

What is Accounts Payable (AP)?

Accounts Payable is part of the fiscal management system to track charges for goods or services which are not paid for immediately at the time they are received. Often abbreviated as AP, a well-organized AP system results in good fiscal stewardship, prevents fraud, and provides a good audit trail. It is a preferred fiscal practice rather than having employees make purchases for which they later seek reimbursement.

What are effective AP practices?

Effective AP practices include having written procedures for processing invoices from vendors and contractors. The processing activities are reviewed regularly to ensure they are consistent with the procurement and inventory management policies and procedures. It is important to keep a separation of duties for the staff processing AP. Policies which clearly identify the purchasing authority of each staff position and establish appropriate dollar limits for purchasing authority at each level should be outlined. [See OVC TFM Controls/Separation of Duties Guide Sheet.](#)

What are the steps to follow for purchasing in AP?

AP procedures require authorization (approval) by a designated staff person prior to all purchases; for example, a supervisor or fiscal staff member. However, standing authorization for routine expenditures such as utilities and copier maintenance is usually provided to a fiscal staff member by an annual budget approved by the council/board. Other employees making purchases which have not been previously authorized put the request in writing by briefly describing the cost as well as the project to which it is being charged. A supervisor or a fiscal staff person reviews the request, paying close attention to the following:

- ◆ Is there enough money in the budget to pay for the request?
- ◆ Is the request allowable by the funding source?
- ◆ Is the request reasonable for the activity for which it will be used?
- ◆ Is the request necessary for the activity for which it will be used?

When final approval for purchase is made, either a check or a purchase order may be issued for the vendor/contractor.

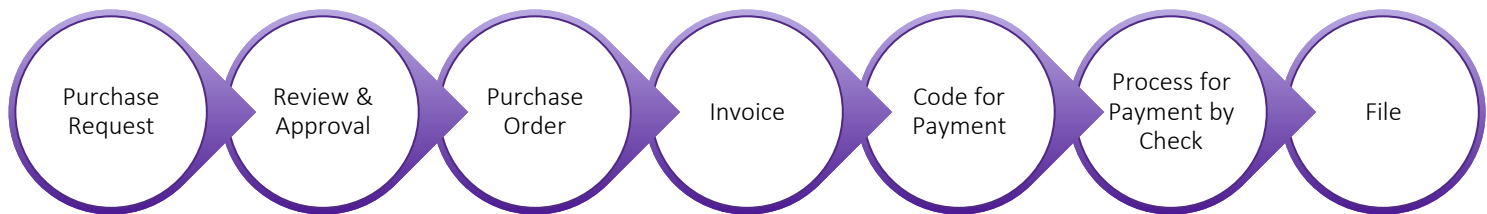
How are invoices processed in AP?

All invoices/statements from outside vendors are routed to a fiscal staff member who reviews them and determines whether they are covered by a standing AP authorization or whether a written request has been submitted for the item. Once invoices/statements are ready for payment, a fiscal staff member issues checks to pay them. This is usually done on a routine weekly or semi-monthly basis. Large entities may do this daily. Checks are issued according to the organization's banking policies, including using the

appropriate authorized check signing procedures. Once the checks are signed, they are mailed or distributed.

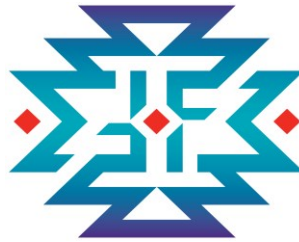
How should AP invoices be stored?

The written payment request and the check stub are attached to the invoice (with any backup documentation) and filed in AP files. AP files may be organized by the vendor from whom services and products are being purchased or by chronological check numbers. Each fiscal year, new sets of vendor/check files are made for the AP system. Filing of documents is done regularly and kept in a neat and orderly fashion. These important records are kept secure with only authorized individuals having access to them.



Resources

[DOJ Grants Financial Guide](#)



The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. OVC TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to TFMC@OVCTFMC.org** or call **703.462.6900**. Visit OVCTFMC.org for additional resources and information.

Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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