Operating Policy and Procedure

OP 72.11: Payment of Purchase Orders

DATE: August 18, 2016

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. Definitions

Goods: Supplies, materials, or equipment as defined in Texas Government Code § 2155.001. Goods do not include Services or real property.

Invoice: An itemized bill for goods or services delivered or performed by a vendor.

Purchase Order: A legal document issued to a Contractor which formalizes the terms and conditions of any purchase of goods or services.

Receipt: A written acknowledgement of having received or taken into possession any goods or services ordered from a vendor.

Service(s): The furnishing of labor, time, and effort by a Contractor or Auxiliary Enterprise, including for a Construction Project, which may involve to a lesser degree, the delivery or supply of goods.

Vendor: An individual or business or governmental entity that has a Contract to provide goods or services to the State of Texas.

3. 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 payment.services@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.

(3) The vendor shall include only one purchase order number per invoice.

b. Department Responsibilities

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

(2) Verify that the goods or services received are the goods or services that were ordered and are compliant with the specifications or purchase order.

(3) Create a receiving report in TechBuy on any purchase order greater than $10,000 or any purchase on appropriated or sponsored project funds (Funds 11, 12, 13, 14, 21, 22, or 23). The department must notify Payment Services if payment should be withheld for lack of conformance with the purchase order or specifications. The receipt date must be the date the goods or services were delivered, performed, or accepted.

(4) Review invoices upon notification in the TechBuy System. Although receipts are not required for all invoices, it is the department’s responsibility to review all invoices and notify Payment Services of any discrepancies.

(5) If the vendor submits an invoice directly to the department, it shall promptly be sent 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 late payment interest in accordance with Texas law.

(6) Notify Payment Services by email if an invoice was approved in error by the department by adding a comment in TechBuy or notifying Payment Services support at payment.services@ttu.edu.

c. Payment Services Responsibilities

(1) Make timely payments on valid invoices in accordance to the terms of the purchase order or the contract. Payments cannot be made from documents such as sales orders, packing slips, etc.
(2) Ensure that the invoice, purchase order, and when required, the receipt, match in price, description, and quantity within tolerance limits (the lesser of 10 percent or $100, unless payment services manager exception is noted).

4. 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. The payment process requires: a purchase order, a receipt in TechBuy (in accordance with a and b above), and an invoice sent to Payment Services.

5. Payment Terms

In accordance with Texas law, invoices shall be paid no later than 30 days after the latest of the following: the date the university receives the goods, the date the vendor completed performing services, or the date the university receives a correct invoice for the goods or services.

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

The payment interest terms do not apply if the invoice is not mailed to the university in compliance with the instructions on the purchase order.

No interest accrues 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, as defined in Texas Education Code § 61.003.

6. Prepayment and Advance Payments

Per Texas Comptroller of Public Accounts (“Comptroller”) 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.

7. **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.

8. **Tax Exemptions**

The university is exempt from Texas state sales tax and Texas local sales tax. The university is not subject to sales taxes of other states if the goods purchased in the other state and shipped to a Texas location (Texas Tax Code Chapter 151).

9. **Standing with the State of Texas**

Vendors must be in good standing with the Comptroller. The Comptroller may place a vendor on hold for failure to pay taxes, student loans, or child support. Purchase orders will not be issued and payments will not be made to a vendor who is not in good standing with the state.

10. **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 made to any vendor on this list.

11. **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. Payments utilizing appropriated funds will be issued directly 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 Comptroller policy.

12. **E-invoicing**

Many vendors in TechBuy are set up as e-invoicing vendors where an electronic invoice is 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 unless it meets a receiving requirement.
13. **Wire Transfer Payments**

In addition to all other invoice processing requirements, wire transfer requests must include complete instructions for the receiving bank including the name and address of the bank, IBAN, Swift code or ABA number, account number, and the name on the account at the bank. Any bank wire charges will be passed on to the department. The department shall note the currency type on the invoice.

14. **Credit Memos**

Credit memos issued from the vendor will be entered against the purchase order payment 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 or services or apply to other invoices to the same vendor.

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**

It is the policy of the university to: (1) set up each vendor as a direct deposit recipient (ACH or single use card); 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. Vendors may not pick up checks from the university.