

I. POLICY STATEMENT

In accordance with Texas Government Code, Chapters 2155 and 2251 (prompt payment law), interest will be automatically calculated and paid to vendors of qualifying goods and services who receive late payments from Texas Southern University on or after September 1, 1999. In addition, payments for state vouchers over \$5,000.00 will be scheduled on or just prior to the Net Due Date.

Interest calculated at \$5.00 or less on local fund payments will not be paid to the vendor (Texas Government Code 2251.026j). Any interest paid will be charged to the same departmental cost center as the late payment. Interest charged to a cost center, including sponsored projects, where the funding source does not permit late payment interest charges must be reallocated by the department to another source of funds that may support the interest expense.

II. PURPOSE AND SCOPE

This document applies to all payments processed through the Texas Southern University Accounts Payable Department.

III. DEFINITIONS

1. Bona fide dispute: Difference of opinion held in good faith between a vendor and the university.
2. Payment cycle: The days on which ACH payments, checks, or warrants are printed. The Treasurer's Office currently generates local, non-payroll ACH payments and checks for the University on Monday, Wednesday and Fridays. The Comptroller of Public Accounts generates state, non-payroll ACH payments and warrants on each business day .
3. Direct Payment Voucher: A payment mechanism that allows Account Payable personnel to process non-payroll payments to vendors without the issuance of a purchase order.
4. 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 goods and services under the related purchase order or contract .
5. Distribution date: The date that a payment is mailed (postmarked) or sent via ACH

or electronic funds transfer to a vendor.

6. Banner: The financial system which the University uses to create vouchers and PO vouchers. All local fund payments are processed through Banner.
7. Late Payment Charge: Field in the Schedule Payment panel of the Voucher panel group that indicates whether the payee may be paid late payment interest. "C" means compute late charges, if late, and "N" means do not compute late charges
8. Invoice: A document presented by a vendor for payment, which includes information necessary for payment processing, as described by this document.
9. Late payment: A payment that is distributed to a vendor after the Net Due Date.
10. 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. This defines the invoicing standards.
11. 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.
12. Net 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), and (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 order or contract to be considered "received" or "rendered."
13. Prompt payment law: Texas Government Code, Chapter 2251, which requires all State of Texas agencies, including institutions of higher education, to pay vendors interest at the rate specified by the Comptroller's Office. Texas Government Code 2251.026j prohibits interest payments of \$5.00 or less when local, institutional funds are used.
14. Payment Reason Code: A code that indicates the reason for refusing or forcing an interest payment. A payment reason code must be selected any time the late payment charge is refused or forced. Payments reasons must be approved

by Accounts Payable for each voucher.

15. Scheduled Due Date: The date a voucher is scheduled for payment.
16. 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 TSU are created in Banner and transferred to USAS for final processing.

IV. POLICY PROVISIONS

1. INVOICING STANDARDS

Texas Southern University has adopted the following invoicing standards, with which vendors must comply when submitting an invoice to the university:

- 1.1 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 document provided to the vendor.
- 1.2 Invoices must include the following information:
- 1.2.1 Vendor's mailing (remit to) address for payment.
 - 1.2.2 Vendor's mailing address for correspondence.
 - 1.2.3 Vendor's phone number, fax number and/or e-mail address of representative who can answer questions regarding the invoice.
 - 1.2.4 University's purchase order, contract or other document number.
 - 1.2.5 Name and mailing (ship to) address of the university department that received the goods or services, as indicated on the purchase order or contract.
 - 1.2.6 Vendor's Taxpayer Identification Number (TIN) issued by the Comptroller of Public Accounts, or 10-digit vendor ID number issued by the University.
 - 1.2.7 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.

1.2.8 Information identifying and supporting a successor organization to the original vendor, if necessary, with sufficient information to make payment to the successor organization.

1.3 Invoices should not include the following:

1.3.1 Payment terms that are different than those specified in the purchase order or contract.

1.3.2 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.

1.3.3 Unit prices or quantities or total price or quantity that exceed those indicated in the purchase order or contract.

1.3.4 Charges for goods, services or shipping that are not valid items ordered or agreed to by the University.

1.3.5 Taxes or fees from which the university is exempt as a Texas institution of higher education.

1.3.6 Charges for late payment interest, late payment interest calculations will be made in accordance with the Texas Government Code.

2. INVOICE HANDLING

Invoices received by the university will be handled as follows:

2.1 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.

2.2 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.

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- 2.3 Invoices will be reviewed to determine if they meet the standards in Section IV.1 above.
- 2.3.1 Invoices that meet the university’s standards will be processed for payment before the Net Due Date and within the time frame indicated in Section 6 below.
- 2.3.2 For invoices that do not meet the university’s standards, the department that reviews the invoice will take one of the following actions:
- 2.3.2.1 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 Net Due Date.
- 2.3.2.2 Partially pay the invoice to the extent it is correct, and notify the vendor [via the Notification of Incorrect or Incomplete Invoice received form](#) no later than 21 calendar days after the Invoice Receipt Date. The Notification must include a detailed statement of the amount of the invoice which is disputed. Per Texas Government Code 2251.42, the university may withhold from payments required no more than 110 percent of the disputed amount. Copies of the Notification and email should be forwarded to Accounts Payable.
- 2.4 Failure to notify a vendor of an incorrect invoice within twenty-one (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.
- 2.5 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 4 below, not receiving an invoice qualifies as an exception to paying late payment interest.

3. DELIVERY OF GOODS AND SERVICES

3.1 Good Receipt Date

The date goods are received or services are completed, known as the Goods Receipt Date, must be documented by Central Receiving or the department that receives the goods or services. For instance, the packing slip can be date stamped, the Goods Receipt Date can be entered in a delivery log, or some other form of documentation may be used. It is not required to attach documentation of the Goods Receipt Date to the voucher, though departments may do so if the documentation is readily available.

3.2. Goods Delivered Directly to the Department

Merchandise delivered or services performed directly to the user department must be received and documented by an employee other than the employees who placed the order. Examples include purchases made by p-card, blanket orders or a reimbursement to an employee who used their personal funds to purchase an item on behalf of the university. Capitalized purchases delivered directly to a department must be received by Central Receiving. The user department is required to contact Central Receiving who is responsible for inspecting the equipment, signing the vendor receiving documents, and completing the receiving process online via the Banner system. Accounts Payable is prohibited from issuing payment until the proper receiving documents are confirmed and approved.

3.3 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 Central Receiving or 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

3.4 Return to Vendor

All items received that do not meet the requirements of the order or contract must be immediately returned to the vendor, along with a [Notice of Non-compliant Delivery of Goods or Services Form](#), letter or other documentation of the return. All related conversations with the vendor must be documented, as well, and maintained with the department's copy of the voucher.

4. PAYMENT SCHEDULING

4.1 Calculation of Net Due Date

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

IV.1.1 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.

IV.1.2 The date goods are received, in accordance with the purchase order or contract.

IV.1.3 The date services are completed, in accordance with the purchase order or contract.

4.2 Exceptions to Payment Scheduling

Payments are scheduled on or just prior to the Net Due Date, except in the following circumstances, which allow payment before the Net Due Date on the Scheduled Due Date:

4.2.1 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.

4.2.2 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 Net Due Date. A copy of the contract or other agreement that indicates early payment is required must be attached to the purchase voucher.

4.2.3 A payment to a TSU student (terms equal "due immediately" in Banner).

4.2.4 A payment to a TSU employee (terms equal "due immediately" in Banner).

4.2.5 An early payment that is necessary to avoid interruption of the normal operations of the university (e.g., utilities, telephone, etc.).

4.2.6 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.).

4.2.7 A payment that does not involve goods or services as defined by Texas Government Code and is not subject to payment scheduling (e.g., state deposits, stipends, etc.).

4.2.8 Early payment to avoid vendor hardship (e.g., vendor cannot pay its employees if TSU does not pay immediately) or to maintain a favorable business relationship with the vendor.

4.2.9 Payments on local funds.

4.2.10 Payments on state funds where the voucher total is \$5,000.00 or less.

4.3 Scheduled Due Date

If a vendor/payee should be paid before the Net Due Date, the Scheduled Due Date may be changed to an earlier date. No explanation is required on the voucher. However, the department that creates the voucher should be prepared to provide an explanation for the early payment if asked.

5. LATE PAYMENT INTEREST

5.1 Calculation of Interest

Payments made past the Net Due Date generate automatic interest charges at the rate specified by the Comptroller's Office. Interest stops accruing on the date the payment is mailed or sent via electronic funds transfer to the vendor, which is the Distribution Date. The following formula is used to calculate the interest due based on an annual interest rate of 5%: (5% is just an example; the Comptroller's Office might set a different interest rate):

$$([\text{Distribution Date} - \text{Net Due Date}] / 365) \times (.05) \times (\$ \text{ principal payment amount net of credit memos or reversals}) = \$ \text{ interest due}$$

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 payment reason code or change the late payment charge for these transactions because the refusal to pay interest of \$5.00 or less on local funds is automated in Banner.

5.2 Documentation and Account

A separate voucher, which begins with an “I,” will be automatically created by USAS when a late payment is made with state funds. A separate voucher will not be created when interest is paid on local funds but the charge will be recorded with the journal entry to record the voucher. However, the amount of the local interest payment can be seen on the Payments page of the Voucher . Interest will be charged to the same departmental cost center as the late payment. The interest voucher indicates the original voucher number in the Invoice field .

5.3 Reallocation of Interest

Interest paid on cost centers that do not allow late interest expense will be re-allocated by the department to another departmental cost center .

5.4 Interest Refunded by a Vendor

Interest refunded to the university by a vendor will be deposited into the same cost center/account that incurred the expense as a reduction of expense. If the interest expense had been re-allocated to another cost center, the refunded amount will be deposited into the cost center that received the re -allocated expense.

5.5 Transactions Subject to Late Payment Interest

All payments for goods or services made past the Net Due Date are subject to late payment interest unless indicated as exempt in Section 5.6 below.

5.6 Transactions Exempt from Late Payment Interest

5.6.1 Payments to TSU employees (controlled through the Banner vendor file).

5.6.2 Payments to TSU students (controlled through the Banner vendor file).

5.6.3 Transfers or transactions between TSU departments, auxiliaries, or service centers (controlled through the Banner vendor file).

5.6.4 Payments to other State of Texas agencies (except Texas Correctional Industries) and institutions of higher education (controlled through the Banner vendor file).

5.6.5 Transactions involving a bona fide dispute between TSU 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.

- 5.6.6 When the terms of a federal contract, grant, regulation or statute prevent TSU from making a timely payment with federal funds.
- 5.6.7 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.
- 5.6.8 When an invoice is not provided by the vendor to the university.
- 5.6.9 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.
- 5.6.10 The Texas Comptroller's Office has granted an exception to late payment interest for a specific transaction or vendor.
- 5.6.11 Payment to vendors who are "on hold" with the State Comptroller's Office at the time a warrant is printed (automated in USAS). This is not automated in Banner. Therefore, the voucher creator should refuse interest on the voucher by selecting a Payment Reason Code of "N-AD" and Late Payment Charge of "N."
- 5.6.12 State payments that generate less than \$0.005 in interest (automated in USAS) and local payments that generate \$5.00 or less in interest (automated in Banner).

5.7 Late Payment Charge and Payment Reason Code

The default setting for vendors/payees in Banner is to pay late interest charges when a late payment is made. However, the setting is changed in the vendor file for certain vendors/payees to not pay late charges. Therefore, when one of these vendors is paid, the Late Payment Charge on the voucher should automatically be set to "N" (not applicable). For all other vendors, the default Late Payment Charge will be "C" (compute late charges).

- 5.7.1 If the Late Payment Charge is changed from "Not Applicable" to "Compute Charges" (to force interest payment, if late), one of the



following Payment Reason Codes must be selected on the Schedule Payment panel:

C-AI: Used when Banner or USAS would incorrectly consider a transaction to be exempt from late charges due to a system limitation.

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

5.7.2 If the Late Payment Charge is changed from “Compute Charges” to “Not Applicable ” (to refuse interest payment, if late), one of the following Payment Reason Codes must be selected on the Payment page:

N-NI: No invoice received. Though no invoice was received, the basis for the payment must be provided with the voucher.

N-FC: Federal contract or terms prohibit a timely payment and federal funds are used.

N-MI: Mailing instructions for the invoice on the purchase order, contract or other instructions provided by the university were not followed.

N-DP: Disputed payment, including disputes over invoices and/or goods or services received. The vendor must have been notified of the dispute within 21 days of invoice receipt or delivery, the department must have documentation of the notification, and the department must have been successful in its dispute.

N-GE: Texas Comptroller’s Office exception granted for a specific transaction.

N-AI: Automation issue. Used when Banner or USAS misclassifies a transaction as subject to or not subject to late payment interest due to system constraints.

N-AP: Advance payment on a transaction, which is paid before

delivery of goods or completion of services.

- N-ER: Employee reimbursement. May be used to refuse interest on reimbursements if the default Late Payment Charge is not already set to “N.” (Notify Accounts Payable to change the default in the vendor file.)
- N-SA State Agency Payment. May be used to refuse interest on payments to other Texas State Agencies.
- N-DR Returned Direct Deposit. May be used to refuse interest on payments made timely, but that were returned due to incorrect banking information provided by the Vendor.

6. PAYMENT PROCESSING

6.1 Documentation of Payment Processing

The following information related to prompt payment is required on all vouchers and purchaser order (PO) vouchers entered in Banner:

6.1.1 Goods Receipt Date for the transaction. The Goods Receipt Date is always the date goods are received or services are completed. It is not required to attach documentation of the Goods Receipt Date to the voucher, though departments may do so if the documentation is readily available. The Acceptance Date must be entered to match the Goods Receipt Date on the voucher.

6.1.2 Invoice Receipt Date. The Invoice Receipt Date must be entered on the voucher.

6.2 The following information is required on all receivers entered into Banner:

- 6.2.1 The quantity of items received for each line on the purchase order.
- 6.2.2 The Goods Receipt Date of the items received.
- 6.2.3 Returned or disputed items will be noted on the receiver or on an attachment to the receiver.
- 6.2.4 Each receiver line with delivery information will be signed by Central

Receiving or someone in the department who is knowledgeable about that delivery.

6.3 Deadlines for Submission of Documents to Accounts Payable

- 6.3.1 Receivers and invoices must be submitted to Accounts Payable no later than 5 business days after the Goods Receipt Date. (Likewise, receiving information entered online in Banner must be entered by the receiving department within 5 business days of the Goods Receipt Date.) A separate receiver should be submitted 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.
- 6.3.2 Vouchers that must be approved by Accounts Payable must be submitted to Accounts Payable no later than ten (10) business days before the Net Due Date.
- 6.3.3 Vouchers payable to university employees, prospective employees, and students must be submitted to Accounts Payable no later than fifteen (15) calendar days after all required documentation for payment has been submitted to the department that creates the voucher.