

TEXAS SOUTHERN UNIVERSITY
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Fiscal Affairs

NUMBER: 03.02.06

AREA: Procurement

SUBJECT: Direct Pay Vouchers

I. PURPOSE AND SCOPE

This document defines the limits and uses of the direct pay voucher, a payment mechanism that allows authorized personnel to request non-payroll payments. This document also outlines the process required for preparing and submitting a direct pay voucher request. Use of the direct pay voucher is subject to the restrictions placed on the type of funds used. This document applies to all university departments, centers, and institutes for purchases from all university funds, with distinctions as noted.

II. DEFINITIONS

- A. Authorized business management personnel: The university employee(s) at each project, department, college, or divisional level with assigned responsibilities for procurement and processing of expenditure documents related to the unit's cost centers.
- B. Certifying signatory: The university employee who is authorized to certify expenditures for a department, project, college or division and whose signature must appear on any expenditure document or indicate approval by email for any transactions initiated by that unit that are not approved through workflow.
- C. Commodities: All tangible goods, including equipment (i.e. purchases that cannot be considered services).
- D. Department Approver: The university employee who is authorized to certify transactions for a college or division that are processed through electronic workflow. The Department Approver's workflow approval has the same meaning and effect as the signature or email approval of a Certifying Signatory on a non-workflow document.
- E. State funds: Funds appropriated by the State Legislature, including education and general funds, Higher Education Assistance Funds (HEAF), Advanced Research Project (ARP) funds, and Advanced Technology Project (ATP) funds.
- F. Purchase Policies and Procedures Guide: List of rules and limitations related to direct pay vouchers utilizing state funds, which is published on the Comptroller's Office website at the following address: www.cpa.state.tx.us/comptrol/san/fm1.html

III. POLICY STATEMENT

- A. Within the limits defined herein, Texas Southern University business management personnel may be authorized to make direct purchases of commodities and services, which are submitted for payment or reimbursement directly to Accounts Payable via direct pay voucher. This purchasing mechanism is authorized for purchases or reimbursements to one vendor or employee of dollar amounts of \$5,000.00 or less per transaction, including freight and delivery charges, as well as purchases of other items specifically authorized herein. In addition, direct pay vouchers utilizing state funds are subject to the restrictions contained in the Comptroller's Purchase Policies and Procedures Guide.
- B. Only those persons authorized to do so may commit Texas Southern University funds. An obligation incurred by a person who is not authorized to commit university funds or that is made contrary to university guidelines becomes the personal responsibility of that individual and not of the Texas Southern University.
- C. Prior to committing university funds, departments are required to verify that prospective vendors are not "on hold" with the State of Texas. The vendor hold status can be verified using the Vendor Hold Status instructions at the following web site: <http://www.tsu.edu/pages/3573.asp>. The only exceptions to verifying vendor hold status are for (1) credit card purchases of \$500 or less, (2) emergency purchases of \$500 or less, or (3) purchases made with a purchase order.

IV. PURCHASES THAT REQUIRE A CONTRACT

- A. The purchases that fall within the MAPP for Contracting – General require a completely executed contract (i.e. signed by all parties) before payment can be issued, regardless of dollar amount. The executed contract must be attached to the first direct pay voucher created for the contract and each subsequent direct pay voucher must indicate the total contract amount, total payments to date (including this direct pay voucher), and the remaining amount of the contract. Examples of such purchases include, but are not limited to:
 - 1. Contracted services: accreditation, construction, consultant and professional lecturers, speakers, counselors, critiques, performances, panelists, etc.
 - 2. Interagency agreements
 - 3. Renovation or construction contracted by Facilities.

For additional information regarding contracting requirements, see the MAPP for Contracting-General.

- B. When purchases listed in §IV, A (above) equal or exceed \$5,000.00, including contract modifications, they must be encumbered on a purchase order before payment is issued.

In this case, the executed contract will be attached to the purchase requisition (or purchase order, if a requisition is not created) or the contract identifier number must be included in the purchase order document. Also, it is not necessary to attach the contract to the direct pay voucher or indicate the contract amount, total payments, or remaining amount.

V. PURCHASES THAT MUST BE REQUESTED WITH A PURCHASE REQUISITION

A. The following purchases must be requested through the Purchasing Department on a purchase requisition, regardless of dollar amount:

1. Equipment lease or maintenance agreement;
2. Radioactive materials, hazardous chemicals, pharmaceuticals, and other controlled substances;
3. Vehicles;
4. Other purchases required by Finance to be on a requisition to achieve one or more of the following goals:
 - a. Increase use of historically underutilized businesses.
 - b. Obtain a vendor discount for volume purchases.
 - c. Increase efficiency in the procurement/payment process.

B. Goods and services costing more than \$5,000.00 per transaction, including freight and shipping, must be requested through the Purchasing Department on a purchase requisition. See exceptions in §VI., B. below.

C. For additional information about purchase requisition requirements, see MAPP 03.02.03 – Purchase of Goods, Materials and Supplies through the Purchasing Department.

VI. PURCHASES FOR WHICH PAYMENT MAY BE AUTHORIZED ON A DIRECT PAY VOUCHER WITHOUT A PURCHASE ORDER OR CONTRACT

The following are among the types of expenditures that may be requested on a direct pay voucher without the involvement of Purchasing or issuing a contract. Accounts Payable is authorized to furnish detailed information on direct pay voucher allowable items. Expenditures initiated on direct pay vouchers are subject to the same approvals prescribed for other procurements, including Board of Regents approval, depending upon types of funds used, goods or services procured, and level of expenditure.

- A. Goods costing \$5,000.00 or less per transaction, including freight and shipping.
- B. Expenditures at any dollar level for:

1. Court costs, criminal, civil, and administrative hearings.
2. Dues and membership fees.
3. Human cadavers, skin, blood, bones, tissue.
4. Library expenditures.
5. Postage and postal services.
6. Registration fees and materials.
7. Revenue bond expenses.
8. Training and tuition for employees.
9. Utilities purchased, regulated; not long distance).
10. Payment or reimbursement of travel expenses (see MAPP 03.02.10 – Travel Paid from State and MAPP 03.02.11 – Travel Paid from Local Fund).
11. Reimbursement of employee moving expenses (see MAPP 02.03.06 – Moving and Relocation Expenses). However, direct payments to moving companies require a contract or purchase order.
12. Items purchased for resale.

VII. KEY RULES FOR SUBMISSION OF A DIRECT PAY VOUCHER

- A. Transactions for which a purchase order has been issued by Purchasing must be paid using a P.O. voucher.
- B. A Department Approver must approve each direct pay voucher submitted to Accounts Payable in workflow or by mail. The Department Approver will verify that all required backup documents (i.e. invoices, receipts, etc.) and any additional approvals required by university, state, or federal rules are electronically or manually attached to the direct pay voucher.
- C. Employees and students must sign their reimbursement direct pay voucher or the documentation attached, thereby indicating that the out-of-pocket expense was incurred by them, has not been previously reimbursed, and benefits the University.

All reimbursement requests must be supported by an original itemized receipt, which consists of a merchant produced or non-university document that records the relevant details for each item purchased including quantities, amount, a description of what was purchased, the total charge amount, the date of purchase, and the merchant's name

and address.

All requests for reimbursement, including required documentation, must be submitted to the department business office no later than sixty (60) days after the date of purchase. Requests submitted after sixty (60) days may not be forwarded to Accounts Payable for reimbursement, unless approved by the appropriate division vice president.

The department should make every effort to submit direct pay vouchers for employee and student reimbursements to Accounts Payable as soon as possible but no later than fifteen (15) days following receipt of all required documentation from the employee or student.

- D. Memberships or dues for professional organizations that are paid with state-appropriated funds are subject to state rules and regulations. To comply with these requirements, Texas Southern University requires professional organizations to be pre-approved by the Chief Financial Officer and Finance when the organization will be paid with state-appropriated funds, as outlined in Addendum A. A statement of benefit to the university must be included on the direct pay voucher, together with beginning and ending dates of the membership.
- E. Subscriptions may be paid on a direct pay voucher not more than six (6) weeks in advance of the beginning date when state funds are used. An invoice or renewal form must be attached, the subscription number or account number included in the "invoice no." field of the direct pay voucher, and the beginning and ending dates indicated. Subscriptions may extend into future fiscal years. However, if a sponsored project account is used, the subscription may not extend beyond the expiration date of the award.
- F. Registration fees for seminars and conferences may be paid in advance to the seminar or conference organization with a direct pay voucher. Name of payee organization may not include abbreviations or initials. Dates, attendees, and university benefit must be included on the direct pay voucher or attachment. Fees may be paid from the current fiscal year, even if the seminar or conference will occur during the next fiscal year. Proof of attendance is required when state funds are utilized.

Alternately, an employee may be reimbursed for such fees on a direct pay voucher by providing proof of payment (receipt, confirmation of registration payment by conference, check stub, credit card statement, etc.) If an employee is reimbursed by the university for registration fees but does not attend the seminar or conference, the employee must refund the university for the amount previously reimbursed.

- G. The university is exempt from State of Texas sales tax. Employees should present a copy of the university's Texas Sales and Use Tax Exemption Certificate when making a purchase for the university. However, employees are not required to present the Tax Exemption Certificate at restaurants for their business meals. In

circumstances where the employee presented the Tax Exemption Certificate but the vendor insisted on charging tax anyway, the employee may be reimbursed for the full amount of the sales tax from any funds except sponsored project and state appropriated funds. A statement should be included on the direct pay voucher that the employee attempted to claim tax exemption but the vendor refused.

If an employee does not attempt to claim exemption from sales tax, the most they can be reimbursed is \$10.00 sales tax per transaction. However, when the university pays a vendor directly, State of Texas sales tax should not be paid to the vendor.

- H. Scholarship and student loan payments or reimbursements and stipend payments to students on direct pay vouchers require the approval of the scholarships and Financial Aid Department.
- I. State funds and local funds may not be used on the same direct pay voucher.
- J. Contractor payments. See the MAPP for Contracting-General for documentation requirements.
- K. Business meals, discretionary expenditures, and official functions. See MAPP 03.07.04 – Official Functions and Discretionary Expenditures for documentation requirements. For transactions that normally require gratuity, employees may be reimbursed for gratuity up to twenty (20%) percent of the transaction on local funds only.
- L. Moving expenses. See MAPP 02.03.06 – Moving and Relocation Expenses for documentation requirements.
- M. Printing Services. A letter from the University printing Department authorizing printing services to be obtained from outside the university. At least three (3) quotes from printing vendors must be attached to the direct pay voucher. Each quote must include the following information: (1) name of vendor, (2) name of vendor contact (person who gave the quote), (3) phone number of vendor, and (4) amount of quote. Phone quotes are acceptable and may be summarized on a separate sheet of paper. If the order was not placed with the lowest bidder, an explanation must be attached which indicates which requirements for completing the job cannot be provided by the lower bidder(s).

Note: Printing services provided by the TSU Printing and Postal Services Department are paid on an internal transfer voucher. The TSU Printing Department may be chosen without competitive bidding.

- N. Advertisements. Advertisements placed in non-Texas Southern University publications must be approved by the appropriate office as follows:
Staff Employment Ads: Human Resources Department
Non-Employment Ads: Vice President of University Advancement

NOTE: Advertisements in the TSU sponsored publications, the Yellow Pages, KTSU are exempt from pre-approval.

- O. Gift cards/certificates. Gift cards can be purchased for several reasons that benefit the university, such as compensating participants in research studies (also known as human subjects), or rewarding individuals for completing university surveys or attending university-sponsored events. Gift cards are not to be distributed to employees for outstanding service.

Gift cards or certificates may be purchased if they are approved by the appropriate College/Division Administrator, Dean or Executive Director on the Gift Card Request Form (<http://www.tsu.edu/pages/3573.asp>).

Gift cards must be kept in a secure campus location (e.g., locked drawer or safe) until distributed. The distribution of the gift cards/certificates must be documented, including date of distribution, name of recipient, and signature of recipient acknowledging the receipt. If the gift cards are for a confidential human subject study, the department must retain distribution records in their files for seven (7) fiscal years after the grant expires.

Someone other than the gift card custodian will review the gift card records at least once a month to verify that all distributed and undistributed gift cards are accounted for and will report any discrepancies to the College/Division Administrator.

If the department awards a gift card/certificate to an employee, the department is also responsible for reporting this amount to the Payroll Department as the employee's taxable benefit. If the department awards a gift card/certificate to a non-employee and the total amount received by the non-employee in a calendar year is six hundred (\$600) or more, the department is responsible for submitting the non-employee's W-9 Form and reporting the amount to Accounts Payable, so that the non-employee can be issued a Form 1099-MISC.

- P. Vendor Identification. The payee is selected from the Banner vendor list when the direct pay voucher is created. If no entry exists in the system for the payee, the payee can be setup as follows:
1. Vendor Setup Form (or W-9 Form, Invoice with Federal ID Number, or Honorarium form)
 - a. Used for and completed by: Companies, Contractors, Research Study Participants, and Honorarium Recipients
 - b. Signed by payee
 - c. Faxed or mailed to the Purchasing Department
 - d. Available at the following web address:
<http://www.tsu.edu/pages/3573.asp>

2. Individual Setup Form (or other form with same information)
 - a. Used for: Employees, Students, Prospective Employees, Refund Recipients, and Individuals Who Will Only Receive a Reimbursement (Not Paid for Services)
 - b. Completed by: Department Administrator
 - c. Faxed or mailed to the Purchasing Department
 - d. Available at the following web address:
<http://www.tsu.edu/pages/3573.asp>
3. W-8 Form
 - a. Used for and completed by: Payee without social security number or federal ID number
 - b. Signed by payee
 - c. Faxed or mailed to the Purchasing Department
 - d. Available at the following web address: <http://www.irs.gov/>

Existing payees in the vendor list that need an address changed or added can make these changes by sending the appropriate setup form to the Purchasing Department or by faxing or mailing an invoice to the Purchasing Department that contains the new information. The vendor's federal ID, social security, or Banner vendor number should be indicated on the invoice, as well as the name and phone number of the requester.

- Q. Returned direct pay vouchers. Direct pay vouchers that contain inadequate documentation, incorrect or incomplete information, or contain transactions that are not allowed by university policy will be returned to the initiator through workflow or by mail.
- R. Public Relation Services. Use of public relations services requires the advance approval by the Office of University Advancement to help ensure these services are in alignment with university guidelines regarding publications and marketing communications.

VIII. PAYMENTS THAT REQUIRE SPECIAL HANDLING OR ENCLOSURES

- A. Special Handling
 1. Picking up Checks from Bursar's Office. Accounts Payable checks (local funds) are normally mailed directly to the payee by the Treasurer's Office. This is to provide appropriate internal controls that prevent the possibility of fraud, lost checks, and delayed payment. If it is necessary for the department or a vendor to pick up a check from the Bursar's Office, it must be justified on the direct pay voucher as follows:
 - a. Enter an "X" in field for pick up from Bursar's office.
 - b. Enter a justification for the need to pick up the local check.
 - c. Enter a contact person's name and the phone number of the individual who will pick up the check.

d. State warrants (State funds) are always mailed directly to the payee.

2. Foreign Currency Payments. Payments in foreign currency cannot be made with state funds, only with local funds. The process for making foreign currency payments is as follows:

a. Contact the Treasurer's Office to determine whether the payment will be issued via wire transfer or bank draft. Indicate the method (wire transfer or bank draft) in the payment comment section of the direct pay voucher.

b. Indicate the type of foreign currency in Payment Comments and whether the payment should be for a specific amount in the foreign currency (e.g. 100.00 British pounds) or for the US dollar equivalent in the foreign currency (equivalent to US \$100.00 in British pounds). The amount on the direct pay voucher line should be \$0.

c. Accounts Payable will contact the Treasurer's Office.

d. The Treasurer's Office will notify Accounts Payable of the actual US dollar equivalent of the payment and the service charge from the bank.

e. Accounts Payable will return the direct pay voucher to the initiator via workflow or mail and notify the initiator of the actual US dollar amount.

f. The initiator will change the direct pay voucher amount, budget check the direct pay voucher, and re-submit the direct pay voucher via workflow or mail.

g. Accounts Payable will enter the payment number on the direct pay voucher.

B. Enclosures

Enclosures are processed as follows:

1. Attach all enclosures to the direct pay voucher.
2. Submit the direct pay voucher via workflow or mail to Accounts Payable.
3. Treasurer's Office will mail the payment with the enclosure.


IX. DOCUMENTATION

A. Supporting documentation in the way of an invoice, copy of contract, subscription renewal card, or similar document is required to support all direct pay vouchers. Postage metering receipts can be filed in the department business office, rather than being sent with the direct pay voucher. Sponsored project sub-recipient agreements can be filed in the Research Financial Services Department, rather than with the direct pay voucher.

Vendor statements (i.e., a summarization of charges) may be submitted for backup documentation, rather than invoices, when all of the following apply:

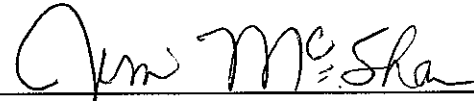
1. The amount to be paid is less than \$100.00.
2. The vendor statement provides sufficient detail to identify the items paid.
3. The department has not or will not pay the vendor's invoices that make up the statement amount in addition to paying from the statement.

X. REVIEW AND RESPONSIBILITY

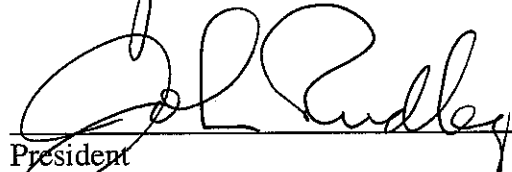
Responsible Party: Executive Director of Procurement Services 

Review: Every three years on or before January 1

XI. APPROVAL



Chief Financial Officer



President

Date of President's Approval: 04/16/10

Addendum A

University Approval for Membership Dues to Professional Organizations

State law requires that the heads of higher education units, or designee, approve any expenditure for memberships or dues to professional organizations. In order to comply with this requirement, Texas Southern University has developed the following procedure for professional membership dues:

1. Lists will be consolidated and reviewed by the CFO.
2. This list is updated as needed and is located at: <http://www.tsu.edu/pages/159.asp>
The form to request approval is also located on this web page.

(NOTE: Federal regulations prohibit directly charging memberships to federally funded sponsored projects.)