EXPENDITURE APPROVAL AND CONTROL

INITIATING CHARGES TO SPONSORED PROJECTS

Charges to sponsored projects are classified as either non-salary or salary.

Non-salary charges are initiated via: 1. Pcard; 2. Purchase Requisitions; 3. Disbursement Orders; 4. Statement of Travel Expense; 5. Travel Requisition; 6. Charge memos and standard journals; 7. journal vouchers.

Salary charges are initiated via: 1. Monthly Effort Distribution 2.Time & Attendance sheets; 3. Hospital Salary Invoice; 4. Salary Voucher (students, temporaries, over-time eligible employees; 5. Salary Journal Voucher.

Non-Salary Charges

1. *Pcard*

The Pcard Program is a procurement card system, which provides benefits to the University and delegated departmental buyers by a) enabling prompt payment to suppliers, b) eliminating purchase orders and invoices, and c) combining order, recording, and payment for goods and services at the point of sale. The Pcard provides individuals delegated as departmental buyers with an effective tool to purchase and pay for routine, low dollar cost products and services.

The **Pcard** is a corporate liability purchasing card issued by a Bank, (JP Morgan Chase). Though it resembles and works like a personal bank card, there are significant differences: a) it is a 'charge' or corporate liability 'purchasing' card rather than a 'credit' card, b) full liability rests with the University for immediate payment to the bank for all transactions, and c) it is assigned by the bank to the employee but is issued in the name of and on the behalf of the University.

Because the Pcard is a charge card, it is accepted universally. Like all bankcards, the Pcard can either be swiped at the supplier’s site or used to place orders over the telephone by giving the account number to the supplier. The Pcard may also be used for mail orders and over the Internet. When a purchase is made with the Pcard, suppliers issue a receipt to the Cardholder as support documentation of the transaction. The bank "bills" the University electronically for the net amount of all authorized transactions processed during a given period on the PCARD.

Statements are then generated, distributed for review, and validated by appropriate personnel through the web-based Pcard Statements **via PVSNet** either matching detailed receipt (including internet receipt printouts) and/or packing slip records with each transaction, or accomplish validation of purchases by establishing other methods to ensure adequate internal controls. Once records are matched, reconciled, and statement activity is approved by appropriate departmental guidelines, all documents supporting the purchase should be maintained in an organized environment for future reference and/or audit. **Records must be maintained by the ordering department for 5 years.**

Pcards are issued at the discretion of the Pcard Program Administrator to current employees who are granted a delegation of departmental purchasing authority. Delegation of Departmental Purchasing Authority governs the use of the Pcard as a tool for purchasing materials; travel and entertainment with specific limited dollar amounts (See individual cardholder information for limits). This delegation of authority is established by University guidelines and further delineated in the University’s policy manual under the Purchasing section. The cardholder agrees to comply with all applicable University policies and procedures including those defined in the Pcard Procedures, Travel Policy, Catering Policy, and general Purchasing Policies and Procedures.

To ensure the continued success of the Pcard program, periodic audits of a Cardholder's transaction file and summary statements will occur. The primary purpose for the audits is to ensure that the correct information is being captured and retained; and that departmental and program policies and procedures are in place and being followed. Appropriate internal controls must be in place to ensure separation of duties. For example, the departmental administrator routinely validates receipts/packing slips turned in by cardholders against periodic statements and the operating ledger, and checks compliance against policy and fund source requirements. At the end of each cycle (month), Pcard receipts and statements must be turned over to department administrators for review and approval. Department administrators must sign and date each cardholder statement confirming that all transactions are valid, correct, and accepted by the department. Unless there are extenuating circumstances, all Pcard transactions must be reconciled and approved on a monthly basis. A cardholder should not review, reconcile and approve their transactions. Another individual must perform this task.

2. *Purchase Requisitions*.
This is a commonly used form. It is used to order supplies, laboratory items, equipment, and other miscellaneous items through the University's purchasing system rather than through the Pcard system. The Federal government requires that purchases charged to Federal Sponsored projects be made through an approved procurement system. Purchases which are not made through this system are subject to disallowance. The purchase requisition must be approved by an authorized signor. Signature authorization can be obtained through the Controller's Office. Purchases which exceed $20,000 and/or equipment purchases also require management center approval. Refer to the University's Purchasing Manual for further detail.

3. *Disbursement Order*
This form is used to reimburse an expense which is not normally made through the purchasing system. This includes travel advances, conference registration fees, out-of-pocket purchases by an employee for meeting supplies, etc. Do NOT use this form for payment of a vendor's invoice or for payment to CWRU employees for extra compensation, payment for research subjects, etc; all such payments should be made through the payroll system using the payroll voucher. Contact Accounts Payable or the Purchasing Department to determine whether a disbursement order or a purchase requisition should be used.

4. *Statement of Travel Expense*
This form is used to charge an account AFI'ER travel has occurred. Travel is an allowable charge to a sponsored project provided it is project related, and it is in accordance with sponsored guidelines. Please note that it requires the signature of both the traveler, AND the traveler's superior. On this form, any travel advance issued through the CWRU Disbursement Order is deducted to determine the final amount to be reimbursed to the individual traveler. Most sponsors that permit travel do so in accordance with the University's policy. Please refer to the University policy prior travel to determine allowable expenses and any related restrictions.

5. *Travel Requisition*
The cost of travel related airfare can be charged directly to a sponsored project at the time the travel arrangements are made. However, this opportunity is only available if arrangements are made through one of the University's approved travel agencies. Please refer to the University travel directory to determine which travel agencies are approved. Note that this form must also be approved by the traveler’s superior.

6. *Charge memos and Standard Journals*
CWRU cost centers or auxiliary services such as the animal resource center, library or the University bookstore may charge a sponsored project via a charge memo. Only a few of these cost centers require a purchase requisition, thus there is a limited paper trail. It is important to stress the need for individuals using these services to return a receipt in order to reconcile the expense statement at the departmental level. The receipt or charge memo may not accurately indicate actual dollar amount expense, but will serve as a guideline that a charge occurred.

Many standard journals will not provide a paper trail, e.g. purchasing fed ex charges from Purchasing and long distance charges incurred by Purchasing to place an order. Another example is that CWRU provides a service of arranging for the delivery of tanks containing gases for laboratory use known as the demurrage system. The department is charged on a monthly basis for the "rental" of the tanks which contain the gas. To order gas, the charge is originally incurred through the issuance of a purchase requisition. However, the monthly fee for the rental of the tanks follows after the purchase requisition and will need to be included into the reconciliation of the expense statements by the grant administrator.

7. *Journal Transfers*
This form is used to correct non-salary charges and transfer that charge to the appropriate account. It is very important to complete any changes in a timely manner, as cost transfers after 90 days of the month end expense statement will not be processed. Please refer to cost transfer policy and cost transfer section for details and examples.

Salary Charges.
Employees whose salaries are funded by a sponsored project may work for Case Western Reserve University, University Hospitals, MetroHealth Medical Center, The Veteran's Administration, or various practice plans. Consultants who are not employees of the above referenced institutions may also be paid from a sponsored project. The following are the primary mechanisms used to charge salary or consulting:

1. *Effort Distribution*.

On a monthly basis, CWRU provides the department administrator with an effort distribution list for salaried staff and faculty. This form provides a list of all salaried employees and faculty home based in the administrator's department. A percentage of each employee’s effort can then be distributed to one or more accounts. Each month there is an opportunity to change the allocation of effort. In the event this form is not returned to the payroll department prior to the cutoff, effort will be distributed in the same manner as the prior month. It is important that effort be distributed consistently in order to avoid adjusting journal entries.

2. *Time and Attendance Sheet*.
Hourly employees complete a time and attendance sheet which directly charges the account indicated based upon the number of hours worked and the hourly rate used. A 12% HVA charge (Holiday, Vacation, Absence) is assessed to the total hours worked. Holiday, vacation, and absence time should be charged to this account when incurred as indicated on the time and attendance sheet.

3. *Hospital salary invoice.*
University Hospitals of Cleveland and MetroHealth Medical Center pay employees and then generate invoices to the department for reimbursement. To charge an invoice to a University account, simply write the account number on the invoice using expense class 3372 and forward the invoice and a copy to the Payroll Audit department in the School of Medicine. It is important to clear invoices on a timely basis as each hospital will issue a second invoice if the first is not paid. When this happens there is a chance that both invoices will be paid. Also, do not attach a disbursement order to an invoice.

4. *Salary Voucher.*
If an employee is a student or is placed on CWRU payroll on a temporary status, it is necessary to complete a voucher on a weekly basis and to submit this form to the Payroll office. This is also used for overtime pay for those employees who are eligible. It requires both the employee's and supervisor's signature. The number of hours needs to be completed on the back of the form.

5. *Salary Journal.*
This form is used to correct salary charges and transfer that charge to the appropriate account. It is very important to complete any changes in a timely manner, as cost transfers after 120 days of the month end expense statement will not be processed. Please refer to cost transfer policy and cost transfer section for details and examples.

PURCHASING SYSTEM

The majority of our payments for the purchase of goods and services, either directly or indirectly, involve government funds. As such, CWRU is required to maintain a federally approved purchasing system. An approved purchasing system complies with Federal procurement regulations and internal purchasing policies and procedures. The Office of Naval Research (ONR) conducts a Contractor Purchasing Systems Review (CPSR) at CVVRU every 2-3 years to evaluate compliance. A CPSR involves an examination of the entire purchasing system and is not limited to purchasing activity with Federal funds. Because of these stringent requirements, we understand that the system can be difficult to work with. In a complex and diverse environment such as CWRU we purchase a wide range of goods and services for many needs. It is hoped that this document will provide useful information to answer the why and how of the purchasing and payment procedures, or guide you to the person or department that can answer your question on a specific situation.

Purchases for goods and services may be made through either a vendor (company) or an individual. For purchases from an individual see the section below on independent contractors. When purchasing from a vendor, the buying process is handled through the Pcard system or Purchasing Department.

The process through the Purchasing Department begins by a) determining the type of good or service you need; b) completing a Purchase Requisition; c) having it signed by authorized personnel; and d) forwarding it to the Purchasing Department for processing. Competitive bids and price quotations are obtained, whenever practical, on all purchased items. Formal competitive bidding is required for all orders valued at $2500.00 or more. ($500.00 or more for printing services). The Purchasing Department staff is authorized to require more than one bid for purchases with an aggregate value of less than $2500.00 if in their judgment cost savings may be realized or other University objectives accomplished. The Purchasing Department is responsible for soliciting competitive quotations. If you have obtained competitive bids from several vendors, include the original quotes with your Purchase Requisition when you forward it to the Purchasing Department.

There are two exceptions to formal competitive bidding. The first exception is items covered under Purchasing Department pricing agreements. The Department utilizes a number of pricing agreements for a wide range of products and services whenever it is in the University's best interest. These agreements may be University negotiated or made available to the University through one of several Group Purchasing Organizations of which the University is a member (for example, the Educational & Institutional Cooperative). It is a Buyer's responsibility to determine the best method of purchasing a good or service. The second exception is when the user must occasionally make a purchase involving a single or sole source vendor due to technical requirements. A Bid Waiver Justification Letter from the user is required as support documentation to the purchasing file. Again, Attachment A can be used as a guide for who to contact, or call the Purchasing Department at 368-2560 for assistance, if questions arise about this process.

The Purchase Requisition is the official internal University document used to initiate a purchase transaction with vendors. A properly completed and authorized Purchase Requisition form submitted to the Purchasing Department authorizes Purchasing to process the Purchase Requisition and issue a Purchase Order. Instructions for completing the Purchase Requisition are printed on the back of the form. You should list a suggested vendor if you have a source.

However, the Purchasing Department reserves the right to purchase the same item from a vendor other than the one requested if cost savings may be realized or other University objectives accomplished. A department should never give a Purchase Requisition number to a vendor in place of a Purchase Order number. A payment is made to a vendor based on a valid Purchase Order number being referenced on the invoice. Blank Purchase Requisition forms may be obtained by submitting an authorized Purchase Requisition, requesting same, to the Purchasing Department.

The signature of an authorized departmental person is always required. The Department Head of each department determines who has signatory authority. A Signature Authorization Card form is used to establish an individual as an authorized signatory for their department. Organizational units of the University may create internal reviews and approvals which supplement the department signature. In order to minimize the processing time of Purchase Requisitions, it is strongly recommended that the requesting department obtain the necessary approvals prior to submitting each Purchase Requisition to the Purchasing Department.

Use of Independent Contractors

Independent contractors at Case Western Reserve University are individuals or companies that provide specialized services in a particular discipline. The use of independent contractors allows Case to tap their unique expertise necessary to project-specific work, recognize the contractors' desire for independence, and to save on benefit and administrative costs.

There are, however, some cases where the work should be done by an employee rather than a contractor. In order to help determine what status the vendor should be, please consult the FAQ section of the independent contractor website.

If an independent contractor is appropriate for the project, the following steps need to be taken:

1. Enter requisition for vendor payment into PeopleSoft.
2. Check PeopleSoft to find out if the service provider is already an existing vendor. If they are not, then provide both a completed supplier form and IRS form W-9.
3. Fill out the independent contractor information form completely.
4. Procurement creates and mails two signed copies of the contract to the vendor.
5. Vendor signs one copy, which they return to Procurement, and retains one copy for their files.
6. Procurement receives the fully executed contract back from the vendor and scans it into electronic format.
7. Procurement e-mails a copy of the contract to those persons listed on the Web Form as copy recipients.
8. Procurement generates a purchase order.
9. Vendor submits invoice for services per instructions in contract Exhibit A.
10. Accounts Payable pays vendor.

All paperwork must be filled out completely, and the contract between the University and the vendor must be properly signed by both parties before any work can begin.

Equipment Requisition Processing

The University has accepted the federal government's guidelines of what constitutes an item of equipment as stipulated in circular A-21:

Equipment is an article of non expendable tangible personal property which has:
1. A useful life of more than two years
2. An acquisition cost of $5,000 or more per unit – note this was increased from $500 on July 1, 1996.

Any item which meets the above criteria is considered to be an article of movable equipment, and should be charged to expense classification 3620 (major equipment). Any item which meets only one of the two conditions is considered a supply item or minor equipment, expense class 3126.

Each Management Center has the responsibility to review all requisitions for equipment which are charged in whole or in part to a restricted account (Research, Training, Special Projects, Discretionary). The criteria used to approve an equipment requisition depends upon the sponsor guidelines associated with the source of funds, provided the account has funds available. Equipment requisitions will not be approved for accounts in deficit.

1. Federal Sponsored Grants & Cooperative Agreements - Equipment purchases which are required in the conduct of the research do not require sponsor approval unless the terms and conditions of the award contain a restriction. In other words, departments are usually free to rebudget funds for equipment purchases via the University's internal prior approval system.

2. Federal Sponsored Contracts - Not permitted unless the contract contains explicit language which permits rebudgeting for the purpose of purchasing equipment.

3. Non-Federal Sponsor and Contracts - As with a Federal sponsor, you must have permission to purchase equipment or the sponsor must permit rebudgeting via a prior approval system. However, in most cases, internal prior approval is not available for non-Federal sponsors *and written permission must be obtained from the agency.* Some agencies may also require you to rebudget funds, so **it is extremely important that you review the sponsor's guidelines before purchasing equipment which was not listed on an agency approved budget.**