payable at 319-335-0408 or sherry-moffit@uiowa.edu.

Who do I contact with questions regarding how to report the amounts from Form 1099-MISC on my tax return?

The worst thing that you can do is ignore your 1099-MISC. By law both you and the company that pays you are required to file a 1099-MISC. Questions regarding how to report the amounts from Form 1099-MISC on your tax return should be directed to your tax professional or the IRS at (800) 829-1040. You can also visit www.irs.gov for information, forms and publications. [↑top](#)

Glossary

Accounts Payable and Travel: This department processes payments for all transactions and produces the checks that are sent to all vendors. They also process travel expense vouchers, process payments for meeting registrations, issue travel advances, and maintain records of payments and vouchers.

Automated Clearing House (ACH): is an electronic network for financial transactions in the United States. ACH processes large volumes of credit and debit transactions in batches.

Voucher Reports: Voucher reports are computer generated and used for the payment of invoices to external vendors when a Purchase Order has been established.

Credit Memo: A listing of products or services sent to a purchaser itemizing prices and quantities being credited for returned products, overpricing, products received damaged, short shipments, duplicate billing, etc.

EDI: Electronic Data Interchange, the computer-to-computer transmission of standardized business data.

Encumbrance: A University accounting method that reserves funds from a department's budget for an anticipated expenditure. Funds are encumbered when a purchase order is issued.

eVoucher: This Voucher form is originated by the ordering department and is used for non-purchase order payments. Often these payments are for low dollar transactions, fees, membership dues, or other intangible items.

Expenditure: A University accounting method that identifies payments on a department's budget.

GL:M: General Ledger: Millennium, the University's financial accounting system.

Grant Accounting: The department that monitors compliance with regulations for funds received through the Federal and Non-Federal Grant processes.

Invoice: A bill listing products or services sent to a purchaser itemizing prices, quantities, shipping charges and requesting payment. Provides vendor name and remit to address.

ITS: Information Technology Services supplies departments with computer access, information, and support to the University mainframe operations.

Low Dollar Transaction: Purchases of items costing less than \$3000 that are not tag-able equipment by the processing of an eVoucher rather than a Purchase Order. Examples include magazine subscriptions, membership dues and fees. Procurement Cards are also used for low-dollar transactions.

MFK: The Master File Key is a system of codifying accounting data such as funding, Federal and state classifications, use of funding, responsibility, etc. Fields for entering these codified data appear on most of the forms used in the purchasing and payment processes. Departments can customize certain areas of the MFK to further detail their income and expense reporting.

Prepayment: A transaction in which payment is sent with the order. For orders less than \$3000 the department must complete an e-Voucher with price verification attached for Accounts Payable to generate a check.

Procurement Cards: Procurement cards are available for payment of small dollar items such as registrations, software upgrades, orders from catalogs and other miscellaneous expenditures less than \$5000.00.

Purchase Order: This form is the official document authorizing the purchase of products and services.

Requester: The person or persons in each department who work directly with Accounts Payable and Purchasing to facilitate the procurement and payment process. They are assigned unique requester codes. They may be contacted by Purchasing, Accounts Payable, or the vendor if there is a question about an order.

Short Payment: Payment of an invoice deducting any overcharged amounts. [↑top](#)