Indiana University Office of Procurement Services

**STANDARD OPERATING PROCEDURE**

<table>
<thead>
<tr>
<th>SOP NO:</th>
<th>SOP-PURCH-09</th>
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<tr>
<td>SUBJECT:</td>
<td>Deposit With Order or Prepayment</td>
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<tr>
<td>SOURCE:</td>
<td>University Procurement Services</td>
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<tr>
<td>ORIGINAL DATE OF ISSUE:</td>
<td>5/16/2019</td>
</tr>
<tr>
<td>DATE OF LAST REVISION:</td>
<td>8/31/2021</td>
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**DISCLAIMER:** The information provided in this Standard Operating Procedure (SOP) is designed to provide helpful information on this procedure. Purchasing reserves the right to determine on a case by case basis if a SOP should be adjusted for a particular situation. This SOP is not intended to cover each and every situation nor can it anticipate specific circumstances.

**RATIONALE:** The following are common examples of when a deposit or prepayment may be appropriate:

1. Reserving space for an event.
2. Securing a large order.
3. Custom orders.

Paying in advance to receiving goods or services is risky for the university, whether it be in full or a partial amount. These orders require a specific setup due to invoice and receipt requirements. For these reasons, all deposits and prepayments must route through Purchasing for review. Deposits, and especially prepayments, are the exception rather than the standard procedure.

Purchasing reviews the request to ensure a deposit or prepayment is appropriate and updates the order so that it is processed correctly.

**PROCEDURES:**

**Order Submission**

Complete a non-catalog item order as you normally would. Do not add a separate line to your order for the deposit or prepayment amount unless the supplier has specifically requested one and will be invoicing using the same setup.

In the requisition, navigate to the General section and click edit in the upper right-hand corner to make changes.

![Edit button](image-url)
A new window opens. Check the box next to Order Restricted? and click Save. This forces your order to route through Purchasing for review.

Next, navigate to the Special Payment Instructions section and click edit to make changes.

Enter “Expedite – DEPOSIT” in the Instructions Text 1 box. This is extremely important! Accounts Payable uses this information to locate your deposit and expedite payment processing.

Do not check the box next to Check Attachment or Special Handling. These options force ALL payments related to the order to be made via paper check. If you need to generate the deposit or prepayment via paper check for rush delivery, follow the instructions outlined in SOP-PURCH-16: Special Payment Instructions to request Special Handling.

If your supplier receives payment via Wire Draft or Foreign Draft, follow the instructions outlined in the Wire Transfers & Foreign Drafts Department Guide.
Finally, navigate to the Comments section of the requisition. Log a comment which contains:

1. The amount of the deposit.
2. Explanation for why a deposit or prepayment is being requested.
3. Attach any supplier documentation which states why a deposit or prepayment is required, including contracts.
   Purchasing will prompt the requisition owner to submit a Contract Request Form if needed.

An example comment is pictured below.

Navigate to the Final Review section of the requisition, review your order, and submit the order.

**After Order Submission**

After your organization has reviewed and approved the requisition, the order routes to Purchasing for additional review. Purchasing will contact you via the Comments if they have questions or need additional information.

If your request for deposit or prepayment is approved, you will be prompted to log a cost receipt **in the amount of the deposit only** on the purchase order (PO) once it is available. Logging the receipt document when prompted ensures faster payment processing. Review the [How to Log a Receipt document](#) to learn how to log a cost receipt.
| **DEFINITIONS:** | Deposit – A portion of a total paid in advance of receiving goods or services. Prepayment – Remittance of payment for an entire order prior to receipt of goods or services. |
| **CROSS REFERENCE:** | How to Log a Receipt  
SOP-PURCH-16: Special Payment Instructions  
Supplier Documentation: Submit an Invoice  
Wire Transfers & Foreign Drafts Department Guide |