



## TEXAS TECH UNIVERSITY

### Operating Policy and Procedure

#### **OP 72.11: Payment of Purchase Orders**

**DATE:** October 4, 2022

**PURPOSE:** The purpose of this Operating Policy/Procedure (OP) is to establish procedures to be followed regarding payment of purchase orders and other vendor invoices.

**REVIEW:** This OP will be reviewed in September of even-numbered years by the Chief Procurement Officer with substantive revisions forwarded to the Senior Vice President for Administration & Finance and Chief Financial Officer.

#### **POLICY/PROCEDURE**

##### **1. Overview**

Payments of purchase orders must always comply with federal and state laws. 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 vendor or contractor that formalizes the terms and conditions of any purchase of goods or services.

**Receipt:** A written acknowledgment 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 vendor, contractor, or auxiliary enterprise, including 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 or purchase order to provide goods or services to the State of Texas. May also be referred to as a contractor.

### 3. Payment of Vendor Invoices

#### a. Vendor Responsibilities

- (1) To initiate the payment of an invoice against a purchase order, the vendor or TTU department must send the invoice directly to Payment Strategies. This shall be submitted electronically by CXML, vendor portal in TechBuy, or email to [payment.strategies@ttu.edu](mailto:payment.strategies@ttu.edu).
- (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. TTU Department Responsibilities

- (1) Create a purchase order *prior* to receiving the goods or services in compliance with [OP 72.09, Procurement of Goods and Services](#).
- (2) Verify in a timely manner 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 order created on appropriated or sponsored project funds (Funds 11, 12, 13, 14, 21, 22, or 23). Some departments require receiving on all transactions. The TTU department must notify Payment Strategies if payment should be withheld for lack of conformance with the purchase order, contract requirements, or specifications. The receipt date must be the date the goods or services were delivered, performed, or accepted.
- (4) Review invoices upon email notification from the TechBuy System. Although receipts are not required for all invoices, it is the department's responsibility to review all invoices and notify Payment Strategies of any discrepancies.
- (5) If the vendor submits an invoice directly to the department, it shall promptly be sent to Payment Strategies by scanning and attaching to the receipt in TechBuy or emailing to [payment.strategies@ttu.edu](mailto:payment.strategies@ttu.edu). 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 Strategies by email if an invoice was approved in error by the department by adding a comment in TechBuy or notifying Payment Strategies support at [payment.strategies@ttu.edu](mailto:payment.strategies@ttu.edu).

#### c. Payment Strategies Responsibilities

- (1) Make timely payments on valid invoices in accordance with 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 Strategies Manager or Associate Managing Director exception is noted).

#### **4. Three-Way matching**

- a. TTU requires a three-way matching process for purchase order payments greater than \$10,000.
- b. TTU requires a three-way matching process regardless of dollar amount 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 Strategies.

#### **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 TTU department receives the goods, the date the vendor completed performing the services, or the date TTU 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 or sent electronically to TTU 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 on appropriated funds under the following types of purchases:

- Library books and library published materials
- Databases and other published materials necessary for the efficient operation of the institution’s library
- Disaster purchases
- Payments to federal or state agencies
- Lease costs and leased space
- Maintenance contracts
- Purchase of real property
- Registration fees
- Rent
- Subscriptions

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

Strategies office. TTU may also make an advance payment to expedite delivery or for specialized goods or services that require a deposit.

[Texas Education Code § 62.021](#) prohibits the use of HEF funds (funds starting with 13) to pay for goods or services before the delivery of the goods or services except for the acquisition of library materials.

## **7. Early Payment Discounts**

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

## **8. Tax Exemptions**

TTU is exempt from Texas state sales tax and Texas local sales tax. TTU is not subject to sales taxes of other states if the goods are purchased in the other state and shipped to a Texas location ([Texas Tax Code Chapter 151](#)). For more information about evidencing sales tax exemption, see <https://www.depts.ttu.edu/procurement/resources/TaxExemption/TaxExemption.php>.

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

Vendors/payees must be in good standing with the State of Texas. The Comptroller may place a vendor on hold for failure to pay taxes, student loans, child support, or other debt to the State. Purchase orders will not be issued and payments will not be made to a vendor who is not in good standing with the State. Departments may verify the vendor's status on the Comptroller's website, <https://fmcpa.cpa.state.tx.us/tpis/search.html>.

## **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 Appropriated 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 TTU 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 25 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 automatically scheduled in accordance with the vendor's payment method after the receipt of the invoice in the system and is automatically made to the vendor unless it meets a receiving threshold. A receipt created by the department will be required to finalize the payment.

**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. The department may be responsible for any fees required for wire transfers.

**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 fiscal year starts on September 1 and ends on August 31 of each year. For consumables, TTU 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, TTU must expense the services to the appropriation year in which the services were rendered.

**16. Check Distribution**

It is the policy of TTU 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.