LIMITED PURCHASE CHECK (LPC)

ACCOUNT’S PAYABLE
145 PARK
Introduction

What is the purpose of the custodian?

- YOU, the custodian, are responsible for securing the checks and the following policies.
  - User’s guide is easily accessible.
    - [www.ap.admin.utah.edu\userguid.htm](http://www.ap.admin.utah.edu\userguid.htm)
  - Accountable for the blank check stock that you receive from AP.
    - AP must be notified when custodians are leaving or changing responsibilities.
    - Withdrawing custodians must return remaining check stock & check register to AP.
  - You need to keep yourself updated on new changes.

- Security & accountability
  - Highly negotiable (easily cashed)
  - Secure checks out of sight.
  - Do not sign until they are to be used.
  - Contact Accounts Payable to report lost checks.
Purpose

- Can be used for small dollar purchases amounting to less than $1,000.
- Vendors are paid immediately, allowing the issuing department greater access to over-the-counter discounts.
- Departments have more control over petty purchases.
- Having access to the Limited Purchase Check program is a privilege that requires attention to detail and University policies, procedures, and guidelines.
Acquiring the check stock

- The check **custodian** and **signatory** must attend and pass-off an initial orientation presented by Account’s Payable.
- Complete and sign the **Limited Purchase Check Agreement**.
  - The custodian and signatory must each sign the agreement.
- The agreement and University ID are required to pickup the blank check stock from Accounts Payable in room 145 in the Park Building.
- Subsequent requests for check stock will require an original signed agreement, a check register for the checks that have been issued, and a University ID.
  - Yes!!! You must prepare and sign a new agreement every time you want a new batch of checks.
- **A/P** distributes checks before 11:00 a.m. or after 2:00 p.m.
Acquiring the check stock...

- Details of the agreement:
  - All fields must be complete.
  - 1. Authorized signatory and custodian must both sign the agreement (1).
  - 2. Cannot use project or grant as the default chartfield (2).
  - A runner may pickup the checks, but they must have a valid University ID.
  - 3. Write number of checks that you will need (3). (Six months supply at the most.)
How to use the checks

- Custodian
  - Can give the check (all parts) to another employee within the department.
  - Must make an entry on check register.
    - Date, check #, payee, who received check, and purpose.

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHECK#</th>
<th>PAYEE</th>
<th>WHO RECEIVED CHECK</th>
<th>PURPOSE</th>
<th>CHARTFIELD</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/01/04</td>
<td>123456</td>
<td>JOHN DOE</td>
<td>MS. JANE</td>
<td>REIMBURS</td>
<td>0001-2000-12356</td>
<td>CAMPUS MAIL</td>
</tr>
<tr>
<td>12/16/04</td>
<td>123457</td>
<td>OFFICE MAX</td>
<td>BILLY BOB</td>
<td>OFFICE SUPPLIES</td>
<td>0001-2000-12345</td>
<td>PICKED UP</td>
</tr>
</tbody>
</table>

- Recipient is expected to return the original receipt(s) and check copies to the custodian.
How to use the checks.....

Complete the check...

- ① Date.
- ② Written and numeric amounts.
- ③ Payee.

- Double verification is needed for new vendors.
  - The vendor’s name and address must appear on two forms. For example: an invoice and brochure, an invoice and IRS Form W-9. (see appendix)

- ④ Signature.
How to use the checks.....

- Obtain proper approvals before sending the check copy to Accounts Payable.
  - Next higher supervisory authority is required for reimbursements.
    - An administrator cannot approve a reimbursement if the buyer did not purchase the goods on their behalf.
    - A peer employee cannot approve the reimbursement.
  - Alcohol, entertainment, and/or recruitment reimbursements require an original signature of the person incurring the expense and a dean or higher authority's approval.
  - The signature on the check must appear on the signature card for the chartfield.
    - The responsible person for the activity or project must sign a signature authorization form in order to change the authorized alternate signatures. This form is available on the Purchasing web page.
How to use the checks…..

- The total for the amount(s) applied to chartfield(s) must equal the amount of the check.
  - If it does not agree, the entire amount (as best determined by the receipt or invoice) will be charged to the signatory’s default chartfield.

- The vendor’s SSN/TIN (or vendor ID if the vendor is already on the WEB) must appear in the appropriate space above the check if the disbursement is an IRS Reportable transaction.

- **Description** must include:
  - Business meals and entertainment.
    - If less than ten attendees then list their names.
      - It is unlikely that one pizza will serve more than ten people.
    - Dates of function.
    - Detailed description of the purpose of the business meal or entertainment.
      - Look on the web for guidelines related to meal/incentives/flowers/retirement gifts.
      - Reasonable and business related.
    - Able to bear scrutiny for furthering the mission of the U.
    - Necessary to conduct U business.
How to use the checks.....

- **Documentation.**
  - One invoice per check.
  - Reimbursements are an exception and can have many.
  - Put invoice # on the check copy.
  - **IRS reportable transaction.**
    - Must have an [IRS Form W-9](#) with the accounts payable copy. (see [appendix](#))
    - **Study participants.**
      - Form W-9 plus the study participant form.
  - **Phone orders**
    - Prepare a memo.
      - Date, vendor name, description, purpose, written approval from authorized signatory on activity/project.
  - Do not forget that we are tax exempt and ask for cash discounts.
  - **Returns & allowances.**
    - Departments are accountable for promptly depositing cash refunds into the original expense accounts.
How to use the checks.....

- Send copy and original documentation to Accounts Payable.
  - Send yellow copy & original receipts/invoices and/or other supporting documents.
    - One invoice per check.
    - Staple yellow copy on top and original documentation afterward.
    - Tape receipts to a full sheet of paper and staple the paper to the check copy.
  - Double check the LPC.
    - Are the chartfields and distributions correct?
    - Is the information legible.
      - If the chartfield or check includes a strikeover, make sure that it is also corrected on the accounts payable copy.
      - A processing fee will be assessed for illegible chartfield and amount information.
    - The bottom copy and a copy of the documentation should be kept at the department.
  - You are responsible for ensuring Accounts Payable received the documents.
    - Check your management reports to verify that the check has been recorded to the correct chartfield.
      - Contact Accounts Payable if the check does not appear on your management reports within 30 days of sending documents to Accounts Payable.
    - Reconcile your management reports monthly.
Purpose.

- Report checks as they are issued.
  - An Issued check is a check that has been released to the payee.
  - If the custodian does not release the check, it is not an issued check.
- Positive Pay will help deter fraud. (See the chart above.)
  - Bank will be able to compare the information that we send against the item that clears the bank.
  - Accounts Payable will determine whether to accept or reject the exceptions.
- Timelier bank reconciliation.
Positive pay.

How to use positive Pay.
- Access the application by going to Campus Information Systems.
  - Select: LPC Positive Pay under Administrative Financials/PROCESSING
- Enter the custodian’s UNID and applicable check range.

What it can do.
- Maintain checks.
  - Enter information about issued or spoiled checks.
  - Undo and Update information for issues that have not been sent to the bank.
- Void check.
  - Can only be done after the original issue/positive pay file has been sent to the bank.
- Display checks.
  - Lists all checks that have been sent to the bank.
  - You may use this as your register.
Positive pay.

- **Entering checks.**
  - Check dates default to today’s date.
    - It can be changed to any date between six months ago and a year into the future.
    - Any data can be undone or updated until the issue is sent to the bank.
  - **Spoiled checks.**
    - These are actual checks that are damaged, outdated, or otherwise unusable.
    - You cannot spoil a check that has been sent to the bank.
      - A check marked as spoiled will not be sent to the bank because it is not in circulation
    - Reasons to spoil
      - You have realized the amount is wrong, name is wrong, or do not want to issue the check.
    - If you later decide that you want to issue the check then you may un-spoil it as long as it is dated within the above criteria for dating the check.
Positive pay.

- **Void checks.**
  - Checks that are marked as “Bank-Issue” can be voided if:
    - The original check is in your possession.
    - You must process the void as a stop payment with Accounts Payable if the original check cannot be found.

- **Stale dated checks.**
  - Checks that are older than 6 months from today’s date.
  - Cannot mark as ‘void’ on this system.
  - Contact Account’s Payable.

- You must maintain the positive pay at least once a day if any checks are released that day.
  - If the system is down. Enter the check as soon as it goes up.
Prohibitions

- Immediate loss of privileges:
  - Issuing a check over the limit on the face of the check.
  - Cannot write two checks for a purchase amounting to more than the limit on one check.
  - Failure to record an issue on the positive pay system before the check clears the bank.

- Payments on behalf of non-resident aliens or to foreign vendors are not allowed.

- Employee travel.
  - Hotel deposits and conference pre-registrations only.
  - Must have approved travel request/reimbursement form
    - Print this number on the accounts payable copy of the check.

- Know and observe the restrictions related to the use of the LPC.
  - If you are not sure call us!!
  - The prohibition list is published only in the User’s Guide which is available on the AP website.
Violations

- A $12.00 **processing fee** will be charged to the signatory’s default chart field.
  - While mistakes are going to happen, we cannot account for the time that it takes to fix the problem. Therefore, the processing fee will prevail.
  - The custodian is still responsible to bring the check to a condition that will allow Accounts Payable to create a paid voucher. The processing fee does not affect this responsibility.

- Most common.
  - Missing information.
  - Allocated, written and numeric amounts do not agree.
  - Missing IRS Form W-9 when it is required.
  - Cannot verify the spelling of the vendor name with the documentation that is provided.
  - Inadequate business meal explanation.
  - Missing documentation.
  - Missing signatures and appropriate approvals.
  - Not having authorized signatures.
  - Failed the positive pay procedure i.e failed to input into the system or information on positive pay differs from actual check.

- Three violations within any 90 day period will result in the **loss of your privileges**.
How to **void a check**

- **NOTE:** *This is not an appropriate procedure if you do not have the original check in your possession. Use the Stop Payment option instead.*
- Mark “VOID” over the signature area of check
- Record the void in the positive pay system.
  - **Note:** If the check is more than six months old, record the check as void in your check register, make a note in the memo field for the check on the positive pay system, and proceed to the next instruction.
- Send **original** check and **yellow** copy to Account’s payable.
  - **DO NOT** destroy or keep the check.
  - State reason for void.
Void, spoils, & stop payments . . .

- How do you spoil a check.
  - Go to maintain and click on “spoil”
    - Enter the check information in the space provided.
    - Must enter an amount in there in order for it to save.
  - Mark “void” on the check.
    - Send yellow copy and original check to Accounts Payable.
  - Remember this a check that has not been bank issued!
    - There is a mistake on the check.
    - The printer ate it.
Void, spoils, & stop payments . . .

- How to **Stop a check**
  - **NOTE:** This is not an appropriate procedure if you have the original check in your possession. This is an expensive and timely process. Use the Void option instead.
  - Record the check as stop in your check register.
  - Upon discovering a blank check or a prepared and signed check is lost or stolen enter as a spoil on the positive pay system.
  - Make a note in the memo field for the check on the positive pay system.
  - Prepare a stop payment request (available on the Accounts Payable website).
  - **DO NOT REISSUE THE CHECK** until you are notified by Accounts Payable that the bank has accepted the stop payment request.

- See [appendix](#) for a Summary Chart of Canceling a Check.
Conclusion

- These checks are your responsibility.
- Read the User's Guide
  - Familiarize yourself and others who will also issue the checks with the university’s policies, procedures, and guidelines to avoid violations and loss of privileges.
- Quiz.
- Evaluations.
- Comments.
Sandra Jones

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581-5759
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Email: Sandra.Jones@admin.utah.edu

Mail: 201 S Presidents Cir Rm 145
Salt Lake City, UT 84112-9003
Appendix

- **Vendor Data** Verification
- **LPC Cancellation**
- **Travel Related Forms**
- **IRS Form W-9**
  - Summary
  - Instructions
  - Form
- **Resources**
Appendix – Vendor Data

VERIFICATION REQUIREMENTS

**W-9**
- When AP requests it
- For Taxable Transactions
- New vendors
- Vendor changes its name
- Guidelines stated on AP link “what is an IRS form W-9 and when do we need it?"

**OR**

**DOUBLE VERIFICATION**
Definition: Two documents that verify the spelling of the payee’s first and last name.
Examples: brochure, business card, ID, invoice, etc
- AP requests it
- New vendors
  - Reimbursements
  - Refunds
## SUMMARY OF CANCELING A CHECK

<table>
<thead>
<tr>
<th>TYPES</th>
<th>SPOIL</th>
<th>VOID</th>
<th>STOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATUS ON POSITIVE</td>
<td>Not issued</td>
<td>Bank issued</td>
<td>Bank issued</td>
</tr>
<tr>
<td>REASON</td>
<td>Clerical error</td>
<td>Payee returned ck</td>
<td>Lost</td>
</tr>
<tr>
<td></td>
<td>Printer ate it</td>
<td>Realized that there is no need for issue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spilled Coffee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOCATION OF CHECK</td>
<td>Check in hand</td>
<td>Check in hand</td>
<td>Do not have check</td>
</tr>
<tr>
<td>ACTION IN SUBMISSION TO ACCOUNTS PAYABLE</td>
<td>Send to A.P. yellow copy and original ck.</td>
<td>Send A.P yellow copy and original ck.</td>
<td>Fill out a “stop payment form”</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Wait at least 24 hrs for to issue out a new check</td>
</tr>
<tr>
<td></td>
<td>Mark void across ck</td>
<td>Mark void across ck</td>
<td></td>
</tr>
<tr>
<td></td>
<td>State reason for spoil</td>
<td>State reason for void</td>
<td></td>
</tr>
<tr>
<td>ACTION IN POSITIVE</td>
<td>In Maintain section select Spoil</td>
<td>In void section select the correct ck # to void</td>
<td>Enter comment on check – reason for stop</td>
</tr>
</tbody>
</table>

* "bank issued" is when the check is prepared and is released to the Payee
Appendix – Travel Related Forms

One or more of these requests must be attached if travel is involved.

Register Trip Confirmation

Do Not Send To Travel

Travel # 303803

Traveler: Women, Wonder
111 Park
(800) 881-2111
Depart: 4/15/2006
Return: 4/22/2006

Prepared By: Superflue
111 Park
traveladmin@ucla.edu

Conference Prepayment Request

Print and Submit one copy to Travel Accounting
Make a Copy for Departmental Records

Travel # 303803

Traveler: Wonder, Woman
111 Park
(800) 881-2111

Prepared By: Superflue
111 Park
traveladmin@ucla.edu

Hotel Prepayment Request

Print and Submit one copy to Travel Accounting
Make a Copy for Departmental Records

Travel # 303803

Traveler: Wonder, Woman
111 Park
(800) 881-2111

Prepared By: Superflue
111 Park
traveladmin@ucla.edu


Traveler’s Signature

Date

[Signatures]

List Approval Signatures

Date

[Signatures]

List Approval Names

Title

[Signatures]
Appendix – IRS Form W-9

- Use the most current version.
- Make sure everything is completed and legible.
  - Taxpayer’s name
  - Type of Entity
  - Taxpayer’s address
  - Taxpayer’s SSN or EIN
  - Authorized signature
Appendix – Resources

- User’s Guide
- Register for Orientation
- Agreement
- Positive Pay Tutorial
- Expenditure Review
- Small Dollar Procurement Policy
- Procurement Options
- IRS Form W-9
- Stop Payment Request