

CHAPTER 1**GENERAL OVERVIEW**0101 **GENERAL**

010101. **Purpose.** This chapter sets forth general principles, standards, policies, and procedures for NASA's use of the Department of Health and Human Services' Payment Management System (DHHS/PMS); a letter of credit system of providing advance payments of Federal funds to educational institutions; other public or private organizations, referred to as "recipient organizations;" and state and local governments.

010102. **Statutory.** This chapter implements Department of the Treasury Circular No. 1075, (Fourth Revision, Appendix 1), and Treasury Financial Manual, Volume I, Part 6, Chapter 2000, as revised, which are intended to improve the timing of cash advances so that cash withdrawals occur only when essential to meet the actual disbursement needs of recipient organizations. Also is implemented OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations, the purpose of which is to achieve uniformity in recipients' financial reporting to Federal Agencies.

0102 **REQUIREMENTS**

010201. **General.** These procedures apply to all NASA programs requiring advance payments. The letter of credit method of financing shall be used when the recipient organizations are awarded grants or contracts with advance payment provisions.

010202. **Advance Payments Authority-Grants.** Advance payments to recipient organizations are an integral feature of NASA grants made pursuant to 31 USC 6304. Advance payments may be made without a Determination and Findings (D&F) document.

010203. **Advance Payments Authority-Contracts.** The Federal Acquisition Regulation (FAR), Subpart 32.4, establishes policy for advance payments on contracts. Subpart 32.4 of the NASA FAR Supplement (NFS) establishes the NASA policy and requirements for advance payments on contracts; see NFS 32.402 for approval authorities for advance payments on contracts. The statutory authorities for advance payments are 10 USC 2307; 42 USC 2473(c) (5); and Public Law 85-804 as implemented by Executive Order 10789.

010204. **Advance Payment Requirements.** Recipients shall meet the following requirements in order to qualify for advance payments:

A. The recipient organization has demonstrated a willingness and ability to maintain procedures that will minimize time elapsing between receipt of an advance and disbursement of funds.

B. The recipient's financial management system provides for:

1. Accurate, current, and complete disclosures of the financial results of each federally sponsored project or program in accordance with financial reporting requirements.

2. Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

3. Written procedures to minimize time elapsing between receipt of advance and disbursement of funds.

4. Written procedures for determining reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms of the contract, grant, or other agreement.

5. Recipients' financial management systems shall also adhere to:

a. Grants. Standards for financial management systems as specified in OMB Circular A-110 and the Grant and Cooperative Agreement Handbook, NPR 5800.1.

b. Contracts. Generally accepted accounting principles and standards and standards for financial management and reporting as specified in relevant contract clauses.

C. The recipient organization will be required to finance its operations with its own working capital when it has demonstrated that it is unwilling or unable to meet cash management requirements that will minimize cash balances or when its financial management system does not meet the standards for fund control, accountability, and financial reporting.

010205. Financial Reporting. All recipients shall submit an electronic Federal Cash Transactions Report (SF 272) to the Department of Health and Human Services (DHHS) Payment Management System (PMS) within 15 working days following the end of each Federal fiscal quarter. NASA personnel should reconcile drawdowns during the quarter, with the ending undrawn authorization balances. Additionally, all recipients will submit a final SF 272 within 90 calendar days after the expiration date of each grant or contract. (See FMR Volume 14.020111).

010206. Reviews. Using the inquiry capability of the PMS for letter of credit recipients and the quarterly SF 272's submittal by all recipient organizations, Centers will monitor recipients' drawdown practices. If a recipient withdraws funds in excess of current requirements or fails to submit required reports on a timely basis, subsequent requests for funds may be suspended (see FMR Volume 14 0301) until the situation is remedied.

010207. If the recipient organization continues to withdraw funds in excess of current needs or fails to submit reports on a timely basis, the advance financing arrangement may be terminated (see FMR Volume 14 0301) and the recipient organization shall then be required to finance its operations with its own working capital. Note that FMR Volume 14 0302 lists specific circumstances under which the Center OCFO shall initiate suspension or termination of advance payments.

010208. Cash Management. Recipient organizations are required to request the minimum amount of funds needed and schedule cash advances to coincide with actual, immediate cash requirements. Centers shall monitor recipients' drawdowns to ensure that minimal balances are being maintained.

A. Recipients are required to maintain advances of Federal funds in interest bearing accounts, unless:

1. They receive less than \$120,000 in Federal awards per year,
2. The best reasonable available interest bearing account would not be expected to earn in excess of \$250 per year on Federal cash balances, and
3. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

B. Interest earned on advances in interest bearing accounts in excess of \$250 per year shall be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. The recipient may retain interest amounts up to \$250 per year for administrative expenses.

C. Recipients shall forward excess Federal funds erroneously drawn to the Department of Health and Human Services. The only exceptions are when the funds involved:

1. Will be disbursed by the recipient organization within seven (7) calendar days; or
2. Are less than \$10,000 and will be disbursed within 30 calendar days.

D. DHHS shall report any interest collected on excess Federal funds to the Center and to the Department of Treasury.

010209. Instructions for Recipients. Detailed instructions for recipient organizations receiving advance payments are contained in FMR Volume 14 0401, Instructions To Recipient Organizations For Acquiring Advance Payments By Letter of Credit. Upon award of the grant or contract for advance payments, Centers shall provide these instructions along with the web address where recipients may obtain copies of the Federal Cash Transactions Report (SF 272) (<http://www.whitehouse.gov/omb/grants/sf272.pdf>).