

Prepared by the Disbursing Office
This replaces Administrative Procedure No. A8.801
dated July 1996

A8.801
April 2007

A8.800 Disbursing/Accounts Payable and Payroll

p 1 of 3

A8.801 Overview

1. Purpose

To provide uniform procedures relating to the authority and responsibilities of University personnel involved in the payment for goods and services.

2. Objectives

The objectives of this payment procedure are to:

- a. Furnish a reference guide for employees to assist them in managing the University's payment activities;
- b. Provide a basis for review of payments for compliance with applicable Federal and State laws, rules and regulations, and University policies and procedures; and
- c. Ensure proper documentation for all disbursements.

3. Definitions

- a. Disbursements - Disbursements are payments for goods and services to vendors, University personnel and students. The nature of disbursement payments include student fellowship/traineeship/stipend payments and loans to students, reimbursements of travel and personal automobile mileage expenses to faculty, staff, students and representatives, and payments for services of consultants. Disbursements are made by means of the UHGA checks, departmental checks, petty cash payments and electronic funds transfer.

- b. Encumbrances - Encumbrances are current fiscal year obligations in the form of purchase orders or contracts and other commitments that do not become liabilities until performance of the conditions stated in the commitment.
 - c. Expenditures - Expenditures are the cost of goods and services, including current operating expenses, capital outlays, and provision for debt retirement not reported as a liability of the fund from which it was retired. All such costs incurred, whether paid or unpaid, are expenditures, but encumbrances are never classified as expenditures.
 - d. Reimbursements - Reimbursements are repayments to employees or students for expenses incurred while carrying out their duties.
 - e. Unliquidated Encumbrances - Obligations that are outstanding, awaiting delivery of goods and services and completion of services by presentation of an original invoice.
 - f. University of Hawai'i General Account (UHGA) Checks - UHGA checks drawn from the University bank account to pay vendors, University personnel and students for authorized expenditures.
4. Applicability/Responsibilities
- a. Each campus/department is responsible for the execution of these procedures.
 - b. Fiscal officers and program managers (approving authority) who approve payments are responsible for compliance with applicable Federal and State laws, rules, regulations, and University policies and procedures.
 - c. The Disbursing and Payroll Office is responsible for preauditing, coordinating and processing documents for payments to vendors, University personnel and students.

5. Guidelines

- a. Where payroll, purchases, contracts and direct payment commitments are made to obligate University funds for payment at a future date, the total obligation should be set aside through the encumbrance process and the appropriate program account(s). For contracts and lease agreements that commit the University for several fiscal years, the department should set aside funds for at least 12 months.
- b. Funds held in the State accounting system only include Bond, General, designated Special and CIP funds. Capital improvement project payments using Bond funds ("B" funds) are processed on Summary Warrant Vouchers and forwarded to the State Department of Accounting and General Services for preparation of State checks. Encumbrance for all funds with exception of Bond funds, are recorded in the University accounting system (General, Special, Trust, Federal, Revolving and Agency.) UHGA checks are drawn on the University's Bank of Hawaii general checking account when payments are chargeable to "G", "S", "T", "F", "R" or "A" funds. Only General "G" and State held Special "S" fund expenditures are claimed for reimbursement weekly from the Department of Accounting and General Services on Summary Warrant Vouchers.
- c. Total commitments should be planned for and encumbered fully in the quarter in which the commitment is initially made; not divided into various periods in which the payments are to be made.
- d. Original invoices should be submitted for payment together with the Receiving Reports immediately after receipt and matching (if applicable) by the campus/ departments. This will eliminate late vendor payments.
- e. Disbursements under \$25 and \$100 (with few exceptions) should be made by means of petty cash and departmental checking account funds respectively.