

2.002 Definitions

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I. PURPOSE

The purpose of this policy is to provide definitions for general procurement and disbursing terms.

II. DEFINITIONS

Accountable Plan: A business reimbursement expense plan for the payment of business expenses incurred by a service provider (such as an independent contractor, volunteer, or employed business visitor performing services for his/her employer), where the payer (RCUH) is not required to report the payment if (1) the expense was incurred while performing services, (2) the expense was substantiated and adequately accounted for within 60 days of the expense, and (3) all excess advance payments or allowances were returned within 120 days after the expense was incurred.

Accounts Payable: Unpaid debts resulting from purchasing goods or services on credit or on an open account; an amount due a vendor for goods or services received. RCUH Disbursing handles the RCUH Accounts Payable.

Addendum: An addition to an existing document, such as additional terms or a modification of terms.

Adequate and Reasonable Competition: The number of vendors solicited should correlate to the number of vendors available and the value or price of the goods, services, or construction being procured.

Advance Payment: A payment made to a vendor before goods or services are received; sometimes referred to as a vendor advance, deposit, or prepayment. An RCUH Advance Payment requires the completion of the [Attachment 47 Request for Advance Payment and/or Deposit to a Vendor or Contractor](#) form (RCUH Form 154).

Allocable Cost: A cost specifically identified and assigned to a cost objective. The cost must be proportional to the benefit received by the sponsored agreement and institution.

Allowable Cost: A cost that is reasonable and allocable and that conforms to the terms and conditions of the sponsored agreement and generally accepted accounting principles.

Amendment: A legal document issued to change or modify an existing agreement, contract, or subcontract.

Approval Authority: The authorized representative certifying (1) that the transaction is an allowable, allocable, and reasonable expense to charge to the project, and (2) that the transaction is made in accordance with applicable rules, regulations, circulars, and policies.

Backup Withholding: A tax imposed on a U.S. payee on certain payments by the payer (RCUH) if the payee fails to furnish a U.S. taxpayer identification number (TIN) or furnishes an incorrect number and fails to inform the payer of the correct number.

Budget Category: A four-digit code used to identify a transaction. The UH equivalent term is "object code."

Cash Advance: A cash allowance given to an authorized employee for a specific event because all other means of payment are not viable. An RCUH Advance requires the completion of the [Attachment 47 Request for Advance Payment and/or Deposit to a Vendor or Contractor](#) form (RCUH Form 154).

Construction: "Construction" means the process of building, altering, repairing, improving, or demolishing any structure or building, or other improvements of any kind to any real property. The term includes the routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property. Examples include work such as painting, carpet installation/removal, window treatment installation/removal, signage and lighting.

Contract: A legally enforceable agreement between parties, such as RCUH and a Vendor (as defined below). An RCUH Purchase Order is a legally enforceable agreement in the absence of a formal agreement.

Correspondent Bank (U.S.): A correspondent bank is used by a U.S. bank to send U.S. currency to a foreign bank. The correspondent bank acts as the U.S. bank's agent abroad because the U.S. bank may have limited access to foreign financial markets. A correspondent bank is not required if sending monies in a foreign currency or monies to Puerto Rico, Guam, Northern Mariana Islands, U.S. Virgin Islands, and American Samoa.

Cost: The amount of cash spent or obligations incurred to produce a good or provide a service.

Designated University Official (DUO): The University Fiscal Administrator who is authorized to approve financial transactions on projects service-ordered to RCUH.

Disbursement: A monetary payment, including but not limited to payments for goods, services, and construction.

Domestic Corporation: A corporation created or organized in the U.S. under the laws of the U.S. or any of its states or the District of Columbia. This includes foreign corporations that elect to be treated as domestic corporations.

Effectively Connected Income: When a foreign person engages in a trade or business in the U.S., generally all income from sources within the U.S. connected to the conduct of that trade or business is considered to be Effectively Connected Income.

Employee Reimbursement: A payment to an employee who has used personal funds for a legitimate business expense, including supplies and personal travel expenses. Personal funds should not be used to circumvent procurement procedures or to cover expenses of another individual.

Encumbrance: An obligation in the form of a purchase order, contract, or other such commitment that does not become a liability until performance of the conditions stated in the commitment.

Entity Type: An organization's legal form; this may differ from the organization's tax classification, depending on elections made by the owner(s) at formation; see *also* Federal Tax Classification.

Equipment: Tangible non-expendable personal property having an acquisition cost of \$5,000 or more per unit and a useful life of more than one year that is capitalized.

Expenditure: The amount paid for a good or service.

Federal Tax Classification: The IRS categorization of taxpayers; IRS Form W-9 categories include the following: Individual/Sole Proprietor, C Corporation, S Corporation, Partnership, Trust/Estate, Limited Liability Company (LLC), and Other. A single-member LLC may elect to be treated as a sole proprietor or a corporation.

Fellowship: Generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

Federal Funding Accountability and Transparency Act (FFATA): In order to enhance the transparency of federal spending, FFATA outlines reporting requirements (as directed by the Act of 2006 and associated 2008 amendments) that include the maintenance of a single, searchable website ([Government Spending Open Data | USAspending](#)) that contains information on all federal spending awards.

Fiscal Administrator (FA): An individual staff member of a campus, college, school, department, program, or other agency who advises the program head and staff on business affairs, ensures compliance with applicable laws, regulations, and policies with respect to fiscal matters, and ensures that combined expenditures and encumbrances do not exceed available funds.

Foreign National: An individual who is not a citizen of the host country that he/she is currently living in or visiting. In the United States, a foreign national is anyone who is not a U.S. citizen or a naturalized citizen. A foreign national may be a permanent resident alien, resident alien, or nonresident alien.

Foreign Person: A nonresident alien individual, foreign corporation, foreign partnership, foreign trust, foreign estate, or foreign foundation.

Goods: General term for tangible merchandise.

Income (Gross Income and Adjusted Gross Income): Gross income is all income derived from any source. Adjusted gross income is gross income minus adjustments (inclusion of deductions) to income.

International Organization: For the purposes of tax regulations, an *international organization* is one that is designated as such under the International Organizations Immunities Act and that meets the definition of an international organization pursuant to 26 U.S.C. § 7701(a)(18). In general, to qualify as an international organization, the U.S. must participate in the organization pursuant to a treaty or under the authority of an Act of Congress authorizing such participation. Examples include the International Committee of the Red Cross, the United Nations, and the World Health Organization.

Invitation for Bid (IFB): A written solicitation (including all documents, whether attached or incorporated by reference) to prospective bidders, requesting bids on a certain procurement.

Invoice: A formal, original request for payment from a vendor itemizing goods or services provided and total price, including applicable delivery charges and taxes. An electronically mailed invoice from a vendor is acceptable as an original invoice.

IRS: The Internal Revenue Service is the U.S. agency responsible for tax collection and tax law enforcement.

IRS Forms W-8: Various IRS forms for foreign individuals and entities to declare their status to a withholding agent (RCUH) as a foreign person and to claim exemptions from certain tax withholdings. There are five different IRS Forms W-8.

IRS Form W-9: An IRS "Request for Taxpayer Identification Number and Certification" form. Requested of individuals and entities defined as a "U.S. Person" to provide their U.S. taxpayer identification number (TIN) and tax classification to a payer expected to make payment to such payees during the tax year. If certain conditions are met, the payer may be required to file an informational return (IRS Form 1099-Misc) to the IRS with the payee's U.S. TIN and the amount paid. If a payer is unable to obtain an IRS Form W-9 from a payee, backup withholding may be imposed on the payment.

IRS Form 1042-S: An IRS "Foreign Person's U.S. Source Income Subject to Withholding" form. It is used by a payer to report certain types of income to a foreign person other than wages, salaries, and tips paid to individuals (other than employees) and entities, including the federal tax withheld.

IRS Form 1099-Misc: An IRS form used by a payer to report certain miscellaneous income other than wages, salaries, and tips paid to individuals (other than employees) and certain entity types during the tax year.

Non-Qualified Scholarship/Fellowship: A scholarship and/or fellowship is considered "non-qualified" if it does not meet the definition of a qualified scholarship or fellowship. Non-qualified scholarships/fellowships are often provided for room, board, and other types of expenses, such as travel costs.

Nonresident Alien (for tax purposes): An individual who is not a U.S. citizen, U.S. national, permanent resident alien, or resident alien; a foreign national who has not passed the Substantial Presence Test.

Outstanding Purchase Order: An open purchase order with unpaid (or unliquidated) encumbrances.

Permanent Resident Alien: An individual who has been granted the legal privilege of living and working in the United States indefinitely. A permanent resident alien is taxed on his/her worldwide income in the same manner as a U.S. citizen.

Petty Cash Fund: A fixed sum of money advanced by RCUH for the purpose of making cash payments of small purchases when the use of purchase orders or reimbursement for cash purchases are not economical or expedient.

Price: The amount charged by a seller of a good or service. Price is determined by (1) what the buyer is willing to pay, (2) what the seller is willing to accept, and (3) the competition in the marketplace. Price includes the seller's mark-up and therefore differs from the concept of "cost."

Principal Investigator (PI): The PI, otherwise known as the Project Authority, is the lead researcher awarded extramural or University funds in support of a specific project, endeavor, or purpose. A PI is responsible for (1) the overall management and satisfactory performance of scientific and technical work prescribed under the sponsored research activity or program; (2) ensuring that expenditures are in direct support of the project and are allowable, allocable, and reasonable; (3) confirming the satisfactory performance and receipt of goods and services from vendors; (4) all program deficits and cost disallowances, as well as securing funds to cover such costs.

Pro Forma Invoice: A document with all the elements of an invoice (i.e., quantity and description of goods or services, price, weight, transportation charges) that is sent to the buyer in advance of the shipment or delivery of goods or services. It is not a true commercial invoice, as it is not recorded as an accounts receivable by the seller nor as an accounts payable by the buyer. It is frequently used for customs purposes. A pro forma invoice is not acceptable for processing a payment transaction.

Procurement: The act of buying, purchasing, renting, leasing, or otherwise acquiring goods, services, or construction, including all functions that pertain to the act of obtaining goods, services, or construction, and all phases of contract administration.

Professional Services: Services within the scope and practice of architecture, landscape architecture, professional engineering, land surveying, real property appraisal, law, medicine, accounting, dentistry, or any other practice defined as professional by the laws of the State of Hawai'i.

Project Director: The person in charge of directing and managing an RCUH non-UH-sponsored program.

Proposal: The executed document submitted by an offeror in response to a Request for Proposal.

Prudent Person Test: A standard that is marked by careful, sensible, and sound judgment displayed by the average person given the circumstances prevailing at the time of the decision.

Purchase Order (PO): A purchasing document used to formalize a transaction with a vendor containing statements as to the quantity, description, and price of the goods, services, or construction ordered; agreed terms for payment, discounts, date of performance, and transportation or delivery terms; and all other pertinent information, terms, and conditions applicable to the transaction. In the absence of a formal contract or agreement, a purchase order, along with any terms and conditions agreed to, serves as a contract between the vendor and RCUH.

Purchase Order Change Form (POCF): The official purchasing document used to amend an existing PO.

Qualified Scholarship/Fellowship: A scholarship and/or fellowship is considered "qualified" if the following conditions are met: (1) the recipient must attend a degree-granting educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities (this can include students who attend a primary or secondary school or a college or university); (2) the scholarship or fellowship must be for the purpose of conducting study or research at the educational institution; and (3) the scholarship or fellowship grant must be used for tuition, fees, books, supplies, and equipment required for enrollment or attendance at the educational institution (i.e., required for all students in the course at the educational institution).

Reasonable Cost: A cost which reflects that prudence was taken in the acquisition of the goods or services necessary for the Project's work. See *also* Prudent Person Test.

Receiving Report: A receiving report is documentation by the requisitioner of the goods and/or services that have been satisfactorily received on a particular purchase order. The receiving report serves as the authorization for the payment of goods or services. On the RCUH website, the receiving report is a copy of the purchase order.

Reimbursement: Payment to a payee who advanced their own funds to pay for goods or services.

Remittance Advice: A document sent by a customer citing an invoice number, customer account number, and/or any other reference that will assist the vendor in crediting a payment to the customer's account.

Request for Information (RFI): A method of soliciting information from vendors about their products or services.

Request for Proposal (RFP): A written solicitation (including all documents, whether attached or incorporated by reference) to prospective offerors requesting proposals. This method is used when the selection criteria include other factors in addition to price.

Request for Quotation (RFQ): A procurement method used to determine source selection based on price.

Resident Alien: An individual who is not a US citizen or US national but who is a lawful permanent resident of the US or who meets the "Substantial Presence Test."

Responsible Bidder or Offeror: A bidder or offeror who meets the minimum or special standards prescribed. A bidder or offeror must have adequate financial resources, or the ability to obtain such resources as required for contract performance; be able to comply with the required delivery or performance schedule, taking into consideration all existing business commitments; have a satisfactory record of performance; have a satisfactory record of integrity and business ethics; have the necessary organization, experience, licensing, accounting, and operational controls and technical skills, or the ability to obtain them (including, as appropriate, such elements as production control procedures, property control systems, and quality assurance measures applicable to materials to be produced or services to be performed by the prospective contractor and/or subcontractors); have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and be otherwise qualified and eligible to receive an award under applicable laws. When the situation warrants, special standards of responsibility applicable to a particular procurement may be developed to ensure the existence of specialized expertise or other factors necessary for adequate contract performance.

Responsive Bidder or Offeror: A bidder or offeror whose bid or offer conforms in all material respects to the Invitation for Bid, Request for Proposal, or Request for Quotation.

Scholarship: Generally an amount paid or allowed to, or for the benefit of, a student (whether a primary or secondary school student or an undergraduate or graduate) at an educational institution to aid in the pursuit of his/her studies.

Signature Authority: A person authorized to sign and authorize a transaction; most often the Principal Investigator (PI) and the Fiscal Administrator (FA) at UH.

Solicitation: An Invitation for Bid, a Request for Proposal, a Request for Quotation, or any other document issued by RCUH for the purpose of soliciting bids, proposals, or offers to sell goods or services to RCUH.

Student: An individual at the primary, secondary, undergraduate, or graduate level who is enrolled in and regularly attending classes at an educational institution.

Subcontract: Any agreement between the awardee of a prime contract and a subcontractor/vendor for goods or services procured for the performance of the prime contract.

Substantial Presence Test: This test is met if the alien is present in the U.S. for (1) 31 days or more during the current calendar year **and** (2) more than 183 days during the three-year period that includes the current year and the two years immediately before that, counting (a) all the days the alien was present in the current year, (b) one third of the days the alien was present in the first year before the current year, **and** (c) one sixth of the days the alien was present in the second year before the current year. Individuals entering the U.S. in certain visa categories may have exempt years towards counting days of physical presence. For example, an F-1 student is prohibited from counting the first five (5) years of U.S. presence

towards U.S. tax residency. In other words, an F-1 student will be a nonresident alien from year one (1) to year five (5) of his/her U.S. presence.

Tax-Exempt Status: Nonprofit organizations may file an IRS Form 1023 to apply for 501(c)(3) status. If approved, an organization is exempt from paying federal income tax and is eligible to receive tax-deductible charitable contributions. If an organization meets the requirements for exemption, an IRS determination letter will be issued that recognizes the organization's tax-exempt status and provides its public charity classification. Not all nonprofits have IRS tax-exempt status.

Tax Treaty: An agreement between the U.S. and a foreign country, which may exempt or reduce the withholding tax rate on payments made to residents of that foreign country.

Taxpayer Identification Number (TIN): A Social Security Number (SSN), a U.S. Individual Taxpayer Identification Number (ITIN), and an Employer Identification Number (EIN) are each a type of U.S. TIN. SSNs and U.S. ITINs have nine (9) digits separated by two (2) hyphens (000-00-0000), and EINs have nine (9) digits separated by only one (1) hyphen (00-0000000). A U.S. ITIN is a tax-processing number only available for certain nonresident and resident aliens and their spouses and dependents who cannot obtain SSNs. A foreign taxpayer identification number is a foreign national's taxpayer identification number from his/her country of residence.

Third-Party Payment: Any payment that is not paid directly to a recipient, such as when (1) a cash advance is given to a Principal Investigator or other authorized employee who in turn pays recipients cash or provides recipients with services or goods, or (2) a vendor is paid to provide services/goods (such as airline tickets, accommodations, food, gift cards, etc.) to recipients.

UH Form WH-1: The University of Hawai'i form "Statement of Citizenship and Federal Tax Status." It includes the substantial presence test (SPT) to identify and categorize foreign national payees, employment information, and immigration information.

University and/or UH: The University of Hawai'i.

U.S. National: An individual who owes his/her sole allegiance to the United States, including all U.S. citizens and some individuals who are not U.S. citizens. For tax purposes, the term "U.S. national" refers to individuals who were born in American Samoa or in the Commonwealth of the Northern Mariana Islands and who have made the election to be treated as U.S. nationals and not as U.S. citizens.

U.S. Person: (1) citizens or residents of the United States, (2) partnerships created or organized in the United States or under the law of the United States or of any state, or the District of Columbia, (3) corporations created or organized in the United States or under the law of the United States or of any state, or the District of Columbia, (4) any estate other than a foreign estate, or (5) any trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust, and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

Vendor: Any individual or other legal entity who provides the delivery of goods, products, services, and/or equipment under the terms of an RCUH purchase order/contract, and who

acts directly or through its agents or employees. "Vendor" also includes the term "contractor," and a vendor may be referred to as a payee.

Volunteer: Any person who of his/her own free will provides goods or services to an organization with no intent of financial gain.

Withholding Agent: Any person or entity (including an individual, trust, estate, partnership, corporation, government agency, association, or tax-exempt foundation, domestic or foreign) required to deduct or withhold tax from payments made to nonresident alien individuals or foreign entities and pay that tax to the IRS. If RCUH is making the payment, RCUH is the withholding agent.

Withholding (Foreign Persons): A withholding agent (RCUH as the payer) is responsible for applying tax withholding at statutory rates of 14% or 30% on U.S. source income payments to foreign persons if the tax cannot be excluded under the Internal Revenue Code or by a tax treaty. The amount of the tax is calculated on the gross amount of the payment and reduces the net amount received by the payee.

III. CONTACT INFORMATION

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