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PSC Procedural Statement: Advance Payment to Suppliers [1]

Effective Date: July 1, 2017

Introduction

When the University commits to a purchase from a supplier, the supplier is expected to have adequate resources or working capital in order to provide the needed goods or services. An advance payment to the supplier incurs additional costs for the University, presents the risk of loss of the funds advanced in case of supplier bankruptcy, and reduces the University's ability to negotiate in a dispute. Accordingly, the University of Colorado does not make full or partial advance payment to suppliers except as allowed by this procedural statement or its stated exceptions.

This PSC Procedural Statement sets forth university requirements regarding the issuing of advance payments to suppliers and regarding the use of the Advance Payment to suppliers form.

Procedural Statement

If an advance payment is necessitated by the specific facts of the situation, the organizational unit must evaluate the associated risks. If the advance payment is $10,000 or less, the Advance Payment to suppliers (ADV) form is not needed. If the advance payment is greater than $10,000, the ADV form must be completed and signed.

Exceptions

This procedural statement does not apply to goods or services purchased on the Payment Voucher form. Advance payments that are allowed to be made using this method of procurement do not require the use of the ADV form.

Furthermore, the ADV form is not applicable to the following situations because these are considered established business practices of the specific industries:

- Annual payments for maintenance of scientific/medical equipment or office equipment or for IT maintenance (software/hardware), IT service agreements (including internet access, systems, and database access), or software licenses. In these instances, full payment is generally expected annually at the beginning of the agreement term.The ADV form is required if the advance payment for maintenance is for a period of more than one year and the advance amount is greater than $10,000.
- Monthly payments for leases. These payments are typically required at the beginning of the contract term. The ADV form is required if more than one month's payment is being made in advance and the advance amount is greater than $10,000.
- Sponsored projects received by the University and awarded by the University to a

subaward (non-profit, for-profit, and/or governmental entities). Sponsored projects often require monthly or quarterly advance payments to subawards.
- Advance payments for entertainers, speakers, expert witnesses, or court-appointed mediators. In these instances, it may be necessary to advance a portion of the fee prior to the engagement date.
- Advance payments on interagency agreements. For agreements between State of Colorado entities there is no risk of loss of funds to the University. Furthermore, a process exists to resolve disputes. The University can, therefore, make advance payments on interagency agreements provided the paying agency documents the circumstances for the need.
- Advance payments for insurance premiums. These payments are typically required at the beginning of the term of coverage.
- Advance payments for advertising. In some cases, it may be necessary to advance some or all of the payment at the time of placing the ad.
- Advance payments for charter travel. It may be necessary to advance a portion or all of the payment at the time of contracting the bus, plane, or other chartered transportation.

Groups audience:
Procurement Service Center

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