



# MEMORANDUM

Date: November 13, 2002  
To: Limited Purchasing Check Custodians  
From: John Downing  
Subject: Processing Fee

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There has been much discussion about the credibility of the \$12.00 assessment for problem checks. The following discussion is intended to help you understand what we are dealing with and what we have experienced since May 2002.

The LPC program has been struggling with checks that require much follow-up work to get them into a record able form. As a result, we had been dedicating more and more resources to the program to cover its processing requirements and it appeared that we were not making any progress. The quality of the forms that were coming into Accounts Payable was deteriorating and management was seriously considering the elimination of the program.

The intent behind the LPC was the ease of use for petty purchases. The check was to be used to pay the vendors immediately for over-the-counter supplies and deliverables. The incentive for the department was economics and ease of use. They could ask for cash discounts and avoid the state sales tax by providing a check at the time of the purchase. The department was then to return the Accounts Payable copy of the check with the original receipt for recording, thus easing the burden of an extensive expenditure review.

Over time the campus wanted to do more with the check. This expansion put more pressure on the departments to review the procurement for consistency with policy, which created more responsibilities for the custodian and for Accounts Payable. We had to review the expenditures with much greater scrutiny. If the check did not pass expenditure review in Accounts Payable it could not be recorded, similar to incomplete or problem check requests, and we were faced with the problem of recording the check after the check cleared the bank. The program turned into a resource nightmare.

The \$12 processing fee was intended to offset the cost of getting these problem checks into a record able state. As a result, we process fewer checks today, and the precision of the checks that we process has improved immensely.

The easiest way to work around the processing fee is to make sure that the

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## Accounts Payable

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check and documentation that you send to Accounts Payable **does not** meet any of the problem criteria set out in the User's Guide. These are just a few hints to avoid the fee:

- If the signature at the bottom of the check is not legible, type or print the signatory's name and title below their signature. The signatory must have the authority to sign on the chartfield. If they are not on the signature card, make sure that you print or type their title below their name even if the signature is legible. This same standard applies to required approvals.
- Make sure the expenditure is adequately documented. This applies to all aspects of the check including the explanation for a business meal or the reason for the payment. The invoice or receipt must include the name of the vendor, the date of the purchase, what was purchased and the total on the invoice or receipt must agree with the amount of the check.
- The chartfields and distribution on the AP copy must be legible. If you type over the original, make sure that you also correct the copy.
- Review the check to ensure that it is complete before you send it to Accounts Payable. The written amount must agree with the digital amount. The check must be dated, signed and have a payee.
- Send the AP copy and documentation immediately after sending or delivering the check to the vendor. Our copy should be recorded before the check is cashed.
- Do not use the check for a prohibited purpose. There are several documents on the web that will help you determine if you can use the check for what you need. The [User's Guide](#) has a list of prohibited uses, and we also have published a list of [preferred methods of procurement](#). If you cannot find the purpose on either of these documents, do not use the LPC.
- Do not write the check for more than the limit on the face of the check.

Thank you for your patience and understanding.

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