



THE UNIVERSITY OF NORTH CAROLINA
AT
CHAPEL HILL

Associate Vice Chancellor
for Finance

CB# 1000, 304 South Building
The University of North Carolina at Chapel Hill
Chapel Hill, NC 27599-1000

MEMORANDUM

TO: Deans, Directors, and Department Chairs
FROM: Roger D. Patterson
Associate Vice Chancellor for Finance
SUBJECT: Prepaying a Vendor
DATE: December 2, 2002

Several departments have received requests from vendors for prepayment on a purchase or service, most likely due to the economic down turn. Proper cash management practices and sound internal controls require that a vendor payment occur only after goods are received or services rendered. Therefore it is the University's policy that prepayments are unallowable regardless of funding source.

An exception may be allowed if the item is being custom made for your department, but only if the vendor is the sole supplier for the item. Also, any approved prepayment must be scheduled to minimize the period between payment, delivery, and use of the goods based on departmental needs. For example, equipment purchases related to a renovation project should be planned to ensure the equipment is used in a reasonable time period after delivery.

If you need assistance locating alternate vendors, please contact Phil Charneskie in Purchasing at 962-3774 or charnesk@email.unc.edu. Should you have a situation that you believe meets the exception rule, you are required to assess the risk to the University of making the prepayment. If you need assistance in assessing this risk, please contact Steve Kenny in Insurance and Risk Management at 962-7360 or steve_kenny@unc.edu.

Thank you.

cc: Phyllis Petree, Director of Internal Audit
Business Managers email list