

LUTHER COLLEGE

POLICIES AND PROCEDURES

Department:	Financial Services
Subject:	Purchasing and Payment for Expenses
Date Issued:	March 1, 2006
Date Revised:	March 1, 2009, January 7, 2015, October 2, 2018, February 16, 2021
Approved By:	Reviewed at Cabinet, Approved by President, February 17, 2021

I. Policy

This policy sets forth the guidelines for making purchases and payment for expenses that are necessary for operating the College.

II. Purpose

The purpose of this policy is to ensure that expenditures of college funds are properly authorized and documented. All College funds should be handled in a manner to insure the greatest ultimate value per dollar expended.

III. Scope

This policy applies to all faculty, staff and students.

IV. Terms and Definitions

- Colleague – the campus-wide computerized integrated information system used for administrative purposes including purchasing, accounting and budgeting.
- Purchase permit – pre-numbered, three-part form used for purchases less than \$500 from most Decorah merchants.
- Purchase order – form used for purchases that will be shipped to campus, or when required by the vendor for purchases that will be delivered prior to payment. Luther uses two types of purchase order forms – a pre-printed, pre-numbered, four-part form and a computer-generated form on the Colleague system.
- Payment voucher – form used for prepaid purchases, for purchases made without a purchase order, or for requesting reimbursement for purchases made with personal funds.
- Cabinet – the executive team made up of the President, Vice Presidents, Executive Assistant to the President, and others assigned by the President.
- Budget center directors – the appointed department head or department manager who is responsible for the department’s allocated budget.
- Encumbrance – a commitment of budget dollars created when a purchase order is entered into the Colleague system. An encumbrance reduces the available budget until the purchase order is converted to a payment voucher or the purchase order is canceled.
- Invoice – a bill received from a merchant requesting payment for goods or services provided to the College.

V. Procedures and Guidelines

A. Summary

- All purchases are to be approved by the appropriate budget center director or his/her designee. Purchases over \$10,000 require a Cabinet member's approval.
- Departmental purchases can be made from Luther service centers by providing a Luther account number to be charged.
- Reimbursement for purchases made with personal funds is acceptable in some circumstances, but only when it is not possible to use a College commercial card. Sales tax will not be reimbursed on purchases made with personal funds.
- Payments are made from original invoices, not from statements.
- There are restrictions on the purchase of [alcohol](#), clothing, [flowers and gifts](#), office parties and equipment (see Restricted Items in section J below).

B. Approval – Expenditures equal to or greater than \$10,000 must be approved by a Cabinet member. Decisions about spending college funds are the responsibility of budget center directors. Budget center directors may designate someone else in his/her department to approve purchases of less than \$2,500 by completing a [Department Approval Designation Form](#) and sending the form to the Office for Financial Services. Although budget center directors may delegate purchasing decision authority to others, the budget center directors retain responsibility for:

- Making certain that only goods and services needed for the functioning of the department are being purchased.
- Selecting merchants who are reputable, who are providing goods or services of a quality suitable for the College's needs, and who are offering a competitive price.
- Being good stewards of the College's resources by comparing prices from several merchants, getting written bids when appropriate, and by taking advantage of discounts or special offers when available. Multiple quotes are a requirement for all purchases > \$3,000. ([See Bidding Policy](#))
- Staying within the department's budget.
- Charging the purchases to the proper account, that is, to the account which appropriately identifies what was purchased. Proper accounts are to be determined by the nature of what was purchased, not on the availability of budget money.
- Charging the purchase to the proper fiscal year (see [Accounting for Revenue and Expenses Policy](#)).
- All purchases must comply with state laws, federal laws and guidance, and with Luther's [Conflict of Interest and Disclosure Policy](#). No employee, officer, or agent may participate in the selection, award, or administration of a contract if they have a real or apparent conflict of interest.

C. Compliance with Uniform Grant Guidance in Title 2 Code of Federal Regulation (CFR) Grants and Agreements, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards general procurement standards should be adhered to when purchasing for federal grants and awards: 2 CFR Part 200 Subpart D Subsections §200.318 General procurement standards through §200.326, and Appendix II to Part 200-Contract Provisions for Non-Federal Entity Contracts Under Federal Awards. The compliance standards are online at: (https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) (See Uniform Grant Regulations for Principal Investigators of Federal Awards Policy)

D. Departmental Purchases from Luther service centers

- Departments may make purchases or be charged for services provided by the following service centers (see the related policy for further information on purchasing and any

applicable discounts for the specific service center or store):

- o Dining Services to include the Cafeteria, Catering, Oneota Market, Marty's, Nordic Brew, C-Store, Sunnyside (see [Dining Services Policy](#))
- o Book Shop (see [Book Shop Charges and Discounting Benefits Policy](#))
- o Mail Center (see [Mail Services Policy](#))
- o A CBORD number will need to be provided for all Luther charges at the above listed service centers.
- o CBORD numbers are used by the ID card system (Odyssey PCS) to identify the corresponding Colleague account number to which a transaction should be charged.
- o CBORD numbers are issued by Dining Services. Questions can be directed to the Dining Services Administrative Assistant, ext. 1461.
- Department accounts will be charged on a weekly basis and can be reconciled by tracking the charge in the following manner:
 - o At the time of purchase the buyer will receive an itemized receipt.
 - o Keep all itemized receipts to reconcile to the Department's NorseCard account.
 - o Departments can view their NorseCard account at <https://luther.edu/norsecard/>.
 - o Budget reports are available by using the Financial Query function at <https://norsehub.luther.edu>.

E. Purchase Permits

- May be used at Decorah merchants for purchases less than \$500 with the exception of Walmart, which only accepts credit cards.
- When a purchase is to be made, the purchase permit should be completed with:
 - o the merchant's name
 - o a brief description of what is being purchased
 - o the amount expected to be spent
 - o the date the purchase is made
 - o the account name and account number to be charged
 - o the signature of the person authorized to approve purchases for the department to which the purchase will be charged
- The white copy is to be given to the merchant, the yellow copy, with an original receipt attached, goes to Accounts Payable in the Office for Financial Services, and the pink copy is to be kept by the department.
- It is very important to send the yellow copies to Accounts Payable on a timely basis.
 - o Accounts Payable needs the yellow copy to match with the white copy, submitted by the local merchants when they request payment, to verify that the merchant's payment request is valid.
 - o Information from the purchase permit is used by Accounts Payable to know which department to charge for the purchase.
- Purchases over \$500 should be made with either a purchase order, or a college commercial card (see [College Commercial Card Policy](#)).

F. Purchase Orders

- Purchase orders are to be used in the following situations:
 - o Whenever the goods being purchased are to be shipped to campus and the vendor requires a purchase order to confirm that the order is being placed on behalf of Luther College.
- The purchase order number is the key used by the College and the vendor to communicate with one another as to what was ordered, shipped, received and paid for. The purchase order number is used internally when goods are received in central receiving so Facilities Services knows where the goods need to be delivered on campus. The purchase order also provides documentation as to who ordered the merchandise, who approved the purchase, and to what

- department(s) the purchase should be charged.
- Paper purchase orders are to be completed by the department making the purchase using the following instructions:
 - o The vendor name and address need to be as complete as possible so Accounts Payable is able to accurately identify the vendor and determine whether or not the vendor is already in the Colleague system.
 - o A completed IRS W-9 form if the vendor is not in the Colleague system.
 - o Information about the order and the vendor should be entered in the section to the right of the vendor name and address. This information is helpful if Accounts Payable or Facilities Services has questions about the order.
 - o In the main section of the purchase order, enter the quantity, description, unit price, and extended price as indicated. Also, include any expected discounts and shipping costs.
 - o The purchase order needs to be signed by the budget center director or by someone to whom purchasing authority has been given.
 - o The account(s) to which the purchase is to be charged needs to be entered where indicated at the bottom of the form.
 - o The four copies of the purchase order form are to be distributed as follows:
 - White copy is sent to the vendor
 - Blue copy goes to Accounts Payable
 - Yellow copy is kept by the department for its records
 - Pink copy goes to Accounts Payable after the merchandise has been received and serves as acknowledgement by the department that the order was received in good condition and as approval by the department for payment to be made to the vendor.
 - o If the order is placed over the telephone or over the internet, it is still important to provide a purchase order number to the vendor, even if the paper form does not get sent to the vendor.
- Colleague online purchase orders are used by departments which have significant purchasing activity and have received training to use the Colleague purchase order system. This process replaces the paper purchase order process. This system involves:
 - o entering information about the purchase into the Colleague system, which creates an encumbrance against the budgets charged for the purchase
 - o recording in the Colleague system what has been received when the merchandise arrives
 - o forwarding the invoice to the Office for Financial Services if it is received by the department
 - o monitoring the status of the encumbrance to see that it is properly deleted when the invoice is paid.

G. College Commercial Cards – refer to the [“College Commercial Card Policy”](#)

H. Payment Voucher Forms

- Payment voucher forms are used in the following situations:
 - o Prepaid purchases, such as magazine subscriptions or conference registration, for which the payment is to be submitted to the vendor along with the order form or registration form.
 - o Purchases made without a purchase order, such as routine inspections provided by an elevator service company, for which an invoice has been received.
 - o Honorarium payments.
- Payment voucher forms are to be completed with the following information:
 - o Name and address to whom the payment is to be made.
 - o A completed IRS Form W9 which contains the social security number or tax identification number, email and phone number of the vendor. This information is required so the college can comply with IRS regulations and for reporting

payments on Form 1099.

- o The date the check is needed. Checks are only processed on Wednesdays, so the request should be sent to the Office for Financial Services at least seven working days prior to the date the check is needed. (Note that 'As Soon As Possible' is taken to be a less urgent request than a specific date.)
- o The account(s) to which the purchase is to be charged.
- o Directions as to what should be done with the check after it has been printed: mailed to the vendor, sent to someone on campus or held in the Office for Financial Services to be picked up.
- o The signature of the budget center director or director's designee for each of the accounts being charged.
- Documentation should be **stapled** to the payment voucher form that substantiates the purchase, designating who the merchant was, what was purchased and the price. This documentation should include a copy of any paperwork that is to be sent to the vendor along with the check. For example, a copy of the completed vendor order form being submitted to the vendor.
- If the check is to be mailed by the Office for Financial Services, the documentation that is to be sent to the vendor along with the check, such as a completed registration form, should be **paper clipped** to the payment voucher form.
- When requesting payment of an invoice, it is acceptable to legibly write the required information, such as the account number and the approval signature right on the invoice itself and submit it without a payment voucher form.
- If on Content, it is acceptable to scan the invoice to apinvoice@luther.edu and route forward for approval without a payment voucher form.

I. Purchases Made with Personal Funds

- It is acceptable for purchases to be made with personal funds, and then submitted for reimbursement, but this is discouraged for several reasons:
 - o Lack of proper approval prior to the purchase.
 - o Individuals are not able to avoid paying sales tax, from which Luther may be exempt (see [Sales Tax Exemption Policy](#)).
 - o There may be discounts available to the College that are not available to individuals.
 - o Reimbursements, if not properly documented, may be misconstrued by the IRS as taxable compensation.
- Reimbursement for purchases made with personal funds are processed in the same manner as travel reimbursements (see the [Travel Expenses Policy](#)) and similar to prepaid purchases, with a payment voucher form and substantiating documentation.
- It is very important to include an explanation as to the business purpose of the purchase on the payment voucher form. Without an adequate explanation, the IRS may consider the reimbursement to be taxable compensation to the employee.
- The College reserves the right to not reimburse the employee for sales tax if the sales tax would have been avoided had one of the preferred purchase methods been used.

J. Original Invoices

- Payments to merchants, other than prepaid purchases, are only done from original invoices (mail or electronic), not from copies of invoices nor from statements. This is done in order to avoid paying an invoice more than once. Generally, invoices are sent by merchants directly to the Office for Financial Services. However, sometimes invoices do go to the department making the purchase, such as when the invoice is included with the purchased items. It is very important for departments to promptly forward invoices to the Office for Financial Services to prevent delays in paying bills in a timely manner.

K. Restricted Items

- Alcohol is not to be purchased with college funds unless the purchase has been pre-approved by a Cabinet member.
- Purchases of certain types of equipment are handled centrally, not by individual departments.
 - o Computers and computer peripherals are purchased only by Information Technology Services. Vehicles are only purchased by Facilities Services.
 - o Purchases of copiers should be coordinated with RICOH, Managed Print Services at the college. Clothing required to be worn as part of a uniform may be purchased with college funds. Shirts, sweaters or jackets with an office or departmental imprint that are not a required uniform are to be paid for by individuals, not the College.
- College funds are not to be used to purchase flowers or gifts, other than by the President's Office.
- The College hosts all employees at a campus-wide Christmas party. Additional college funds are not to be spent for office or departmental Christmas parties.

VI. Confidentiality and Record

The paper documentation for accounts payable checks are kept by the Office for Financial Services, filed according to fiscal year and then by vendor. Documentation beginning January 1, 2018 is maintained electronically with Hyland Lexmark Software system. All documentation is destroyed after seven years per the Document Retention and Destruction Policy.

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