

CHAPTER 6**ADVANCES AND PREPAYMENTS**0601 PURPOSE

This chapter prescribes the policies and procedures to be followed by the NASA Centers to account for advances and prepayments including those made:

1. To employees,
2. Within NASA,
3. To other Federal Government agencies,
4. To Non-Federal Government organizations.

The Federal Acquisition Regulation and United States Code often use the term advances for both advances and prepayments. NASA shall account for advances and prepayments to abide by United States Standard General Ledger (USSGL) and Generally Accepted Accounting Principles which require separate accounts for the two. Advance payments are made in contemplation of future performance often based on an estimated cost (see 060301 below). Prepayments disburse cash upfront for a future benefit for which the price is known and is fixed and reoccurring (see 060302 below). Most advance payments involve NASA's use of the Department of Health and Human Services' Payment Management System (HHS/PMS) - a letter of credit system of providing advance payments of Federal funds to state and local governments, educational institutions, and other public or private "recipient organizations". (See NASA Financial Management Requirement (FMR) volume 13, Grant Financial Management for details). These procedures apply to all NASA programs requiring advance payments. Other details concerning advances and prepayments are included in FMR volume 14, Contract Financial Management.

0602 AUTHORITY AND REFERENCES

060201. Advancements and Deductions, 5 USC 5705, provides authority for NASA to grant travel advances to employees and collect unused advances by setoff against accrued pay, retirement credit, or other amount due the employee, deduction from an amount due from the United States, and other methods as provided by law.

http://www4.law.cornell.edu/uscode/html/uscode05/usc_sup_01_5_10_III_20_D_30_57_40_I.html

060202. Contract Financing, 10 USC 2307, provides authority for NASA to make advance, partial, progress, or other payments under contracts for property or services.

http://www4.law.cornell.edu/uscode/html/uscode10/usc_sec_10_00002307----000-.html

060203. Advances, 31 USC 3324, stipulates advances may be made only if specifically authorized by law.

http://www4.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00003324----000-.html

060204. The National Aeronautics and Space Act, 42 USC 2473 (c) (5), authorizes NASA to enter into and perform such contracts, leases, cooperative agreements, or other transactions without regard to 31 USC 3324.

http://www4.law.cornell.edu/uscode/html/uscode42/usc_sec_42_00002473----000-.html

060205. Advance Payments for Non-Commercial Items, 48 CFR 51-32.4 (Federal Acquisition Regulations (FAR) Part 32.4) provides requirements and procedures for advance payments on prime contracts and subcontracts for non-commercial items.

http://www.access.gpo.gov/nara/cfr/waisidx_04/48cfr32_04.html

<http://www.arnet.gov/far/>

060206. Using Grant Agreements, 31 USC 6304, stipulates when a grant is an appropriate instrument to be used.

http://www4.law.cornell.edu/uscode/html/uscode31/usc_sec_31_00006304----000-.html

060207. Treasury Financial Manual Volume I Part 6 Chapter 2000, Cash Advances Under Federal Grant and Other Programs (T/L 506). This chapter prescribes Treasury's procedures to be observed by NASA for all cash advances.

<http://www.fms.treas.gov/tfm/vol1/index.html#Part%206>

060208. Department of the Treasury, Department Circular No. 1075 (Fourth Revision) - Withdrawal of Cash from the Treasury for Advances Under Federal Grant and Other Programs. This circular is codified in 31 CFR 205 which provides the Treasury rules for assistance programs. The online Catalog of Federal Domestic Assistance gives access to a database of all Federal programs available to State and local governments (including the District of Columbia); federally-recognized Indian tribal governments; Territories (and possessions) of the United States; domestic public, quasi-public, and private profit and nonprofit organizations and institutions; specialized groups; and individuals.

http://www.access.gpo.gov/nara/cfr/waisidx_04/31cfrv2_04.html#201 and

<http://12.46.245.173/cfda/cfda.html> for the domestic catalogue.

060209. Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations. This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

<http://www.whitehouse.gov/omb/circulars/>

060210. Statement of Federal Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities. This is the Federal Accounting and Standards Board standard for accounting for advance payments and prepayments.

<http://www.fasab.gov/standards.html>

060211. Public Law 108-7, enacted on February 20, 2003 (codified as 42 USC 2459i), established in the United States Treasury a NASA WCF. This is a joint resolution which may be cited as the "Consolidated Appropriations Resolution, 2003" which included language authorizing NASA to have a working Capital Fund.

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_public_laws&docid=f:publ007.108

060212. Extraordinary Contractual Actions ("Authorization; official approval; Congressional action: notification of committees of certain proposed obligations, resolution of disapproval, continuity of session, computation of period"), 50 USC 1431 (codification of PL 85-804). Authorizes NASA if it exercises functions in connection with the national defense, acting in accordance with regulations prescribed by the President for the protection of the Government, to enter into contracts or into amendments or modifications of contracts made and to make advance payments thereon, without regard to other provisions of law relating to the making, performance, amendment, or modification of contracts, whenever it deems that such action would facilitate the national defense.

http://www4.law.cornell.edu/uscode/html/uscode50/usc_sec_50_00001431----000-.html

060213. International Cooperation, 42 USC 2475, provides the legal authority for NASA to engage in a program of international cooperation.

http://www4.law.cornell.edu/uscode/html/uscode42/usc_sec_42_00002475----000-.html

0603 DEFINITIONS

060301. Advances. Advances are cash outlays made by NASA to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses for the cost of goods and services NASA will acquire. Payments made in contemplation of the future receipt of goods, services, other assets, or the incurrence of expenditures are advances. Examples include travel advances disbursed to employees, and cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

060302. Prepayments. Prepayments are payments made by NASA to cover certain periodic expenses before those expenses are incurred. Prepayments are amounts paid for goods and services to provide for future benefits over a specified time period. They apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, taxes, royalties, insurance, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law.

0604 GENERAL

Advances and prepayments are assets accounts. Advances are to be recorded in the United States Standard General Ledger (USSGL) account 1410, Advances to Others and

prepayments are to be recorded in USSGL account 1450, Prepayments. Subsidiary ledgers for each appropriation fund and each advance and prepayment made shall support USSGL 1410 and 1450. Advances to contractors, suppliers and to grantees shall be recorded in USSGL account 1410, Advances to Others, as non-federal.

0605 POLICIES AND RELATED PROCEDURES

060501. Recording of Advances and Prepayments.

A. Advances. Advances will be recorded in USSGL account 1410, Advances to Others unless recorded as expenses under the criteria of C below.

B. Prepayments. Prepayments will be recorded in USSGL account 1450, Prepayments, as Non-Federal unless recorded as expenses under the criteria of C below.

C. Recording Advances and Prepayments as Expenses.

1. Advances.

a. Cost and accrued cost shall be used to reduce the advance account and record NASA expenses based on cost reporting from the contractor or grantee.

b. In cases where cost reporting is unavailable or not required estimates of the cost of work performed will be made on a monthly basis.

c. A contractor's or grantee's drawdown shall be recorded as expense if cost reporting is unavailable or not required, provided the drawdown is for cost incurred or cost anticipated to be incurred within 30 days.

d. In any case the drawdown is through the HHS/PMS advances and expenses shall be recorded consistently with the policy in FMR volume 7. (see FMR volume 7 Cost, chapter 8, 080114 B for HHS/PMS)

e. When cost reporting is received or an accounting given for a contract or grant, any necessary cost adjustments shall be made to the expense and advance accounts.

2. Prepayments shall be record as expenses when:

a. The prepayment is an immaterial amount of less than \$500 a month.

b. It is anticipated the recipient of the payment will deliver the goods or services within 30 days.

060502. NASA records all accounting transactions in its integrated accounting system, IFMP/SAP. The general ledger accounting entries that are generated by each accounting transaction, applicable for NASA accounts 1410 and 1450 can be viewed at: http://fms.treas.gov/ussgl/tfm_releases/InterimChangesOct03/comp04sec3Oct03.pdf.

060503. Advances and prepayments are reduced and an expense is recorded when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire (unless an exception under 060501 C applies).

060504. Amounts of advances and prepayments that are subject to refund should be transferred to accounts receivable.

060505. Advances and prepayments paid out are recorded as assets. Advances and prepayments received are recorded as liabilities. In the financial statements, advances and prepayments paid out should not be netted against advances and prepayments received.

060506. Advances to Federal agencies shall be made pursuant to law and agreements between NASA (the customer) and other federal agencies (the provider.)

060507. Advances from NASA as a customer to other Federal agencies shall be recorded in USSGL account 1410, Advance to Others as intragovernmental.

060508. The following quote from Public Law (P.L.) 108-7 (codified as 42 USC 2459i) authorizes the NASA Working Capital Fund (WCF) to receive advances for supplies and services. *"The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of the operation, such as the accrual of annual leave, depreciation of plant, property and equipment, and overhead."* All customers of the NASA WCF, shall provide advance payments to the NASA WCF for supplies and services.

060509. Advances to foreign agencies shall be recorded in USSGL account 1410, Advance to Others as non-federal and disbursed to Treasury Symbol 80X8979, Trust Fund Appropriation Account.

060510. Specific requirements for accounting and reporting on transactions under cooperative agreements between NASA and foreign agencies for procurement or furnishing by NASA of materials and services which are funded by deposits to trust fund accounts can be found in Appendix 3 of this chapter.

060511. Travel Advances.

A. Travel advance represents the outstanding balance of advances made to NASA personnel and appointees for per diem, transportation, and related expenses incident to travel on authorized official business or change of official duty station. Travel advance shall be recorded in USSGL account 1410, Advances to Others as non-federal.

B. NASA may advance, through the proper disbursing official, to an employee entitled to per diem or mileage allowances a sum considered advisable for the duration of the travel to be performed. A sum advanced and not used for allowable travel expense is recoverable from the employee or his estate by offset against accrued pay, retirement credit, or other amount due the employee.

C. Travel advances shall be minimal and allowed only when necessary. The use of credit cards by NASA employees as a result of General Services Administration contracts with major credit cards is to be encouraged in lieu of travel advances.

D. When authorized travel carries over from one fiscal year to the next, the total balance of all travel advances shall be transferred from the expiring appropriation accounts to the next year's appropriation accounts. Such transfers are to be made at the beginning of the new fiscal year. The transfer documents shall be supported by detailed data on each outstanding advance included in the transfer.

E. Recovery of excess travel advances may occur in the following ways: repayment by the employee to whom the advance was made; or, when necessary, deductions from the employee's pay. If the traveler is in a continuous travel status and periodic travel vouchers are submitted, the full amount of allowable travel expenses may be reimbursed to the traveler without deductions of advances until such time as the final vouchers are submitted.

F. If travel advances are not fully recoverable by deductions from travel vouchers or refunded by the travelers, prompt action shall be taken to recover the outstanding advances by deductions from any amounts due the traveler or by using any other legal means available. In such instances, the travel advance shall be reclassified and recorded as non-federal in USSGL account 1310, Accounts Receivable (Refunds Due).