

NC STATE UNIVERSITY

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To: Financial Users

From: Cliff Flood *CF*
University Controller

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Regarding: Prepayments

The following excerpts are from the State Budget Manual:

Payment of Obligations

The State of North Carolina operates on a cash basis. State agencies should pay all bills when due so as to take advantage of discounts offered and so as not to endanger the credit of the state. When bills are not paid within the time specified in the contracts made by the Division of Purchase and Contract, it becomes increasingly difficult to make favorable contracts for the state's needs. Early payments should not be made because it is an added cost to the state through loss of interest on deposited funds.

Liquidation of Obligations

Voucher registers for June should cover payments for all invoices for which the goods have been received. Warrants must not be drawn for invoices unless materials/services have actually been received.

Generally, when using state funds or trust funds that follow state rules and regulations, goods and services must be received prior to payment being made. However, prepayments are allowable in certain cases where the business reason is documented and justified as being required to ensure future services are received or to obtain significant price reductions. Avoiding year-end reversion is not an acceptable business reason for a prepayment. Approvers should scrutinize all requests for prepayments to make sure that they are for appropriate reasons, for example:

-For conference registration deadlines prior to 6/30/07, the registration fee and airline ticket can be paid in the current fiscal year so as to take advantage of discounts or to ensure that these services will be provided at a future date.

-For subscriptions and memberships, the service dates should begin prior to June 30th with only one annual payment or twelve monthly payments per fiscal year.

This guideline applies to all purchases regardless of using a small purchase, purchase order, purchasing card or IDT transaction. All small purchases, purchase orders and IDT transactions are subject to review by the Controller's Office before payment, and if determined to be a prepayment, may not be paid until determined appropriate. All purchasing card purchases are subject to review by the Purchasing Office. If determined to be inappropriate, the prepayment will be referred to the University Controller's Office for follow up action and possible revocation of the purchasing card.

If you have questions, please contact Kim_Kelley@ncsu.edu.