

Memo to: UH-Downtown/PS Holders
From: Dr. Antonio Tillis, Interim President
Subject: Advance Payment for Goods and Services

UH-Downtown/PS 05.C.04
Issue No. 5
Effective date: 09/09/2020
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1. PURPOSE

This document outlines the limitations on procurements requiring advance payment. This document applies to all University of Houston-Downtown (UHD) departments and to purchases utilizing all university funds except agency funds (ledger 9).

2. DEFINITIONS

- 2.1 Advance Payment (or Advance Pay): Payment that is required by the vendor before actual delivery of the goods or services.
- 2.2 Pro Forma Invoice: An invoice or statement provided prior to receipt of the goods or service (possibly prior to ordering), therefore, involving no liability on the part of the university.

3. POLICY

- 3.1 Advance payment restrictions are subject to the guidelines of the [Comptroller of Public Accounts](#) and all other state, federal, and university restrictions.
- 3.2 Generally, state regulations restrict payments of state funds to only those suppliers for whom certification can be made, that goods have been received, or services rendered.
- 3.3 Under the limited circumstances outlined in this policy and depending upon the source of funds to be used and the justification of need, university departments are allowed to make payments in advance of receiving the goods or services.
- 3.4 Advance payments for goods and services are limited to the situations listed below.
 - 3.4.1 Books and other published library materials, if reasonably necessary for the efficient operations of the university library
 - 3.4.2 Purchases of merchandise from federal agencies or other state agencies, provided advance payment will expedite the delivery of the merchandise
 - 3.4.3 Payment of rent for leased space no more than seven (7) days before the payment due date
 - 3.4.4 Newspaper or periodical and magazine subscriptions up to six (6) weeks in advance of the renewal date

- 3.4.5 Registration fee or rental fees for a meeting room or exhibit booth, as long as advance payment would serve a legitimate public purpose (any cost savings, limited enrollment, etc.)
- 3.4.6 Purchase of real property during the seven (7) days before the closing date, if the university delivers the warrant to the seller no earlier than the closing date
- 3.4.7 Annual maintenance agreements for services to be rendered in the same fiscal year for which the funds are budgeted
- 3.4.8 When there is a legitimate public purpose for making the payment in advance (i.e., that advance payment saves university funds and/or the only or preferred vendor requires advance payment)
- 3.4.9 The Comptroller will create a state warrant (i.e., check) for the purchase of real property within seven (7) days of the closing date as long as the state warrant is not presented to the seller until the closing date.
- 3.5 The [Education Code](#) Sec. 62.021 prohibits the expenditure of Higher Education Assistance Fund (HEAF) monies for goods or services before their delivery. None of the listed allowable exceptions apply to HEAF.
- 3.6 Advance payment for goods and services to be made from sponsored project funds are subject to the restrictions of the granting agency.
- 3.7 For any advance payment, adequate documentation with the purchase document (i.e., pro forma invoice, order form stating requirement for advance payment, letter from the vendor, etc.).

4. PROCEDURES

- 4.1 If a payment qualifies under the advance payment restrictions, it may be requested through proper submission of a Purchase Voucher or a Purchase Requisition, as appropriate.
- 4.2 Indication that advance payment is requested must be made by noting “ADVANCE PAYMENT REQUESTED” on the Purchase Requisition or Purchase Voucher. In addition, the purpose and benefit statement should cite the applicable allowable situation and/or legitimate public purpose to be served by advance payment.
- 4.3 Adequate written documentation of the requirement for advance payment must be provided. The documentation may take the form of one of the following:
 - 4.3.1 Pro forma invoice
 - 4.3.2 Order form noting that advance payment is required

4.3.3 Letter from vendor

- 4.4 The College, Division, or Department Administrator initiating the procurement is responsible for verifying and documenting receipt of the goods procured through the advance payment process. If goods procured through an advance payment are not received, the administrator should notify the Purchasing Department or Accounts Payable.

5. REVIEW PROCESS

Responsible Party (Reviewer): Executive Director, Budgets, Procurement and Contracts

Review: Every three years on or before August 1st.

Signed original on file in the Office of Human Resources.

6. POLICY HISTORY

Issue #1: 11/01/99

Issue #2: 08/12/10

Issue #3: 09/16/14

Issue #4: 03/19/18 – Reaffirmed as Issue #5

7. REFERENCES

[Comptroller of Public Accounts
Education Code](#)