



Disbursements

No. 3200

Policy Effective Date:
2/28/1999

Last Revision Date:
9/23/2022

Policy Owner:
Simon Allen

Policy Author:
(Contact Person)
Nancy Meacham

Affected Parties:
Faculty
Staff

- 1.0 Purpose
- 2.0 Policy
- 3.0 Procedures
- 4.0 Definitions
- 5.0 References
- 6.0 Approval and Revisions

1.0 Purpose

As a recipient of public funds, Virginia Tech has a fiduciary responsibility for sound fiscal stewardship of university funds. The purpose of this policy is to provide guidelines for appropriate disbursement of university funds consistent with university policies, applicable laws, and ethical practices. This policy governs all transactions that involve the disbursement of university funds from any source and holds persons authorizing expenditures accountable.

2.0 Policy

All university disbursements must be necessary, reasonable, fiscally responsible, allowable, and allocable per applicable laws, regulations or policies, and directly relate to the goals and mission of the university. Disbursements must be processed timely in order to comply with the Commonwealth's [Prompt Pay Act](#). Please refer to [Policy 3260, Prompt Payment](#). Faculty and Staff are responsible for carefully managing the university's resources, which are subject to scrutiny by State authorities, sponsors, auditors, and other interested parties.

The [Restructured Higher Education Financial and Administrative Operations Act of 2005](#) (Restructuring Act) and the related Management Agreements included therein grants the university the authority to set appropriate policies on financial operations and to establish and maintain an effective financial management system. Virginia Tech's general policy is to follow the Commonwealth of Virginia's policies as documented in the [Commonwealth Accounting Policies and Procedures Manual](#) (CAPP manual) until the university creates specific alternate policies to improve the efficiency and effectiveness of its business and administrative functions. Alternate policies will conform to the spirit of the CAPP manual with strong risk management and internal accounting controls to ensure university financial resources are properly safeguarded.

In addition, the Associate Vice President for Finance and University Controller is authorized to create policies and procedures related to disbursements necessary to ensure compliance with applicable federal or state laws and regulations not covered by the CAPP Manual or other university policies.

2.1 Disbursement Requirements

All university disbursements must meet certain primary requirements to ensure expenditures are valid, properly approved, and in compliance with university policies. The following list specifies certain key, but not all, expenditure requirements for compliance with this policy:

- Disbursements shall only be made for obligations incurred following appropriate procurement and contracting process as described in [Policy 3015, University Contract Signature Policy and Procedures](#).



Virginia Polytechnic Institute and State University

- Disbursements must be in accordance with federal and state laws, regulations, university policies, and procedures.
- *Authorization of payments:* As stated above, all purchase transactions must be approved by an authorized approver in accordance with [Policy 3015, University Contract Signature Policy and Procedures](#). The university's financial systems have built-in automated internal controls to ensure that only authorized/delegated personnel can enter and approve transactions for approved funds within their respective organizations in Banner; and, that sufficient available budgets exist for disbursement. However, approvers are ultimately responsible for ensuring that the transactions they are approving are allowable, allocable, and reasonable and comply with applicable federal and state laws and regulations, university policies and procedures, and specific requirements of grantors. Approvers should also ensure that the expenditures are necessary and prudent expenditures of state funds.
- *Receiving of Goods and Services:* Receiving reports document the satisfactory receipt of goods, services, materials, equipment, supplies etc. Receiving reports provide an auditable source of verification that goods or services are received in a manner acceptable to the conditions and requirements of the contract or purchase order prior to the authorization of invoices for payment. Departments are responsible for recording the receipt of goods and services in the HokieMart system promptly after careful inspection of goods to ensure:
 - the quantity received matches the amount ordered,
 - items received are in acceptable condition,
 - services rendered by the vendor are in accordance with the terms of the contract
 - the actual date the goods were received is entered as the "Received" date in the system
 - applicable warranties or returns can be handled without delay
 - discounts or rebates can be availed as negotiated (certain vendors have special payment terms negotiated in the contract, which appear on the purchase order)

The Virginia Prompt Pay Act requires remittance of payment to vendors within 30 days of the vendor's invoice or the receipt of goods or services, whichever is later.

For the university to pay the vendors on time and in compliance with the Prompt Pay Act, it is critical for departments to enter the receiving report as soon as the goods or services are received.

See Controller's Office [Procedure 20305: Receiving Reports](#) for detailed information regarding receiving reports.

- *Segregation of Duties:* Segregation of duties is an important internal control, whereby no one person has the ability to initiate, authorize, record, and reconcile transactions. The separation of duties among two or more people minimizes the risk of errors or fraud occurring without being detected.

Vice Presidents, Deans, Department Heads, Department Chairs, Directors or similarly titled administrative managers (hereafter referred to as "manager") must ensure appropriate segregation of duties is implemented in their respective departments. This requires at least two personnel to perform the three required roles – a requestor, an approver, and a receiver. The approver must be someone other than the person who initiated the transaction. In most situations, the fund's authorized approver (including but not limited to department heads and center directors or designees) has the authority to approve expenditures to



order the goods or services. As described above, the final responsibility of “receiving” is the verification that the goods or services ordered were actually received, are in good working order, and/or the services provided met the requirements of the contract. Once receiving is completed, the expenditure is authorized for payment. All three steps are necessary to complete the process and must be done timely so that the required deadlines for the Prompt Payment Act can be met. Detailed procedures for individual requestor, receiver, and approver roles can be found in the [Procurement Department User Guides](#).

Departments should contact the University Controller’s Office if this requirement cannot be met due to the small size of the department or temporary staffing changes for implementing alternate compensating controls.

Departments must also conduct monthly reviews and reconciliations of financial transactions in accordance with [Policy 3100, Fiscal Responsibility](#).

- *Exemption from Sales Tax:* As an agency of the Commonwealth of Virginia, Virginia Tech is exempt from Virginia sales and use tax on all tangible personal property purchased or leased from public funds for use by the university including prepared meals, catering and other services related to the provision of food.

Please refer to the [Controller’s Office website](#) for detailed procedures.

3.0 Procedures

Below are distinct roles and responsibilities assigned for compliance with this policy.

3.1 Responsibility and Accountability

3.1.1 Management Responsibility and Accountability

Vice Presidents, Deans, Department Heads, Department Chairs, Directors or similarly titled administrative managers (hereafter referred to as “manager”) are responsible for the following:

- Establishing internal controls in their organizations and delegating responsibilities to competent, qualified, and properly trained faculty and staff.
- Establishing departmental business processes with appropriate levels of authority, responsibility, and segregation of duties to ensure transactions are properly reviewed and authorized and no one person has the ability to control financial transactions from start to finish.
- Receipt of goods and services, as stated above, is entered in the HokieMart system accurately and promptly for all purchases.
- Invoices are processed promptly in accordance with [Policy 3260, Prompt Payment](#) to ensure university’s compliance with the Prompt Pay Act.
- Ensuring all eligible discounts are earned by prompt receiving and processing of invoices.

3.1.2 Controller’s Office Responsibility and Accountability

The Controller’s Office is responsible for the following:



Virginia Polytechnic Institute and State University

- Developing processes and procedures to ensure invoices for properly approved and received transactions are processed promptly for payment to ensure compliance with Policy 3260, Prompt Payment (<https://policies.vt.edu/assets/3260.pdf>).
- Providing departments with assistance and guidance in interpreting fiscal procedures to ensure fiscal responsibility.
- Providing training to university departments to assist with compliance with this policy.

Payments to other university departments must also be in compliance. Procedures related to Payroll, Travel, and Accounts Payable should be followed in order to assure compliance with the university disbursement policy. In addition, costing policies affect the correct application of this policy. Please refer to Policy 3240, Costing Principles on Sponsored Projects ([Policy 3240, Costing Principles on Sponsored Projects](#)).

4.0 Definitions

5.0 References

Code of Virginia Prompt Pay Act

<https://law.lis.virginia.gov/vacode/title2.2/chapter43/section2.2-4350/>

Policy 3260, Prompt Payment

<https://policies.vt.edu/3260.pdf>

Restructured Higher Education Act

<https://www.schev.edu/institutions/planning-performance/restructuring-act>

Commonwealth Accounting Policies and Procedures (CAPP) Manual

<https://www.doa.virginia.gov/CAPP.html>

Section 2.1-196.1 of the Code of Virginia

<https://lis.virginia.gov/cgi-bin/legp604.exe?971+ful+HB2406+pdf>

Policy 3100, Fiscal Responsibility

<https://policies.vt.edu/3100.pdf>

Policy 3240, Cost Principles on Sponsored Projects

<https://policies.vt.edu/3240.pdf>

6.0 Approval and Revisions

Approved February 28, 1999, by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 1
Policy underwent a complete revision and expansion of key concepts and requirements. Changes include addition of key requirements to comply with this policy and references to companion university policies



Virginia Polytechnic Institute and State University

and procedures, and addition of the “Responsibilities” section to delineate roles and responsibilities for compliance with this policy.

Approved June 16, 2020 by Vice President for Finance and Controller, Kenneth Miller.

- Revision 2
Technical updates to links.

Approved September 23, 2022 by Vice President for Policy and Governance, Kim O’Rourke.