

# Advance Payments for Vendors

(Policy ACG0006)

## I. Purpose of the Policy

Generally, goods and services provided to the University are paid for after receipt. On occasion, it may be necessary to provide a known and reputable vendor with an advance payment (prepayment). This policy describes (A) general provisions regarding advance payments, (B) requirement for Purchase Order notation, (C) submission of invoice, (D) accounting reconciliation, (E) receiving and documentation, and (F) needed approvals.

## II. Detailed Policy Statement

### A. General Provisions

1. Advance payments or prepayments shall be avoided whenever possible. It is prudent business practice not to pay for goods or services until they have been received in good order or rendered satisfactorily. Also, the University may suffer loss of interest on funds used to make advance payments, especially if delivery of materials or performance of services is to take place at some future date.
2. Exceptions to the policy may include:
  - foreign orders
  - high-cost equipment manufactured to meet functional specifications
  - books, periodicals and newspapers, including special order items for trade and professional publications
  - collection of research specimens in the field
  - caterers for food and beverage service for large official functions where caterer requires a deposit
  - charges for research expeditions; including deposits and/or reservations for other group transportation and/or expenses
  - principal investigators and other research personnel who conduct research using human subjects and pay the subjects a small amount (check for entire amount is paid to the investigator or experiment controller)
  - vendors who offer substantial prepayment discounts
  - maintenance service contracts
  - honoraria; see UCSC Policy ACG0007: *Honoraria, Fellowships, Scholarships and Other Unsupported Check Requests*

- membership dues; see UCSC Policy ACG0008: *University Sponsored Memberships in Organizations*
- seminar and colloquia registration fees; see UCSC Policy TRE0001: *Travel Expense Payments and Reimbursements*
- performing artists, when contract requires payment before performance begins; see UCSC Policy MM0004: *Purchasing Personal and Professional Services*
- products for resale by UCSC Bookstore
- low value items (under \$2,500 total value)

## **B. Purchase Order**

The total amount of the purchase order shall include the value of the advance payment and a full description of the refund policy.

## **C. Invoice**

Companies to whom an advanced payment is to be issued must provide an invoice (or written confirmation of total cost, including tax, freight, handling) for the full amount of the advance payment prior to the issuance of the advance payment. Advance payments issued to individuals must be supported by documentation indicating the need for the advance payment.

## **D. Accounting Reconciliation**

Advance payments issued to companies are charged directly to the unit's expenditure account. Advance payments issued to individuals are charged to an advance account. The unit's expenditure account will be charged upon submission of receipts or other supporting documentation.

## **E. Receiving and Documentation**

Units are responsible for receiving the goods/services associated with the advance payment and for collecting and processing all supporting documentation. This supporting documentation must be forwarded to the General Accounts Payable Office (a sub-unit of Accounting Services in the Financial Affairs unit) when the advance payment is issued to an individual. Upon receipt of the documentation, the unit's expenditure account will be charged. When the payment is issued to a company, the documentation is retained in the unit.

## **F. Approval**

1. Unit personnel who have been delegated purchasing authority may approve acceptable advance payments listed in II.A.2. above.
2. The Purchasing and Accounting departments will review, and the Director of Materiel Management must approve requests for advance payments that are outside the scope of those listed in II.A.2. above.

### III. Definitions

**Advance payment/prepayment:** Full or partial payment for goods and services before they are received by the University in good order or rendered satisfactorily.

### IV. Getting Help

The campus Director of Materiel Management provides training and assistance to campus units (including help with completing forms, carrying out procedures, or interpreting policy).

If you need help with ...	Contact ...
...purchase order	Central Purchasing, x92311.
...vendor payment	General Accounts Payable, x92909.
...exceptions to policy	Central Purchasing, x92311.

### V. Applicability and Authority

This policy on *Advance Payments for Vendors* applies to all UCSC departments.

It is a new policy and thus supersedes any campus practices in existence prior to its effective date.

Central Purchasing is the campus authority on advance payments related to purchase orders. General Accounts Payable is the campus authority for advance payments not related to purchase orders. This policy was reviewed and approved by the Chancellor on May 7, 1997. Next review date is January 1999.

### VI. Related Policies/References for More Information

#### *Related Policies and Procedures*

UCSC Policy ACG0007: Honoraria, Fellowships, Scholarships and Other Unsupported Check Requests

UCSC Policy ACG0008: University Sponsored Memberships in Organizations

UCSC Policy MM0001: Purchasing Common Goods and Services

UCSC Policy MM0004: Purchasing Personal and Professional Services

UCSC Policy TRE0001: Travel Expense Payments and Reimbursements

#### *References*

##### UC Accounting Manual Chapters

D-371-11, Disbursements: Advance Payments

D-371-16, Disbursements: Approvals Required

D-371-23; Disbursements: Discount Terminology

D-371-28, Disbursements: Freight

D-371-35, Disbursements: Honorarium Payments

D-371-36; Disbursements: Invoice Processing

A-53, Official Documentation In Support of University Financial  
Transactions

Business and Finance Bulletin

BUS-43 - Materiel Management

BUS-28 - Travel