**GREEN TOYS**

**Procure to Pay Policy**

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1. **Policy**

Introduction**:**

Green Toys’ Procure to Pay Policy has been developed to ensure there are strong internal controls in place over the disbursement of cash, selection of vendors, and review / authorization of purchase commitments and payments of AP to vendors made on Green Toys behalf.

Scope:

This Policy provides direction for the creation, tracking and maintenance of purchase requisitions, purchase orders, and vendor payments for the purchase or lease of all goods and services, including:

* Inventory.
* Capital equipment.
* Office supplies.
* Maintenance.
* Facilities expense.
* Software.
* Consulting and professional services.
* Advertising and marketing expenses.
* Corporate card purchases.

The policy’s goal is to ensure that adequate controls are in place to minimize the risk of:

* Inappropriate vendor selection, including the avoidance of conflicts of interest and non-conformity with laws and regulations.
* Unauthorized additions, deletions and changes to standing data which would increase the risk of improper payment or incorrect suppliers / vendors.
* Inappropriate segregation of duties and lack of appropriate approvals.
* Processing invalid supplier / vendor claims for goods / services that have not been received / rendered.
* Incompleteness / inaccuracies in the AP balance.

Generation of Purchase Requisitions:

* 1. Green Toys uses NetSuite to request, track and approve purchase requisitions. A purchase requisition must be generated and approved prior to engaging a vendor for goods or service or issuance of a PO.
  2. Access to procurement within NetSuite is granted to employees on a roles basis, so that positions rather than people are given access. Roles based access acts as a control should an employee move to a different team or leave Green Toys. Access should be reviewed and updated at least quarterly as a control.
  3. Purchase requisitions are routed for approval within NetSuite according to the signature authority matrix below:

|  |  |
| --- | --- |
| **HR/Workflow Level** | **Approval Limit (USD)** |
| Manager | $2,500 |
| Director | $10,000 |
| VP | $15,000 |
| CEO | $15,000+ |

* 1. Each PR requires an independent requestor and approver, thereby tightening controls over segregation of duties.

Issuance of Purchase Orders (PO’s):

1. When Green Toys issues a PO it represents a legally binding commercial document between them and the vendor. The PO should include a description of the goods / services, quantities, and agreed prices between Green Toys and the vendor.
   1. The approver should ensure that any purchase is made within the approved budget for the current year or within the approved forecast for the current quarter. If the approver is not aware of the budget / forecast, then it should be obtained from the accounting / finance team at Green Toys.
   2. A fully approved purchase requisition generates a purchase order (PO). A purchase order is required and must be received before engaging a vendor for goods and/or services greater than the equivalent of $1,000 (based on total annual spend and/or estimated contract value).
   3. A purchase order will be generated and forwarded to the requestor 1-3 business days after the purchase requisition is fully approved.
   4. Once a PO has been generated it embodies the full scope of a commitment (based on a good-faith estimate for the entire project or transaction or annual spend). The full scope needs to be approved before any commitment can be made to any individual elements.
   5. If the terms of an agreement include renewal or termination provisions rendering the duration undeterminable, assume a minimum period of 12 months.
   6. Commitments with no dollar amounts or unascertainable amounts require VP approval.
   7. Approval authority may be delegated for up to 12 weeks. If delegation will last > 12 weeks, prior written approval must be obtained from the departmental VP and the Corporate Controller. Delegation can only be made to an employee at the same or greater level. The employee delegating authority will remain accountable for actions taken by his/her delegates.
   8. Temporary staff, consultants, contractors, and interns may not enter agreements, approve transactions, or commit Green Toys in any way, and should not be considered appropriate delegates.

Vendor Engagement:

1. Green Toys should only engage with a vendor once a valid / approved PO is in place. For PO’s > $15,000, review and approval by the legal department is also required.
   1. Please ensure the vendor is (1) notified of the PO, (2) instructed to reference the PO number on all invoices and (3) instructed to directly deliver all invoices to [accounting@Green Toys.com](mailto:accounting@uatc.com).
   2. For all new vendors, a W9 should be requested at the time they are engaged.

Receipt of Goods:

1. Goods should be received at 3PL’s receiving dock:

* When a shipment arrives, locate within the shipping document the authorized PO # and locate an electronic copy of the PO.
  1. At the time the goods are received, receiving employees should compare the goods at the dock to a copy of the PO which is blank for quantity – this is called the receiving report. Receiving employees will mark the quantity of goods by type received and note their condition / quality.
* If there are any significant variances, reject the shipment.
* If the shipment quantity and quality is correct, sign a copy of the bill of lading to accept shipment.
  1. Copies of receiving report / bill of lading should be sent to Green Toys’ AP department and purchasing.
  2. Green Toys is responsible for updating related databases and accounting records:
* Access the authorized PO within NetSuite.
* Ensure there is a match between the PO to the receiving report.
* Record both the quantity received and the location where the units will be stored – Orion, VRS, Pride or Tigers.
* Upload a copy of the bill of lading into the system as documentation – this will be accessed by the accounting department.

Vendor Invoicing:

1. Most vendors will send invoicing following the receipt of goods / services.
   1. The employee who requisitioned the goods or services will receive an email requesting their approval to pay the vendor invoice. Please provide your approval (or denial, along with rationale) promptly but no later than 48 hours following receipt. A second request, copying your manager, will be sent if no response is received within 48 hours.
   2. For segregation of duties, vendor invoices should go to the accounts payable team within Green Toys and not the purchasing team.
   3. Once the goods / services have been received / rendered, the AP team can record a liability (and a corresponding expense / capital asset / prepaid – please see steps below to determine which of these is appropriate).

Vendor Payment:

1. The AP 3-way match should be performed before any payments are made to vendors. This involves the matching of the PO, invoice and receiving report. Matching of these 3 documents ensures that goods are authorized (management’s assertion of rights and obligations), have been received (management’s assertion of existence), and the amounts to be paid are accurate (completeness).
   1. Once the AP 3-way match has been performed, a check or request for ACH to the vendor is generated and should be sent, along with the AP-3 way match packet, to Green Toys’ Controller / CFO to sign.
   2. Once the check is signed / ACH approved the Controller / CFO / Treasurer should cancel the AP 3 way match packet so that it cannot be used again.
   3. This separates recording of the AP from payment by the accounting department from cash disbursement of Green Toys assets by the Controller / CFO / Treasurer.
2. **Monthly AP Reconciliation:**
3. The purpose of monthly AP reconciliation ensures control over management’s assertions of completeness / cut of, existence, rights and obligations, valuation / allocation and presentation and disclosure to ensure the fair presentation of Green Toys’ financial reporting.
   1. Green Toys’ accounting department should perform monthly bank reconciliations to ensure that payments to vendors have cleared the bank account.
   2. Green Toys’ accounting department should reconcile the AP sub-ledger to the general ledger to ensure that they match and investigate any differences.
   3. On a monthly basis, the AP aging report should be run and any usual items, balances outstanding > 30 days, and AP > $2,500 threshold should be investigated, reviewed for completeness and recording in the correct period.
   4. For each monthly close, the accounting department should inquire about any goods or services that have been received / rendered for which invoices have not yet been received and make an accrual for those goods and services. The accrual should be reversed once the invoice has been received and AP can be recorded.
   5. On a monthly basis, additions should be reviewed to determine they are correctly accounted for to ensure proper valuation / allocation and presentation / disclosure in the financial statements:

* Additions that are period expenses may be expensed as incurred.
* Additions that are product costs may go into inventory before they are sold, at which point they will become COGS.
* Good purchased > $2,500 should be flagged as possible capital assets, and moved to the fixed asset schedule to be depreciated. Depreciation should be recorded that month if placed in service before 15th and the subsequent month if placed in services after 15th according to the half month convention.
* Any disbursements made in advance of the receipts of goods / services > $1,000 should be flagged as possible prepaids, and moved to the prepaids schedule to be amortized. Amortization should begin once the goods are used or the services rendered.