OP 72.11: Payment of Purchase Orders

DATE: July 28, 2014

PURPOSE: The purpose of this Operating Policy (OP) is to establish procedures to be followed regarding payment of purchase orders.

REVIEW: This OP will be reviewed September of even-numbered years by the managing director of Procurement Services with substantive revisions forwarded to the vice president for administration and finance and chief financial officer.

POLICY

1. Overview

Payments of purchase orders will comply with federal and state laws at all times. In the event of a conflict between this policy and any federal or state law, the stricter of the conflicting policies will prevail.

2. Payment of Invoices against a Purchase Order

a. Vendor Responsibilities

   (1) If an invoice is to be paid against a purchase order, the vendor must send the invoice directly to Payment Services. This can be sent electronically to vendor.payments@ttu.edu. Mailed invoices shall be sent to:

   Texas Tech University
   Payment Services
   Box 41094
   Lubbock, Texas 79409-1094

   (2) The vendor shall ensure that the 8-digit purchase order number is identified accurately on all invoices.

b. Department Responsibilities

   (1) Create a purchase order prior to receiving the goods or services.

   (2) Verify that the goods and services received are the goods and services that were ordered and are satisfactory.
(3) Create a receiving report in TechBuy on any purchase order greater than $10,000 or any purchase on appropriated or grant funds (Funds 11, 12, 13, 14, 21, 22, or 23). The department must notify Payment Services if a payment should be withheld.

(4) Review invoices in the TechBuy System for all e-invoicing vendors or those that are scanned and attached to the purchase order for all non-e-invoicing vendors.

(5) If the vendor sends an invoice directly to a department, the invoice must be sent immediately to Payment Services by scanning and attaching as a comment in TechBuy. Failure to send invoices in a timely manner will result in the department being liable for interest on the payment.

(6) Notify Payment Services via email if an invoice is approved in error by adding a comment in TechBuy and notifying Payment Services support at paymentservices@ttu.edu.

c. Payment Services Responsibilities

(1) Make timely payment in accordance to the terms of the purchase order and/or the contract and within current tolerance limits. Payments are not made from other documents such as sales orders, packing slips, etc.

(2) Ensure that the invoice and purchase order match in price and quantity within tolerance limits (the lesser of 10 percent or $100, unless payment services manager exception is noted) before payment is made.

(3) Record the system-generated eight-character invoice document number on approved invoices. A copy of the invoice with the invoice document number must be scanned and stored in TechBuy for online review by the department.

3. Three way matching

a. The university requires a three-way matching process for purchase order payments greater than $10,000.

b. The university requires a three-way matching process for purchase order payments on all purchase orders using the following funds: 11, 12, 13, 14, 21, 22, and 23.

c. This means that for payment to be made, a purchase order must be created, a receipt in TechBuy must be entered, and an invoice must be sent to Payment Services. Invoices may be emailed to paymentservices@ttu.edu or attached as a comment to the purchase order in TechBuy.

4. Payment Terms

In accordance with Texas law, invoices shall be paid no later than 30 days after the later of the following: the date the university receives the goods, the date the vendor completed performing its services for the university, or the date the agency receives a correct invoice for the goods and services.
The payment terms do not apply if the invoice is not mailed to the university in strict compliance with the instructions on the purchase order.

Any payment made after the 30th day shall pay the applicable interest as required by Texas Government Code 2251.

No interest accrues or may be paid if the total amount of interest that would otherwise have accrued is equal to or less than $5 and the payment is made from institutional funds of an institution, as defined in Texas Education Code 61.003.

5. Prepayment and Advance Payments

Per Texas Comptroller of Accounts guidelines, advance payments are allowed under the following types of purchases:

- Library books
- Databases and other published materials necessary for the efficient operation of the institution’s library
- Payments to federal or state agencies
- Lease payments
- Subscriptions (up to six weeks in advance)
- Rental fees for a meeting or conference booth
- Annual maintenance agreements (regardless of whether it covers more than one appropriation year; however, on appropriated funds, the university may not charge a fiscal year for the purchase of services if the services are rendered during a different fiscal year)
- Registration fees

The university may make advance payments for additional reasons if cost savings will be realized or if it is in the university’s best interest to do so to serve the public purpose as documented by the purchaser.

Texas Education Code 62.021, prohibits the use of HEAF funds (funds starting with 13) to pay for goods or services before the delivery of the goods or services.

6. Early Payment Discounts

Cash discounts are acceptable and will be taken if they are earned by the university. Examples include a 2%/10, which would indicate a 2 percent discount if paid within ten days of an invoice date.

7. Tax Exemptions

The university is exempt from Texas state sales tax and Texas local sales tax. Taxes of other states are not applicable if purchased in another state and shipped to a Texas location (Texas Tax Code Chapter 151).
8. Standing with the State of Texas

All businesses must be in good standing with the Texas Comptroller of Public Accounts. The Texas Comptroller may place a vendor on hold for failure to pay taxes, student loans, or child support. A vendor’s standing is automatically transmitted into the Banner system and TechBuy system. Purchase orders will not be issued and payments will not be made to a vendor who is not in good standing with the state.

9. Payments to Foreign Nationals or Foreign Businesses

Payments to foreign nationals or foreign businesses will be verified against the Office of Foreign Asset Control (OFAC) Specially Designated National List. Payments will not be allowed to any vendor on this list.

10. Payments on State Funds

The payment of invoices for purchases on appropriated funds is accomplished through USAS, a computerized accounting system for the state of Texas. Purchase orders utilizing appropriated funds will require a check to be issued by the state of Texas for the portion of the appropriated funds (funds starting with 11, 12, 13, or 14). If there is a combination of funds that are both appropriated and non-appropriated, the vendor will be issued more than one check for each portion, one from the university and one from the state of Texas. If the state appropriation portion of the payment is greater than $5,000, the payment will be scheduled out twenty-five days, in accordance with Texas Comptroller policy.

11. E-invoicing

Many vendors in TechBuy are set up as e-invoicing vendors. For these vendors, an electronic invoice will be submitted by the vendor into the TechBuy system. Payment is scheduled 12 days after the receipt of the invoice in the system and is automatically made to the vendor.

12. Wire Transfer Payments

In addition to all other invoice processing requirements, wire transfer requests must include complete instructions for the receiving bank; these include the name and address of the bank, Swift code or ABA number, account number, and the name on the account at the bank. In general, wire transfers will take up to seven days to credit an account. Some banks will charge additional fees for a wire transfer, and these expenses may be passed on to the department. When payment is to be made in a foreign currency, be sure to indicate the currency type in the space provided on the invoice.

13. ACH Payments/Single Use Card Payments

The university will require all vendors paid more than $10,000 in a fiscal year to be paid by electronic means. The managing director of Procurement Services or the section manager of Payment Services may make an exception as needed. ACH payments shall be scheduled 20 days after the receipt of the invoice. Single use cards are an alternative payment mechanism for vendors. Single use cards shall be scheduled five days after the receipt of the invoice.
14. **Credit Memos**

Credit memos issued from the vendor will be entered into Banner by Payment Services as a direct pay credit. The credit will reference the PO in Banner. The credit will be processed on the next payment to the vendor. Departments are not permitted to retain credit memos to apply to future purchases of goods and services.

15. **Fiscal Year-End Payments on Appropriate Funds**

The state fiscal year starts on September 1 and ends on August 31 of each year. For consumables, the university must charge the expense to the appropriation year in which the delivery occurred and when the consumable supplies are reasonably expected to be consumed. For services, the university must expense the services to the appropriation year in which the services were rendered.

16. **Check Distribution**

Vendors may not pick up checks. It is the policy of the university to: (1) set up each vendor as a direct deposit recipient (ACH, single use card, or wire); or (2) If exception is granted per this OP and a vendor cannot be set up for electronic payment, then the check will be mailed to the address shown on the vendor invoice. Checks will be scheduled 30 days from the receiving date or the invoice date, whichever one is later.