

## Procedure 20315: Prompt Payment

### A. Introduction

Adhering to the following procedures will permit departments within the university to achieve compliance with the Virginia Prompt Payment Act.

The Prompt Payment Act requires that payment be remitted to vendors within 30 days of:

1. the receipt of the vendor's invoice, or
2. the receipt of the purchased goods or services, whichever is later.

Most payments to outside vendors are covered by the Act. However, some vendor payments (such as subscriptions, honorariums, memberships, and postal supplies) are not covered by the Act.

Departments should allow 10 WORKING DAYS (two weeks) before the due date for the Controller's Office to process transactions.

- For vendor payments made by check, the postmark date shall be deemed the payment date.
- For vendor payments made using Financial EDI, the bank settlement date is deemed the payment date. That is the date the funds are deposited in the vendor's bank account and are available for their use.
- Invoices that have weekend or holiday due dates are paid on the last business day prior to that weekend or holiday.

Sometimes disputes occur concerning the purchase of goods and services. When a dispute occurs, the 30-day time period does not start until the dispute is resolved. Thus, it is very important that the due date inserted on the invoice form reflects the dispute settlement date plus 30 days.

The disputes can be either:

1. a disagreement concerning the quality or appropriateness of the received goods or services, or
2. damaged or inoperative goods.

When a dispute occurs, the existence of the dispute and the actions of the purchaser must be documented on the invoice for audit review so that correct computation of the prompt pay due date can be confirmed.

The state Corporation Commission (SCC) rules for utility payments supersede the prompt payment guidelines. The SCC rules require payment of utility invoices within 20 days from the date the invoice is prepared. This rule conflicts with the prompt pay rule for making payments 30 days after the receipt of the invoice. In some cases, the SCC rule reduces the time available for making payment by as many as 18 days. If payments are not received by the due dates, the utility company automatically adds the late charges to the account. To expedite payment of utility invoices:

1. Complete the direct pay form in HokieMart immediately upon receipt of the invoice.
2. When entering the due date, allow 2 days from the due date. For Virginia Power and American Electric Power invoices, enter the date due as it is printed on the invoice.
3. Send to the Controller's Office.

The due dates for prepayments at conference or meeting registrations should be dated at least four (4) days prior to the date the registration is due. The check will be written and mailed on the due date entered on the direct pay form.

Late charges, which when calculated according to state guidelines, total less than \$1.00 are not paid.

## B. Procedures

The following procedures should be performed for each purchase and payment.

1. Complete receiving in HokieMart AND record the date of receipt of the goods or services on the electronic HokieMart receipt.
2. Date stamp the vendor's invoice on the day it is received (if invoice is mailed to the department).
3. If the invoice is received centrally by the Controller's Office, it will receive a date stamp by the Controller's Office on the day it is received.
4. If the vendor's invoice is not stamped when received by the department, Accounts Payable staff will assume that the invoice was received about two days after the date appearing on the invoice.
5. If the payment terms are NOT 30 days, use the alternative terms in computing the due date to insert on the payment document. Be sure to document why the due date is different from the standard 30 days.
6. Process invoices for payment on a DAILY basis. Adopt a policy of processing all payments and complete receiving as soon as received. This is the key part of compliance with prompt pay.

## Controller's Office Procedure

7. When received merchandise is not placed in service or checked immediately upon receipt, the proper receiving date to use for prompt pay purposes is still the date the goods are received. The best position is to check merchandise immediately on receipt.
8. Alternatively, arrange for delayed payment terms with the vendor when immediate check-out of the merchandise is not possible. The Purchasing Department has agreed to provide standard wording for purchases that need delayed payment terms.