

**DEPARTMENT OF FINANCE & MANAGEMENT
OPERATIONAL GUIDANCE**

Topic:	Changing Payment Terms in VISION	#: Issue Date:	OG-01 June 2008
Related Policy:	F&M Policy #5: Payment Terms	Revision #: Rev. Date:	1 September 2013
Applicable to:	All State Agencies, Departments, and Offices	Page:	1 of 4

A. Purpose:

To provide departments with examples of acceptable and unacceptable situations for changing the vendor's payment terms when processing vouchers in VISION. This guidance, along with the related [Payment Terms](#) policy, is intended to support departments in their efforts to effectively and efficiently manage their accounts payable.

B. Examples:

- 1) **Situation:** My department finds it more efficient to change the terms on all vouchers to DUE NOW (NET00) so that on the next day we can record the payment information and file the voucher as complete and paid.

➤ **Guidance:** This practice is **unacceptable** as it violates the cash management objective of the *Payment Terms* policy.

- 2) **Situation:** The default terms are accurate (e.g., NET30) but the invoice was delayed (lost, misplaced, short-staffed, etc.); because of this delay the voucher has not been entered in VISION yet and the payment is already (or nearly) late. When this happens, we change the terms to DUE NOW so that the vendor does not have to wait another 30 days for their payment.

➤ **Guidance:** This practice is **unacceptable** and more importantly it is not necessary. VISION calculates when to issue the payment based on the vendor's invoice date (*not the date the voucher is entered in VISION*) and the vendor's terms. So if the payment is already "late", VISION will pay that voucher (without changing the terms) in the very next pay cycle provided the voucher has been approved and budget-checked.

- 3) **Situation:** For budget monitoring purposes, we change all vouchers to DUE NOW so that any reports or queries we run accurately reflect our cash position as of that day.

➤ **Guidance:** This practice is **unacceptable** as it violates the cash management objective of the *Payment Terms* policy. Once a voucher is budget-checked that expenditure authority is automatically reduced from your department's appropriation, regardless of when the payment is actually issued. There are accrual basis queries (in addition to the cash basis queries) that can assist with budget monitoring.

- 4) **Situation:** The vendor's default payment terms are inconsistent with *Section C. Generally Accepted Standard Payment Terms* of the *Payment Terms* policy.

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➤ **Guidance:** All vendors are set up in VISION with the State’s standard payment terms of Net30. Changing terms to reflect consistency with the policy is allowable and encouraged.

5) **Situation:** We change the terms on the voucher to agree with the clearly stated terms on the vendor’s invoice.

➤ **Guidance:** This practice **may be** acceptable provided it is not a contract vendor who has agreed to specific payment terms per their contract; contract terms take precedence over any payment terms stated on the vendor’s invoice, website, etc. For questions regarding payment terms for vendors with statewide contracts, departments may contact BGS-Purchasing and Contract Administration.

6) **Situation:** The default payment terms are correct, but an earlier payment is needed to: meet a registration deadline, take advantage of an “early-bird” discount, comply with a court order or administrative requirement, etc.

➤ **Guidance:** Accelerating the payment for a valid and documented business reason is acceptable; departments should be prepared to provide an explanation if requested.

7) **Situation:** The default payment terms do not reflect the cash discount terms the vendor has offered.

➤ **Guidance:** Changing the terms for a cash discount that is advantageous to the State is acceptable and encouraged.

8) **Situation:** For federal grant purposes, we occasionally shorten the payment terms in order to have the expense reflected (i.e., paid) in the proper grant period.

➤ **Guidance:** Provided the expense is a valid liability, accelerating payment for a valid and documented business reason is acceptable; departments should be prepared to provide an explanation if requested.

9) **Situation:** The check needs to be returned to our department in order to include an attachment with the payment so we shorten the payment terms to ensure the vendor can still be paid on-time.

➤ **Guidance:** Shortening the payment terms, *within reason*, to accommodate this circumstance is acceptable.

10) **Situation:** We have an administrative requirement (e.g., statute, rule, policy, etc.) to pay certain vendors on a specific date, so we adjust the payment terms to meet this deadline.

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➤ **Guidance:** Changing the payment terms for a valid and documented business reason is acceptable; departments should be prepared to provide an explanation if requested.

11) **Situation:** Requiring certain contractors to have terms of NET30 creates a financial hardship for them.

➤ **Guidance:** This is an important reason to have payment terms specified in all contracts so that there are no “surprises”. Accelerating payments for the sole purpose of benefiting a contractor’s cash flow is not an obligation of the State. However, in recognition of the financial challenges faced by some contractors, payment terms of less than NET30 may be considered by the department and changed when there is a demonstrated financial need and benefit to the department.

12) **Situation:** We process all payments to individuals with terms of DUE NOW.

➤ **Guidance:** While this is acceptable for board members, employee reimbursements, and individuals receiving State services, benefits, or refunds, it is not necessarily an acceptable practice for individuals who are contractors (*see above issue*). Generally, all contractors (excluding construction) should have standard payment terms of NET30.

13) **Situation:** Although the payment terms are accurate, we routinely receive dunning letters or finance charges from specific vendors for invoices we’ve processed timely in VISION.

➤ **Guidance:** This issue may be more indicative of delays in the vendor’s payment posting than a flaw in the VISION payment process; check payments are issued 4 business days prior to the vendor’s due date provided that the voucher is entered, approved, and budget checked which should provide the vendor sufficient time to receive and post the payment. Departments should verify that the payments were issued timely and sent to the vendor’s proper remittance address. If the issue persists, departments should contact BGS-Purchasing & Contract Administration for problems with statewide contract vendors.

14) **Situation:** Our department expedites payments to vendors who will not provide authorized services/goods until payment is received.

➤ **Guidance:** Accelerating the payment for a valid and documented business reason is acceptable; departments should be prepared to provide an explanation if requested.

15) **Situation:** An invoice for a statewide contract purchase clearly states that the vendor’s terms are (*for example*) NET20 yet in VISION the vendor’s default payment terms are NET30.

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- **Guidance:** The default terms are correct since all vendors are set up with NET30 payment terms. Departments may contact BGS-Purchasing & Contract Administration to confirm the payment terms on the contract. Statewide contract vendors have agreed to accept specific terms (most generally NET30) which may **not** be the “standard” terms reflected on their invoices. In those situations, the State does not require the vendor to develop separate invoice templates for billing departments, but it is the payment terms per the contract that are in effect and take precedence over any terms stated on their invoice.

16) **Situation:** Our department interfaces payments into VISION and all payments are loaded to pay immediately.

- **Guidance:** Acceptable only if Finance & Management has agreed to this practice. The interface program is capable of accepting varying payment terms and the blanket use of NET00 is discouraged; please contact the VISION Help Desk to discuss alternatives.

17) **Situation:** As the fiscal year-end approaches, my department changes all terms to DUE NOW to ensure all payments are processed and paid prior to the end of the fiscal year; for closeout and reporting purposes having the year-end cash and accrual balances in agreement is helpful.

- **Guidance:** Accelerating payment terms at year-end for the sole purpose of having cash and accrual balances in agreement is not a valid business reason. However, if there are other mitigating circumstances (e.g., effective management of federal grants) then this may be an acceptable practice.