Pre-Payments

Policy 509.24

1 Introduction

1.1 This policy provides guidance for pre-payments from state funds and trust funds.

2 Scope

2.1 This policy applies to all purchases, including small purchases, purchases issued on a university purchase order, and procurement card transactions.

3 Definitions

4 Policy and Procedure Statements

4.1 Payments of Obligations

4.1.1 The State of North Carolina operates on a cash basis. State agencies should pay all bills when due so as to take advantage of discounts offered and so as not to endanger the credit of the state. Early payments should not be made because they result in added costs to the State through the loss of interest on deposited funds.

4.2 Obligations at End of Fiscal Year

4.2.1 The fiscal year ends on June 30th and all obligations should be liquidated by the end of the fiscal year.

4.2.2 Invoices/ Payments processed for June must only cover obligations for which the goods have been received on campus or services have been completed prior to the month ending June 30.

4.3 ASU Policy

All general goods and services must be received or completed before payment is made for them.

4.3.1 Exceptions

4.3.1.1 Pre-payments are allowable in certain cases where the business reason is documented and justified as being required to ensure future services are received or to obtain significant price reductions.

4.3.1.2 Avoiding year-end reversion is not an acceptable business reason for a pre-payment.

4.3.2 Exception for Conference Registrations and Airline Tickets

4.3.2.1 Conference registrations can be paid in advance.

4.3.2.2 Airline tickets can be paid in advance through the departmental purchasing card or charged to the university. Payments must be made in accordance with existing University policy. Airline tickets paid in advance on personal credit cards will be reimbursed after the travel has occurred.

4.3.2.3 For conference registration deadlines that are set prior to June 30th, the registration fee and airline ticket (if applicable) can be paid in the current fiscal year so as to take advantage of discounts or to ensure that these services will be provided at a future date.

4.4 Exception for Subscriptions and Memberships

4.4.1 Subscriptions and memberships can be paid in advance. Multi-year subscriptions and memberships may be allowed with approval if a significant savings to the state can be documented. Payments for memberships must be made in accordance with the requirements outlined in the State Budget Manual.

4.4.2 For subscriptions and memberships, the service dates should begin prior to June 30th with only one annual payment or twelve monthly payments per fiscal year unless significant savings to the state can be documented.
4.5 Additional Year End Considerations

4.5.1 A subscription/membership that begins in the current fiscal year can be paid from current year funds.

4.5.2 A subscription/membership that begins in the next fiscal year, but has a payment due date in the current fiscal year, can be paid from current year funds.

4.5.3 A subscription/membership that begins in the next fiscal year and has a due date in the next fiscal year will not be paid from current year funds unless a significant savings to the state in excess of the current Short Term Investment Fund interest rate can be documented.

4.5.4 All other payments for products can be made in the current fiscal year if goods have been received on campus and have been invoiced.

4.5.5 Payments for services can be made if the service has been completed and invoiced (or submitted for payment) in the current year.

4.6 Pre-payment Authorization Form

4.6.1 The Pre-Payment Authorization Form should be used when a vendor does not accept a Purchase Order from the University or a justifiable business reason requiring pre-payment can be documented. By signing the form, the requesting department acknowledges and assumes all risks of loss or non-performance by the supplier or contractor. The Pre-Payment Authorization Form must be included with the documents submitted for payment processing. The Purchasing Department will review and approve or deny prepayments and will forward the documents to Accounts Payable for processing. The Purchasing Department should be contacted in advance in cases of doubt about use of a Pre-Payment Authorization.

5 Additional References

6 Authority

NC Budget Manual Sections 4.1 and 4.3.1

7 Contact Information

ASU Controller's Office 828-262-2110
ASU Purchasing Department 828-262-2080

8 Original Effective Date

July 1, 2013

9 Revision Dates