

STEPHEN F. AUSTIN
STATE UNIVERSITY

Office of the General Counsel

POLICY SUMMARY FORM

Policy Name: Prompt Payment to Vendors

Policy Number: 17.13

Is this policy new, being reviewed/revised, or deleted? Review/Revise

Date of last revision, if applicable: 1/28/2014

Unit(s) Responsible for Policy Implementation: Vice President for Finance and Administration

Purpose of Policy (what does it do): Explains the state's rules about the timing of payments to vendors

Reason for the addition, revision, or deletion (check all that apply):

- Scheduled Review Change in law Response to audit finding
 Internal Review Other, please explain:

Please complete the appropriate section:

Specific rationale for new policy:

Specific rationale for each substantive revision: No substantive changes.

Specific rationale for deletion of policy:

Additional Comments:

Reviewers:

Dr. Danny Gallant, Vice President for Finance and Administration
Damon Derrick, General Counsel

Prompt Payment to Vendors

Original Implementation: April 21, 1998

Last Revision: ~~January 28, 2014~~ January 31, 2017

It is the intention of Stephen F. Austin State University to comply with the state's prompt payment law and make prompt payments to vendors using the most efficient means available.

Three requirements must be met before a disbursement can be made to a vendor:

1. There must be an approved order for goods or services that has been signed/authorized by the account manager or his designee.
2. The goods or services must have been received. Acknowledging the receipt of goods or services is the responsibility of the department which placed the order.
3. The vendor must provide an itemized invoice to accounts payable. If an invoice is received by the department, it should be date stamped and immediately forwarded to accounts payable.

The controller's office is responsible for processing payments in a manner which ensures compliance with the prompt payment law once these three requirements have been met. In certain instances, interest will be paid to a vendor if payment is not made within 30 days of the later of:

1. the date the university receives the goods under the contract
2. the date the vendor completes its services, or
3. the date the university receives an invoice for the goods or services.

To maximize the interest earned on funds held by the state, the university is required to schedule their payments, paying vendors as close to the 30-day limit as possible. The university is not allowed to pay vendors before the payments are actually due unless the invoice is less than \$5,000 or the university has a valid business reason for paying early, or there is a specific exception to this rule. -Examples when the university may make early payments to vendors are:

- If the vendor or the university has an agreement to make a payment at a certain time.
- If the vendor gives the agency a substantial discount for paying early.
- Purchase of real property.
- *Payment for utilities.*
- Payment for lease cost, leased space or rent.
- Purchases of books or library materials paid with Higher Education Funds (HEF).
- Subscription services up to a maximum of six weeks before the service begins.
- Vendor payments for specialized goods or services if the vendor requires the payment to be made in advance.

For payment more than \$5,000, payment must be scheduled for distribution on the date identified above, unless the department can justify the cost effectiveness of making a payment early. A vendor hardship DOES NOT qualify as a state business reason for paying early.

If the vendor payment is late, interest will be computed at a rate determined by the Texas Comptroller's Office. If the late payment is due to departmental errors, such interest payment will be charged to the department that caused the late payment.

If a department requests the controller's office to process a payment outside its normal operating procedures for any reason, the department shall be assessed a special processing fee of \$50.

Payments of \$5,000 or less are exempted from mandatory payment scheduling. -The university, at its discretion, may choose to pay invoices \$5,000 or less according to the scheduling requirements or may schedule the payment due date as soon as they are processed. -For groups of invoices covered by a monthly statement, the statement amount must be \$5,000 or less for the invoices to qualify for this exemption.

Definitions:

Payment – Money owed *to* a vendor.

State agency – A board, commission, department, office or other agency in the executive branch of state government created by the constitution or a statute of this state, including an institution of higher education as defined by the Texas Education Code Section 61.003.

Vendor – A person who supplies goods or a service to a state agency or another person directed by the agency. -The term does not include a state agency, except for the Texas Correctional Industries. -The term includes an officer or employee of a state agency when acting in a private capacity to supply goods or a service.

Cross Reference: ~~Tex. Gov't Code §Ch. 2155.382; Tex. Gov't Code Ch. 2251; Tex. Educ. Code § 61.003;~~ Texas Comptroller of Public Accounts *Payment Services and Expendit State Purchase Policies;* ~~Tex. Educ. Code § 61.003~~

Responsible for Implementation: Vice President for Finance and Administration

Contact for Revision: Controller

Forms: None

Board Committee Assignment: Finance and Audit