The American University in Cairo
Financial Policies and Procedures

Policy : Cash Advances
Policy Number : FPP-DISB-004
Date Issued : Active Effective Date: September 1, 1997
Date Revised : September 1, 2004
Responsible Official : Controller
Approved By : VP Finance

Definitions

Advance
A payment made to a full-time University employee in advance of receipt of goods or services.

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.

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 final settlement of the transaction.

Purpose
To provide clear understanding of the University’s vision with respect to advances and down payment. Those amounts represent frozen funds for which the University could earn return. AUC reputation and creditworthiness should be preserved at all times, whereas making such advances is inconsistent with that objective.

Policy Statement
The University normally pays thru its central Disbursements Office, for goods and services physically received, by check payable to the vendor as the first beneficiary. However, due to certain local or international transactional requirements, payment in advance of receipt of goods or services may be essential, whether in the form of an advance or a down payment (full or partial). The University believes that as a matter of principal such advances should be discouraged as feasible as possible, and be kept at minimum given the University’s credit worthiness and reputation. However, advances that become inevitable are permissible subject to satisfactory compliance with the guidelines stated in the guidelines to this policy, as well as, the University Purchasing and Travel policies.

Policy Guidelines

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 part-time employees’ payroll such as SRC and DDC,
4. Utilities (electricity, water, gas, etc.),
5. Off-campus social functions,
6. Motor vehicle licensing,
7. Requests approved by the President or an Area Head.
Procedures

Method of Payment

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

To request an advance

1) Advances are made only to an employee who has a balance sheet account (BS). A balance sheet account in the Sxxx Account Group may be opened upon a request to the Office of Budget and Financial Planning.

2) Advances for amounts in excess of LE 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.

3) A MW should be submitted to the Controller providing justification, supporting documentation, and approval for the advance as stated in this policy guidelines. The MW should also show the fund and the BS account number, as well as (1) the expense object code to encumber the advanced amount on a given budget expense object, pending the submission of the accounting for the advance, (2) the amount, and (3) the name of the person who will account for the advance. This approach implies that advances are booked as encumbrances or the so called “account type 23 “in the University financial system. The relevant budget line is thus charged immediately (and the available budget amount is reduced) as a result of implementing this approach, however, the advanced amount remains 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.

4) Tax withholding shall be applied to advances –if applicable-
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Down payment Request

Down payments are made only against 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 copy of the agreement. In general a down payment should be made in the name of the vendor, or his 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 LE equivalent. 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.

Advance Control

Upon received by the Controller’s Office, MW covering requests for advances or down payments should be routed to the accountant in charge of Advance Control (AC). The AC accountant verifies the request against a special file and updates the total amount outstanding against the recipients. The AC accountant may query the request and ask for settlement of overdue outstanding advances. The AC accountant endorses the MW upon satisfactory verification and records the amount in the special file with copy of the MW.

Termination

Down payments or advances should be refunded immediately the purpose for which it was made becomes unattainable.

Accounting for advances must be presented within a maximum period of two weeks after the expiration of the purpose for the advance. Upon utilizing the advance, a Journal Voucher (JV) should be submitted to the Controller to account for the advance, and supported with all relevant documentary evidences. The balance of an advance due to the University should be deposited with CIB through the AC accountant in the General Accounting Office. A collection advice is prepared, crediting the employee’s BS account. Checks are issued for amounts spent in excess of the advanced amounts, after final checking of the expenses reported and supporting documents. The AC accountant should initiate reminders regularly for the settlement of outstanding amounts.
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**Overdue Advance**

No new advances or down payments shall be made (freeze action) to recipients who fail to clear their outstanding debt timely until all overdue balances are cleared. The AC accountant should trigger the freeze action.