

STATE OF VERMONT DEPARTMENT OF FINANCE & MANAGEMENT			
<b>Policy Title:</b>	<b>Payment Terms</b>	<b>Policy #: Issue Date:</b>	<b>5.0 June 2008</b>
<b>Applicable to:</b>	<b>All State Agencies, Departments, and Offices</b>	<b>Revision #: Rev. Date:</b>	<b>1 September 2013</b>
<b>Issued by:</b>	<b>James Reardon, Commissioner Department of Finance &amp; Management</b>	<b>Page:</b>	<b>1 of 4</b>

### A. Policy Statement:

It is the goal of the State of Vermont to pay its vendors<sup>1</sup> on-time and according to **generally accepted standard payment terms** but not prematurely. Departments are responsible for maintaining procedures and controls that ensure valid invoices and payment requests are processed accurately and timely while adhering to prudent cash management principles. This policy is intended to provide departments with the appropriate guidance and flexibility to effectively and efficiently manage their accounts payable.

### B. Background:

In June 2001, the Commissioner of Finance & Management issued a letter to **vendors providing goods and services** to the State of Vermont establishing the **State's standard payment terms as net 30 days from invoice date** (i.e., NET30).

### C. Generally Accepted Standard Payment Terms:

All vendors will be setup with the State's standard payment terms (NET30). Generally accepted payment terms guidelines have been established for the following vendor classifications. These guidelines should be used by departments as justification for changing payment terms at the voucher level.

<b>Vendor Classification</b>	<b>Std Terms</b>	<b>Notes</b>
Grantees / Sub-Grantees	NET00	
Individuals Receiving State Services, Benefits, etc.	NET00	
Municipalities and other Government Entities	NET00	
Board Members	NET00	
State Employees (i.e., reimbursements)	NET00	
Refunds of Collected Fees	NET00	
Utility Vendors (e.g., electric, telephone, cable, etc.)	NET20	
Construction Vendors/Contractors	NET20	[a]
All Other Vendors and Contractors	NET30	[b] [c] [d] [e]

#### Notes

[a] Unless otherwise agreed (*in accordance with Title 9 V.S.A. §4002*)

[b] For non-contract vendors (e.g., BDA purchases), unless the vendor requires payment within a shorter specified period or there is a discount offered, it is the department's responsibility to inform and encourage the vendor to accept the State's standard payment terms of NET30.

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<sup>1</sup> Vendor refers to any payee (e.g., company, individual, contractor, grantee, governmental organization, employee, etc.) that receives payment through VISION Accounts Payable (PeopleSoft Financials System).

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[c] Vendors with statewide purchasing contracts, issued by the Dept. of Buildings & General Services– Purchasing & Contract Administration Division, have agreed to specific payment terms per their contract (*most generally NET30*). For all statewide contract purchases, these contract terms take precedence over the above list or any terms reflected on the vendor's invoice, website, etc.

[d] All departmental contracts should specify the State's standard payments terms (*per above*) in the **payment provisions section** of the contract. Contracts should not be written with shorter payment terms for the sole purpose of justifying paying the contractor sooner and circumventing the standard terms indicated above.

[e] For vendors required to be paid on a specific recurring date (e.g., *1st of every month for BGS landlords*), payment terms may be requested that will coincide with the timing of when the department routinely processes the payment voucher (or interface file).

**Any standard payment terms indicated in this document shall not limit or supersede any payment terms or payment due dates specified by federal or state law, statute, or regulation.**

#### **D. Cash Management:**

The objective of cash management over disbursements is to maintain funds in the State's accounts for the longest **appropriate** period of time; this allows the State to recognize the maximum earning potential of its funds and represents a prudent use of public funds. Departments' procedures, including utilization and changing of the payment terms field in VISION, must be cognizant and representative of this objective. This guidance is not intended, however, to justify late payments or foster detrimental relationships with vendors who, in good faith, supply goods and services to the State of Vermont.

#### **E. Cash Discounts:**

Departments' invoice processing procedures should provide adequate time to identify, assess, and take advantage of cash discounts offered by vendors. To determine if an offered discount is advantageous to the State, departments should calculate whether the amount of the discount allowed is at least equal to or greater than the potential loss of interest revenue that is foregone by paying the vendor early; departments can use this [Discount Calculator](#) provided by the U.S. Treasury to assist with their calculations. **From a cash management perspective, most vendor offered cash discounts are financially justified.** If the vendor's default payment terms in VISION do not indicate the discount terms, then it is acceptable for the department to change the terms on the voucher to reflect the offered discount. VISION will automatically calculate whether to apply the discount based on the time frames of when the voucher is processed in VISION.

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## F. VISION Payment Process:

The State of Vermont processes payments to vendors through its VISION PeopleSoft Financials System:

- When processing a voucher, the vendor's default payment terms (*as maintained in the single vendor database within VISION*) automatically populate into the **Pay Terms** field on the **Invoice Information** page of the voucher;
- VISION automatically calculates the **payment due date** based on the vendor's **Invoice Date** and the **Pay Terms**;
- Vendor check payments are issued **4 business days** prior to the payment due date in order to reach the vendor on-time; VISION is programmed to adjust for weekend and holidays when calculating payment dates.
- Departments have the ability to change the (*default*) payment terms on the voucher; however, any changes should be consistent with the guidance provided in this policy.
- When entering a voucher for an invoice that is already (or nearly) past due, departments **should not** change the payment terms to "Due Now" (NET00) as the voucher will automatically be picked up for payment in the next appropriate pay cycle. Changing payment terms to NET00 is unnecessary as VISION relies on the **Invoice Date** to determine when the payment is due...not the date the department entered the voucher in VISION (i.e., accounting date).
- Only vouchers that have been successfully approved and budget-checked in VISION can be processed for payment.
- *Unless a valid business reason exists*, departments should not change the **Scheduled Due** date on the **Payments** page of the voucher as a means to circumvent the intentions of this policy.

## G. Guidelines for Changing Terms

Occasionally, departments may have a valid business reason to change terms and pay a vendor earlier than indicated by this policy; in those situations, departments should document and retain their decision with the invoice to support the transaction. For examples of acceptable and unacceptable reasons for changing payment terms, refer to F&M's [Operational Guidance #OG-01: Changing Payment Terms in VISION](#).

## H. Compliance and Monitoring:

Departments are expected to use sound and prudent business judgment in their decision-making regarding the appropriate use of payment terms. Upon request, departments should be prepared to provide a valid business reason to justify the use of payment terms that are inconsistent with this policy and result in an earlier payment than indicated by this policy. **More precisely, pervasive use of NET00 ("Due Now") payment terms without valid justification will not be tolerated.**

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**I. Related Documents:**

- [Operational Guidance #OG-01: Changing Payment Terms in VISION](#)

**J. Effective Date:**

Immediately.