

How-To Guide for Processing a Prepayment Authorization Form for Arizona State University

The purpose of this guide is to provide departments and end-users a helpful guide to assist with the process of a prepayment authorization form for ASU procurements over \$5,000 (orders under \$5,000 that are processed through one of the University's small dollar purchasing methods do not require prepayment authorization). In this three-page guide, the reader should be able to complete a prepayment authorization form that will meet the approval of the director of ASU Purchasing. The benefit of using this guide will minimize of the delay of processing prepayment authorization, and to satisfy the requirements when prepayment authorizations are reviewed by auditors.

Before Getting Started:

Please make sure that all fields of the Prepayment Authorization form are completed. This includes:

- A. Document Number
- B. Date
- C. Department
- D. Agency/Org
- E. Vendor
- F. Is the department aware if the vendor has been informed of ASU's policy (PUR 602-04 – Prepayment of Purchase Orders and Contracts) on prepayment restrictions?
- G. If the vendor has been informed of the policy to not prepay, have there been negotiations for progress payments to be made as services and/or product deliveries are made to ASU instead of only one lump sum prepayment?
- H. Description
- I. Reason for Prepayment
- J. Is the purchase a sole source?
- K. Required Signature Authority

ASU Payment policy is net 30 days for all orders. In limited circumstances, prepayment may be necessary depending on the situation of the prepayment.

Please be familiar with [PUR 220: Prepayment of Purchase Orders and Contracts](#) regarding these limited circumstances. See below:

Policy

Prepayment of purchase orders and contracts should not occur unless it is standard industry practice or unusual/extenuating circumstances exist. Prepayment may be acceptable, however, for:

1. purchases under \$10,000 made via the Pcard

2. subscriptions, where usual industry practices require payment in advance, but not to exceed three years

3. memberships in professional associations, where such memberships have demonstrated value to the university

4. equipment maintenance services

5. software maintenance and upgrade services

6. registration fees required in connection with attendance at conventions, conferences, and official meetings

and

7. purchases other than the above for \$10,000 or more for unusual or extenuating circumstances, as approved by both Purchasing and Business Services and Financial Services.

If the supplier fails to provide the services or goods after any prepayment, the paying department will incur the loss.

[Prepayment Authorization Form](#)

This guide will focus on areas of the Prepayment Authorization that requires a detailed explanation of the goods or services requiring prepayment.

A. Is the department aware if the vendor has been informed of ASU's policy (PUR 602-04 – Prepayment of Purchase Orders and Contracts) on prepayment restrictions? (Box checked Yes or No).

What This Means: The vendor needs to be informed that ASU Payment policy is net 30 days for all orders. If the vendor cannot agree to net 30 days, a written explanation should be provided.

B. If the vendor has been informed of the policy to not prepay, have there been negotiations for progress payments to be made as services and/or product deliveries are made to ASU instead of only one lump sum prepayment? (Box checked Yes or No).

What this Means: An effort to reduce the down payment on the order should be conducted in conjunction by both the department and ASU Purchasing to the vendor. A negotiation process should be conducted between the vendor and ASU to lower the prepayment amount.

C. Description (Include dollar amount of the prepayment)

What this Means: A description of the order or services provided, as well as the dollar amount that is required for prepayment

D. Reason for Prepayment

What this Means: An explanation on why the prepayment is necessary for this purchase. If prepayment is for material & costs for a small business, industry standard for this type of order, upfront investment of a custom order, this will need to be given justification.

E. Is the Purchase a Sole Source? (Yes or No)

What this Means: Was a sole source justification packet processed and approved by Purchasing in conjunction with this order. Details regarding the sole source process are located at: PUR 303-02: Sole Source Procurement/Justification.

F. Signature Authority

What this Means: Proper signature authority is placed for Purchasing and Financial Services approval.