

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Procurement
AREA: Procurement - General

Number 04.01.05

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 University of Houston System policies and all applicable state and federal regulations. This document applies to all university departments and to purchases from all university funds except agency funds (ledger 9). This MAPP does not apply to transactions that are governed by [Contracting – General, MAPP 04.04.01A](#).

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 11.02.01](#) 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. GENERAL PROVISIONS

- A. Advance payment for goods is not allowed unless the advance payment is necessary and serves a proper public purpose. Specific circumstances where advance payment is allowed include the following:
 - 1. Books and other published library materials, if reasonably necessary for the efficient operations of the university library. Books and published library materials are the only items that may be paid for in advance with Higher Education Assistance Funds (HEAF).
 - 2. If significant cost savings would result from making the payment in advance. Use the Discount Cost Effectiveness Calculator on the Comptroller's web page to determine if the cost savings justifies making an advance payment: <https://fmx.cpa.state.tx.us/fmx/purchase/discalc/index.php>
 - 3. Purchases of merchandise from federal agencies or other state agencies, provided advance payment will expedite the delivery of the merchandise.

4. Payment of rent for leased space no more than seven (7) days prior to the due date.
 5. 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.
 6. Specialized or proprietary goods or services may be paid in advance if the vendor requires advance payment.
 7. Newspaper or periodical subscriptions up to six weeks in advance of the subscription begin date or renewal date.
 8. Other circumstances where an advance payment is necessary and it serves a proper public purpose. The necessity and purpose of the advance payment must be documented.
- B. Except for the purchase of library books and other published library materials, the Education Code prohibits the expenditure of Higher Education Assistance Fund (HEAF) monies for goods or services before their delivery.
- C. Advance payment 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 purchase 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 Purchase 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 or Purchase Voucher. In addition, the purpose and benefit statement should cite the applicable allowable situation (as listed in Section 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 UHS Legal Counsel for assistance in taking the appropriate legal action against the vendor.

VI. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Associate Vice President for Finance

Review: Every three years on or before January 1

VII. APPROVAL

Jim McShan

Senior Vice President for Administration and Finance

Renu Khator

President

Date of President's Approval: _____ November 14, 2018

VII. REFERENCES

[MAPP Section 4](#) - Other applicable procurement policies and procedures

[MAPP 11.02.01 – Higher Education Assistance Funds](#)

REVISION LOG

Revision Number	Approved Date	Description of Changes
1	12/17/1996	Initial version (Originally a Policy and a Procedure)
2	04/24/2001	Applied revised MAPP template. Combined Policy and Procedure into one document. Added HEAF definition to Section III, Removed information about annual maintenance agreement for services from Section IV.A.7. Added Section V procedural information. Changed responsible party from AVP for Plant Operations to AVP for Administration. Revised review period from every three years on or before September 1 st to every three years on or before January 1 st . Added to Index terms and removed MAPP 04.01.05 from Section VII

Revision Number	Approved Date	Description of Changes
3	11/30/2005	Applied revised MAPP template. Revised MAPP title to remove "and Services." Rewrote Section I and II per current operating requirements. Information has been updated to be consistent with current guidelines on advanced payments for rented and leased space, payment of employee tuition, and maintenance contracts. New changes also require that all vouchers requesting advanced payment must now have adequate documentation on why payment must be provided in advance. Also, if goods or services paid for in advance are not received, the administrator should contact the Office of General Counsel for assistance in taking legal action against the vendor. Changed the responsible party from AVP for Administration to AVP for Finance
4	03/09/2015	Applied revised MAPP template and added new Revision Log. Provided hyperlinks to documents as needed. Added documentation in Section IV.A on the process for advanced payment for proper public purpose. Removed Section IV.A.4 on registration and rental fees. Also removed Section IV.A.6 on legitimate public purpose for making advanced payments. Added the exception in Section IV.B on the purchase of library books and other library materials for HEAF expenditure. Removed Index Terms from Section VII
5	11/14/2018	Removed Section IV.8 on tuition to an institution of higher education being a special circumstance for advanced payment