

“FORM-5” PAYMENT REQUEST INSTRUCTIONS

Jan-01

GENERAL INSTRUCTIONS

POLICY AND PROCEDURE REFERENCES: See [Payment Processing at UCSB—Overview](#) for numerous hyperlinks to references that govern payment processing in general. For more detailed discussions see [Payment Processing at UCSB—Selected Topics](#).

THE FORM, [Payment Request—Misc. \(Non-Payroll\)](#), is commonly referred to as “Form-5”. It is available at Accounting’s web page in “PDF Modifiable Format” which means it can be filled out using Acrobat Reader 4.0 and printed in quadruplicate for approval and routing to Accounting.

The web address is <http://www.accounting.ucsb.edu/paymentinfo/form5/form5.pdf>

Because it is available on the web it will not be stocked by the Central Storehouse as a printed form. Any campus adaptation of the form to database or spreadsheet software should keep the form’s design and layout in tact so it has the same proportions on the page as the official form. Copies of the form used for mailing purposes must be able to fold easily and insert into window envelopes. Accounting reserves the right to return forms that do not conform.

COPIES: The original and the first two copies are sent to Accounting. See the form copies themselves for printing options. Only the original needs original signature(s).

WHEN TO USE: The “Form-5” only adds value when no valid invoice or correspondence referencing a valid purchase authorization is available. Use the form to provide explanatory substantiation when an invoice for which the University is liable is not billed directly to the University.

DOCUMENTATION: Please substantiate the request by providing complete information and appropriate documentation. Payment Requests are subject to additional scrutiny and disclosure because of their sometime sensitive nature and because they often are processed without the benefit of purchasing authorization. The checklists on the form and the instructions are to guide departments and Accounting in complying with relevant policies and laws. Accounting cannot perform the necessary compliance review and processing unless the details of the payment and the status of the payee are fully disclosed.

PAYMENT DISTRIBUTION: To ensure that adequate internal control standards are met, payment shall be delivered directly to the payee. Payment shall not be delivered to any of the individuals involved in the approval or payment preparation process. Thus, all relevant documentation should be attached to the request for payment, e.g., when a vendor contract must be attached to a payment made directly to the vendor, the contract should be forwarded with the request for payment and mailed to the vendor with the check (or separately for electronic payments).

The policy on Honorarium states: “Checks for honorarium payments should be mailed directly to the payee or may be held by the accounting office for pick-up by the payee. Such checks should not be released to the department that initiated the payment. If an honorarium payment to an employee must be returned to the originating department, the employee should be required to sign for the check before it is released.”

The two previous paragraphs are lifted from the Entertainment and Honorarium policies, but such internal control standards apply to all payments. *As most all employee reimbursements are returned to the originating departments for distribution, it is important that departments have controls in place that separate the distribution of checks from the payment initiation and approval duties. Recipients should sign for payments received on a log the department retains as a permanent record for audit purposes.*

DIRECT DEPOSIT: It is Accounting’s intention to vendor all non-payroll payments to employees to direct deposit information in their Payroll Personnel System records. Payment method and addressing will default to the PPS “Surepay” setup.

TIMING: Departments and vendors should understand that routing, additional approval, A/P processing, auditing, printing and distribution of a high volume of payments require time. Please allow for a two week processing cycle from the time the request is completed until the payment is made.

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BOX-BY-BOX INSTRUCTIONS

MAKE PAYABLE TO/MAILING ADDRESS: Use the last-name-first convention unless the payee is a business or organization.

SPECIAL HANDLING: Accounting wishes to discourage time-consuming handling procedures such as “call for pick-up” and cash advances. Departments may be asked to justify such requests and certify that verifiable check handling controls are in place

AMOUNT: Generally Accounting uses the “LESS” and “NET” features for tax withholding. If a credit offset is to be reflected in a transaction, be sure to provide appropriate Full Accounting Unit (FAU) coding for both the debit and the credit.

CARDHOLDER: This box is only used with payments to third party payees, such as US Bank, the corporate travel card provider. The cardholder or beneficiary must be disclosed so the correct credit card account can be credited.

Caution: Accounting will not be responsible for recovering funds misdirected because of incorrect information on the Form-5. Individual cardholders are responsible for tracking and reconciling their card activity. Campus processors should examine the documentation for evidence indicating corporate card activity, but it is not necessary to provide copies of the cardholder’s statement. Remember, the US Bank card is only appropriate for travel and entertainment charges.

PO Ref No: Indicate the appropriate purchase order authorization preceded by the type: LV, SB, VB, etc.

DEPT Ref No: This is for an optional departmental tracking or control number.

DEPARTMENT NAME: Self explanatory.

DATE REQUESTED: Self explanatory.

APPROVER’S \$ DELEGATION FOR HONORARIA: This box highlights the fact that honoraria are approved under a specific delegation tied to different dollar limits. Consult with your control point for dollar limits and additional approval requirements.

VENDOR ID: For payments to employees, departments may provide the same vendor id number associated with the employee’s travel reimbursements. Leave blank if the id is not known.

NAME OF BUDGET TO BE CHARGED: Self explanatory.

PREPARED BY: Self explanatory.

FULL ACCOUNTING UNIT CODING GRID: Credits must be preceded with a “-“ sign. If more than three lines of distribution coding are needed, please do all the coding on the Multiple Distribution Coding Block form.

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MANDATORY DISCLOSURE FOR TAX REPORTABLE PAYMENTS

These payments are not tax reportable for income tax purposes—no disclosure is necessary (however, they may be subject to use tax):

- purchases from vendors of tangible personal property (supplies),
- reimbursements to individuals for purchases of tangible personal property (supplies),
- service payments to corporations (other than medica/legal) and government entities which are not subject to backup withholding.

These payments are tax reportable for income tax purposes—disclosure is mandatory:

- service payments to individuals, partnerships,
- service payments to corporations of legal and medical professionals,
- certain passive activity income such as rents, royalties and non-service scholarship/fellowship grants to non-resident aliens
- scholarship/fellowship grant payments require tax-related reporting

All such payees must answer all the questions in this box disclosing their relationship to the University and residency for tax purposes. A “Yes” answer indicates further explanation is necessary, either on this request form itself, or on forms mandated by tax authorities. Answer “Yes” or “No” for each line as a payee may simultaneously occupy more than one status.

UC Employee issues:

1. PAYMENTS FOR SERVICES suggest PAYROLL PROCESSING: Consult with Human Resources, Academic Personnel and/or Payroll
2. REIMBURSEMENTS suggest the following policy implications:
 - PURCHASING AUTHORIZATION: See UCSB Policy [5330](#), Purchasing Goods and Services. Note other relevant policies: Travel, Entertainment, etc
 - UNAUTHORIZED PURCHASES. See UCSB Policy [5336](#), Authorized and Unauthorized Purchases. Transactions may require additional review and approval by Procurement Manager.
 - CONFLICT OF INTEREST: See UCSB Policy [5327](#) Employee-Vendor Relationships

UCSB Student issues: See UC Accounting Manual chapter [T-182-77](#), Taxes: Taxation of Scholarship and Fellowship Grants and Educational Assistance.

1. REPORTING: “Qualified” portion of scholarship/fellowship grant payments affect Hope Scholarship Credit and Lifetime Learning Credit reporting. Coding should reflect proper budgeting appropriations using account 78xxxx and object code 7770.
2. COORDINATING UNITS charged with processing and tracking merit-based student support and grants in aid:
 - UNDERGRADUATE: Financial Aid
 - GRADUATE: Graduate Division
 - NON-DEGREE CANDIDATE: Extramural Fund Accounting

Independent Service Provider/Consultant issues:

1. CLASSIFICATION: Consult UC Presidential Policy on Use of Independent Contractors ([4-04-00](#)) for guidance on this issue. This is a complicated issue that may require consultation between the department, Accounting/Payroll, Human Resources, Business Services or Academic Personnel.
2. TAX REPORTING: The University’s Federal and California reporting obligation can only be discharged if the mandatory disclosure information about the payee is collected before payment is made...ideally at the time contracts are executed. As payer and Federal withholding agent, the University needs to know if a payee is subject to backup tax withholding and reporting.

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3. **CONTRACTS and CONSULTING AGREEMENTS:** These legal instruments should be executed and signed before any work is begun. They protect the University against injury claims and set forth standards of contract performance. See UC Business and Finance Bulletins [BUS-34](#), Securing the Services of Independent Consultants, and [BUS-77](#), Independent Contractor Guidelines. See UCSB Policies on Independent Consultants: [5260](#) Use of Independent Consultants, [5265](#) Securing the Services of Independent Consultants, and [5265 Attachment A](#), Request for Services of an Independent Consultant.

California Nonresident issues:

1. **WHERE IS WORK PERFORMED?** The answer governs whether or not California is entitled to tax the payment.
2. **WITHHOLDING, WITHHOLDING ALLOWANCES.** If work is performed in California withholding is generally required. The withholding amount can be reduced for such business expense allowances as travel expenses.
3. **FORMS REQUIRED:** See UC Accounting Manual chapter [D-371-77](#), Disbursements: State Tax Withholding from Nonwage Payments to Nonresidents of California.

Nonresident Alien issues:

For a discussion of regulations and documentation issues surrounding payments to nonresident aliens, see International Visitors & Payments to Nonresident Aliens.

1. **WHERE IS WORK PERFORMED?** If performed in the U.S., the payment is most likely taxable and reportable.
2. **FORMS REQUIRED and DOCUMENTATION:** Payee should complete Statement of Citizenship so the University may determine his/her residency status for tax purposes.
3. **TAX TREATIES, WITHHOLDING, WITHHOLDING ALLOWANCES.** For a proper determination of which, if any, treaty articles apply, Accounting needs full disclosure of the nature of the service and the visa status of the payee. In fact, careful planning with all nonresident alien issues in mind should precede the final arrangements with an international visitor.

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SUBSTANTIATION, DOCUMENTATION AND APPROVALS

PAYMENT TYPE should properly identify the overall category. It is the first step in analyzing the implication of a Form-5 payment request:

- *Reimbursement*: Check this type for supplies and other University expenses paid with personal funds and for petty cash fund reimbursements. Do not use this form for business meeting and entertainment expense and memberships, as these must be processed on entertainment and membership payment requests.
- *Honorarium*: See policy references for definitions and requirements. Consult control point delegations for dollar limitations.
- *Student award/grant/support*: Use for all merit-based award payments. Do not use for loans, use the “Other” category instead.
- *Non-student support*: Post doctoral research grant, housing allowance, other participant support.
- *Independent personal service/consulting*: Reference contract/agreement and route for review and approval by the campus Director of Materiel Management or his/her designee
- *Rent, royalty*: Reference contract/agreement and route for review and approval by the campus Director of Materiel Management or his/her designee
- *Settlement*: Require additional review and approval by the Business Office. Court and arbitration settlements require review and approval by General Counsel, Chancellor and/or Vice Chancellor.
- *Advance/Other*: Specify, such as loan, advance, etc.

IN PAYMENT OF adds distinguishing detail about the reimbursement, honorarium, etc. Remember to attach whatever invoice, receipt, announcement or correspondence may further substantiate the request.

APPROVED BY The original needs to be signed by an approver with:

- delegation to approve expenditures within specified dollar limits of certain policy-specific delegations to his/her operating unit, or
- with signature authorization over the budget in question for expenditures with no policy-specific delegation.

ADDITIONAL APPROVAL BY: Certain exceptional and above limit activity may require additional approval at the control point level. Other activities, where contracts are required, are reviewed and approved by the campus Director of Materiel Management or his/her designee before payment can occur.

In the interest of timeliness and efficiency, departments should take responsibility for obtaining any additional approval required prior to submitting to Accounting.