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Methodist University Purchasing Procedures - General

Welcome to Methodist University Purchasing. Purchasing at the University is handled in a decentralized system as opposed to centralized purchasing. In a centralized purchasing system, a central department, or purchasing agent, coordinates and controls all of the purchasing undertaken within an organization. Conversely, in a decentralized purchasing system, various employees among the many departments are authorized to make purchases. There are advantages and disadvantages to both systems. Under current conditions, the University chooses to decentralize its purchasing, empowering its departments to make purchasing decisions in accordance with their specific needs, and in alignment with their budgets.

In addition to complying with general University purchasing policies and procedures, anyone conducting purchasing on behalf of the University is obligated to employ ethical behavior, comply with government regulations, provide proper transaction documentation, and ensure fiscal responsibility and budget compliance. While not mandated, competitive quotes from vendors handling the same or similar goods and services should be secured whenever possible to ensure the University receives quality merchandise and services at the best value. In all cases where purchases are made in connection with federal grants or other outside funding sources, the purchasing policies and procedures of the funding source **must** be followed (this may include competitive pricing and regulations relating to single source providers).

There are five methods of purchasing at Methodist:

The most preferred method is the use of a University **Procurement Card**, or “P-card”. A P-card is a Visa credit card issued in the name of the employee, with pre-assigned spending limits. The University is responsible for paying the monthly bill.

For employees who do not have a P-card, or do not have sufficient limits on their P-card for a purchase, **Corporate Cards** are available for checkout. Any employee can request to use a Corporate Card through the McNet Online Purchasing System. Corporate Cards are activated and loaded with only the amount requested. Once the purchase is made, the card is blocked from further use.

If a purchase needs to be made from a vendor who does not accept Visa, an employee can request the purchase by way of a **Purchase Order** on a vendor account. Purchase Order requests are also made through the McNet Online Purchasing System. The University has established accounts with a number of vendors, and can add a vendor to the system if they do not accept Visa and are willing to allow the University to purchase on account. Certain vendors require a credit application to establish an account, and all new vendors must submit a completed Form W-9 to the University for tax reporting purpose. Thus, if you wish to add a vendor to the University’s system, please allow sufficient time for processing. You may request to add a vendor electronically within the Purchase Order Function on the McNet Online Purchasing System.

If a purchase cannot be made on a P-card, Corporate Card, or on a vendor account, a **Check Request** may be used as a last resort. Check requests are to be used in limited, emergency situations where there are no alternative means to make the purchase. Check requests are generally used for payments to individuals who do not accept credit card payments, such as honorariums. Checks are cut on Tuesdays and Thursdays and are available for pick up after 3 p.m. Requests for checks are made through the McNet Online Purchasing system. Employees requesting a check must give consideration to allow sufficient approval and processing time.

Finally, certain departments have small **Petty Cash** funds for infrequent, small dollar purchases, generally less than \$25. These five methods of purchasing are described in further detail below:

Procurement Cards (P-cards):

The procurement card provides a more efficient, cost-effective alternative for departments to make purchases. University employees, who are issued a procurement card, as approved by their respective Vice President, are provided the ability to make purchases on behalf of their department up to the spending limits imposed by the card. Cardholders are expected to make sound business decisions in the best interests of the University, perform their duties competently, and comply with the policies and procedures governing the P-card. The Department Head, however, retains ultimate responsibility for purchases with procurement cards and the administration of the program within his or her department. The Department Head, therefore, is expected to make reasonable efforts to select appropriate employees as cardholders and ensure that these employees use the cards in a proper manner and in compliance with university policies.

Application Process

Any employee can fill out an application for a P-card. The application, as well as all P-card forms and policies, are available on the Business Affairs section of the University website. No credit checks or personal information is required by the employee. The application is approved by the Department Director or Chair, and they will indicate the limitations to be placed on the card. The V.P. must approve the application, and ultimately the Controller approves it as well. Upon final approval, the card is ordered and may take up to ten business days to arrive in the Controller's Office. The employee must attend training, and sign a cardholder agreement stating they will use the card appropriately and understand their responsibilities before they can pick up the card. The Controller's Office is responsible for maintenance of the entire P-card program, and reserves the right to block or cancel any card if warranted.

Implied Authorization / Transaction Limits

For the employee, the P-card comes with an implied authorization to spend funds in a manner, and within the limits, agreed upon with their supervisor. Therefore, an employee does not need to submit a purchase order or check request and wait on the required approvals. Purchases may be accomplished immediately without the burden of the up-front approval process.

Transaction Limits

Unique controls have been developed for the P-Card program that do not exist in a traditional credit card environment. Limits are placed on the cards, as deemed appropriate by the Department Head and the Controller, which establish certain restrictions, such as the maximum dollar amount for a single purchase, daily purchases, and monthly maximums. Transactions may not be split to avoid the dollar limitations. Other restrictions placed on P-Cards prevent its use for certain types of purchases (for example, cash advances, gambling, travel) or types of vendors (such as alcohol package stores, pawnshops, financial and related institutions). These controls help ensure that the card is used only for specific purposes and within specific dollar spending limits.

Vendor (MCC) restrictions

Supplier restrictions apply through the use of MCC codes. All vendors who accept Visa are assigned a Merchant Category Code, or MCC code, by Visa. Certain MCC codes are restricted from the P-card program, such as ATM machines, liquor stores, casinos, and such. A complete listing showing all allowed and unallowed MCC codes is available on the MU Business Affairs website.

After the fact review/approval

Once the cardholder has ensured all transactions are allocated, attached all receipts to the statement, and checked the statement to ensure all charges are valid and there is an itemized receipt for every charge, he must sign the statement as documentation of his review. The entire package is then delivered to the immediate supervisor who also reviews the package and signs the statement as documentation of his review. As the supervisor is not required to document up-front approval for individual P-card purchases, all charges on the statement must be reviewed afterward.

Transaction Upload and Allocation

P-card transactions are uploaded daily to suspense accounts within the user's departmental budget. P-card users, or their designated individuals, are required to allocate their monthly charges to the proper general ledger expense and departmental budgets, using the Visa website. This allocation is performed, at a minimum, on a monthly basis. Any employee allocating charges on the Visa website will receive separate training on the procedure.

Itemized receipts

Every charge must be supported by an original, itemized receipt. An itemized receipt shows the items purchased and any sales tax charged. The itemized receipt is required for the University to apply for a refund of the sales tax. That refund is applied back against the department's budget for each applicable transaction upon completion of the monthly P-card audit. A typical refund for the University over a 6-month period can average close to \$100,000 all from the accumulation of every individual itemized receipt. Thus itemized receipts are required for all purchases.

100% audit

A reconciliation is performed monthly, which includes comparing statement charges to receipts and verifying the legitimacy of all charges. The P-card user and his appropriate approver must sign the P-card statement and submit it to the Procurement Services Department by the 20th of each month. The Procurement Services Department performs a 100% audit of all P-card transactions for program compliance. Issuing credit cards provides a great convenience to University employees, but at the same time puts the University at greater risk for fraud and abuse. Using all the available limitations that can be applied to p-cards, and auditing 100% on the back-end helps provide the additional controls needed to ensure that spending is contained within appropriate limits, in accordance with departmental budgets, and that the card is used only for legitimate University purposes.

Problems:

- Declined Purchase – if a purchase is not approved by VISA, the vendor can call the bank directly to determine the reason, or the cardholder may call the bank at the customer service number on the back of the card.
- Returning an item – For a purchase made in person, return the item directly to the vendor and obtain a credit receipt. Cash refunds are prohibited. For purchases by phone, mail, etc, contact the vendor for return instructions, and obtain a return reference number.
- Incorrect charges – contact the vendor first to resolve the disputed item. If the vendor does not resolve the discrepancy in a timely manner, you may dispute the transaction with the bank by calling the customer service number on the back of the card, or mailing or faxing a dispute form (located on MU intranet).
- Fees for paying with Visa - when using Visa to pay invoices, vendors sometimes attempt to tack on a surcharge or fee for paying with Visa, rather than by cash or check. In most cases, this is not allowed per Visa regulations. There are two types of fees - surcharges (also called checkout fees) and convenience fees. Surcharges, which are often a percent of the invoice, are not allowed per Visa. Convenience fees, which are a flat fee and must be disclosed to you up front, are only allowed in certain instances where the vendor is using a third party to process credit card payments. If a vendor attempts to charge you a fee for using your Visa, please notify Rhonda Harris in the Accounting Office at 7594 for guidance.
- Lost or stolen card – the cardholder should contact the bank immediately at the customer service number on the back of the card. Then notify the Card Account Manager in the University Controller's office. The bank will block further use of the existing card and issue a new card and account number.

Corporate Credit Cards:

Individuals who are not issued a P-card, or have insufficient limits on their P-card to accommodate a purchase, may secure purchases via the Methodist University Corporate Credit Card. Use of the corporate card requires an approved request that is obtained through the McNet Purchasing System. Approvals for the purchase are obtained through electronic routing of the purchase request through the on-line system, based on departments or projects. Any purchases over \$5,000 are routed electronically to the VP for Business Affairs for approval. Requests causing a department to go over budget will route through additional approvals. Once all appropriate approvals are received, the request is routed electronically to the card custodian in the Controller's Office.

The card manager will "load" or "authorize" the credit card with an appropriate dollar amount of credit needed for the purchase, notify the requester the card is ready for pickup, and subsequently collect itemized receipts for substantiation of the expense from the purchaser upon return of the credit card. As the limit assigned to the card is based strictly on the approved request, IT IS IMPORTANT TO NOTE THAT THE REQUEST MUST INCLUDE ALL AMOUNTS TO BE

CHARGED ON THE CARD. Attempting to charge amounts above the total amount on the request form is unauthorized, and if the limit assigned to the card is exceeded, **IT WILL BE DECLINED.** Therefore be sure to estimate all costs to be charged, including sales tax and shipping. Contact your hotel or car rental agency to see if they require a deposit authorization on your card. If they do, please request this amount as a separate line in your Corporate Card Request.

Once the purchase is complete, the card manager blocks the card from further use. Using the Visa website, the card manager allocates all expenses charged on the Corporate Credit Card to the respective departmental budgets and proper general ledger codes based on the purchase request and receipts. A monthly reconciliation of the charges to the credit card statement is prepared in the Controller's office.

Purchase Orders:

To initiate a purchase order, the requester must request a P.O. number using the McNet Online Purchasing system. This system captures the requester's name and department, the vendor being utilized, a brief description of the order, and an estimated cost. If the vendor is not listed in the system, the University may not have an account with them. To add a vendor to the system, contact Gina Thornton in the Controller's Office at ext. 7013. Please note, a completed IRS Form W-9 is required to add a vendor to the Purchasing System. See W-9 form requirement under Specific Topics.

Approvals for the purchase are obtained through electronic routing of the purchase request through the on-line system, based on departments or projects. Any purchases over \$5,000 are routed electronically to the VP for Business Affairs for approval. Requests causing a department to go over budget will route through additional approvals. A Purchasing Approver Chart is available on the Business Affairs Website for further detail.

Once all necessary approvals are obtained, a purchase order number is electronically assigned to the request. **The requester must provide this purchase order number to the vendor at the time of purchase.** The vendor's invoice must reflect this Purchase Order Number for Accounts Payable to match the vendor invoice to the items "received" in McNet under the matching Purchase Order Number.

Upon receipt of merchandise or services, the requester must re-enter the on-line purchase order system and officially receipt the order. With this confirmation of receipt and acceptance, Accounts Payable will match the vendor invoice to the request and receipt, and process payment to the vendor. Accounts Payable is not authorized to pay vendor invoices for which the requester has not acknowledged receipt of the item(s).

Check Requests:

Check requests are to be used in limited situations where there are no alternative means to make the purchase. Check requests are commonly used to pay individuals who do not accept credit cards, such as honorariums. Check requests are initiated through the McNet Online Purchasing System. Supporting documentation may be uploaded as a pdf file, which will remain attached to the request through the electronic approval process and to Accounts Payable for payment.

Please note, a completed IRS Form W-9 is required to be on file before the University can pay someone for goods or services. Form W-9 can be downloaded from the IRS website at <http://irs.gov/pub/irs-pdf/fw9.pdf> . Before contracting with anyone to do business with the University, please have them complete IRS form W-9, and submit it with your check request, so they can be set up within the University's Accounts Payable System.

Checks are issued on Tuesdays and Thursdays and are available for pick up after 3 p.m. All check requests must be fully approved within McNet no later than 12:00 p.m. the preceding day in order to be included in the next check run. Please be sure to allow ample time for approvers to forward your request to the Accounts Payable department for processing.

The University does not provide for personal reimbursement of expenditures or advances, other than employee mileage reimbursements and reimbursements for entertaining students in the home. All other University expenditures are to be

made using the five methods of University purchasing in order to institute proper internal controls, with documentation and verification of the up-front approval process, and review of budget availability before purchases are made. Personal reimbursements increase purchasing costs to the University, both in processing costs and through the loss of sales tax and credit card rebates, and will only be made in emergency situations of University need, and must be submitted within 30 days of the original purchase.

Petty Cash:

Certain departments, including the Business Office, have small petty cash funds for infrequent, small dollar purchases, generally less than \$25.

Other purchasing-related programs

Travel and Travel Authorization

Credit Card Preferred

The P-card and Corporate Card are the preferred method of payment for travel. The credit card is safer for travel than cash. If cash is lost or stolen, there is no recovery. If a credit card is lost or stolen, it can be cancelled immediately with a quick phone call to BB&T. The Visa Card is practical for travel, as there are very few vendors who do not accept Visa. Employees may request an optional Incidentals Advance in the form of a check if they anticipate small dollar purchases while traveling that cannot be paid with Visa (for example, certain taxi cabs, parking garages, etc.)

Meals on Credit Card

All travel meals and business meals should be purchased on the P-card or Corporate Card. Itemized receipts are required for all meals, just as all itemized receipts are required for Credit Card purchases. The receipt must detail what was purchased and any sales tax paid. Travel meals are limited to per diem rates. Travel meals purchased less than the standard per diem rate will not be reimbursed to the employee, as the actual meal costs are paid by the University. Travel meals in excess of the standard per diem rate must be reimbursed to the University immediately.

Incidental Advances

Incidental Advances in the form of a check are available for a trip in small dollar amounts. An incidental advance is not required, but is an option to accommodate small transactions that are not payable by Visa.

Per Diem Advances Discontinued

The University used to provide Travel and Per Diem Advances to employees for travel. This practice has been discontinued (except for traveling students) for various reasons, including:

1. safety concerns of traveling with large amounts of cash
2. violations of IRS accountable plan rules concerning timely substantiations
3. ease of “double-dipping” by requesting per diem for meals and mileage reimbursements, while also charging meals and fuel on the credit card
4. cash flow implications
5. credit card rebates
6. Inability to apply for sales tax refunds from the state

Mileage Reimbursement

Employees may request mileage reimbursement for business trip miles incurred with their personal vehicle after the event has actually occurred, rather than requesting an advance. Expenses are more readily verifiable after the trip has occurred. Occasionally, advances were issued, and the trip was not taken, putting the University in a compromising position to settle up. For further information, see the *Travel – Mileage* section of this document.

Personal Reimbursements

The University no longer provides reimbursement to employees for University Expenditures for many of the reasons provided above under Per Diem advances. All commitments of University funds must be pre-authorized through McNet or the P-card Program to provide budget and cash control over University funds, and to provide a documented, auditable system of Internal Control in compliance with generally accepted accounting principles.

COMING SOON ! The University is in the process of automating a Travel Authorization Program within the McNet Online Purchasing System. Once the program is operational (date to be announced), the following policy will go into effect.

Pre-authorization for Travel

All University travel must be pre-authorized before travel charges may be incurred. The Travel Authorization Program (TAN) is an authorization program, not a purchase request. The authorization grants permission for University travel, and captures the total estimated trip cost for later comparison to actual trip expenditures. Once your trip has been authorized,

you may make purchases utilizing the P-card, Corporate Card, or Purchase Order programs. The Travel Authorization Program details all estimated costs associated with a trip, such as hotel, airfare, meals, fuel, car rental, conference fees, etc. The total trip estimate is electronically forwarded to the appropriate approvers, based on the department or project to be charged for the trip. Upon final approval, a system-assigned **TRAVEL AUTHORIZATION NUMBER (TAN)** will be provided to all employees included in the trip request. All travel-related purchases must reference this system-assigned TAN.

Interdepartmental Transfers

The *Interdepartmental Transfer Form* may be used to transfer purchases made by one department to another, with concurring approvals by both departments.

It is anticipated that this form will be replaced by an electronic request program within the McNet Online Purchasing System. Until the program is implemented, the Interdepartmental Transfer Form may be used. When the program is implemented, the request will be forwarded electronically to the department(s) you wish to charge. Upon final approval, the system will forward one copy of the request to the Controller's Office to post the charge, and another to you for your records. Approved transfers are posted to budget reports after the original charge is posted. After the transfer is processed, the Mcnet Online Purchasing System will deliver an email notification to the requester that the transfer has been made.

MU Gift Certificates

New policy coming soon !

Methodist University Purchasing Procedures – Specific Topics

Agency and Current Restricted Accounts

From time to time, certain employees, student groups, or other associations wish to establish an account with the University to which they can deposit and spend funds, as well as enjoy certain benefits of being recognized by the University, including use of University facilities, printing and postage services, etc.

Two different categories of funds exist to accommodate such groups, namely Current Restricted Funds and Agency Funds. Determining which fund a group qualifies for depends on various factors. To generalize, if the University has discretion over the use of the funds, a Current Restricted Fund is appropriate. If the University does not have discretion over the use of the funds, an Agency Fund is appropriate.

An application is required to establish and maintain a Current Restricted or Agency account with the University, and must be filled out completely in order to direct the Controller's Office as to which fund a particular group belongs, and to assign a *Project Number* to the group for coding deposits and disbursements. The application is located under the Forms section of the Business Affairs section of the MU website.

The Current Restricted Fund – is limited to groups whose activities are directly related to the University's fiscal operations. The University retains ultimate discretion as to the beneficiary of such funds. The fund is used primarily for two purposes:

1. To track the receipt and appropriate spend of contributions restricted by donors to various programs of the University. Examples would include donor contributions restricted to purchasing equipment for the Science Lab, contributions restricted to support the Music Department, or contributions to buy t-shirts for the Baseball Team. Restricted donor contributions are earmarked within the Current Restricted Fund as *Temporarily Restricted*, as the funds are temporarily restricted *by donors*, until funds are spent for the purpose for which they were contributed.
2. To track University funds *designated* by the University for its various programs. For example, if the Baseball Team sells candy, and is authorized by the President of the University to use the funds outside of the Baseball operating budget, the Baseball Team may deposit the candy sales in a Current Restricted Fund for future use, and spend from those funds without affecting the operating budget. These funds were provided by University operations, rather than donors, and are thus earmarked within the Current Restricted Fund as *Unrestricted* (University money) rather than *Temporarily Restricted* (donor money).

It is possible to have both *Unrestricted* (designated University funds) and *Temporarily Restricted* (donor restricted funds) in the same Current Restricted Fund, if both University money and donor money is granted to the fund.

The Agency Fund – is limited to groups whose activities are indirectly related to the University's fiscal operations. Agency Funds are available for groups who are self-governed, and independent of the University. Agency Funds are deposited with the University for safekeeping, and are provided basic review and reporting functions. The University does not have discretion as to how funds are spent, but acts as an agent to collect receipts and remit disbursements upon instruction by the group.

Examples of Agency Funds include student organizations, fraternities and sororities, faculty projects, and other nonprofit groups. All University-recognized Agency Funds must have a faculty or staff advisor as their sponsor. All disbursements from agency funds will be reviewed by the MU sponsor.

Student Organizations are each governed by a constitution and have a purpose compatible with that of the mission of the University. All student clubs and organizations must be approved by the Student Government Association of Methodist University prior to establishing an Agency Fund.

Agency Funds are funds belonging to entities separate from the University, and therefore do not have access to the University's tax exempt status. Agency Funds may not use the University's Federal Tax ID Number for any purposes.

Both Current Restricted and Agency Funds may receive gifts from donors. For a gift to Methodist University to be considered a tax-deductible gift to the University, it must be given to the University for the purpose of fulfilling its mission, rather than for the University to distribute to a specific beneficiary or association. Charitable contributions to Methodist University are recorded in the Current Restricted Fund, and the University retains discretion as to the beneficiary of such funds. Gifts made for specific individuals or associations, using the University as a conduit, are not considered charitable contributions to Methodist University, but belong to the individual or association, and are merely held by the University on behalf of the individual or association in an Agency Fund. Agency Fund income and expenses are the responsibility of the individuals/groups, and are not income and expenses of the University. Therefore donors making contributions to Agency Funds will not receive a tax deduction from the University. The tax deductibility of gifts to Agency Funds is based on the tax status of the individual Agency organizations.

Approvals

P-card purchases have a unique approval system, separate from all other University purchases. P-card users have implied authorization to spend within the limits assigned to their card, and in the manner agreed upon with their supervisor and University policies. Therefore, upfront documented approvals are not required for P-card purchases. Instead, P-card holders must sign their monthly card statement, and submit the monthly statement and receipts to their immediate supervisor to sign, indicating an after-the-fact review. Card statements and receipts are then 100% audited in the Procurement Services Department for compliance.

All Purchase Requests other than P-card are made through the McNet Online Purchasing System. The system routes each request electronically to the required approvers, based on the department or project charged for the purchase. University purchases may require up to 5 levels of approval, based on dollar amount, and if over budget.

For Academic Departments, the Department Chair and Dean of the School are required for all requests. If the request exceeds \$500, the Asst. Academic Dean's approval is required. If the request is over \$5,000, the V.P. for Business Affairs' approval is required. If the request causes a department to exceed available budget funds, additional comments are required, and it will route electronically through the Controller's Office for final review.

For Non-Academic Departments, the Department Director and respective V.P. are required for all requests, except within the Business Affairs division. If the request is over \$5,000, the V.P. for Business Affairs' approval is required. If the request causes a department to exceed available budget funds, additional comments are required, and it will route electronically through the Controller's Office for final review.

Agency Accounts, Current Restricted Accounts, Community Activity Accounts, Athletic Camp Accounts, and Plant Projects route through separate approvers based on the project. A Purchasing Approver Chart is available on the Business Affairs Website for further detail.

Approval Override is a last-resort means of obtaining approval for a purchase. Approvals can be over-ridden by a system administrator in the Controller's Office (Gina Thornton-ext 7013 or Deborah Dembosky-ext 7522), but only in the most extreme of circumstances. Approvals will not be overridden in circumstances where the requester has not allowed sufficient time (minimum of 24 hours) for the approver(s) to approve the purchase, and not without approval from the respective VP.

The McNet Online Purchasing System can only be accessed while on campus. Therefore, all approvers anticipating an absence from campus should review requests in their Waiting Approval folders before they leave.

If a requester needs a request approved, and the dean, department director, or other approver is not available, they must obtain approval for override from the approver's respective VP, and submit it (in writing or via email) to a system administrator. If the VP is also unavailable, they must contact Dawn Ausborn, Controller, at extension 7610. The Controller will determine the appropriate course of action.

If an approval is overridden by a system administrator, the system administrator's name will show on the approval line, and an email notification will be sent to the approver that their approval was overridden.

Bank Accounts

The opening and maintaining of any bank account for University purposes is strictly prohibited without the approval of the Vice President for Business Affairs. All student organizations must maintain their banking activities with the Controller's Office through use of an agency account.

Budget Authorizations

All departments are assigned an operating budget for each fiscal year. The McNet Online Purchasing System performs a budget-check when a request is submitted. This budget-check feature checks the available funds for a department as a whole (rather than by individual line items, such as available funds for travel, available funds for supplies, etc). If a request exceeds the remaining available budget funds, the system will display an over-budget message. The requester may cancel or continue with the request. If the requester continues with the request, the system will require additional comments for going over budget, and will route the request through additional electronic approvals.

Budget to Actual Reports are uploaded to the Online Budget Program daily for authorized users. The budget report shows both **Encumbrances** (which are *committed* funds) and **Actual Expenditures** compared to the Operating Budget, and shows the remaining budget funds available. Encumbrances are "estimates" applied against the budget for all approved McNet requests, for which the actual invoice has not yet been received. Actual Expenditures include actual vendor invoices posted to the system by Accounts Payable. When a request is fully approved, and budget funds are thus committed, the request is encumbered against the budget. After the item is received, the actual invoice is keyed by Accounts Payable, and the original encumbrance estimate is reversed.

The McNet Online Purchasing System also performs a check for available funds for the Current Restricted and Agency Project Funds. Requests will be denied automatically by the system if the Current Restricted or Agency account does not have the available funds.

Budgeting – explanation of encumbrances and year-end purchasing cutoff

Encumbrances:

When a request is fully approved, budget funds have been committed. These commitments are shown as *encumbrances* in a Department's budget reports.

Actual expenses, which include p-card charges, corporate card charges, and vendor invoices posted to the system, are actual expenses that have already been incurred, and are shown as *actual expenses* in a Department's budget reports.

A Department's *actual expenses* and *encumbered/committed* expenses are compared to its Operating Budget to determine the *remaining* funds available for future expenditure or commitment.

Year-end purchasing cutoff:

P-Card and Corporate Credit Card Purchases:

The University's fiscal year ends on June 30. P-card and Corporate Card purchases that post to the June Visa statement will be recorded in the current year-end June budget. Pcard and Corporate Card Purchases that post to the July Visa statement will be recorded in the next-year July budget. Keep in mind that your June statement includes charges through the first couple days of July, but the entire statement's charges will be posted in June. Additionally, be aware that charges you make on one day, may not post to Visa until a day or two later. If it is important that credit card charges fall in the

current year-end June budget, make the charges several days before the June billing cycle ends to ensure it posts on the June Visa statement.

Purchase Orders and Check Requests:

Purchase Order and Check Requests that are FULLY approved within McNet prior to noon June 30 will count towards the current fiscal year budget, as long as items are ordered, and vendor invoices are received and processed by Accounts Payable by July 31. Accounts Payable cuts off at July 31 for year-end audit purposes. Exceptions to this cutoff are extremely rare and only for very significant dollar items, so ensure your purchase order requests for items that should be in the current fiscal year budget are FULLY APPROVED before June 30 and ordered in time for the vendor to bill us by July 31.

This process appears confusing on the budget reports between encumbered items and actual invoices. If an item that was fully approved and encumbered before June 30 is shipped or physically "received" after June 30, the actual invoice is keyed as a next-year July expense in the actual column of your next year/July budget report due to audit requirements. However an encumbrance reversal for the amount of your fully approved request will show as an offset in the encumbrance column of your next year/July budget report, so that the invoice does not affect your next year/July budget.

Occasionally, goods or services that are to be received in the next fiscal year, and charged to the next year budget, must be fully approved and ordered shortly before the current fiscal year end. An example might be ordering custom-made furniture or equipment that must be ordered in June to guarantee installment by the start of school in August. As McNet will encumber the fully approved request in June, the requester will need to request an *encumbrance adjustment* from the Controller's Office to move the encumbrance to the next year's budget. Such adjustments are only made in limited circumstances when the dollar amounts are significant, and the order cannot wait until the next fiscal year. In order to make this adjustment, the Encumbrance Adjustment Request Form must be submitted, with all required approvals, to the Controller's Office no later than July 15.

Cell Phones

In order to comply with IRS regulations concerning cellular telephone usage, the University will not own cell phones for the use of individual employees, nor will the University pay invoices for services provided by vendors classified as cell phone providers. Payment to cell phone providers via a University corporate or procurement card is prohibited. If a supervisor determines that a university employee's job duties include the frequent need for a cell phone, then the employee is eligible for an allowance to cover cell phone expenses, which may be requested using the Cell Phone Allowance Request Form. The request may be made any time during the year, but must be reviewed and renewed at the beginning of each fiscal year (July 1). The allowance will be paid monthly via payroll from the employee's departmental budget. The monthly stipend is taxable income reported on the employee's Form W2, and is therefore, subject to taxation in accordance with IRS code. Supervisors and appropriate senior staff members must approve the cell phone allowance. In all cases for approval, the employee is required to be on-call (24/7). The following guidelines should also be considered when identifying the need for a cell phone allowance:

- Safety requirements indicate having cellular phone is an integral part of performing duties of job description.
- More than 50% of work is conducted in the field.
- Required to be contacted on a regular basis.
- Critical decision maker

More information about cell phone allowances is available within the Cell Phone Allowance – Further Information form.

Coding of University Expenses

Various funds exist within the University's chart of accounts to pay expenses. The account structure of the University is comprised of 4 required segments, and a 5th segment in special situations. The required four-segment account code is represented as XX-XXXX-XX-XXXX.

1. XX - the first segment contains the two-digit fund code (i.e. operating, current restricted, agency). See the Explanation of Funds section of this document for further detail on each fund.
2. XXXX - the second segment contains the four-digit gl code, or budget line item (i.e. supplies, postage, travel)
3. XX - the third segment contains the two-digit function code, and is based on the function of a particular department (i.e. Instruction, Student Development, Athletics)
4. XXXX - the fourth segment contains the four digit department code (i.e. Sociology Department, Bookstore, Vehicle Maintenance, etc)
5. The fifth segment is only required when a project number is required. Project numbers are generally associated with a particular agency club, current restricted fund, or improvement account.

Conflicts of Interest

Unless approved by the VP for Business Affairs in advance, employees are not to engage in, whether directly or indirectly, any conduct which constitutes a conflict of interest. A conflict of interest is a conflict between a person's self-interests and their professional duties. A conflict of interest exists when a University representative's direct or indirect personal interests are inconsistent or interfere in any way with the best interests of the University. A few examples of where a conflict of interest may occur include:

1. Owning stock or holding debt or other proprietary interests in any third party dealing with the University
2. A director, officer, or trustee voting on a contract between the University and a business that is owned by the director, officer, or trustee
3. Receiving payment or compensation for services with respect to individual transactions involving the University
4. Using University time, personnel, equipment, supplies, or good will for other than University-approved activities, programs and purposes.
5. Receiving personal gifts or loans from third parties dealing with, or competing with, the University. Receipt of any gift is disapproved except gifts of a value less than \$50, which could not be refused without discourtesy. No personal gift of money should ever be accepted.

The examples above are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that employees will recognize such areas and relation by analogy.

Departments are not to make University purchases from employee-owned businesses without prior, documented approval from the Vice President of Business Affairs.

For further information on Conflicts of Interest, see the *Conflict of Interest Policy and Disclosure Form*.

Contributions to Others

As a general rule, Methodist University does not make contributions to outside agencies (charitable, educational or other). Being that Methodist University is a 501(c)(3) educational organization, all of our revenues, whether from student tuition and fees, donor contributions or other sources, must be used to support the mission of the University.

University Agency and Current Restricted accounts may make contributions to outside charitable or educational organizations, provided that such contributions are funded from monies collected or raised by the members of the organization connected to the Agency or Current Restricted account. Monetary contributions may not be funded with SGA Grant funds, donor contributions, or any other University revenues.

Current per diem rates

Employees	\$35 per day	(Breakfast \$6, Lunch \$12, Dinner \$17)
Students	\$24 per day	(Breakfast \$5, Lunch \$7, Dinner \$12)

The University does not provide travel or per diem advances to its employees, nor does it reimburse employees for meals purchased personally. The per diem rate for employees is a daily limit for meals, which are purchased using approved University Purchasing methods (i.e. P-Card, Corporate Card). Meals purchased in excess of the daily limit must be immediately reimbursed by the employee. Meals purchased under the daily limit are not paid out to the employee.

Students, such as traveling athletes, may receive an advance of per diem for meals. The *Student Per Diem Advance and Substantiation Form* is used to request funds for student per diem. The form is also used to substantiate student per diem monies used, and requires student signatures for funds received.

Entertaining Students in Homes

The University encourages faculty and staff to entertain undergraduate students in their homes. The home atmosphere broadens the university experience for students by providing an opportunity for conversation in a relaxed venue. The University will reimburse meal-related costs up to \$8.25 per student entertained once each semester per course. This policy will also cover faculty/staff when they are entertained along with groups of students, but it does not reimburse for alcoholic beverages, or entertaining students in restaurants.

Expenses for entertaining students in the home are paid for personally by the employee, and reimbursed by the University. This is a special exclusion from the University's policy prohibiting personal reimbursements. If you entertain students in your home, please send the receipts, which should include only the items purchased for the meal, to the President's Office. Additionally, please provide the number of persons entertained, supported by either a list of names or name of the group entertained. The expenses will be charged against the President's Discretionary Budget (they may not be charged to departmental budgets). You will be issued a check for reimbursement.

Explanation of funds:

There are currently five funds at the University that have the potential to pay for purchases:

1. **Operating** – The majority of all purchases at Methodist University are charged to the Operating Fund which is represented by the operating budgets of the various departments.
2. **Current Restricted** – Certain groups and clubs have access to charge purchases to a Current Restricted Fund. Current Restricted Funds are established to track funds either donated or designated for a specific purpose. Each group or club is assigned a project number to identify the particular fund. Mary Mercer in the Controller's Office, extension 7539 reviews all requests for purchases from the Current Restricted Fund to ensure restricted funds are used for their intended purpose. See the *Agency and Current Restricted Accounts* section of this document for a more detailed explanation of Current Restricted Funds.
3. **Agency** – Certain groups and clubs have access to charge purchases to an Agency Fund. Agency Funds are not University funds, but are established for various entities or student clubs, such as the Accounting Club, to

maintain the club's bank activities and provide accounting functions. Each group or club is assigned a project number to identify the particular fund. Rhonda Harris in the Controller's Office, extension 7594 reviews all requests for purchases from the Agency Funds. See the *Agency and Current Restricted Accounts* section of this document for a more detailed explanation of Current Restricted Funds.

4. **Community Activity** – certain University employees charged with operating various camps and community events have access to charge community activity and camp related purchases to the Community Activity Fund. Each camp or activity is assigned a project number to identify the particular event. Gina Thornton, extension 7013 reviews all requests for purchases from the Community Activity Funds.
5. **Plant** – certain University employees charged with plant-related purchases have access to charge such expenses to the Plant Fund. Each plant-related activity is assigned a project number to identify the particular construction or improvement-related project. Gene Clayton, V.P. for Business Affairs reviews all requests for purchases from the Plant Fund.

Gift Cards/Gift Certificates

New policy coming soon !

IRS Form W-9 requirement for all vendors/payees

Before the University can pay someone for goods or services (excluding students and employees) IRS Form W-9 must be on file for the vendor/payee. This is a commonplace business procedure, and all vendors should be familiar with this requirement. Form W-9 can be downloaded from the IRS website at <http://irs.gov/pub/irs-pdf/fw9.pdf> . Need for this form typically arises when paying honorariums by check request. Before contracting with anyone to do business with the University, please have them complete IRS form W-9, and submit it with your check request, so they can be set up within the University's Accounts Payable System. Additionally, this form must be obtained before a vendor can be added to the McNet Online Purchasing System.

McNet Online Purchasing System

The McNet Online Purchasing system is an intranet system, which is only accessible on campus by Methodist University employees. In addition to providing information about the P-card Program, and access to online Budget Reports, this site houses the electronic Purchase Request system required for all employee purchases other than P-card.

Once an employee logs in, they may request to make purchases either by checking out a Corporate Card, entering a Purchase Order request or requesting a Check. To make a request, the employee must first designate which fund will pay for the purchase, and which accounting code to charge. The system will perform a budget availability check, and will route the request to the appropriate approvers electronically.

The McNet Online Purchasing System requires a login and password. To obtain a login and password, please contact Gina Thornton in the Controller's Office at ext 7013. Please be advised that the sharing of University System logins and passwords is inappropriate, and will not be permitted. Sharing logins circumvents proper internal controls and constitutes fraudulent activity. Logins are provided to ensure that properly authorized individuals (and only those individuals) are approving/denying purchases made on behalf of the University. Any instances of sharing that are discovered must be reported to I.T. If discovered within the McNet Online Purchasing System, the compromised login will be frozen pending a meeting with the applicable V.P., the Controller, and user. The login and password will be changed, and any further compromises may result in additional action, based on a review of the facts and circumstances.

Upcoming features to the McNet Online Purchasing System include a Travel Authorization Program, which provides authorization for employee travel, and an Interdepartmental Transfer Program, which allows one Department to reallocate a charge to another through an electronic approval process. These features are currently in programming. We anticipate they will go live during fiscal year 10/11.

The Mcnet Online Purchasing System contains a help document to further assist employees with using the program.

Meals – Business, Travel, Visitors

Travel meals are meals necessitated by out of town travel by employees and students in the performance of necessary and approved University business. Travel meals should be purchased from moderately priced establishments, as they may not exceed per diem rates. See the *Current Per Diem Rates* section of this document.

Business meals are typically used for conducting business with outside parties, such as university donors, private consultants, business representatives, and for the recruitment of prospective employees or students. Business meals (as opposed to travel meals) are not subject to per diem rates, but must be reasonable and not excessive. Lunches with fellow employees or students are not considered business meals. Business meals must have documented department approval, original itemized receipts, names of those attending, and a substantive and bonafide business purpose deemed essential to the University's mission.

Generally, when it comes to substantiating business expenses, such as travel or meals, a rule of thumb to meet IRS substantiation requirements is to document WHO, WHAT, WHEN, WHERE and WHY. Specific documentation is required to substantiate business travel, meals and entertainment expenses under IRS regulations. Expense documentation must include the following information:

- When - The date the travel, meal or entertainment occurred.
- Where - The location including city/state/country.
- Who - The name of individual who incurred the expense.
- Who Else - The names of the other individuals who attended & institutional affiliations.
- What - What the expense entailed (business lunch, travel dinner, reception, etc.)
- Why - Topic Discussed, Business Activity or Agenda and how it relates to fund charged.

Business meals generally require the names of those in attendance, and require the employee to be in attendance. As the group becomes larger, this becomes more difficult. Please use the following guidelines when providing names:

- Please list INDIVIDUAL names whenever possible.
- If you are entertaining an IDENTIFIABLE GROUP, such as the baseball team, or the accounting club, please list the identifiable group.
- If you are entertaining students in a MASS SETTING, notate the mass group on your documentation and the approximate number in attendance.

When visitors are entertained on campus, meals should be eaten in the cafeteria. If the cafeteria is closed, visitor meals should be reasonable and not excessive. Visitor meals must have documented department approval, original itemized receipts, names of those attending, and a substantive and bona fide business purpose deemed essential to the University's mission.

The preferred purchasing method for both travel and business meals is via the P-card or Corporate Card. ITEMIZED receipts must be obtained for all meals purchased with a University P-card, Corporate Card, or Purchase Order.

Ordering goods or services on a vendor account

Certain vendors who do not accept credit cards, may grant an account “on credit” with the University. All purchases on account with vendors are made via the McNet Online Purchasing System, which provides the requester with a *Purchase Order Number* that must be given to the vendor for reference on the vendor’s bill. The Purchase Order is required for payment to the vendor, as it is the only verification that the order was an authorized University order. Other than emergency situations, goods or services may not be ordered on account until the automated *Purchase Order Number* is provided. The *Purchase Order Number* is assigned electronically upon final approval of the request by system-designated approvers, based on department or project charged. The McNet Online Purchasing System will send the requester an email notifying him/her that the request was fully approved, and providing the system-assigned Purchase Order Number.

Personal Reimbursements and Advances

The University does not provide for personal reimbursement of expenditures or advances, other than employee mileage reimbursements and reimbursements for entertaining students in the home. All other University expenditures are to be made using the five methods of University purchasing in order to institute proper internal controls, with documentation and verification of the up-front approval process, and review of budget availability before purchases are made. Personal reimbursements increase purchasing costs to the University, both in processing costs and through the loss of sales tax and credit card rebates, will only be made in emergency situations of University need, and must be submitted within 30 days of the original purchase.

Prepaid Expenses (Purchases made in the current fiscal year for next fiscal year)

Occasionally purchases are paid in the current fiscal year that benefit the next fiscal year, such as purchasing an annual subscription covering the months of January through December. Six months of the subscription benefit the current fiscal year, and six months benefit next fiscal year. Purchases that benefit the next fiscal year in excess of \$5,000 are *split-coded* to current year expenses for the current fiscal year portion, and *Prepaid Expenses* for the next fiscal year portion. Amounts coded to *Prepaid Expenses* will not be reflected in the department’s budget until the next fiscal year.

Prohibited Purchases

The following items are prohibited purchases:

- Personal use
- Purchases from conflict of interest vendors, unless specifically approved, including business owned/operated by MU employees. (see Conflicts of Interest)
- Alcoholic beverages, unless approved by the President (see Purchases of Alcohol)
- Gift cards. MU Gift Certificates are available for employees and students as an alternative. (see MU Gift Certificates)
- Employee / Student appreciation expenses, unless approved by and paid from President’s Budget (i.e. luncheons, cakes, cards, gifts, flowers, etc)

Purchases of Alcohol

University policy permits the purchase and payment of alcoholic beverages **ONLY** when such purchases are made in relation to official, off-campus, university related development and cultivation activities. All purchases of alcoholic beverages are subject to the approval of the President.

Receiving

The University does not have a centralized receiving department. Purchases are received by the individual requesters. The Accounts Payable Department requires documentation that goods have been received before the vendor is paid. Accordingly, **ALL** purchases on account with vendors are made via the McNet Online Purchasing System. The requester must electronically receipt items received within the Mcnet system to authorize payment to the vendor. All invoices are to be sent directly to the attention of the Accounts Payable department, and not to any other University departments or employees. If you receive an invoice from a vendor, please forward to Accounts Payable without delay.

Technology Related Purchases

All technology-related purchases require the **PRIOR** consent of Computer Services to prevent risk to University systems, and to determine the extent of Computer Services Support. Requests for computer and related purchases are submitted using the McNet Online Purchasing System. A detailed listing of items constituting “technology-related” purchases will be maintained on the Business Affairs website and within the online system.

Travel – General Guidelines

Employee travel performed in the course of conducting University business must be approved in advance. Employees should provide their supervisor with a copy of their itinerary before leaving on business travel. Employees holding jobs that are designated as requiring extensive travel will be issued a University P-card. University Corporate Cards are available for check-out for employees who do not possess a University P-card.

For guidance relating to travel-related purchases, see the Travel Authorization (TAN) section under the *Other Purchasing-Related Programs* section of this document.

Travel – Mileage

For certain activities, such as group travel by minibus or van, the University’s Vehicle Maintenance Department has a fleet of vehicles available for checkout for University business. Use of rental vehicles from outside companies is discouraged when a University vehicle is available.

Reimbursement for mileage on the use of privately owned vehicles on official University business will be based on the University’s standard mileage rate times the number of miles driven. The number of miles used is the lesser of:

1. the number of miles from the University to the destination, or
2. the number of miles from the employee’s home to the destination.

When an individual uses their personal vehicle to travel on University business, a mileage reimbursement may be requested, using the *Mileage Reimbursement Request Form*. This form is uploaded into the Check Request module of the McNet Online Purchasing System, providing *actual* odometer readings and a MapQuest mileage report.

If fuel was purchased using a University P-card or Corporate Card, the Mileage Reimbursement Request Form must indicate the amount of gas purchased, and deduct it from the mileage reimbursement, as fuel costs are included in the mileage rate. Fuel purchased personally is not reimbursed, and not deducted from the mileage reimbursement.

Check Requests for mileage reimbursements must be fully approved within McNet no later than 30 days after returning to campus. Requesters are responsible for ensuring their request is fully approved within the 30 day period. Requests submitted after 30 days will not be reimbursed.