



The American University of Kurdistan Advance Payment to Vendors Policy and Procedures

Policy Number: BF011

Effective Date: November 30, 2023

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I. INTRODUCTION

- a. **Authority:** The Board of Trustees (herein referred to as “Board”) at The American University of Kurdistan (herein referred to as “AUK” or “University”) is authorized to establish rules and regulations to govern and operate the University and its programs.
- b. **Purpose:** This policy addresses when it is appropriate to make advance payments to vendors and the proper documentation needed in order to protect the financial interests of AUK.
- c. **Scope:** This policy applies to all AUK employees and units.

II. ROLES AND RESPONSIBILITIES

- a. **Responsible Executive:** Vice President for Administration and Finance (VPAF)
- b. **Responsible Administrator:** Director of Finance
- c. **Responsible Office:** Office of VPAF
- d. **Policy Contact:** Office of VPAF

III. DEFINITION

- a) **Advance Payment:** Amounts paid before a product or service is actually received.
- b) **Purchase Order:** A legal document that buyers send to sellers to document the sale of products and services to be delivered at a late date.
- c) **Prepayment:** The settlement of a debt or installment loan in advance of its official due date

IV. POLICY STATEMENT

In certain circumstances, when procuring goods and services, it may be necessary to make advance payments, either in full or partially, before actually receiving the goods or services. The University believes that, as a matter of principle, such advances should be kept to a minimum. However, when advances become unavoidable, they are acceptable, provided they adhere to the guidelines outlined in this policy.

V. POLICY PRINCIPLES

A. General

Generally, goods and services provided to the University are paid for after receipt and invoiced. On occasion, it may be necessary to provide a known and reputable vendor with an advance payment.

However, under specific circumstances (listed below in C.) and with prior approval (listed below in B.), advance payments are permissible.

B. Approval

Before advance payments may be made, they must be approved by authorized individuals. An Advance Payment to Vendors Form will need to be completed in order for an advance payment to be approved.

1. Advance payments for items listed in C. below:

- The Finance Director approval is required.
- For advance payments of \$1,000 or more, VPAF approval is required in addition to Finance Director approval.
- For advance payments of \$5,000 or more, President's approval is required in addition to VPAF and Finance Director approvals.

2. Exceptions Not Listed Below: The Finance Director, VPAF and President approvals are required for all advance payments that are outside the scope of those listed in C. below.

3. The amount of the advance payment is usually 50% of the total project cost. The amount of the advance payment will be cited in the payment clause of the vendor agreement.

C. Specific Instances where Advance Payment is Permissible (with proper approval)

- High-cost equipment manufactured to meet functional specifications
- Books, periodicals and newspapers, including special order items for trade and professional publications
- Customized goods/services that cannot be re-sold to others once work has started
- Facilities/hotel deposits

- Caterers for food and beverage service for large official functions where caterer requires a deposit
- Research abroad: including deposits or expenses related to the research
- Principal investigators and other research personnel who conduct research using human subjects and pay the subjects a small amount
- Maintenance service contracts
- Honoraria
- Membership dues
- Seminar and colloquia registration fees
- Vendor offers substantial prepayment discounts

D. Purchase Order (PO)

The purchase order must include the advance payment in the total purchase order amount.

E. Documentation

PO advance payment: Companies to whom an advance payment is issued must provide an invoice for the amount of the advance payment and reference the PO number, prior to the issuance of the advance payment.

For the purposes of internal documentation and record retention, it is imperative that a completed "Advance Payment to Vendors Form" be enclosed along with the purchase order (PO) and the corresponding vendor's contract/agreement. The responsibility of ensuring this requirement lies with the procurement officer.

F. Non-fulfillment or Delayed Performance

Should a vendor fail to fulfill their commitments or meet stipulated deadlines after receiving an advance payment, the university shall adhere to a structured procedure for resolution:

- **Communication:** The Procurement Officer will establish direct communication with the vendor to discuss the issues and understand the causes of non-compliance or delay.
- **Assessment:** A committee will be established by the Procurement Officer. The committee members will comprise the VPAF as the committee chair, the responsible unit/college head, the general counsel, and director of finance. A comprehensive assessment will be conducted of the vendor's non-fulfillment or delayed performance. This assessment will include an evaluation of the vendor's provided justifications and any extenuating circumstances.
- **Negotiation:** Efforts will be made to initiate negotiations aimed at finding viable solutions. These discussions may include revising delivery schedules, seeking alternative approaches, or setting new performance milestones.
- **Consequences:** Depending on the severity and impact of the non-compliance, the university reserves the right to implement a range of consequences, including but not limited to reevaluation of vendor eligibility, withholding of further payments, charge a penalty fee for the days exceeding the deadline as per the contract, or termination of the contract.
- **Documentation:** All interactions, correspondence, and decisions regarding the non-fulfillment or delayed performance will be diligently documented by the procurement officer for future reference and accountability.

VI. POLICY PROCEDURES

- a) Requestor shall submit a completed Advance Payment to Vendors Form to the Office of Finance. The Office of Finance will then continue with the process and completion.
- b) The Office of Finance may attempt to source the goods or services from a provider not requiring payment in advance and willing to extend terms to the University.

VII. POLICY HISTORY

- a. **Approved by:** Board of Trustees
- b. **Adopted:** November 30, 2023

Appendix A



Advance Payment to Vendors Form (APVF)

Purpose:			
Used to request a partial or full payment to be issued to a vendor/supplier prior to the University receiving the designated goods or services, in accordance with the Advance Payment to Vendors Policy and Procedures			
Organizational Unit Contact Information			
Today's date:		Contact Person:	
P.O number:		Campus Phone:	
Organizational Unit		Email Address:	
Vendor Information			
Vendor Name:		Vendor Email:	
		Vendor Phone:	
Procurement Information			
Description of goods or services:			
Business Purpose:			
Total cost:		Amount of advance:	
Advance Payment Information			
Description of Advance:			
University's efforts to eliminate or reduce this advance:			
Benefit to AUK of making the advance:			
Delivery date for goods or services:		Date advance needed:	
Certification and Approval			
Be signing below, the organizational unit/college certifies understanding of the risks inherent in issuing advance payment to a vendor, and belief that the benefits outweigh the risk to the University			
Requester Name	Unit/College head name	Unit/College head Signature	Date
Finance Director		Signature	Date
VPAF (advance payments ≥ \$1,000)		Signature	Date
President (advance payments ≥ \$5,000)		Signature	Date
When all necessary signatures have been obtained, submit this form to the Office of Finance			