

<b>System-wide Policy: FI0505 - Accounts Payable</b>	
<b>Version: 15</b>	<b>Effective Date: 01/22/2025</b>

## SECTION 1. Policy Statement

### I. Overview; Separation of Duties

- A. The University System Administration Accounts Payable Office, which is part of the Office of the Treasurer, is responsible for making non-payroll payments when such payments are approved, authorized, and compliant with University fiscal policy and IRS regulations.
- B. An essential part of ensuring that the University's Accounts Payable processes function smoothly is for departments to maintain proper separation of duties.

### II. Department Responsibilities

- A. Department staff members are responsible for inviting suppliers to enroll in, or update information through, PaymentWorks, unless the supplier has an active supplier number with the University and the supplier's information in PaymentWorks is accurate and up to date.
- B. Department staff members must review invoices as soon as possible after receipt. If the department staff member needs to dispute something in an invoice, the department staff must contact the supplier that issued the invoice as soon as possible.
- C. If a supplier's invoice is valid and does not contain errors, department staff members are responsible for ensuring that they enter invoices for payment as soon as possible after receiving and reviewing the invoice.
- D. If the University is late on an invoice and owes a supplier interest due to the late payment, the applicable department must pay the late fees.
- E. Departments must ensure that a vendor's invoice contains the information that is required in this policy. Departments must **never** create invoices on a vendor's behalf or alter invoices on a vendor's behalf.
- F. Departments must ensure that they do not process duplicate payments for the same invoice.
- G. When processing an invoice against a contract or purchase order, departments must compare the invoice to the contract or purchase order to ensure that the invoice complies with the contract or purchase order.
- H. Departments must deduct sales taxes, when applicable. See the University's Controller's Office webpage for more details. <https://controller.tennessee.edu/tax/>

### III. Wire Transfers

- A. The University will only pay via wire transfer in circumstances where the other party is an international entity or an individual residing in an international location.
- B. Departments are responsible for paying all fees associated with wire transfers.

### IV. Invoice Requirements

- A. Regardless of the payment process used or the type of goods or services procured, an appropriate invoice or receipt must be obtained from the vendor.
- B. The University will pay for materials or services upon receipt of all goods and services and receipt of an itemized invoice.
- C. Original, e-mailed, faxed, or electronic invoices are acceptable.
- D. See the attached procedure for more information.

### V. Payments to Non-Employee Individuals

- A. Due to IRS regulations, before processing payments to individuals, departments must take steps to determine the individual's appropriate classification as an employee or an independent

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contractor. For clarity, “independent contractor” includes all non-employee individuals, such as individuals who are research study participants.

- B. Failing to properly classify these services can result in significant fines and penalties. Therefore, this determination must be made prior to any work being performed by the individual.

#### **VI. Payments to University Employees**

- A. Payments to employees must be processed through payroll as compensation, unless they are royalty payments, travel or petty cash reimbursements, payments for participating in clinical trials, or an exception has been granted by the UT System Chief Financial Officer or designee.
- B. Payments are also prohibited to any firm, company, corporation or sole proprietorship in which a University employee, their spouse or their dependent children have more than a five percent financial interest and when the employee may directly or indirectly influence the vendor selection.

#### **VII. Payments to Employees of Other State of Tennessee Agencies**

- A. Departments must comply with FI0420—Contracts regarding payments to individuals who are employees of other State of Tennessee agencies.
- B. In accordance with T.C.A. section 12-4-103(a)(1), an individual employee of the State of Tennessee (or someone who was an employee of the State of Tennessee within the previous 6 months) is prohibited from contracting with the University for the sale of goods, and in doing so, could face felony criminal charges. See FI0420—Contracts for more information.

#### **VIII. Payment Terms**

- A. The University will pay non-payroll expenses in accordance with the terms set by the University, or stated in a contract or purchase order.
- B. The University’s default payment terms vary, based on how the supplier prefers to be paid (as indicated in the supplier’s Payment Works profile).
- C. Under state law (the Prompt Pay Act), the University must pay suppliers pursuant to the terms of applicable contracts or purchase orders. If no contract or purchase order exists for a given invoice, the University must pay within 45 days after receipt of the invoice. T.C.A. § 12-4-701 - 12-4-707.
- D. The Prompt Pay Act allows suppliers to charge the University 1.5% interest per month. The interest on late payment begins to accrue the day after the invoice is due to be paid.
- E. Uniform Guidance section [200.305\(b\)\(3\)](#), indicates the University must make payment within 30 calendar days after receipt of an invoice from subawardees, unless the University’s employees processing the invoice reasonably believe the invoice is improper.

#### **IX. Payments without a Purchase Order or Contract**

##### **A. Less than \$10,000:**

- 1.If a vendor provides an invoice and the cost is less than \$10,000, departments may process the payment.
- 2.Departments must comply with FI0405—Procurement regarding the fiscal year limit for payments to a vendor without a contract or purchase order.
- 3.If a vendor requires a contract or purchase order, then the department must process the contract or requisition through the University’s Enterprise Resource Planning system. Further, departments must process the payment against the that purchase order or contract using the applicable transaction.

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4. Departments may not split transactions or instruct vendors to split invoices to avoid the purchasing requirements associated with transactions that are \$10,000 or greater.
- B. **\$10,000 - \$99,999.99:** Chief Business Officers may approve invoices valued between \$10,000 and \$99,999.99 for payment without a purchase order or contract.
  - C. **\$100,000 or greater:** The applicable Chief Business Officer and the UT System Chief Financial Officer must review invoices valued at \$100,000.00 for payment, when there is no contract or purchase order.
  - D. **Unlimited amount:** Chief Business Officers may approve the following types of invoices for payment, regardless of dollar amount:
    - a) Athletic conference fees
    - b) Federal government agencies
    - c) Fuel purchases made by UT Flight Operations
    - d) Fuel purchases made by the applicable fleet management department
    - e) Postage
    - f) State government agencies (in any U.S. state)
    - g) Utility payments

#### X. Deadlines for Fiscal Year Expenditures

- A. Designated personnel in each department must process invoices, payrolls, cash items, travel expenses, and return all undelivered checks prior to the close of the fiscal year.
- B. All expense items incurred before June 30 must be paid in the current fiscal year and may not be held and charged against the following fiscal year. Conference registrations may be pre-paid up to six months in advance, if the payment results in savings to the university.
- C. Outstanding purchase orders for items not delivered before June 30 will be encumbered against appropriations for the following fiscal year.

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## SECTION 2. Reason for the Policy

The purpose of this policy and its procedures are to provide guidelines for efficiently paying the University's non-payroll obligations while ensuring compliance with IRS regulations and establishing proper internal controls to prevent fraud, waste, and abuse.

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## SECTION 3. Scope and Application

This policy applies to all University employees.

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## SECTION 4. Procedures

- <https://policy.tennessee.edu/procedure/procedure-for-fi0505-accounts-payable/>

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## SECTION 5. Definitions

N/A

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## SECTION 6. Penalties/Disciplinary Action for Non-Compliance

Violations of this policy could result in disciplinary action, up to and including termination, as governed by the University's Human Resources policies and applicable law.

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## SECTION 7. Responsible Official & Additional Contacts

Subject Matter	Office Name	Telephone Number	Email/Web Address
Policy Clarification and Interpretation	Tisha Marshall	865-974-0592	<a href="mailto:tishamarshall@tennessee.edu">tishamarshall@tennessee.edu</a>

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## SECTION 8. Policy History

List the history of any prior revisions of the policy or whether this policy replaces an existing policy.

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**SECTION 9. Related Policies/Guidance Documents**

- FI0150 - Approvals
  - FI0120 - Records Management
  - FI0450 - Moving Stipend
  - FI0605 - Equipment
  - FI0705 - Travel
  - FI0715 - Entertainment, Group Arranged Events, Food and Housing Purchases for UT Sponsored Conferences and Seminars
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