DEFINITION

The payments cycle includes transaction flows pertaining to expenditures and related controls over such activities as ordering and receipt of goods and services, payroll processing, accounts payable and other cash disbursements.

GENERAL STANDARDS

1. Purchases should be initiated only on the basis of appropriate authorizations and records of commitments should be maintained in order to:

   A. Determine that transactions are executed in accordance with authorization; and

   B. Establish the amount of any provision required for losses arising from unfulfilled commitments.

2. Control should be established over goods and services received in order to:

   A. Determine and record the liability for goods and services received but not entered as accounts payable; and

   B. Post (debit) the items to detailed inventory records, where required.

3. Control should be established over goods returned to and claims made on suppliers in order to:

   A. Obtain credit for all such items; and

   B. Post (credit) the items to the detailed inventory records, where required.

4. Invoices and related documents should be properly checked and approved as valid relative to unit price, quantity, dollar amount, commodity received vs. ordered, and payment terms before being entered as accounts payable.

5. Payments in respect to wages and salaries should be:

   A. Made only to University employees at authorized rates of pay;

   B. Made in accordance with records of work performed; and
C. Calculated accurately.

6. Payroll deductions should be correctly accounted for and paid to third parties to whom they are due, on a timely basis.

7. Reimbursements of imprest and similar funds should be made only for valid transactions.

8. Disbursements from bank accounts should be made only for valid transactions.

9. Accurate detailed records should be maintained of materials and supplies inventories.

10. Additions to and disposals of property, plant and equipment should be properly authorized.

11. Accurate records should be maintained of the cost and accumulated depreciation of property, plant and equipment.

12. General ledger entries arising from the payments cycle should be accurately determined.

13. Payments in connection with transactions not directly related to the main business activities of the organization should be made only on the basis of properly approved, adequate and valid documentation.

14. Entitlements under vacation pay arrangements should be authorized and recorded so that only valid payments are made to employees.

15. All loans to officers and employees should be:

   A. Authorized properly; and

   B. Under proper accounting control.

16. All advances made to employees for expenses and all claims recorded in the accounts for the reimbursements of expenses incurred should be valid.

17. Bills, acceptances, and notes payable should be:

   A. Accepted/drawn only in respect to valid transactions; and

   B. Accurately recorded, in order to determine the outstanding liability.

18. Accurate records should be maintained for materials and supplies inventories held on behalf of third parties (e.g., component parts or packaging materials supplied by customers) so as to:

   A. Enable such inventories to be identified separately from those owned by the University; and

   B. Provide a basis to establish the liability for any such goods not ultimately returned.

19. General ledger entries in respect to accrued and prepaid expenses and deferred charges should be accurately determined.

20. Accrued interest and other credit charges payable should be accurately calculated and accounted for in the correct financial period.
21. Accurate records should be maintained of goods received on consignment so as to establish the liability for any such goods sold or used by the University.