Corporate Financial Services
Open House

NRB Auditorium
September 14, 2009
9:00AM – 11:00AM
Corporate Financial Services

Agenda

- Accounts Payable
  - Accounts Payable Updates
  - ASUCLA Orders
  - Procurement Card Receipts System
  - Reimbursements
- Corporate Financial Services
  - All Star Award Program
- Payroll Updates
- Tax Services
  - Sales and Use Tax
- Travel Accounting/Express
- Purchasing Updates
Corporate Financial Services
Accounts Payable - Updates

Ian P. Da Costa
Manager
Accounts Payable
Service Standard is 10 Business Days
Currently Processing Invoices within 2 Business Days
Five Open Positions (4.5 FTE) – Hiring Freeze
Typically a Backlog Develops towards the Nov/Dec Holiday Season
  - Need to Increase Automation and Gain Efficiencies to Prevent Backlog
AP Launched the Vendor Invoice Portal (ViP) in April 2009
We Need Your Assistance to Stay Current!
FY09: processed 18,565 ASUCLA invoices totaling $12,948,643

July 2009: ASUCLA (The UCLA Store) started using the ViP to submit invoices electronically to Accounts Payable for review

Problem: Invoices going on “H&I” status
Corporate Financial Services
Case Study: ASUCLA Invoices

- No need to send us paper invoices
- Must post orders and make adjustments immediately
- Please include as much business justification within the order as possible to avoid the need for paper back-up
- Please create the order properly to avoid invoices going on “H&I” status
Corporate Financial Services
Preferred Way to Post Orders

Actual Quantity and Unit Prices for Separate Items

Separate line item details
Corporate Financial Services
Acceptable Method (Less Desirable)

No Quantity
Multi-item Description
Extended Total Amount
Corporate Financial Services
ASUCLA – Incorrect Way to Post Orders

Quantity = 1

Unit Price is the Total Price for Multiple Items

Generic Description for Multiple Items
Details in the order needed to match items
- PAN reviewer knows what is purchased
- Easier to match invoice lines to order lines

System can’t match multiple lines on an invoice to one line on an order

AP can’t pay multiple lines on an invoice against one line of an order if “Quantity” = “1”
Corporate Financial Services
Accounts Payable - Reimbursement

Jennifer Chhoeung
Reimbursement Team Leader

Crystal Hung
Supervisor
Reimbursements Summary:

Reimbursements for non-travel, non-entertainment and non-communication-related expenses are exceptions to our normal procurement methods and subsequently might take longer to process, since they require additional approval per Section V of UCLA Policy 740. Employees should never advance personal funds to purchase goods or services on behalf of the University. Standard procurement policy requires that departments use the approved procurement methods, such as LVOs, purchase orders or procurement cards. In addition, we do not reimburse employees for payments for services to individuals or companies that are subject to income reporting.

Article ID: 1002729  http://map.ais.ucla.edu/go/1002729
Corporate Financial Services
Reimbursement Policy – Why is this important?

- **Inefficient**
  - take longer to process
  - more costly to the University in the long run
  - don’t allow for automation efforts (EDI, ViP, ghost cards)
  - mask the details of purchases needed to obtain better pricing
  - don’t allow us to consolidate spend with approved vendors.

- **Invasive**
  - require proof of payment [i.e. bank/credit card statements sometime needed]
  - details are matter of public record.
Corporate Financial Services

Reimbursement Policy – Why is this important?

- **Burdensome**
  - employees advance their personal funds
  - more stringent review process to comply with policy requirements etc (Conflict of Interest, tax reporting/withholding)
  - interest can accrue on the expenses which is **not** subject to reimbursement.

- **Risk**
  - purchases not pre-approved via the PAN process
  - insufficient transactional detail in orders ("office supplies")
  - reimbursements could be subject to lengthy delays going through the exceptional approval process
  - reimbursement requests might be denied
  - transactions might be subject to tax reporting
  - IRS might rule (later) during an audit that items are unsubstantiated expenses or a taxable benefit
<table>
<thead>
<tr>
<th>Rank</th>
<th>Vendor</th>
<th># Invoices</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OFFICEMAX INCORPORATED</td>
<td>65,486</td>
<td>8,136,220</td>
</tr>
<tr>
<td>2</td>
<td>FISHER SCIENTIFIC COMPANY LLC</td>
<td>40,874</td>
<td>10,818,551</td>
</tr>
<tr>
<td>3</td>
<td>EMPLOYEES</td>
<td>33,703</td>
<td>4,860,655</td>
</tr>
<tr>
<td>4</td>
<td>ASUCLA SERVICES &amp; ENTERPRISES</td>
<td>18,565</td>
<td>12,948,643</td>
</tr>
<tr>
<td>5</td>
<td>FEDEX</td>
<td>17,551</td>
<td>1,143,496</td>
</tr>
<tr>
<td>6</td>
<td>SIGMA ALDRICH INC</td>
<td>12,196</td>
<td>2,357,047</td>
</tr>
<tr>
<td>7</td>
<td>ARROWHEAD</td>
<td>10,145</td>
<td>274,074</td>
</tr>
<tr>
<td>8</td>
<td>VWR INTERNATIONAL LLC</td>
<td>7,293</td>
<td>2,377,520</td>
</tr>
<tr>
<td>9</td>
<td>INVITROGEN CORP</td>
<td>5,232</td>
<td>2,267,945</td>
</tr>
<tr>
<td>10</td>
<td>CDW GOVERNMENT INC</td>
<td>5,085</td>
<td>1,917,131</td>
</tr>
</tbody>
</table>
## Corporate Financial Services
### Top 10 Departments by Transaction Lines (FY 09)

<table>
<thead>
<tr>
<th>Dept Code</th>
<th>Transaction Lines</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0300</td>
<td>1,292</td>
<td>166,542</td>
</tr>
<tr>
<td>2000</td>
<td>1,285</td>
<td>169,468</td>
</tr>
<tr>
<td>0070</td>
<td>939</td>
<td>77,283</td>
</tr>
<tr>
<td>0205</td>
<td>884</td>
<td>91,755</td>
</tr>
<tr>
<td>0980</td>
<td>641</td>
<td>129,832</td>
</tr>
<tr>
<td>1580</td>
<td>636</td>
<td>101,287</td>
</tr>
<tr>
<td>1685</td>
<td>632</td>
<td>176,758</td>
</tr>
<tr>
<td>1190</td>
<td>607</td>
<td>44,408</td>
</tr>
<tr>
<td>4100</td>
<td>589</td>
<td>18,472</td>
</tr>
<tr>
<td>0875</td>
<td>575</td>
<td>77,606</td>
</tr>
<tr>
<td>Dept Code</td>
<td>Transaction Lines</td>
<td>Total Amount</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>1685</td>
<td>632</td>
<td>176,758</td>
</tr>
<tr>
<td>1520</td>
<td>435</td>
<td>173,192</td>
</tr>
<tr>
<td>2000</td>
<td>1,285</td>
<td>169,468</td>
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<tr>
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<tr>
<td>1625</td>
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<td>135,492</td>
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<tr>
<td>0980</td>
<td>641</td>
<td>129,832</td>
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<tr>
<td>1557</td>
<td>493</td>
<td>110,611</td>
</tr>
<tr>
<td>1580</td>
<td>636</td>
<td>101,287</td>
</tr>
<tr>
<td>0145</td>
<td>465</td>
<td>97,919</td>
</tr>
<tr>
<td>0205</td>
<td>884</td>
<td>91,755</td>
</tr>
</tbody>
</table>
Corporate Financial Services
Department Responsibilities & Pending Items

- Limit the reimbursement of tangible goods to $500.
- Pending (UCOP) - Encouraging the use of strategic sourcing contracts. (This could mean that reimbursements for these commodities will need stronger substantiation.)
- Deduct the full retail value of a rebate or promotional item from the employee reimbursement. [UC Policy BUS-43 (Materiel Management), Part 3 (Purchase Transactions), Section X (Personal Purchases) prohibits employees benefiting from university purchases.]

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptop</td>
<td>$500</td>
</tr>
<tr>
<td>Promo (iPod/printer/Best Buy Rewards)</td>
<td>$100</td>
</tr>
<tr>
<td>Receipt Total</td>
<td>$600</td>
</tr>
<tr>
<td><strong>Reimbursement Amount</strong></td>
<td><strong>$400 only</strong></td>
</tr>
</tbody>
</table>
Partial reimbursements of tangible goods are not permitted, the basis being, if these are truly legitimate, substantiated business purchases then the entire cost should be covered by the University. However, after considering all the factors (i.e. tax implications, business appropriateness, ownership issues, data security etc) we make the following changes:

<table>
<thead>
<tr>
<th>Reimburseree</th>
<th>*Partial Permitted</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students (non-employees)</td>
<td>Yes</td>
<td>If valid business reason for practice.</td>
</tr>
<tr>
<td>Residents</td>
<td>Yes</td>
<td>If valid business reason for practice.</td>
</tr>
<tr>
<td>Faculty/Staff</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

*except telecommunication expenses and educational assistance
Corporate Financial Services
All-Star Award Program

Annette Oh
Accounts Payable
Corporate Financial Services
Customer All-Star Award Program

- **Purpose:** UC employee to recognize CFS staff members for their extraordinary customer service.

- **Extraordinary customer service:** it is defined as going above beyond their “expected” service

- **Examples of extraordinary service:**
  - Helpful, friendly and bright attitude
  - Knowledgeable about the work
  - Handle customer conflicts or issues with respect and desire to help the customer
Corporate Financial Services
Department List

- Administrative Main Cashier Office (AMCO)
- Bruin Card
- Corporate Accounting
  - Accounts Payable
  - General Accounting
- Financial Management Programs
- Financial Systems Replacement Project
- Managing Equipment
- Payroll Services
- Purchasing
- Records Management
- Student Accounts
- Tax Services
- Travel Services
- CFS Systems Group
Corporate Financial Services
Customer All-Star Award Program

- The nomination form may be found online at http://www.finance.ucla.edu/allstar.htm
Corporate Financial Services
Reminders and Future enhancements

Gayelea Allison, Payroll Services
Corporate Financial Services
System Enhancements

- Furlough/Salary Reduction
- E-Verify - effective 9/8/2009
  - Stay Tuned for Training – October
- Web Expense Transfer Form
- Web New hire/rehire
- AYSO Direct Deposit
- W-2 Departmental Distribution
Corporate Financial Services
Reminders

- Year End
  - Mailing Addresses
  - Changes to W-4
  - Encourage employees to sign up for AYSO
    - Direct Deposit
    - W-2
Corporate Financial Services
California Sales and Use Tax

Upma Budhraja
Tax Coordinator
UCLA Tax Services
Corporate Financial Services

Current Environment

- **UC has no institutional exemption** from California Sales & Use Tax despite our status as a state agency.

- **California State Board of Equalization (SBE) administers the sales and use tax** – UCLA is routinely audited by the SBE and is currently under audit for the period 4/1/05 – 3/31/08

- **Difficult area of law** since rules are not often intuitive and full of exceptions

- **UCLA paid approximately 20 million** in Sales & Use Tax in FY 07/08
Sales Tax

- Imposed on retail sales of tangible personal property (TPP) in California
- Seller responsible for collecting/remitting sales tax
- Tax is applied to the sales price
When Sales Tax Applies - Generally applies when the University:

- Sells TPP to persons other than UCLA departments or the Federal Government
  - In general, tax does not apply to sales to UCLA departments or other UC campuses, since they are part of the same legal entity (you cannot sell to yourself)
    - However, if a department purchases an item for resale (i.e. no tax paid), and then sells that item to another department or UC campus for internal use, tax applies to the sales price
  - **UCLA has the legal liability** to collect the proper amount of sales tax and remit it to the SBE
When Sales Tax Applies (Cont.) - Generally applies when the University:

- Purchases TPP from California vendors
  - California vendors have the legal liability for charging UCLA the proper amount of tax and remitting it to the SBE
Use Tax

- Imposed on the **storage, use, or consumption** (in California) of **tangible personal property** (TPP)

- **Purchaser** is responsible for remitting use tax

- Tax is generally applied to the **purchase price**
When Use Tax Applies - Generally applies when the University:

- **Purchases TPP from out-of-state vendors**

- **Uses TPP that was originally purchased (without tax) for the purpose of reselling it**

  - In both cases, UCLA is responsible for self-accruing the proper amount of California Use Tax and remitting it to the SBE
General Rule

All sales or purchases of tangible personal property are subject to California Sales or Use Tax, unless a specific exception applies and is documented.
Major Exceptions

1. **Items for Resale**

- Items that are purchased without tax and later resold at retail
  - Eye-glass frames purchased by the Jules Stein Institute for sale to patients
  - Books purchased by the bookstore for sale to students
- Includes property that becomes a component part of property later sold at retail
- Property used by UCLA instead of being resold is **taxable** when it is removed from resale inventory and consumed.
Major Exceptions

1. **Items for Resale** (Cont.)
   - Seller must obtain “Resale Certificate”
   - 6 items required for valid Resale Certificate
     - Name & address of purchaser
     - Purchaser’s California Seller’s Permit Number
     - Description of the property to be purchased
     - Statement that property is being “purchased for resale”
     - Date
     - Signature of purchaser
   - Permit # alone is not enough
Major Exceptions

2. **Items Specifically Exempted** from California Sales & Use Tax

- Services unrelated to the sale of TPP (e.g. repair and installation labor)
- Medicines (e.g. prescription medicines and implants)
- Canned software delivered electronically
- Property purchased for federal contracts- must have title
  - title clause that property is owned by federal government

See “Common Sales and Use Tax Exemptions” at http://www.tax.ucla.edu/Common%20Sales%20Use%20Tax%20Exemptions.htm
Major Exceptions

3. Out-of-State Sales
   - Items sold to out of state purchasers
   - Requires bills of lading/documentation to support that items were “shipped/delivered” to an out-of-state purchaser
   - Items purchased from out of state vendors are subject to use tax if property is used in California
Computer Software

- **Software (canned)** - purchases of canned (off the shelf) software including charges for license fees, site licensing, upgrades and other end user fees
  - TPP delivered – taxable
  - Delivered via “Load-n-Leave” – exempt
  - Delivered via telecommunication lines – exempt

- **Software (custom)**
  - More than 50% custom – exempt
  - Less than 50% custom – partially exempt
Software Maintenance Contracts

- Generally provide updates, corrections and support

  - Mandatory
    - Taxable unless both the software and the maintenance are delivered electronically
  - Optional
    - With tangible property – 50% exempt
    - Without tangible property - 100% exempt

- **Software – custom** (more than 50% of the charges are for custom programming)
  - Maintenance is exempt
UCLA Sales & Use Tax Rate

- State: 7.00%
- County: .25%
- Local: 1.00%

  - Combined Statewide Rate: 8.25% (a)
- District Tax (Los Angeles County): 1.50% (b)
- Total Combined Rate: 9.75%

(a) The Combined Statewide Tax Rate (8.25%) applies to all sales or purchases in California
(b) District taxes vary from 0.00% to 2.00%. Generally, district taxes apply if the seller does business in the district where the TPP is first used. Otherwise, the Combined Statewide Tax Rate applies
CA Sales & Use Tax Rates

- Tax rates vary among California locations because of District Taxes. District taxes are added to the Statewide Rate of 8.25% to get the Combined Tax Rates for various districts.

- E.g., Combined Tax Rates for:
  - UCLA – Los Angeles County - 9.75%
  - Lake Arrowhead – San Bernardino County – 8.75%
  - UCI – Orange County – 8.75%
  - UC Merced – Merced County – 8.25% (no district taxes)
  - UCSF – San Francisco County – 9.50%

- See SBE web site for listing of all districts tax rates at www.boe.ca.gov
**District Taxes** - UCLA Sales Activities

- **Sell taxable TPP to purchaser in Los Angeles County**
  - Charge UCLA’s tax rate - 9.75%

- **Sell taxable TPP to purchaser in another district within California:**
  - Generally, a seller is required to collect district tax only if he has a business in the district
  - As an “instrumentality of the state”, UCLA is present in all areas of the state, and therefore, is required to collect district tax in all districts (BOE advice issued 12/20/82)
District Taxes - UCLA Purchases

- Purchase TPP from California vendor who is not required to collect LA County district tax and charges the 8.25% state-wide rate
  - Accrue the 1.5% difference (9.75% minus 8.25%)

- Purchase TPP at a lower district rate than the one imposed on the district of first functional use. For example, purchase TPP in Orange County, (e.g. delivered to UCI) but first use will be at UCLA
  - The Orange County .5% district tax is lower than the 1.5% Los Angeles County district tax. Since the TPP’s first functional use is in the Los Angeles District, accrue the 1.00% difference
Why is Sales and Use Tax compliance important at the department level?

➢ To minimize the department’s total tax cost by:

  ▪ Utilizing and documenting all available exemptions
  ▪ Avoiding sales & use tax audit assessments for non-compliance
  ▪ Reducing tax-related administrative burden
Audits

- Generally occur **every three years** & cover a three year period – currently under audit for the period 4/1/05 – 3/31/08
- Typically result in both **assessments (for deficiencies)** and refunds (for overpayments)
- Assessments are problematic because they **come years after related funds are available**
- **Departments** may be held responsible for errors leading to deficiencies and may be held **financially responsible** for related assessments
Sales & Use Tax Management Tips

- **Familiarize yourself with the general rules, as well as any special rules and exemptions applicable to your departments unique activities**, e.g. food services, library activities, patient hospitals, etc.

- **Identify tax implications in advance** – e.g., prior to beginning a new sales activity involving TPP or prior to purchasing an item of TPP

- **Implement internal controls** to monitor compliance and documentation

- **Know where to go for additional information** and ask for help before the sales or purchase transaction has been negotiated
Corporate Financial Services

Where To Go For Help

- **Tax Services Web Site** - [http://www.tax.ucla.edu](http://www.tax.ucla.edu)
  - UC Sales & Use Tax Manual
  - UC AMC T-182-73

- **UCLA Tax Contacts**
  - Accounts Payable Transactions:
    - Campus – Renee Roth – rroth@finance.ucla.edu, x 48778
    - Med Center – Josue Gustilo – jgustilo@mednet.ucla.edu, x 43210
  - All other transactions:
    - Scott Monatlik – smonatlik@finance.ucla.edu, x 46724
    - Upma Budhraja – ubudhraja@finance.ucla.edu x 49868

- **State Board of Equalization (SBE) Web Site**
  - [http://www.boe.ca.gov](http://www.boe.ca.gov)
Corporate Financial Services
Where’s my money???

Cathy Campbell
Senior Policy Analyst
UCLA Travel Accounting/Express
Can you tell me the status of this TR?

- Check Express first
- Proxy into accounts as needed.
- If TRs are in the “Submitted and not approved” section, they are still in the workflow.

There will be a “Status of your TR” tip sheet posted on the Express main menu – Help link by Sept. 18th, 2009.
Can you tell me the status of this TR?

If nothing is pending then the TRs have all been paid.
Can you tell me if this TR has been paid?

- Go to Bruin Buy and click on Queries
Can you tell me if this TR has been paid?

- Click on Inv. Summary By Vendor (ISV)
Can you tell me if this TR has been paid?

- For Employees – enter in their Employee ID number
- For Non-employees (NER expense reports), enter in “000000000” (nine zeroes).
- Enter in the Starting Invoice Key (the TR#)
- You can leave the date fields empty
Can you tell me if this TR has been paid?

- Click on the Invoice Number to open detailed information.
Can you tell me if this TR has been paid?

- This TR has been paid, see “Date Paid”.

![Image of invoice with paid status]
A few parting shots (I mean tidbits)...  

- When doing TRs after the trip has occurred, don’t forget to add Airfare tickets purchased through UC Travel as a separate line item with Direct Billing System as the payment method.
A few parting shots (I mean tidbits)...

- UC Policy does not allow **domestic per diem** meal claims.
- UC Policy **allows** Meals & IE claims which means **ACTUAL EXPENSES!!!**
- Actual expenses are not to exceed $64 per day and do not have to be substantiated by receipts.
- If your traveler is in the habit of claiming the maximum actual claim, he or she could be subject to an audit and asked to substantiate these claims.
- It is the departments responsibility to make sure travelers are in compliance with this policy.
Advanced payments - Policy

- University policy prohibits advance payments for low-value purchases without the approval of the Purchasing Director.
- An Exception has been made for registration fees, subscriptions, and subject payments from an established petty cash fund.
- Submit a requisition to central Purchasing in order to ensure proper approval.
Advanced payments - Problems
- Cost of money – Interest income (STIP)
- Slows the process while seeking exception approval from Purchasing
- Risky
  - Bankruptcy filings
  - Incomplete work
  - Faulty products
What you can do to help

- Insist that the vendor accept our Appendix A terms and conditions including our payment terms (N30).
- Explain the possible P.O. delays the vendor will face if they insist on advance payment.
- Determine if the vendor has a good business reason for requesting advance payment.
- It should treated as the exception rather than the rule.
When it is OK to request an approval

- Item purchased is being specially manufactured to meet specific requirements and the vendor has to invest a substantial amount on material for your product.
- A situation where the vendor offers a substantial prepayment discount.
- Deposits required by a caterer or hotel to reserve their services for a special event.