

Office of the Controller Policy 18 - Advance Payments for Vendors

The University of North Carolina Greensboro

Approved by Scott Milman, AVC for Finance, March 20th, 2025

Purpose

The purpose of this policy is to establish clear guidelines for prepayments made by the University of North Carolina Greensboro to ensure financial accountability, compliance with state regulations, and protection against financial risk.

Scope

This policy applies to all UNCG departments, faculty, and staff involved in financial transactions requiring prepayment of goods or services.

General Payment Terms

In general, goods and services provided to the university are paid for after receipt. The university operates on a **net 30 payment term** (see Controller's Office [Policy 16 Vendor Terms and Conditions of Payment](#)), meaning payment is made within **30 days of receiving the final invoice after services are rendered**. This ensures compliance with:

- **State of North Carolina regulations** regarding timely vendor payments.
- **Internal financial controls** that mitigate risks associated with payments before goods or services are received.

Risks of Prepayments

Prepaying for services and products carries inherent risks, including:

- **Financial loss** if the vendor fails to deliver the agreed-upon services or products.
- **Lack of leverage** in case of disputes or delays in fulfillment.
- **Misuse of university funds** if payments are not properly documented and justified.

For these reasons, prepayments are **generally discouraged** and only permitted in specific circumstances outlined in this policy.

Allowable Prepayments

While prepayments should be avoided, when possible, they may be necessary in certain situations, including:

1. Situations Where Prepayment or Partial Prepayment May Be Acceptable:

a) Vendor Requirement:

- The vendor requires payment before shipping merchandise (e.g., new subscriptions, books, professional publications).
- A service will not be performed without an advance deposit (e.g., facility/hotel/catering deposits).

b) Custom-Made Items:

- The item is custom manufactured and cannot be resold to others once work has started.
- The vendor is the **sole provider** of the item.
- **Additional documentation required:**
 - A **quote and statement of work** must be attached to the requisition.
 - A **Sole Source/Waiver of Competition Request Form** (if applicable).

c) Financial Benefit to the University:

- Prepayment results in **significant price and/or term concessions** that benefit the university.

d) Other Situations:

- Any prepayment requests that fall outside these categories must be reviewed on a **case-by-case basis** both by the Procurement Office and Controller's Office.

2. Unacceptable Uses of Prepayments:

a) Prepayments made to **avoid the year-end reversion of funds** (up to the divisional level) are strictly prohibited.

3. Prepayment Duration Limitations:

- Prepaid contract duration **must not exceed two years**.
- Ideally, prepayment contracts should be **limited to one year** to reduce risk exposure.

Documentation and Approval Process

If prepayment is determined to be necessary, departments must follow these steps:

1. **Justification:**
 - Provide a **detailed justification** explaining why prepayment is required.
2. **Supporting Documentation:**
 - Attach all relevant documents to the requisition, including:
 - Vendor quote
 - Statement of work (if applicable)
 - Sole Source/Waiver of Competition Request Form (if applicable)
3. **Approval:**
 - Prepayments **must be formally approved** by both the **Procurement Services Office and the Controller's Office**.
 - Initial requests are to be sent to purchase@uncg.edu. Upon receipt of Procurement Services approval, the Controller's Office will review for final approval.
 - The requisition must be **clearly marked as prepayment request** to avoid processing delays.

Compliance & Enforcement

Failure to comply with this policy may result in:

- Delays or rejection of payments.
- Increased scrutiny of financial transactions.
- Additional administrative action as deemed necessary by UNCG's financial oversight authorities.