

Texas A&M University – Commerce Prompt Payment and Payment Scheduling Procedures

I. Purpose

This document applies to all payments processed through Texas A&M University - Commerce (TAMC) Accounts Payable.

II. Policy Statement

System components will make prompt and timely payment of all vendors' invoices for goods and services delivered and accepted, or resolve in an expeditious manner any deficiencies in items delivered. All payments for goods and services delivered and accepted shall be processed in accordance with the Prompt Payment Act of the State of Texas, which requires all payments to be made to vendors within thirty calendar days. Payment of vendors' invoices offering cash discounts for prompt payment shall be expedited when necessary to earn the discount.

III Definitions

- A. Bona fide dispute: Difference of opinion held in good faith between a vendor and the university.
- B. Disputed payment: Includes, but is not limited to, an invoice presented for payment (1) which is not in compliance with the invoicing standards in this document, (2) which is for non-conforming good and services under the related purchase order or contract, or (3) which is not presented in the time frame authorized by the related purchase order or contract.
- C. Distribution date: The date that a payment is mailed (postmarked) or sent via electronic funds transfer to a vendor.
- D. FAMIS: The financial management information system, which the university uses to create state and local fund vouchers and PO vouchers. All local fund payments are processed through FAMIS.
- E. Invoice: A document presented by a vendor for payment, which includes information necessary for payment processing, as described by this document.
- F. Late Payment: A payment that is distributed to a vendor after the Payment Due Date.

- G. Notice of Incorrect/Incomplete Invoice Received: Form used to notify a vendor that an invoice is incorrect or incomplete and needs to be revised and re-submitted to the university
- H. Notice of Non-compliant Delivery of Goods/Services: Form used to notify a vendor that the delivery of goods or services received is not in compliance with the terms of the purchase order or contract.
- I. Payment Due Date: The calculated due date based on the payment terms for the vendor/payee and certain dates entered in the voucher. For vendors with terms of Net 30, 30 calendar days after the later of (1) the date an invoice is received (Invoice Receipt Date), (2) the date goods are received (Goods Receipt Date), or (3) the date services are completed (Goods Receipt Date). An invoice must meet the standards defined by this document and the purchase order or contract to be considered “received.” Goods and/or services must meet the standards defined by the purchase or contract to be considered “received” or “rendered.”
- J. Prompt payment law: Texas Government Code, Chapter 2251, which required all State of Texas agencies, including institutions of higher education, to pay vendor interest at 1 percent per month, prorated, on late payments that become overdue on or after September 1, 1999. Effective, September 1, 2001, HB1545 (77th Legislature) modified the prompt payment law to prohibit interest payments of \$5.00 or less when local, institutional funds are used.
- K. Interest Control Code: A code which defines the action for interest control. See Section VIII for available codes.
- L. Reason Code: A code that indicates the reason for refusing or forcing interest calculation. See Section VIII for available Reason Codes.
- M. Requested Payment Date: The date a voucher is requested for payment.
- N. Uniform Statewide Accounting System (USAS): The state’s official accounting system used by all state agencies to record and report financial transactions to the State Comptroller’s Office. All state fund vouchers processed by Texas A&M University-Commerce are created in FAMIS and transferred to USAS for final processing.

IV. Invoicing Standards

- A. Texas A&M University-Commerce has adopted the following invoicing standards, with which vendors must comply when submitting an invoice to the university:

1. Invoices must be mailed, faxed or e-mailed by the vendor to the address indicated on the university's purchase order, contract or other university documents provided to the vendor.
2. Invoices must include the following information:
 - a. Vendor's mailing (remit to) address for payment
 - b. Vendor's mailing address for correspondence
 - c. Vendor's phone number, fax number and/or e-mail address of representative who can answer questions regarding the invoice.
 - d. University's purchase order, contract or other document number
 - e. Name and mailing (ship to) address of the university department that received the goods or services, as indicated on the purchase order or contract.
 - f. Vendor's federal employer identification (FEI) number Social Security number or Taxpayer Identification Number (TIN) issued by the Comptroller of Public Accounts.
 - g. Description of the goods delivered or services rendered in sufficient detail to identify them as the same goods/services in the purchase order or contract.
 - h. Information identifying and supporting a successor organization to the original vendor, if necessary, with sufficient information to make payment to the successor organization.
3. Invoices should not include the following:
 - a. Payment terms that are different than those specified in the purchase order or contract.
 - b. Goods that have not been delivered to the university or services that have not been completed, unless the purchase order or contract contains a provision for advanced payment.
 - c. Unit prices or quantities or total price or quantity that exceeds those indicated in the purchase order or contract.
 - d. Charges for goods, services or shipping that were not included on the purchase order or contract.
 - e. Taxes or fees from which the university is exempt as a non-profit, Texas institution of higher education.
 - f. Charges for late payment interest. Vendors must request in writing payment for interest believed to be owed them but not yet paid by the university at the time of a suspected late payment.

V. Invoice Handling

Invoices received by the university will be handled as follows:

- A. The date an invoice is received by the university will be stamped or otherwise noted on the invoice. This date is considered the Invoice Receipt Date. If more than one stamped or written date appears on the invoice, the earliest date will be considered the Invoice Receipt Date. If a received date is not stamped or written on the invoice, the invoice date will be considered the Invoice Receipt Date.
- B. Invoices received by a department, including Accounts Payable, that should be re-routed to another department will be re-routed within one business day of receipt, provided sufficient information exists on the invoice to identify the correct recipient.
- C. Invoices will be reviewed to determine if they meet the standards in Section IV above.
 1. Invoices that meet the university's standards will be processed for payment before the Payment Due Date and within the time frame indicated in Section IX below.
 2. For invoices that do not meet the university's standards, the department that reviews the invoice will take one of the following actions:
 - a. If the items missing from the invoice are not required to make the payment (e.g., vendor's phone number), use the invoice to process a payment before the Payment Due Date.
 - b. Return the invoice to the vendor for correction and re-submission by mail or fax immediately and not later than 21 calendar days after the Invoice Receipt Date.
 - c. Partially pay the invoice to the extent it is correct, and notify the vendor of the error by mail or fax immediately and no later than 21 calendar days after the Invoice Receipt Date.
 3. The Notice of Incorrect or Incomplete Invoice Received may be used to document invoices that do not comply with the university's invoicing standards. In addition, the Notice of Non-Compliant Delivery of Goods or Services may be used when a revised invoice is required due to a problem deliver.

- D. Failure to notify a vendor of an incorrect invoice within 21 calendar days of receipt obligates the university to use the original invoice to process the payment. While the incorrect amount should not be paid, the university forfeits its right to request a revised invoice and must use the original Invoice Receipt Date.
- E. When no invoice is received by the university, the delivery date may be used as the Invoice Receipt Date. Alternatively, if a purchase order or contract is involved, the date the purchase order or contract was approved by the university may be used as the Invoice Receipt Date when no invoice is provided. However, as explained in Section VIII below, not receiving an invoice qualifies as an exception to paying late payment interest.

VI. Delivery of Goods and Services

A. Goods Receipt Date

The date goods are received or services are completed, known as the Goods Receipt Date, must be documented by the department that received the goods or services. Department would use the purchase receiving screens to document receipt of goods.

B. Inspection of Delivered Items

If the purchase order or contract allows additional time for inspection, the Goods Receipt Date will be the date that the inspection period ends or the date that the department determines the order is correct and complete, whichever comes first. Otherwise, the Goods Receipt Date will be the date goods are actually received or services are actually completed.

C. Returns to Vendor

All items received that do not meet the requirements of the order or contract must be immediately returned to the vendor with appropriate documentation of the return. All related conversations with the vendor must be documented, as well, and maintained with voucher.

VII. Payment Scheduling

A. Calculation of Payment Due Date

Unless otherwise indicated in the purchase order or contract, payment is due 30 days after the later of:

1. The date a correct invoice is received, in accordance with the university's invoicing standards, provided an incorrect invoice is returned to the vendor within 21 calendar days of receipt.
2. The date goods are received, in accordance with the purchase order or contract.
3. The date services are completed, in accordance with the purchase order or contract.

B. Exceptions to Payment Scheduling

1. Payments are scheduled on or just prior to the Payment Due Date, except in the following circumstances, which all payment before the Payment Due Date on the Schedule Due Date:
 2. A price discount for early payment is offered by the vendor. A copy of the invoice or other documentation of discount offered must be attached to the voucher.
 3. Early payment is required by the terms or nature of the purchase order, contract or other agreement with the vendor. Examples of transactions that require early payment by their nature include registration, membership, subscription, and lease payments, which must be paid before the event or period of service ends. An invoice alone requesting early payment does not obligate or authorize the university to make a payment before the Payment Due Date. A copy of the contract or other agreement that indicates early payment is required must be attached to the purchase voucher.
 4. A payment to a TAMC student.
 5. A payment to a TAMC employee.
 6. A transaction or transfer between TAMC departments, service centers or components.
 7. An early payment that is necessary to avoid interruption of the normal operations of the university (e.g., utilities, telephone, etc.).
 8. A payment to a local, state or federal agency that must be paid early by law or to avoid penalty for paying beyond the agency's due date (e.g., Internal Revenue Service, State Comptroller's Office, State Attorney General's Office, etc).

9. A payment that does not involve goods or services as defined by Texas Government Code and is not subject to payment scheduling (e.g., refunds, stipends, etc.).
10. Early payment to avoid vendor hardship (e.g., vendor cannot pay its employees if TAMC does not pay immediately) or to maintain a favorable business relationship with the vendor.
11. Payment on agency funds.
12. Payments made from institutional funds.

C. Requested Due Date

If a vendor/payee should be paid before the Payment Due Date, the Requested Due Date may be changed to an earlier date. No explanation is required on the voucher. However, Accounts Payable should be prepared to provide an explanation for the early payment if asked.

VIII. Late Payment Interest

A. Calculation of Interest

Payments made past the Payment Due Date generate automatic interest charges at 1 percent per month, prorated. Interest stops accruing on the date the payment is mailed or sent via electronic funds transfer to the vendor. The following formula is used to calculate the interest due:

$$([\text{Distribution Date} - \text{Payment Due Date}] / 365) \times (.12) \times (\$ \text{ principal payment amount}) = \$ \text{ interest due}$$

If the interest calculated is \$5.00 or less and local funds are used, interest will not be paid. It is not necessary to select a reason code or change the late payment charge for these transactions because the refusal to calculate interest of \$5.00 or less on local funds is automated in FAMIS.

B. Allocation of Interest

Interest will be charged back to source account of the original purchase.

C. Interest Refunded by a Vendor

Interest refunded to the university by a vendor will be deposited into the same departmental account that incurred the expense.

D. Transactions Subject to Late Payment Interest

All payments for goods or services made past the Payment Due Date are subject to late payment interest unless indicated as exempt in Section F below.

F. Transactions Exempt from Late Payment Interest

1. Payments to TAMC employees.
2. Payments to TAMC students.
3. Transfers or transactions between TAMC departments, service departments or System components.
4. Payments to other State of Texas agencies and institutions of higher education.
5. Transactions involving a bona fide dispute between TAMC and a vendor, contractor, subcontractor or supplier about the invoice or the goods delivered or services performed that causes the payment to be late. Also, a bona fide dispute between a vendor and a subcontractor or its supplier about the goods delivered or services performed that causes the payment to be late. The vendor must have been notified of the dispute within 21 days of invoice receipt or delivery.
6. When the terms of the federal contract, grant, regulation or statute prevent TAMC from making a timely payment with federal funds.
7. The invoice is not mailed to the correct address in strict accordance with instructions on the purchase order, contract or other document provided by the university.
8. Late payments due to an incorrect or incomplete invoice that is properly returned to the vendor for correction but never corrected and re-submitted to the university.
9. The Texas Building and Procurement Commission (formerly the General Services Commission) has granted an exception to late payment interest for a specific transaction or vendor.
10. Payment to vendors who are “on hold” with the State comptroller’s Office at the time a warrant is printed (automated in USAS).
11. Payments for consulting services, professional services and electric utility service. These transactions are specifically excluded from

the definition of “services” (subject to prompt payment) in Texas Government Code, Section 2155.001.

12. State payments that generate less than .005 in interest (automated in USAS) and local payments that generate \$5.00 or less in interest (automated in FAMIS)
13. When an invoice is not provided by the vendor to the university.

G. Interest Control Indicator

The default setting for vouchers in FAMIS is to pay late interest charges when a late payment is made. The default Interest Control Indicator will accept scheduling of late payment. The Interest Control Indicators are as follows:

A: Accept Scheduling of Late Payment

Blank: None

F: Force Interest Calculation

R: Refuse Interest Calculation

1. If the Interest Control Indicator is changed to “F” (to force interest calculation) one of the following Reason Codes must be selected on the voucher screen at time of entry:

DT Direct payment of travel expenses to outside vendors which would be subject to late payment interest. Travel object codes in USAS and FAMIS are pre-set as not subject to late payment interest because they are primarily used to reimburse employees for out-of-pocket travel expenses.

2. If the Interest Control Indicator is changed to “R” (to refuse interest calculation) one of the following Reason Codes must be selected on the voucher screen at time of entry:

AD Agency Discretion Exercised

AI Automation Issue(s)

AP Advance Payment

CD Contract Date Exception

DP Disputed Payment

ER Employee Reimbursement

FC FED Contract/Terms Prohibit Payment

GE GSC Exemption Granted & Documented

MI Mailing Instructions on PO not followed

NI No Invoice Received

RD Return Direct Deposit Re-Issue
SA State Agency

IX. Payment Processing

A. Documentation of Payment Processing

1. The following information related to prompt payment is required on all vouchers and purchaser order (PO) vouchers entered in FAMIS:
 - a. Goods Receipt Date for the transaction. The Goods Receipt Date is always the date goods are received or services are completed. Documentation of the Goods Receipt Date must be entered on the receiving screens in FAMIS.
 - b. Invoice Receipt Date. The Invoice Receipt Date must be stamped or otherwise indicated on the face of the invoice. If the Invoice Receipt Date is not documented on the invoice, the Invoice Date will be used as the Invoice Receipt Date.
2. The following information is required on the receiving screens or documentation submitted to Accounts Payable when transaction does not allow entry to the receiving screen.
 - a. The quantity of items received for each line item on the purchase order.
 - b. The Goods Receipt Date of the items received.
 - c. Returned or disputed items will be noted on the receiving screen or document will be presented to Accounts Payable.

B. Deadlines for Submission of Documents to Accounts Payable

1. Receiving must be entered by the receiving department no later than 10 business days after the Goods Receipt Date. A separate receiving should be entered for each shipment received, since each will have its own Goods Receipt Date and 30-day payment cycle. However, if the purchase order indicates that partial shipments are not permitted, the Goods Receipt Date will be the date the final shipment is received; the receiver should be submitted at that time.

2. Invoices received in the departments must be submitted to Accounts Payable no later than 10 business days before the Payment Due Date.