



Finance Matters

Finance Division Newsletter

April 2018

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INTRODUCTION

This is the first issue of **Finance Matters**, a newsletter designed to keep you informed of important initiatives and updates in Brown University's Finance Division. In this first issue, we would like to introduce you to the departments within our division.

Academic Finance and Administration (AFA) is a shared service organization designed to support complex transactions, reporting, and analysis at all levels of the University. Our mission is to serve as an interface between departments and central offices. We work with multiple departments on campus to facilitate financial and HR transactions, financial management, analysis and reporting.

Accounts Payable is responsible for paying suppliers, processing reimbursements, and managing the purchasing cards (PCards), American Express Corporate Travel Cards, and ClinCards (research participant payment cards).

The **Budget Office** manages the budgeting and financial planning operations of the University. We develop short and long-term financial planning models, monitor and report on financial results compared to the budget, and coordinate the University's annual budget process.

The **Controller's Office** consists of several departments that provide comprehensive accounting and compliance services: General accounting; Investment, Gift, and Endowment Accounting; Cost Accounting; Business assets, moveable equipment, and project accounting; Payroll and Tax Services; and Financial Reporting.

Insurance and Purchasing Services has two primary responsibilities: Purchasing Services provides assistance to faculty, staff and students in making informed purchasing decisions through strategic sourcing initiatives and the Insurance Office is responsible for the University's self-insured and commercial insurance programs, including workers' compensation, general liability, auto, and property insurance.

Treasury manages the cashflow, liquidity, working capital, and debt of the University. It serves as the intermediary between Brown and the banking and financial services industry.

If you have any questions, comments or suggestions for future issues of *Finance Matters*, please send them to finance-division@brown.edu.

IRS PAYCHECK CHECK-UP CALCULATOR

On March 26th, the Internal Revenue Service issued a news release regarding the new paycheck checkup calculator for taxpayers to check their withholding. Please go to the [IRS website](#) to read the new release in its' entirety. Should you determine that you need to change your W-4 withholding, you can do so in Workday as the

2018 W-4 has been implemented. Please note that University staff, including the Payroll Office, cannot provide personal tax advice and therefore cannot answer individualized questions regarding your personal W-4 election. It is recommended that you follow the guidance issued by the IRS to determine any election changes, if necessary

GIFT CARDS

Gift cards are restricted purchases because the Internal Revenue Service (IRS) considers gift cards distributed in a work environment to be taxable compensation. To comply with tax regulations:

- Gift cards may not be purchased for Brown University specifically identified active employees, students (undergraduate and graduate students, and post doc research associates), researchers or consultants employed by Brown University.
- Gift cards may not be purchased as gifts for graduating students.
- Gift cards may not be purchased as holiday or other gifts to employees or students.
- Gift cards may not be purchased to pay suppliers and consultants for goods and/or services received.

Please review the [gift card policy](#) for further information about gift cards.

EXPENSE REIMBURSEMENT POLICY

The Expense Reimbursement policy applies to all expense report reimbursements in Workday, whether for travel, books, supplies, business meals, etc. The "60-day" rule is a component of the [Expense Reimbursement policy](#). Per IRS regulations, expenses submitted to an employer for reimbursement must be substantiated "timely". Substantiated means that the detailed business purpose and receipts must be submitted and timely is defined as 60 days. Thus, all reimbursement requests, along with all of the receipts, must be submitted into Workday within 60 days. If the reimbursement is for travel, the 60 days' count starts the first day after the end of the trip. For other reimbursements, the 60 days' count starts when the expense was incurred. This policy applies to expenses charged to all sources of funding: department, research, start-up, grant, and gift funds. The policy applies to all faculty, staff and students.

If expenses are submitted later than 60 days, the payment becomes taxable. Accounts Payable sends to Payroll the amount of the expense and Payroll adds the amount to the individual's next payroll check. The payment is subject to taxes: federal and state withholding, FICA, and Medicare. The payment is added to the employee's W2 for tax reporting purposes.

ANNUAL FISCAL YEAR-END CLOSE TRAINING

The Controller's Office invites all Cost Center Managers and Financial Coordinators to attend one of the annual year-end close trainings offered next month. The following sessions are scheduled and may be signed up for via [LearningPoint](#):

Date	Time	Location
May 15, 2018	9 - 10 am	South Street Landing, Multipurpose Room (497/498/499)
May 16, 2018	9 - 10 am	Sharpe Refectory - Chancellor's Dining Room & Annex
May 22, 2018	3 - 4 pm	Sharpe Refectory - Chancellor's Dining Room & Annex

VISITOR TRAVEL

Brown hosts thousands of visitors each year and many of those visitors are reimbursed for their travel expenses. A new chart has been created to be able to quickly determine what is a reimbursable expense for visitors. The chart is accessible from the [Visitor Travel Reimbursement policy](#) website under Forms/Instructions.

FCM TRAVEL AGENCY TRANSACTION FEES

Brown University and FCM Travel Solutions have renegotiated their travel services agreement. The new agreement reduces the cost of booking travel! The cost of booking travel when calling the agency or using direct bill is reduced from \$42 to \$35. The cost of booking travel online is reduced from \$15 to \$10. Please visit the our [Travel Management](#) website for more information.

When Brown University travelers use FCM to book their travel, the trip is automatically registered with the University's travel assistance company, [International SOS](#).

EXPENSE REPORTS: NEW INFORMATION REQUIRED

Three expense items in Workday Expenses now require additional information to enhance Brown's ability to report on where employees travel.

- Lodging-International, Per Diem- Lodging International and Per Diem- Meals International now require completion of the box "country".
- Per Diem- Lodging International and Per Diem- Meals International now require completion of the box "number of days".

SALES AND USE TAX NOTICE

In August of 2017, the RI legislature passed a requirement for all retailers who do not submit sales tax to the State of Rhode Island, requiring them to notify purchaser's whose purchases exceeded \$100 where no sales or use tax was collected at the time of the sale.

While there was no change in the requirement for individuals to pay sales/use tax, the new notification requirement has increased awareness of this tax liability. Since the retailers are not required to collect this tax, the burden is passed on to the individuals making the purchase. Many faculty and staff members have been receiving these notices from non-reporting retailers.

Members of the Brown community who have made purchases directly with retailers may be liable for the use tax on these purchases as the receipts are not in the name of the University.

We recommend that purchases for Brown University be made through the University's established processes and in the University's name in order to establish Brown University as the purchaser/owner of record where the purchases may be sales and use tax exempt.

Sales/use tax paid as a result of these notifications is not a reimbursable expense. –

BLANKET PURCHASE ORDERS

Blanket Orders are opened as of July 1, for purchases to be made in the new fiscal year. With year-end approaching, it's now time to determine whether or not Blanket orders are needed.

Blanket Purchase Orders are purchase orders that are to remain open for one fiscal year to cover the purchase of consumable goods or services. Blanket orders need to be closed annually. Blanket Orders are to be used for recurring, low dollar purchases from a specific supplier and paid for during a specified time.

Traditionally, Blanket Orders were created to ensure that supplies could be obtained on short notice. With Workday and email, however, Purchase Orders can now be created and issued to suppliers quickly. Purchasing is asking Departments, therefore, to review their usual Blanket Orders and determine if the purchase meets the criteria above. Remember, Blanket orders are not meant to be used as line of credit with a supplier.

If determined that the Blanket Order criteria is met, the order amount needs to be reasonable and appropriate; that is, based on last year's business spend and any expected changes for the new year. There is a cost associated with the process of creating multiple change orders in terms of the time and resources it takes to process them. Blanket orders follow the same processes for documentation and competitive bidding as other types of purchase orders.

Please contact Purchasing@Brown.edu with any questions.

UNIFORM GUIDANCE PROCUREMENT STANDARDS

It's coming..... July 1, 2018 is the date that Brown must adopt the federal Uniform Guidance Procurement Standards.

The focus is on increased competition and transparency in the procurement process.

There are five general procurement standards that cover the purchase of property, supplies and services under the Uniform Guidance:

1. The organization must maintain written policies and procedures for procurement covering the methods available under these regulations.
2. Costs must be reasonable and necessary
3. Must provide for full and open competition
4. The organization must maintain written standards of conduct covering internal and external conflicts of interest
5. The organization must maintain documentation addressing cost and price analysis and vendor selections where applicable based on the method of procurement used.

Potential impact to Brown's Purchasing policies:

The most significant impacts to the University's procurement policies would be changing as of July 1, 2018 from the current \$25,000 bid threshold to \$10,000, as well as making bid opportunities public for purchases exceeding \$150,000. In addition, the use of "sole source" (non-competitive purchases) will need to be more tightly managed and will require a price/cost justification.

Sole source: Procurement using a non-competitive process - must meet one of the following four requirements:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting in exemption from competitive solicitation requirement;
- The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity (Brown); or
- After solicitation of a number of sources, competition is determined inadequate

We are working to update our procurement policies to align them with these requirements, as well as the University's initiatives for strategic sourcing, sustainability, supporting the local economy, and diversity. Additional information will be available as the July 1, 2018 effective date approaches.

Procurement guidance is specifically located in sections [200.317-200.326 of the Code of Federal Regulations](#):

STRATEGIC SOURCING AT BROWN – FROM TRANSACTIONAL TO STRATEGIC

Strategic Sourcing, a fairly new concept at Brown, was initiated in September 2015 following the Deficit Reduction Working Group's (DRWG) recommendation that the University develop a more strategic approach to procuring goods and services at Brown. Up until this time, Purchasing Services was primarily focused on "processing" transactions.

The recommendation of the DRWG to implement strategic sourcing was made based on the principle that enhancing the University's financial well-being through cost savings is a responsibility we all share.

What Exactly is Strategic Sourcing?

Strategic Sourcing is an organized, collaborative, data-driven approach to making informed purchasing decisions that result in achieving cost savings, improved services, and process efficiencies. It is a structured process of analyzing and leveraging overall spend to reduce the total cost of purchased goods and services, negotiate competitive contracts, and implement the most optimal solutions. The focus is on the total cost of ownership

(TCO), which is not necessarily the lowest purchase price. Strategic Sourcing is a continuous process of information gathering, monitoring, and planning, as well as collaboration and relationship-management.

Role of Strategic Sourcing

Through spend analysis, we can identify opportunities to leverage the University's buying power by consolidating and driving spend to a smaller number of suppliers with whom we negotiate competitive contracts and promote to campus as preferred suppliers.

The **Strategic Sourcing team** is here to assist Brown departments and schools in making informed decisions related to their sourcing needs that achieve the best overall value for Brown, while aligning with University goals. We can:

- Partner with you to understand your needs and challenges, identify opportunities, and develop a sourcing strategy
- Review spend analytics reports with you to help you make informed purchasing decisions
- Facilitate RFP and contract negotiation / development / execution process
- Assist with identification of suppliers and access to contracts through group buying cooperatives
- Provide information on preferred suppliers, policies/processes, and existing University-wide contracts
- Assist with business reviews and supplier relationship management

Upcoming Training

April 25:	PCard drop in session, CIS Angell, Room 202
May 2:	PCard drop in session, South Street Landing, Room 493
May 30:	PCard drop in session, <u>NEW LOCATION</u> 85 Waterman Street, Room 015 (formerly BERT 015)
June:	PCard drop in session, South Street Landing, Room 493

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