

TEXAS SOUTHERN UNIVERSITY
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Fiscal Affairs

NUMBER: 03.02.07

AREA: Procurement

SUBJECT: Advance Payment for Goods

I. PURPOSE AND SCOPE

This MAPP outlines the limitations on procurements requiring advance payment. Advance payment restrictions are subject to Texas Southern University policies and all applicable state and federal regulations. This document applies to all university departments and to purchases from all university funds. This MAPP does not apply to transactions that are governed by the MAPP on Contracting.

II. POLICY STATEMENT

Normally, payment is issued for goods only after the goods have been delivered. However, advance payment for goods is allowed under the circumstances noted in this document.

III. DEFINITIONS

- A. Advance payment (or advance pay): Payment that is required by the vendor before actual delivery of the goods.
- B. Higher Education Assistance Fund (HEAF): Funds appropriated by the State of Texas Legislature to support certain expenditures by institutions of higher education. HEAF funds also include proceeds from the sale of bonds collateralized with HEAF funds. See MAPP 03.03.04 for more information about HEAF.
- C. Pro forma invoice: An invoice or statement provided prior to receipt of the goods (possibly prior to ordering); therefore, involving no liability on the part of the university.

IV. POLICY PROVISIONS

- A. Advance payments for goods are limited to the situations listed below:
 - 1. Books and other published library materials, if reasonably necessary for the efficient operations of the university library.
 - 2. Purchases of merchandise from federal agencies or other state agencies, provided advance payment will expedite the delivery of the merchandise.
 - 3. Newspaper or periodical subscriptions up to six (6) weeks in advance of the subscription begin date or renewal date.

4. Registration fee or rental fees for a meeting room or exhibit booth, as long as advance payment would serve a legitimate public purpose (e.g. any cost savings, limited enrollment, etc.)
 5. Tuition to an institution of higher education no earlier than the 42nd day before classes begin. However, the university may not reimburse an employee for tuition before classes begin.
 6. 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).
- B. The Education Code prohibits the expenditure of Higher Education Assistance Fund (HEAF) monies for goods or services before their delivery.
- C. Advance payments for goods to be made from sponsored project funds are subject to the restrictions of the granting agency.
- D. For any advance payment, adequate documentation of the requirement for advance payment must be provided with the purchased document (i.e. pro forma invoice, order form stating requirement for advance payment, letter from the vendor, etc.)

V. PROCEDURE

- A. If a payment qualifies under the advance payment restrictions, it may be requested through proper submission of a Direct Pay Voucher or a Purchase Requisition, as appropriate.
- B. Indication that advance payment is requested must be made by noting "ADVANCE PAYMENT REQUESTED" on the Purchase Requisition. In addition, the purpose and benefit statement should cite the applicable allowable situation (as listed in provision IV.A above) and/or legitimate public purpose to be served by advance payment.
- C. Adequate written documentation of the requirement for advance payment must be provided. The documentation may take the form of one of the following:
1. Pro forma invoice;
 2. Order form noting that advance payment is required; or
 3. Letter from vendor.
- D. 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 contact TSU Legal Counsel for assistance in taking the appropriate legal action against the vendor.

VI. REVIEW AND RESPONSIBILITY

Responsible Party: Executive Director of Procurement Services *AW*

Review: Every three years on or before January 1

VII. APPROVAL

Jim McShan

Chief Financial Officer

John Ruddy

President

Date of President's Approval: 04 / 16 / 10