

Payment Policies

Authority This policy was approved by the Provost.

Summary This Guide Memo describes Stanford's policies on payments to vendors for materials or services ordered. Section headings are:

1. FREIGHT BILLS
2. PAYMENTS FOR PRODUCTS OR SERVICES
3. RATIFICATION OF CONFIRMING AND RECEIVED ORDERS

1. FREIGHT BILLS

- a. **Prompt Payment Required** – Federal and state regulations require Stanford to pay all freight bills within 7 days of receipt. Accordingly, departments must send the freight bill to Accounts Payable as soon as received.
- b. **Terms** – Procurement attempts to negotiate standard terms of Free on Board ("FOB") Destination. That means the title and risk of loss of the item are passed to Stanford upon delivery of an item at Stanford or any other specified destination. If those terms are not acceptable to the vendor, Procurement negotiates to have the vendor prepay transportation charges and add them as a separate charge on the invoice. However, if shipping charges are not known and not included on the issued purchase order, the vendor may prepay freight and separately invoice for shipping costs.
 - (1) **Payment for Freight Delivery Under a Purchase Order** – If any department receives a freight invoice for a product obtained under an issued purchase order, a department representative should write the purchase order number on the invoice, then forward it promptly to Accounts Payable for payment.
 - (2) **Payment for Freight Delivery Without a Purchase Order** – If any department receives a freight invoice and no purchase order has been issued, prepare an online Rapid Purchase Order or standard requisition, as appropriate for the amount of the bill, and forward the invoice to Accounts Payable for payment.

2. PRODUCTS OR SERVICES

Accounts Payable pays invoices in accordance with payment terms negotiated or secured by Procurement. Accounts Payable may, at its discretion, verify receipt or acceptance of products or services before paying any invoice.

- a. **Purchase Orders** – Marking the item as received in Oracle Financials indicates to Accounts Payable that the invoice may be paid.
 - (1) **Items Requiring Certification of Receipt or Acceptance** – Accounts Payable does not pay the invoice until evaluation has been completed and the item has been accepted (see Guide Memo 54, Requisition Processing, <http://adminguide.stanford.edu/54.pdf>).Note: The department should not mark the item as received in Oracle Financials until it is accepted.
 - (2) **Capital Equipment and High Value Noncapital Purchases** – For capital equipment and noncapital purchases of \$5,000 or more, Accounts Payable requires approval through Oracle Financials before paying the invoice.
 - (3) **Low Value Noncapital Purchases** – For noncapital purchases over \$2,500, Accounts Payable requires department approval. This approval can be made with a signature on the invoice, by receiving in Oracle Financials, or by email response to Accounts Payable's hold notification.

b. Blanket Purchase Orders –

- (1) **Verification** – Accounts Payable will start the payment process for the transaction upon receiving an invoice listing the blanket order number.
- (2) **Void Transactions** – Accounts Payable will not pay any invoice that exceeds the not-to-exceed total of the blanket purchase order.

c. Price Differences Between Invoice and Purchase Order – For a number of reasons, the invoiced amount may differ from the dollar amount approved on the purchase order or service contract. If the invoice amount exceeds the amount on the purchase document, the Accounts Payable processor is authorized to pay the invoice amount without a written change order in the following situations:

- A Rapid Purchase Order where the difference is not more than 10%, provided that the maximum payment does not exceed \$2,500, including taxes and excluding freight charges.
- A standard purchase order where the difference is not more than 10% of the purchase order amount and the total difference does not exceed \$250.

d. Periodic Payment Orders –

- (1) **Purpose** – A Periodic Payment Order authorizes Accounts Payable to make a fixed payment at fixed intervals for a specific period of time. This method is useful for equipment rental or maintenance, where the charge remains constant unless something unusual occurs.
- (2) **Schedule** – A Periodic Payment Schedule is established by Procurement in consultation with the requesting department and supplier. Under a periodic payment order the requesting department's responsibilities include:
 - Verifying that Accounts Payable pays only valid charges for services or goods the department receives.
 - Maintaining records for audit purposes.

3. RATIFICATION OF CONFIRMING AND RECEIVED ORDERS

As set forth in Guide Memo 51, only Procurement is authorized to make purchases for Stanford of \$1,500 or more. Effective January 15, 2006, this amount is raised to \$2,500. Stanford and Procurement may refuse to ratify purchases made by unauthorized personnel.

Unless a requisition has been processed by Procurement, or a Rapid Purchase Order has been used, a transaction is not an authorized Stanford order and will not have a purchase order number. If Accounts Payable receives an invoice without a purchase order number, Accounts Payable will return the invoice to the sender unpaid.

If Procurement does not ratify the transaction, Procurement returns the paperwork to the department. If a supplier contacts Procurement or Accounts Payable about the unpaid invoice, the supplier will be advised that the transaction was not authorized business, and that the University is not responsible for payment.

a. Purchases of Capital Equipment – Buying capital equipment or components for fabrication without authorization is particularly unwise because of the risk of disallowance by government auditors. If a department has ordered capital equipment without going through the Department Property Administrator (DPA) and Procurement, the person responsible must submit the following to the DPA:

- An online requisition properly filled out and conspicuously noted "confirming and received" in either the description or the remarks field.
- The original invoice and one copy.
- A justification memo documenting the price and selection of supplier.
- Any other relevant information that may affect the decision to ratify the transaction.

If the DPA approves the purchase, the DPA forwards the documentation to Procurement. Procurement reviews the documentation and determines whether or not to process the form and ratify the transaction.

- b. Non-capital Purchases** – To request ratification of a confirmed and received purchase of services, goods or supplies, the department prepares the same documentation as for capital equipment and submits it directly to Procurement.