



# DEPARTMENT OF ADMINISTRATION

## Enterprise Policy

### PURCHASES-ADVANCE/PREPAYMENT-2020

### DIVISION OF PURCHASES

#### Advance/Prepayment Policy

Date of Last Revision 06/11/20

State Purchasing Agent

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#### 1. Purpose

- a. The purpose of this Advance Payment/Prepayment Policy ("Policy") is to provide guidance and procedure for the payment of goods and/or services procured by the State of Rhode Island ("State") in advance of receiving such goods and/or services. The intent of the Policy is to provide the State with flexibility to acquire necessary goods and services from reputable sources in accordance with industry standards, while also protecting the public funds.

#### 2. Applicability

- a. This Policy applies to all State expenditures for Advance Payment goods and/or services regardless of the source of funding (i.e. general revenue, federal funds, restricted receipts, etc.).

#### 3. Definitions

- a. **"Advance Payment" or "Prepayment"** means monies paid by the State, regardless of its source (i.e. general revenue, federal funds, restricted receipts, etc.), for goods and/or services prior to the receipt thereof.

#### 4. General Prohibition

- a. State contracts and other State funding commitments are subject to the requirements of § 42-11.1-1, et seq. (Prompt Payment by the Department of Administration). State contracts and other State funding commitments shall not provide for Advance Payment or Prepayment for goods supplied and/or services performed or for any other contractual obligation, except:
  - (i.) As permitted in the exceptions below for a period of one (1) year or less (unless a shorter period specified in the exceptions); and/or
  - (ii.) Through the issuance of waiver by the State Purchasing Agent or designee, with concurrence of the State Controller or designee, in accordance with the waiver process and criteria stated below.

#### 5. Exceptions – Prior Approval or Waiver Not Required

- a. Advance payments for a period of one year or less (unless otherwise specified for a shorter period herein) are automatically permitted, but are not required, for the following:
  - (i.) Media buys;

- (ii.) Charter transportation;
- (iii.) Construction permits;
- (iv.) Federal grants awarded by the State to subrecipients (in compliance with Federal requirements);
- (v.) Overnight travel accommodations such as hotels, motels, flights, etc.
- (vi.) Information Technology (IT) service agreements (including internet access, systems and database access);
- (vii.) Maintenance of office equipment or Information (IT) software or Hardware or other similar maintenance agreements;
- (viii.) Insurance premiums;
- (ix.) Interagency agreements;
- (x.) Licenses, including licenses for software;
- (xi.) Membership dues;
- (xii.) Janitorial Services;
- (xiii.) Personal property leases or rentals;
- (xiv.) Up to one quarter for real property leases, where the State is a tenant (Advance of longer than a quarter (3 months) for a lease requires a waiver);
- (xv.) Perpetual easements, if the entire interest is purchased and all attendant rights are transferred upon payment;
- (xvi.) Post Office Box rentals;
- (xvii.) Professional services provided by expert witnesses hired for litigation purposes, mediators, entertainers, and speakers;
- (xviii.) Subscriptions for journals, informational publications or similar materials ( electronic or hard copy), which do not include services;
- (xix.) Tuition, registration, and fees charged for trainings, classes, conferences, and seminars;
- (xx.) Utility hook ups and line extensions performed by a utility company;
- (xxi.) Up to thirty (30) days for temporary personnel services (Advance Payment of longer than 30 days requires a waiver).

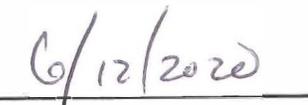
## **6. Waiver/Process Criteria**

- a. The State Purchasing Agent or designee, with concurrence of the State Controller or designee, may grant the request of an agency, board, commission, or institution of higher education for a waiver, allowing an Advance Payment or Prepayment not listed in the exceptions above or for a longer time period.
- b. The waiver request shall include evidence of the following:
  - (i.) The requested payment terms;

- (ii.) Due diligence information related to the reputability of the source of the goods and/or services;
- (iii.) Any contractual terms or other measures that mitigate the risk of prepayment;
- c. In granting a waiver, the State Purchasing Agent shall consider following criteria:
  - (i.) Whether the requested Advance Payment or Prepayment is an established industry standard for the particular good or service;
  - (ii.) Whether the circumstances requiring Advance Payment or Prepayment are necessary to protect the health, safety, and/or welfare, economic or otherwise, of the State; and/or
  - (iii.) Whether the benefit to the State of Advance Payment is at least equal to the cost and risk of the Advance Payment.

**7. Signatures**

  
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**Director of Administration**

  
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**Date**