

Cash Advances and Down Payments

Policy Statement

For goods and services physically received payments are usually made by check through the Disbursements Office and payable to the vendor . However, due to local or international transactional requirements, payments in advance of receipt of goods or services may be required, whether in the form of an advance or a down payment (full or partial). The University believes that, as a matter of principle, such advances should be kept at minimum. However, advances that become inevitable are permissible subject to the satisfactory compliance with the guidelines stated in the guidelines to this policy, as well as the University's Purchasing and Travel policies.

Reason for Policy/Purpose

To provide a clear understanding of the University's policies with respect to advances and down payments. These amounts represent the application of cash on which interest could otherwise be earned.

Who Approved This Policy

EVP. Brian MacDougall
EVP for Administration & Finance

Who Needs to Know This Policy

AUC Community

Web Address for this Policy

<http://schools.aucegypt.edu/offices/controller/Documents/Cash%20Advances%20and%20Down%20payments%20policy.pdf>

Contacts

Responsible University Official: Accounts Payable Director.

Responsible University Office: Office of the Controller

If you have any questions on the policy or procedure for Cash Advances & Down Payments policy, you may:

1. Call [Accounts Payable Section – Controller's Office] at [Ext # 2336], or
2. Send an e-mail to Hesham_r@aucegypt.edu

Definitions

Term (alphabetical order)	Definition as it relates to this policy
<ul style="list-style-type: none"> • Advance 	A payment made to a full-time university employee in advance of receipt of goods or services.
<ul style="list-style-type: none"> • Down Payment 	A payment made according to a purchase Order (PO) or to the provisions of a professional services contract to a vendor in advance of receipt of goods or services.
<ul style="list-style-type: none"> • Encumbrance 	A reduction on an expenditure budget line item as a result of a commitment for provision of goods and or services. The encumbered amount is transferred to an expense upon the final settlement of the transaction.

Policy/Procedures

Permissible Purposes:

Advances may be made for the following University business-related purposes:

- 1) Per diem for local and international travel,
- 2) Minor purchases during international travel,
- 3) Off-campus social functions,
- 4) Motor vehicle licensing,
- 5) Requests approved by the President or an Area Head,
- 6) Other justifiable payments approved by the Controller.

Down payments may be made for the following University business-related purposes:

1. PO or professional services contracts,
2. Full payments in advance for receipt of goods in accordance with a PO,
3. Housing rent in accordance with a lease agreement,
4. Lease of equipment,
5. Summer renovation and construction contracts,
6. Acquisition of rare books and/or artworks,
7. Other payments justified and approved by the President or an Area Head,
8. Other payments justified and approved by the Controller.

Procedures

All advances must be made by a check payable to the advance recipient. No IOU slips are permissible, and no cash advances shall be made from, or commingled with, a departmental imprest fund.

Advance Request

Advances are made only to full-time employees of the University for business-related activities.

To request an advance:

1. Advances for amounts in excess of EGP 5,000 or its Dollar equivalent will be made to bonded employees only. Bonding should provide coverage against fidelity, theft, and cash-in-transit. The insurance cost is charged to the department budget requesting the advance.
2. A General Payment Request should be submitted to the Controller providing justification, supporting documentation, and approval for the advance as stated in these guidelines. The General Payment Request should also show the fund and the Employee Vendor number, the amount, and the name of the person who will account for the advance. The advanced amount remains in the employee's name on the University's balance sheet as an account receivable, until the accounting for the advance has been completed and approved, whereupon the advance is cleared and the expense is booked.
3. Subsequent to the disbursement of an advance, a Journal Voucher (JV) should be submitted to the Controller accounting for the advance, and supported with all relevant documentary evidences.

4. The balance of an advance due to the University should be deposited with Commercial International Bank (CIB). A collection advice is prepared, crediting the employee's vendor account.
5. Checks are issued for amounts spent in excess of the advanced amounts, after final checking of the expenses reported and supporting documents.
6. Accounting for advances must to be presented within a maximum period of two weeks after the expiration of the purpose for the advance.

Tax withholding shall be applied to advances if applicable.

Down payment Request

Down payments are made only against a valid PO or a legally binding agreement with a third party.

The PO encumbers the amount for which it is issued; however, professional services agreements do not initiate encumbrances. Therefore, down payments request related to agreements should be supported by a copy of the agreement.

In general, a down payment should be made in the name of the vendor (or his/her designee if requested in writing). No down payment shall be made payable to a University employee.

A Letter of Guarantee (LG) for the full down payment should be submitted by the vendor for down payments of an amount of \$10,000 or its EGP equivalent; exceptions to this guideline may from time to time be approved by the Vice President for Finance. The LG should be valid for a period equal to the maximum allowed period for the provision of goods or services.

Tax withholding shall be applied to down payments wherever applicable.

Forms/Instructions

List applicable forms or other university and external documents that provide helpful, relevant information. Include where these documents can be located.

Related Information

List related university policy documents or cross-references and where they can be located.

Appendices (optional)

Appendices are used for informational material that is helpful in understanding the policy, but not directly related to the implementation of the policy, i.e., not procedures. Content may include graphics or text.

History/Revision Dates

Origination Date: July 1, 2010

Last Amended Date: Month, Day, Year

Next Review Date: Month, Day, Year