



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 72.03, **Direct Pay Expenditures**

PURPOSE: The purpose of this Texas Tech University Health Sciences Center El Paso Operating Policy and Procedure (HSCEP OP) is to provide general guidelines for direct pay expenditures. It is further intended to ensure allowable, adequately documented expenditures as set forth in the Internal Revenue Code and the rules and regulations of the Internal Revenue Service, the State of Texas, Texas Tech University Health Sciences Center El Paso, and the Board of Regents of the Texas Tech University System.

REVIEW: This HSCEP OP will be reviewed on May 1 of each even numbered year (ENY) by the Director of Payment Services and the Director of Tax Compliance and Reporting, with recommendations for revision submitted to the Chief Financial Officer by July 15.

POLICY/PROCEDURE:

Compliance with this HSCEP OP should be verified prior to the submission of a payment or reimbursement request. **The individual requesting or authorizing the funds for the expenditure (fund approval) is certifying the validity of the expense and compliance with pertinent TTUHSC El Paso Operating Policies.** If the expenditure is questionable, Payment Services should be contacted prior to making the obligation to ensure that payment/reimbursement is allowed.

1. General

- a. Direct pay expenditures are those for which the department is initiating payment for products and/or services that have already been received, have occurred, or customarily require advance payment, and are specifically identified below. The expenditures do not fall under other statutory purchasing requirements as determined by Purchasing.

TTUHSC El Paso DIRECT PAY FORMS include the following expenditures:

- Accreditation, certification and examination fees
- Advertising
- Awards, prizes and gifts
- Correctional care contracts
- Donations to charitable organizations
- Food and entertainment
- Legal expenditures
- Lodging – direct bill
- MPIP refunds
- Magazine/journal subscriptions
- Membership dues
- Postage
- Professional license fee
- Registrations
- Sponsorship to charitable organizations
- Utilities
- Water/services & coffee/soft drinks

Original invoices and/or receipts are required to be attached to all payment requests

processed in TechBuy using a TTUHSC El Paso Direct Pay Form. If the departmental purchasing card is used to process the payment, the original invoice and/or receipt must be kept with the purchasing card transaction as supporting documentation which must comply with the guidelines set forth in TTUHSC El Paso OP 72.15 – Purchasing Card Program.

If a department cannot provide an original receipt or invoice, the department must provide a statement that the payment had not been previously made so duplicate payments may be avoided. Extra caution should be exercised in reviewing and researching invoices from vendors to identify invoices that are more than 30 days old. Past due invoices may not be processed with the Purchasing Card or on a TTUHSC El Paso Direct Pay Form in TechBuy; they must be processed using a TTUHSC El Paso Non-Catalog Form in TechBuy. The payment of interest to vendors may apply as required by the State of Texas Prompt Payment Law (see OP 72.10).

- b. **Important: Be Sure You Know Before You Commit** – Contact Payment Services **prior to incurring an expense** if you are unsure whether it is proper and/or may be reimbursed. The person incurring the expenditure has the burden of determining whether it is proper or reimbursable prior to making a commitment. Failure to do so results in a forfeit of the right to payment or reimbursement.
- c. Any request for an employee reimbursement with original receipts must be submitted within 60 days of when the expense was paid or incurred, whichever occurs first. Any reimbursements after 60 days will be considered taxable reimbursements (IRC §62(c)) to the employee which must be submitted through EOPS.

2. Expenditures

- a. Accreditation, certification and examination fees

Payment requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Accreditation/Certification/Examination Fees or with the departmental purchasing card. Supporting documentation includes invoice/application forms and original receipts.

Employee reimbursements for fees are allowed. **See Section 3 under Employee Reimbursements for processing procedures.**

- b. Advertising

Payment requests for advertising (radio, television, billboards, and classifieds) must be processed in TechBuy using the direct pay form – TTUHSC El Paso Advertising. Supporting documentation includes an invoice, copy of the ad from the paper/journal, tear sheets depending upon the media or a copy of the script for radio and television ads. It is the responsibility of the department to have all personnel classified ads reviewed by Human Resources before going to publication or a recruiting online service. Advertising in out-of-state newspapers and online for recruitment of staff may be paid with the purchasing card.

- c. Awards, prizes and gifts (allowed on local funds only) Attachment A – Taxability of Employee Awards, Prizes and Gifts Purchase of awards, prizes and gifts using a departmental purchasing card are PROHIBITED (retirement, employee separation from TTUHSC El Paso, donors or participants of official functions are the only exceptions). Immediate reimbursement will be required if a departmental purchasing card is used for this type of transaction.

Employee reimbursements for awards, prizes and gifts are NOT allowed.

1) Cash awards, prizes and gifts

i. Employees

Cash awards, prizes and gifts to employees **in any amount** are considered wages subject to Federal Insurance Contributions Act (FICA) and federal income tax withholding. They must be paid directly to the employee through payroll. The award or gift must be processed through the Employee One-time Payment System (EOPS) with the earn code AWD (for awards – for issuance of a check) or MSC (for gifts). It is the responsibility of each fund manager to inform the recipient that FICA taxes and federal income tax will be withheld.

Cash equivalent gift cards/certificates used for an award, prize or gift are considered taxable. They must be processed thru EOPS. The purchase of taxable cash equivalent gift cards/certificates for awards or prizes must be processed in TechBuy using the direct pay form – TTUHSC El Paso Awards, Prizes and Gifts payable to the vendor. The completed Non Cash Awards, Prizes, Gifts and Gift Cards Form (Attachment B) must be attached as supporting documentation. If the recipient is not identified at the time, the form will need to be sent later with the requisition number written on the form.

Achievement awards or contest prizes paid to TTUHSC El Paso employees are permitted using local funds only if the award is based solely on academic achievement or the results of a contest and not based on past, present, or future services performed by the employee, resident or student.

ii. Non employees (including students)

Cash awards, prizes and gifts to non- employees (including students) **in any amount** are taxable income and, if the total amount exceeds \$600 in a calendar year, will be reported to the Internal Revenue Service (IRS) on Form 1099. It is the responsibility of the fund manager to inform the recipient that the award is subject to federal income tax.

The purchase of taxable cash equivalent gift cards/certificates for awards or prizes must be processed in TechBuy using the direct pay form – TTUHSC El Paso Awards, Prizes and Gifts payable to the vendor. The completed Non Cash Awards, Prizes, Gifts and Gift Cards Form (Attachment B) must be attached as supporting documentation. The form will need to be completed and sent later with the requisition number written on the form, if the recipient is not identified at time of purchase.

Scholarships are not considered awards and, therefore, are processed through Financial Aid.

2) Non-cash awards, prizes and gifts

i. Employees

Non-cash awards, prizes and gifts to employees will be considered wages subject to FICA and federal income tax withholding, unless they qualify as *de minimis* or are given for length of service including retirement. A non-cash award, prize, or gift to employees **valued at \$100 or less** may be considered a *de minimis* fringe benefit and not taxable to the employee. To be considered a *de minimis* fringe benefit, the award, prize, or gift can only be given on an occasional basis. The completed Non Cash Awards, Prizes, Gifts and Gift

Cards Form (Attachment B) must be attached as supporting documentation.

A non-cash award, prize or gift to employees **valued at greater than \$100** must be processed through the Employee One-time Payment System (EOPS) with the earn code MSC. The completed Non Cash Awards, Prizes, Gifts and Gift Cards Form (Attachment B) must be attached as supporting documentation.

A non-cash equivalent gift card/certificate is one that can be redeemed only for a specific item, i.e., turkey at United.

- Retirement including Employee Separation from TTUHSC El Paso

Non-cash awards or gifts given for retirement (up to a \$400 value) as well as employee separation from TTUHSC El Paso (up to a \$100 value) will not be subject to taxation and is limited to one item. However, any other gift given to the employee within that tax year and the following four years will be subject to taxation. Awards for length of service can be made only once every five years and can never be given during the first five years of service. All employee gifts for length of service must be approved by the appropriate Chair, Dean, Vice President, or President (or designee).

The TTUHSC El Paso direct pay form in TechBuy - TTUHSC El Paso Awards, Prizes and Gifts or the departmental purchasing card may be used to purchase gifts for length of service including retirement that cost \$400 or less. The completed Non Cash Awards, Prizes, Gifts and Gift Cards Form (Attachment B) must be attached to the direct pay form or kept with the purchasing card as supporting documentation.

- Other than retirement or employee separation from TTUHSC El Paso

Non-cash awards or prizes must be processed using the TTUHSC El Paso direct pay form - TTUHSC El Paso Awards, Prizes and Gifts. The completed Non-Cash Awards, Prizes, and Gifts Form (Attachment B) must be attached as supporting documentation. If the non-cash award or prize is greater than \$100, it must be processed through the Employee One-time Payment System (EOPS) with the earn code MSC. The value is determined by purchase price unless the item has been personalized (inscribed with the recipient's name), which will decrease the fair market value (FMV).

- ii. Non-employee (including students)

Academic achievement awards and contest prizes to TTUHSC El Paso students are permitted using institutional local funds only if the award is based solely on academic achievement or the results of a contest and not based on past, present, or future services performed by the student.

Non-cash gifts for donors or participants of official functions are allowed only on local funds. These gifts may be purchased using the departmental purchasing card or with the direct pay form – TTUHSC Paso Awards, Prizes and Gifts. The completed Non-Cash Awards, Prizes, Gifts and Gift Cards Form (Attachment B) must be attached as supporting documentation. If the gift exceeds \$500 or more, the form must have the original signature of the appropriate Dean, Vice President or President (or designee).

If the cash, gift or FMV of non-cash tangible item received during the year

totals \$600 or more, a Form 1099 will be issued.

d. Correctional Care Contracts (limited access)

Payment Requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Correctional Care Contracts.

e. Donations to charitable organizations (allowed on local funds only)

Donations are charitable contributions or gifts to a qualified organization. The payment is voluntary and is made without receiving or expecting to receive anything of equal value and is only allowed using local funds. Payments to organizations should be eligible to receive tax-deductible charitable contributions in accordance with the Internal Revenue Service Publication 78. To be tax-exempt under section 501(c) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes as set forth in section 501(c), and none of its earnings may inure to any private shareholder or individual. To determine whether an organization is tax exempt, search <http://www.irs.gov/charities>. In addition, churches, synagogues, temples, mosques and government agencies are eligible to receive deductible donations, even though they often are not listed in Publication 78.

Payment requests must be processed in TechBuy using the direct pay form - TTUHSC Donations to Charitable Organizations. Payments for donations to charitable organizations must qualify as a business expense to be permitted. Donations of \$500 or more require the approval of the appropriate Regional Dean, Dean, Vice President, or President. The Substantiation of Donations and Sponsorships Form (Attachment C) must be attached as supporting documentation.

Donations to charitable organizations in lieu of flowers for employees and their immediate family members in the case of death are permitted provided the charitable organization complies with the definition of tax-exempt above. Family is defined in OP 70.01 as the employee's spouse, employee's or spouse's parents, children, brothers, sisters, grandparents, and grandchildren.

Donations to political candidates and political action committees (PACs) and the departmental purchasing card payment option are strictly prohibited.

Employee reimbursements for donations are NOT allowed.

f. Food and Entertainment Expenditures (allowed on local funds only)

Refer to OP 72.16 Official Functions, Business Meetings and Entertainment for processing procedures.

Employee reimbursements for fees are allowed. **See Section 3 under Employee Reimbursements for processing procedures.**

g. Legal Expenditures(for Office of General Counsel use only))

Payment requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Legal Expenditures.

Lodging – Direct Bill

Payment requests must be processed in TechBuy using the direct pay form – Direct Bill for

Non-Employees. These requests are for invoices/folios from lodging establishments which are directly billed to TTUHSC El Paso. These expenses are for prospective employees, speakers, or participants only. Employees on travel status may never request that a hotel direct bill to TTUHSC El Paso. Local funds must be used for processing payments for speakers, participants and accompanying spouse/family of a prospective employee.

h. MPIP Refunds (limited access)

Payment requests will be processed at <http://www.fiscal.ttuhs.edu/mpiprefunds>. Submitters must have access in the system in order to submit refund requests. Designated approvers for each MPIP campus office will be able to approve, deny or return to preparer. Upon approval, invoice transactions will be generated and uploaded to the Banner Gateway for processing. Payment will be generated within Banner invoice and payment processes.

i. Magazine/Journal Subscriptions (preferred method of payment – purchasing card)

Subscriptions for magazines/journals or newspapers are allowable and must pertain to the employee's position and benefit the institution. The subscription cannot be delivered to the employee's home address. When using state appropriated funds, it may not be paid more than six weeks in advance of the renewal date.

Payment requests may be processed in TechBuy using the direct pay form – TTUHSC El Paso Magazines/Journal Subscriptions if the purchasing card is not an option of payment. Online electronic subscriptions will be allowed, however, they cannot be set up with the vendor to recur monthly (or on another periodic basis).

Employee reimbursements for subscriptions are NOT allowed.

j. Membership Dues – (preferred method of payment – purchasing card)

Payment for membership dues to professional organizations may be processed with the departmental purchasing card provided the organization is on the approved membership list. Payment requests may be processed in TechBuy using the direct pay form – TTUHSC EL Paso Membership Dues if the purchasing card is not an option.

State appropriated funds cannot be used to pay membership dues to organizations associated with a lobbyist, i.e., Chamber of Commerce. They must be processed using the direct pay form – TTUHSC El Paso Membership Dues. The purchasing card cannot be used.

All civic/social memberships and airline clubs, i.e., Lions Club, Rotary Club or Admirals Club) are prohibited. Refer to OP 72.16 Official Functions, Business Meetings and Entertainment for the four social memberships that the President's Office has approved.

Employee reimbursements for membership dues are allowed. It should be the exception. See Section 3 under Employee Reimbursements for processing procedures.

k. Postage

Payment requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Postage. Only vendors allowed are U.S. Postmaster, Pitney Bowes **and** presort companies. Employee reimbursements for postage are NOT allowed.

l. Professional License Fees (preferred method of payment – purchasing card)

TTUHSC El Paso will not pay for professional licenses in states other than Texas unless a valid benefit to the institution is demonstrated or required by the State of Texas for licensure by reciprocity. Payment requests in TechBuy using the direct pay form – TTUHSC El Paso Professional License Fees may be used for processing the payment if the purchasing card is not an option.

Employee reimbursements for professional license fees are allowed. See Section 3 under Employee Reimbursements for processing procedures.

- m. Registration Fees (preferred method of payment – purchasing card)

Registration payments include fees and related expenses for training workshops, seminars, and conferences attended by state employees. These types of events must meet the criteria that the training and development is required to maintain or improve a skill, required or mandated by the institution. Payment requests in TechBuy using the direct pay form – TTUHSC El Paso Registration Fees may be used for processing the payment if the purchasing card is not an option.

Refer to OP 70.47, Employee Training and Development, for educational expenses paid to or on behalf of an employee that leads to an undergraduate/graduate degree or if the expense does meet the criteria above.

Employee reimbursements for registrations are allowed. It should be the exception. See Section 3 under Employee Reimbursements for processing procedures.

- n. Sponsorships (allowed on local funds only)

Payment requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Sponsorships. Sponsorship is funding for a specific event where TTUHSC receives a benefit as well as recognition for the sponsorship i.e., golf tournaments, fund-raisers, banquets, and similar events. Sponsorships of \$500 or more must be approved by the appropriate Regional Dean, Dean, Vice President, or President. Supporting documentation for sponsorships must include the Substantiation of Donations and Sponsorships Form (Attachment C) and attached to the direct pay form.

The departmental purchasing card payment option is prohibited. Employee reimbursements for sponsorships are NOT allowed.

- o. Utility Expenditures

Utility invoices must be processed in TechBuy using the direct pay form – TTUHSC El Paso Utilities. This includes expenses for electricity, natural/liquefied petroleum gas (LPG), water, sewer, and garbage/waste collection (does not include shredding or commercial waste management companies), thermal energy, thermal energy chilled water, thermal energy steam.

- p. Water/Services and Coffee/Soft Drinks – (allowed on local funds only)

Payment requests must be processed in TechBuy using the direct pay form – TTUHSC El Paso Water/Services and Coffee/Soft Drinks. Water or water services may be purchased for use by employees. The use of institutional funds to purchase coffee and soft drinks are allowed for departmental visitors and patients and prohibited for employee use.

3. Additional Allowable Expenditures

- a. Flowers (allowed on local funds only)

Flower expenditures are permitted using local funds for official TTUHSC El Paso functions or for employees and their immediate family members in the cases of illness or death. Purchases for flowers must be processed with the departmental purchasing card. In cases where the expense is associated with illness (overnight hospital stay) or death of an employee or employee's immediate family, documentation of the recipient and their relationship to the employee is required as supporting documentation. Family is defined in OP 70.01 as the employee's spouse, employee's or spouses' parents, children, brothers, sisters, grandparents, and grandchildren. See paragraph 2(d) above regarding donations to charitable organizations in lieu of flowers.

Employee reimbursements for flowers are not allowed.

b. Employee Reimbursements

All employee reimbursements must be processed in TechBuy using the direct pay form – TTUHSC EL Paso Employee Reimbursements. Required supporting documents must be attached as detailed above for the allowable expenditures. Additional required documentation is proof of payment by the employee such as a cancelled check, bank or credit card statement. Signature of the employee's supervisor or a superior of the employee is required if the fund manager approving the reimbursement is not their immediate supervisor. An approval email from the supervisor or the Approval Form for Employee Reimbursement must be attached to the direct pay form.

Expenditures for supplies and equipment for institutional use should be made in accordance with guidelines established through the Purchasing department as stated in HSCEP OPs 72.01 through 72.15. Employee reimbursements are allowed only as specified within these HSCEP OPs. Employees purchasing supplies or equipment with personal funds and subsequently requesting reimbursement from institutional funds are operating outside the guidelines set forth in these HSCEP Purchasing OPs. Reimbursement for such expenditures could be denied.

c. Ownership of Items Purchased with Institutional Funds

All purchases of equipment or supplies made with institutional funds remain the property of TTUHSC El Paso unless the purchase is an award, prize, or gift and complies with section 3 of this OP. This includes, **but is not limited to books, eBooks, iPads, eApplications, computer hardware, peripherals and software**. These items may be purchased for use while at TTUHSC El Paso, but must be relinquished to the department upon the individual's departure from TTUHSC El Paso. No personalization or engraving is allowed. A departmental allowance of any amount to employees does not negate the TTUHSC EL Paso ownership of the equipment or supply purchased.