

# The American University in Cairo

## Financial Policies and Procedures

**Policy** : **General Guidelines**  
**Effective Date** : **July 1, 2010**  
**Date Revised** : **June 2010**  
**Responsible Official** : **Controller**  
**Approved By** : **VP Finance**

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### 1. CONTROLLER'S OFFICE'S ACCOUNTS PAYABLE SERVICES

Controller's Office Accounts Payable Services support the educational and operational needs of the departments by facilitating payment for goods, services, and employee reimbursement of non-sponsored business related expenses.

The policies of the University, the Egyptian government, the US Federal government guidelines, and current generally accepted accounting principles are followed.

The objective of the non-payroll, non-sponsored grants and programs payable process is to issue payments within the terms of the agreement for goods received and services rendered, taking advantage of all cash discounts offered, and practicing sound cash management.

### 2. DEFINITIONS

Accounts payable are amounts owed to external vendors for goods purchased and/or services rendered upon proper authorization by the University. Employee accounts payable are amounts owed to University employees for non-payroll business-related expenses, including travel expenses, that have been authorized and are allowable.

Payment to vendors is made according to standard terms of the purchase order or contract. Standard payment terms are payment by check or wire transfer upon receipt of goods or services after the completion of the Accounts Payable cycle, and acceptance of payment documents, for employee business-related reimbursements. Payment terms start from the date of receipt of invoice or receipt of the goods or services, whichever occurs later. The University will take advantage of all discounts offered.

### 3. RESPONSIBILITY

#### 3.1. *Departmental Responsibilities*

- Departments are responsible for ensuring that expenditures made are University business-related, properly documented, and authorized by the manager in charge of the cost center.
- Departments are responsible for observing the financial policies and procedures related to procurement of goods and services, and other related policies, such as Purchasing, Budgets, Petty Cash, Travel, etc.
- Departments should not transact business with vendors who have no tax identification cards.
- Departments should seek legal advice from the University Legal Office whenever a contractual obligation is contemplated and all contracts made by AUC Departments should be checked and approved by the Legal Office.
- Departments are responsible for following up on the status of payment requests sent to the Accounts Payable Office through a General Payment Request.
- Departments should provide the Controller's Office with copies of legally binding documents related to the Accounts Payable.
- When a department's operation requires delivering checks to beneficiaries through the department, the department or unit head should nominate a department full-time employee to have the custodial responsibility for checks, and to have the responsibility for submitting the valid receipt for such checks to the Accounts Payable Office. The nomination of such an employee should be made in writing to the Controller.
- Departments are responsible for indicating on the General Payment Request the relevant check delivery instructions. The Controller's Office will keep the check until claimed in person by the beneficiary, unless the General Payment Request states otherwise. Receipts for checks have to be promptly and properly presented, and therefore, the instructions should state how the receipts will be forwarded to the Controller's Office.
- Departments have the prime responsibility for the proper identification of SAP expenditure GL account on the General Payment Request, and ensuring that each listed GL amount has a corresponding fund reservation.
- Departments are responsible for securing other transaction-related approvals prior to submission of the General Payment Request to the Controller's Office, for example, area head approval on travel, Supply Chain Management waiver for direct purchase for amounts in excess of direct purchases limit, etc.

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- In the case of a missing General Payment Request, departments are responsible to submit evidence of delivering the General Payment Request to the Controller's Office.
- In the case of a lost check by a beneficiary, departments are responsible to notify the Controller's Office immediately for issuance of a *stop payment order* to the bank.
- The Controller's Office shall not normally be involved in any direct or indirect dealings with vendors. Departments should handle and solve problems related to vendor payment and / or documentation.
- Departments are responsible for the timely submission of the General Payment Request to the Controller's Office, allowing not less than five working days for processing. In case of returning the General Payment Request to the issuing department because of incomplete documentation or approvals, the above processing time is calculated again from the date of resubmitting the General Payment Request and its receipt by the Controller's Office.
- Departments are responsible for notifying vendors as to the date they should claim their checks from the Controller's Office.
- Departments are responsible for reconciling expenditures booked in the SAP General Payment Requests presented for payments each month.
- Departments are responsible for providing the Controller's Office with an *authorized signatory list*, showing the type of authorization, the amount limits if any, and the duration.

### **3.2. Controller's Office Responsibilities**

- The Controller's Office is responsible for receiving and processing all payment requests presented in compliance with University rules and regulations. A General Payment Request is the only document acceptable for requesting a payment. The date of receiving a General Payment Request and a serial number must be affixed on the lower right corner of all copies of each General Payment Request received. A stamped copy of the General Payment Request must be returned to the issuing department.
- The Controller's Office is responsible for the safe custody of received General Payment Requests and related attachments.
- The Controller's Office must ensure that the University is only paying for goods and services ordered or contracted at agreed upon prices with proper authorization, and duly received.
- The Controller's Office must further ensure expenditures are allowable, adequately documented, and properly presented on a valid General Payment Request form.
- The Controller's Office is responsible for ensuring the correct use of SAP GL accounts.
- The Controller's Office must identify payments subject to Egyptian tax withholding or IRS 1099 Miscellaneous Income reporting. All fines, penalties, and interest incurred from non-compliance with Egyptian government tax or Internal Revenue Service requirements are the Controller's Office's responsibility.
- The Supply Chain Management Department is responsible for maintaining vendor files.
- The Controller's Office is responsible for administering Egyptian *fiscal stamps* and related payments. Assessment of due amounts should be reviewed and approved for payment by the Controller.
- The Controller's Office is responsible for administering and following up on advances.
- The Controller's Office is responsible for administering apartment rent payments in accordance with lease contracts received through the Housing Office.
- The Controller's Office is responsible for administering Egyptian social insurance withholding from construction contractors.
- The Controller's Office is responsible for the filing of payments related to tax withholding to the Egyptian Tax Authority and the reporting of IRS 1099 Miscellaneous Income payments identified.
- The Controller's Office is responsible for providing corporate tax advisory services to other departments.
- Cashing a check may only be authorized for the check's beneficiaries or legal representatives.
- The Controller's Office is responsible to execute any court orders or Tax Authority orders against any amounts due to a vendor. Checks due to such a vendor should be kept in a safe until release of payment is received.
- In the case of death of a vendor, the Controller's Office should withhold all checks due to such a vendor, until legal documents are presented for the legitimate beneficiary.
- The Controller's Office should maintain a roster for delivering all check stubs to the Accounting Support Services (Archiving) who shall keep the stubs in a safe place for at least five years.

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#### 4. EVIDENCE OF GOODS RECEIVED OR SERVICES RENDRED

Payment of invoices requires verification that goods and/or services were received as ordered. Since the University uses a three way matching of invoice to purchase order, satisfactory evidence of goods and/or services received is one of the following:

- Approved invoice for payment (authorization to pay serves as verification that goods and/or services were received as invoiced); or, Signed Statement from a University employee stating that goods and/or services have been received; or,
- Signed Receipt Note; or,
- Signed packing slip.
- For services, a statement signed by the department or unit head asserting that services have been received according to request can serve as an evidence of receipt of services, provided that there is a supporting claim for payment or an invoice for the services rendered.
- The responsibility for receiving and documenting receipt of goods lies with the Supply Chain Management department; the responsibility for receiving services is delegated to the receiving department, and it is recommended that someone other than the payment processor be responsible for providing such documentation.
- Goods or services received prior to June 30 and for amounts exceeding the accrual limits circulated by the Controller annually, should be charged to the same fiscal year during which such goods or services are received.

#### 5. INVOICES

To ensure compliance with this policy, departments must review invoices for the following before submitting payment requests:

- Only goods and/or services received are being invoiced; and invoice terms conform to the purchase order or contract.
- Discounts are taken.
- Unnecessary or unallowable expenses are not included. (Example: freight charges excluded from bids or sales tax.)
- Any discrepancies must be recorded on the invoice.
- Invoices must be routed for entry on the SAP system within 5 business days from receipt of invoice or receipt of goods and/or services, whichever occurs later. Invoices should be processed to meet payment terms or take advantage of discounts.

#### 6. INTERNAL CONTROLS

- Payments to other University units are not made through the accounts payable system, and no cash transactions are to be entered for goods or services exchanged between University units.
- Employee reimbursements will be delivered by hand to the employee whose name appears on the General Payment Request or, in the event of imprest reimbursement, it will be made to the imprest holder.
- No one person should not be responsible for doing all the accounting-related tasks such as purchasing, processing payment documents, acknowledging receipt of goods, and reconciling the budget.
- Department or unit heads, or their designees, are not allowed to authorize payment for themselves, unless such payment had been made to a third party by the department or unit head for a University business related transaction, and there is a documentary evidence of such transaction.
- Imprest holders should be persons other than the department or unit head.
- Cash Accounts Payable are limited to an amount of \$60 (or Egyptian pound equivalent) without violating the purchasing policy.
- No Accounts Payable of expenditures may be made directly or indirectly from revenue cash proceeds.
- No Accounts Payable shall be made against reproduced copies of invoices (duplicate copy, Xerox copy, photocopy, etc.). In all such events where the original invoice is lost, the department or unit head should attach to the General Payment Request a statement testifying in writing to the Controller that such invoice had not been processed before the submission of the accompanying General Payment Request. The Controller should approve payment on all such cases.
- All Accounts Payable should be authorized through a SAP fund reservation.

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### 7. GENERAL INFORMATION

#### 7.1. Separation of Duties

One person should not be responsible for performing all accounting-related tasks such as purchasing, acknowledging receipt of goods, processing payment documents, and reconciling the budget. A management review process may be substituted for separation of duties.

#### 7.2. Special Payments

Special Payments are those payments which:

Do not require a preceding purchase order, and may be paid with a General Payment Request or an itemized invoice.  
May be preceded by a Contract for Professional Services.  
May be a refund of deposit such as gown deposits, Hall use deposits, etc.

#### 7.3. Check Issuance

The check is issued within five working days for all payments from the date of receiving the General Payment Request by the Controller's Office. Checks are hand delivered to beneficiaries against valid receipts.

The General Payment Request covering the check will include the vendor's invoice number (if applicable) and any specified check messages.

The check may include payment for more than one invoice, if not processed through the Payment Order (PO) system.

Each invoice and amount is listed as a separate line on the General Payment Request covering the check, except for a General Payment Request processed through the purchasing department, where each General Payment Request should cover only one invoice.

### 8. CURRENCY OF ACCOUNTS PAYABLE

All transactions performed in Egypt shall be paid in Egyptian Pounds, except where an agent for an international vendor will import goods on behalf of the University. In such cases the payment can be made in a foreign currency. Approval of the VP Finance should be secured whenever payment in US Dollars for local services or supplies seems beneficial to the University. When a settlement in dollars is duly authorized, Egyptian Pounds are translated into Dollars at the University quarterly exchange rate.

Payment for international supplies or services is made in US Dollars or its equivalent at the University quarterly exchange rate at the date of effecting the payment.

### 9. APPROVALS AND ROUTING

Deans or equivalent officers are responsible for identifying and documenting individuals who have approval authority within schools or units.

Approval authority should be consistent with the requirement that authority to act and responsibility for performance should reside at the lowest possible organizational level. Authorized signers should be those that know enough about the transaction to ensure its accuracy and consistency with policy. Many levels of approval are not recommended, unless higher levels "add value" to the transaction. If reimbursing an employee, the transaction must be checked and approved by his/her supervisor.

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Designate separate staff to be responsible for each of these types of transactions:

- 1) Committing to, or authorizing payment for, payroll, purchases or cash Accounts Payable.
- 2) Receiving or distributing goods, checks, or cash.
- 3) Recording transactions on the University's financial system.
- 4) If it is not possible to have different staff responsible for these functions, a supervisor or other staff member should periodically check the validity and accuracy of the work.
- 5) Professional services agreements

These controls will maintain the integrity of handling the University's business transactions and help reduce the risk of fraud.

An authorized signatory list is required for each budget area/cost center, and a copy of the list must be forwarded to the Controller's Office.

### 10. TAXATION

- 1- According to the Egyptian tax law, all payments for goods and services in excess of EGP 300 are subject to tax withholding according to the withholding tax rates shown below. Departments making a payment to a supplier of goods or services are required to provide the Controller's Office with the tax particulars for that supplier (tax file number, tax ID number, name of tax department for filing withholding). The current withholding rates are:

0.5 %	Amounts greater than LE 300 for goods.
2 %	Amounts greater than LE 300 for services provided by craftsmen
5 %	Amounts greater than LE 100 for professional services (Egyptians).
10 %	For professional services and amounts greater than EGP100.00, Egyptian employees who derive income from sources other than their original place of employment are subject to withholding tax at a flat rate of 10%.
20 %	Amounts greater than LE 100 for professional services (Non-Egyptians).

The amount withheld is paid by the University to the Tax Office and is credited to the supplier's tax file. These amounts are then treated as advance payments of tax and are deducted from the annual tax to be paid by the supplier to the tax authorities.

General Payment Request submitted to the Accounts Payable Services Office should show the amount of tax to be withheld in accordance with the above rates.

Requests for Accounts Payable that fail to comply with the above legal requirement will not be processed for payment until tax particulars or a copy of the supplier's passport or ID number (in case of individuals) is provided. The amount payable to the supplier will be made net of tax withholding.

- 2- **20% should be added on to any advertisement invoice as a stamp duty. This percentage is to be charged to the relevant cost center.**