

UC INVOICING, TERMS, AND SETTLEMENT OPTIONS MATRIX
SYSTEMWIDE STRATEGIC SOURCING FAQs
October 2017

For assistance and questions, please refer to contact and the end of these FAQs.

Q: When talking with suppliers, what are the most important points to bear in mind when applying the Invoicing, Terms, and Settlement Options Matrix for new agreements?

A: The Matrix works well for individual UC locations as the supplier's purchase order/ invoice volume, commodity, and other criteria can be considered as well as that location's P2P preferences and capabilities.

For Systemwide agreements, additional criteria should be taken into account as locations differ with their P2P preferences and capabilities. While building into contracts all components of the Matrix drives the greatest overall benefit to the supplier and UC, when managing agreements on a multi-campus basis some first steps and minimum acceptable standards to start moving towards goals are needed.

Scenario One – New Agreement (already in progress with pricing established)

Performance, pricing, and other terms and conditions on a new (in progress agreement) have been finalized.

A first step would be to go over the Invoicing, Terms, and Settlement Options Matrix 'big picture' with the supplier focusing on just the 'terms' and 'settlement options'. This is because accelerating and automating settlement is generally recognized as being a benefit to suppliers' AR and is easier to commit to and understand.

- Introduce the settlement options for Option 1 from the Matrix. Explain to the supplier:
 - UC preferred settlement options are electronic being the virtual card and ACH/direct deposit
 - Terms for accelerated payment are (1) Virtual Card Net and (2) 2%10 net 30 for ACH/direct deposit

If a campus has a virtual card (vcard) program, this is the preferred option with 2% 10 Net 30 ACH being the alternative for those locations without a vcard program. 2% 10 applies to settlement by ACH, this is being pointed out as many existing agreements have terms of 2% 10 Net 30 but do not specify the settlement option. Checks are not a preferred option.

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- Once the terms and settlement options have been explained, you can work on introducing invoice automation as the next step in applying the Matrix, as eliminating postage and printing will have a positive impact.
 - Matrix, Option 1, typically can be satisfied by a supplier remitting a PDF invoice to either Transcepta or to an email address associated with an AP imaging application. If the supplier typically remits invoices via a portal (the case for most catalog enabled suppliers), the supplier potentially should be able to submit either cXML or EDI invoices directly to a campus portal. *This might be a judgement call by the Commodity Manager based on the overall negotiating process and supplier relationship.*

- If you have historical data on the supplier as to which campuses have been conducting business with the supplier, you can refer to the Campus Capabilities chart on the Procurement Services site as a guide to target negotiations to participating campuses. Other campuses, of course, will be able to use the agreements – it resonates more with a supplier if they can start off by focusing on their major clients.

Scenario Two (new)

With either a new sourcing event or with an agreement prior to execution, there is opportunity to determine invoicing, terms, and settlement options through the sourcing process introducing and using the Invoicing, Terms, and Settlement Options Matrix.

Include questions in the RFX to state desired invoicing methods, terms, and settlement options following the procurement templates and provisions.

Q: What about an existing agreement(s)?

A: Review existing agreements to identify opportunity. This is typically limited to early payment discount (2% 10 net 30) as prior agreements oftentimes defaulted in these terms and were generally silent on invoicing and settlement methods. Determine if the early payment discount is being applied on eligible invoices. If not, coordinate with the supplier explaining that this contract is being reviewed and expect that campuses will apply the discount as stated in the agreement.

If the legacy agreement is silent on the settlement option, leverage this opportunity:

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Once the terms and settlement options are explained, you can work on introducing invoice automation as the next step in applying the Matrix, as eliminating postage and printing will have a positive impact. If it is determined that an amendment might be beneficial to either/both parties, introduce e-invoicing. Matrix, Option 1, typically can be satisfied by a supplier remitting a PDF invoice to either Trancepta or to an email address associated with an AP imaging application. If the supplier typically remits invoices via a portal (the case for most catalog enabled suppliers), the supplier potentially should be able to submit either cXML or EDI invoices directly to a campus portal. *This might be a judgement call by the Commodity Manager based on the overall negotiating process and supplier relationship.*

Q: How do I know which campuses can do what and how do I convey this to a supplier?

A: There is a Campus Capabilities chart on the Procurement Services site that can be referenced to provide general guidance and is updated as individual campus capabilities change and expand.

P2P is driving automation and consistency for invoicing, terms, and settlement. Campuses still vary in their capabilities, criteria, and preferences. If there are questions, for the time being, contact Faye McCullough, mccullof@ucsd.edu as she will either respond to the question or coordinate the supplier/campus connection.