

FREQUENTLY ASKED QUESTIONS (FAQS) UC'S INVOICING, TERMS, AND SETTLEMENT MATRIX REVISED 8.25.17

Implementing

Q: If we're issuing a purchase order with just the T&Cs of Purchase, how will we know what invoice/payment methodology the Supplier selects? Will we need to wait until we receive an invoice?

A: The supplier and buyer will determine the type of invoicing and that, in turn, drives the terms and settlement option. This information then will become a component of the onboarding process or otherwise communicated to the P2P team. The way this has typically worked in the past is that the invoice method was not part of the supplier onboarding process. With the Matrix, as practical, a campus will onboard the supplier either using Transcepta, Jaggaer Portal, provide supplier with AP email address to imaging application, or paper. When it is determine how a supplier will invoice, the settlement term and option can be determined and set up either in the e-pro system, ERP, and/or applicable procedure.

Q: Where does the vendor portal fit into the matrix?

A: This answer has two parts:

1. UC's Vendor Portal – used for onboarding a supplier's profile. Invoicing, terms, and settlement options can be entered at the time that the supplier is on-boarded (or existing suppliers updated). This requires that the supplier (vendor) profile for your campuses' ERP system/e-pro system provides data fields for methods, options, and terms.
2. Supplier's Portal – supplier portals (such as Jaggaer) typically accept invoices in structured data format, so this would be Option 1.

Q: Where can I find the slides and recording from the 7/18/17 webinar?

A: Slides can be accessed on the Procurement Services site, as follows:

Procurement Staff: Slides and recording of the webinar is on the password-protected website: <http://www.ucop.edu/procurement-services/mgmttrain/legal-compliance-resources.html> and can also be accessed through the Box link below.

AP and Staff Outside Procurement: Slides and recording through the link on Box: <https://ucop.box.com/s/js4ef8k6h2boa8zeejbu5jesty3q6jb>.
Contact Andrea.Tung@ucop.edu if you have difficulties accessing the files.

The Matrix can be found on the Tools and Training tab of the Procurement website (scroll to the bottom): <http://www.ucop.edu/procurement-services/procurement-vesystems/index.html>.

Q: How will progress towards implementing the Matrix as well as for attaining the goals be determined and communicated to the campuses?

A: Metrics have been developed by the AP Directors and data has been submitted by most campuses for benchmarking. This information will be available soon.

Q: Does the Matrix apply to the BruinBuy AP system?

A: Each campus follows different practices for receiving, processing, and paying invoices. Reviews were conducted during March – April 2017 with most campuses to assess their readiness to implement the Matrix. These reviews shaped the development of a systemwide strategy while recognizing that campuses will develop their own campus-specific plans.

Q: Does the Matrix apply to UCOP contracts (strategic sourcing), or to all UC campus contracts executed?

A: The Matrix is the business model for all of UC. How the Matrix can be applied is situational. As new UCOP strategic sourcing contracts are negotiated, the standards will be incorporated. This will be an iterative process

Q: What about compliance and internal controls?

A: The Matrix drives invoice processing efficiencies while greatly optimizing and leveraging conventional opportunities for capturing discounts and earning bank card incentives. As there is no new risk exposure, existing internal controls apply.

Invoicing

Q: While most of our suppliers prefer to send invoices electronically, what happens if a supplier can only submit a paper invoice?

A: UC will still accept paper invoices where suppliers are unable to submit electronically either as structured data or via PDF. For suppliers with a higher volume of invoices,

agreeing on an electronic payment channel and paying by either vcard or by ACH within a discount period will provide the greatest benefit.

Q: At present, how does the PO/T&Cs address invoicing?

A: Prior to the recent updates, campus originated PO/T&Cs were often silent on the invoicing method, and the settlement method and terms. At many campuses, the AP team initiated after-the-fact invoicing guidelines as part of on-boarding. With the introduction of the Matrix and the Procurement template revisions, the objective is to introduce the invoicing method and settlement method and terms as a condition of purchase.

Q: Has there been any analysis of the impact of this strategy on diverse and/or small suppliers? While Campus Supplier Diversity Coordinators have been encouraging interested diverse suppliers to automate their invoicing processes, automation still might not be an option.

A: The Matrix accommodates suppliers that do not have any level of automation. The Matrix allows for paper invoices and checks, along with extended payment terms. The matrix is a guide and if a buyer determines that it is necessary to pay a supplier with accelerated terms when submitting a paper invoice and paid by check, this will be a campus decision.

Settlement

Q: What if a supplier will only accept a check?

A: We suggest that the location provide the supplier with the options for settlement set forth by the Matrix. While a check can still be issued at most campuses, the issuance of a check would be accompanied by extended payment terms, which could result in suppliers agreeing to accept accelerated settlement if they have the operational capability. The matrix is a guide and if a buyer determines that it is necessary to pay a supplier with accelerated terms when submitting a paper invoice and paid by check, this will be a campus decision.

Q: What about emergencies and one-off situations. When settlement is either urgent or a wire is needed?

A: The Matrix is a general guide. It's not mandatory. Campuses will make decision to approve exceptions as the need arises.

Suppliers

Q: To what suppliers does the Matrix apply?

A: Matrix is a guide that was developed with input from Procurement, AP, and Suppliers. The invoicing methods, and settlement method and terms are varied and flexible to be able to be adopted for most suppliers.

Q: Many PIs work directly with suppliers they have worked with in their past careers at other universities. In those situations do we accept Net 30 even for Options 2 or 3?

A: Our processes should support our clients. In this case, the campus P2P team should consider working closely with the supplier and the PI to explain the UC business model because it likely is more favorable to UC. UC can offer the supplier options that will allow the supplier to avoid incurring postage and float receivables. However, the Matrix is a guide and campuses always have the option of negotiating with a supplier. Campuses are encouraged to apply the Matrix rather than to just default to the supplier's previous status.

Terms

Q: Can terms be negotiated other than what the Matrix offers?

A: The Matrix serves as a guide, allowing campuses to negotiate more favorable terms where possible.

Q: Does Net mean we pay as soon as an invoice is presented?

A: Net terms means that the due date for the full invoice amount begins when an acceptable invoice is approved on the UC side. Suppliers may expect that most Option 1 invoices will be matched to the issuing purchase order and be approved immediately.

Q: Can you define 2% 10, Net 30 for ACH?

A: This means that if UC pays in 10 days or less, the supplier allows a 2% discount. If the supplier allows no discount or the campus is unable to pay within the 10 day discount period, UC will pay the invoice via ACH within 30 days.

Q: When we ask for cash discounts, do we actually have the ability to pay them in 10 days? The biggest complaint from suppliers is that UC never pays them on time but still take the cash discount.

A: Ability to pay invoices within terms is something that every campus is acutely aware of. If a discount is not earned, then it currently is situational. A few campuses calculate the discount period based receipt date rather than the supplier's terms of invoice date. If a campus either decides to not settle within the discount terms or is unable to settle within the discount terms, discounts should not be taken. *Discounts are earned by settling within terms.*

Q: What date is used to calculate the terms?

A: Generally suppliers expect purchasers to use the invoice issue date. A few campuses use the receipt date on the premise that the invoice might have delayed en route. This is an age-old challenge. An advantage of e-invoices as supported by Option 1 is that the difference between the invoice issue and receipt dates is typically less than one day so that payment can be scheduled within the 10 calendar day period. Each campus has to make the determination. The Matrix is a guide, it's certainly not a one-size fits all and does consider the invoice issue date as being the basis for terms calculation.

Q. Can a campus use terms that differ from those in the Matrix? I believe that other terms should be used, such as 1% 20 net 45.

A. The net terms reflected in the Matrix were considered by the implementation team. Consensus was that if a discount was not offered by a supplier, then the net terms would become the default for the payment due date. Because the Matrix is a guide, campuses are able to negotiate different terms with suppliers as appropriate. However, we'll follow up with campuses to see how the implementation goes and will change the Matrix if campus input indicates the need for a change.