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Managing Program Advances for Non-U.S. and Nongovernmental Recipients

*This is a new reference.

Purpose:

This document provides procedural guidance on how to efficiently use a “3 month rolling” advance. This process maintains a uniform cash flow to the recipient and still limits the available cash to the recipient’s immediate disbursement needs, which complies with Treasury’s cash management policy. Treasury’s policy also requires that advances are scheduled so that the funds are available to the grantee as close as is administratively feasible to the actual disbursements by the grantee for program costs, and not beforehand.

Advances made by the recipient to sub-recipients or the recipient’s field organizations must conform substantially to the same standards of timing and amount as apply to cash advances made by USAID to the recipient.

Close monitoring of advances is necessary to ensure that amounts requested are in line with actual expenditures and meet immediate cash needs ([ADS 636.5.3.b](#)). Excessive advance balances should be recovered when appropriate.

Note: Under ADS 636.3.4.2 funds are not considered excessive when they will be disbursed within 7 days, or the amount is less than \$10,000 and it will be disbursed within 30 days.

A sample worksheet ([Report of Expenditures and Advances Control](#)) is provided at end of this reference. The sample worksheet can be used to document, track, and analyze the advances.

Applicability:

Recipients whose accounting and financial management systems conform to the standards for funds control and accountability required under the standard provision entitled “**Accounting, Audit, and Records** ([ADS Chapter 630.1.a](#) and [22 CFR 226.20 through 226.22](#)) can receive program advances. (See [Mandatory Standard Provisions For Non-U.S., Nongovernmental Recipients \(effective 7/12/02 as revised on 10/3/02\), section 1, entitled “Payment – Advance \(October 1998\)”](#))

Note: Even if a recipient meets the standards, Controllers, in conjunction with the Agreement Officer, can limit advances and liquidations to monthly submissions when –

- the recipient does not have a proven track record, or
- they determine there are other reasons that monthly advances and liquidations are more appropriate

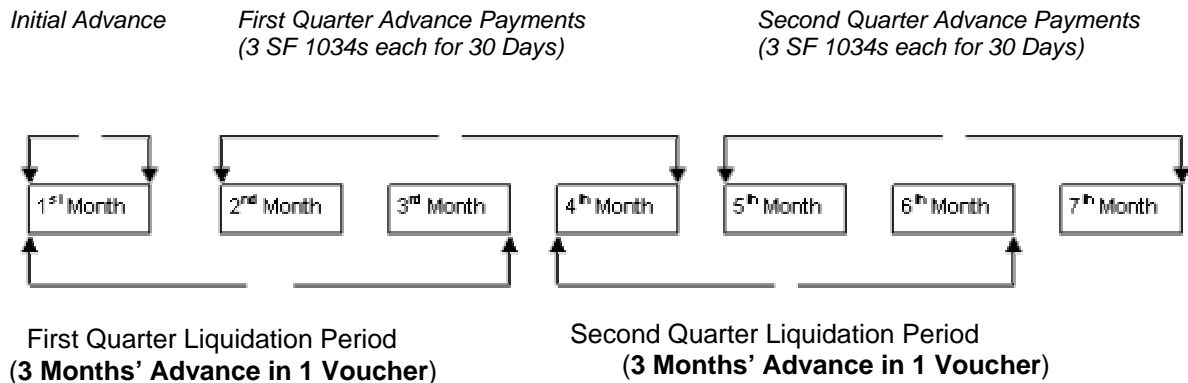
Advances do not apply to -

Recipients whose accounting and financial management systems do not conform to the standards. They are not eligible for advances but must, instead, be reimbursed for eligible program expenditures.

Procedures:

The diagram shown below is designed to help readers understand the timing of the procedural steps for both advances and liquidation.

For Section 508 purposes, the following paragraph describes the diagram: There is a horizontal middle line that numerically shows the initial seven months of grant. Above the middle line are the periods for the advance vouchers broken into three groups: initial (month 1), first quarterly payments (months 2, 3, and 4), and second quarterly payments (months 5, 6, and 7). The periods related to the liquidation vouchers are shown below the month line broken into two periods, the first quarterly liquidation period (months 1,2, and 3) and a second quarterly liquidation period (months 4,5, and 6).



Note: A grant period may start prior to the date it is signed. In this case, expenditures incurred are not part of any advance and they are paid as reimbursements for costs. Advances can only be made for periods after the grant is signed.

Note: The following procedural steps are based on the ideal situation, where there is sufficient time between the date the grant is signed and the date work begins for the recipient to request and receive an advance. However, there may be situations where the recipient's request for advance and payment of the advance both occur within the first month.

Steps:

Note: Each SF 1034: Public Voucher for Purchases and Services Other than Personal must be identified by the appropriate award number.

1. In the month **preceding the first month** of the grant period, the recipient submits one SF 1034, marked "**Request for Advance**" at the top of the form, to request an advance to cover the first month.
2. The Controller's Office reviews the estimated cash needs shown on the SF 1034 for reasonableness. Once the voucher is approved, payment is made so the recipient receives the funds just prior to the beginning of the first month.

Note: Reasonableness is when the amount of cash requested appears to meet the recipient's immediate disbursing needs for 30 days and not more than the 30 day period ([ADS 636.5.3a](#)). Missions must ensure that an organization's working capital requirements and the reimbursement cycle are considered when setting advance amounts ([ADS 636.5.3](#)).

The accountability date for this advance should be the end of the fourth month.

3. In the first month, the recipient must submit three SF 1034s requesting three separate advance payments for the first quarter, covering the second, third, and fourth months. These SF 1034s must also be marked at the top of the form with "**Request for Advance**".

Note: The fourth month is included since the actual advance payment will be made before the end of the first quarter.

4. The Controller's Office reviews the estimated cash needs shown on each of the SF 1034s for reasonableness. The actual amount of the advance must be net of any projected cash balances. The amount of outstanding advances must also be reconciled to the Mission records. Once the voucher is approved, payments are made so that the recipient receives the funds just prior to the beginning of each month.

- **Note:** The same considerations for reasonableness apply. In addition, any projected cash balances become part of the equation when determining the appropriate advance amount.

The accountability date is the end of the fourth month for the advances covering the second and third months, and the end of the seventh month for the advance covering the fourth month.

5. In the fourth month, the recipient must submit a single liquidation voucher SF 1034, marked "**Liquidation of Advances**" at the top of the form for the first, second, and third months. **No new advance can be made for the fifth month or beyond until this liquidation voucher is received from the recipient.**
6. In the fourth month, the recipient submits three SF 1034s requesting three separate advance payments for the second quarter, covering the fifth, sixth, and seventh months. The advance request must be net of any projected cash balances. Again, these SF 1034s must be marked at the top of the form with "**Request for Advance**".

Note: The seventh month is included since the actual advance payment will be made before the end of the second quarter.

7. The Controller's Office reviews the estimate of cash needs shown on each of the SF 1034s for reasonableness. The actual amount of the advance must be net of any projected cash balances. The amount of outstanding advances must also be reconciled to the Mission records. Once the voucher is approved, payment is made so the recipient receives the funds just prior to the beginning of each month. The accountability date must be the end of the seventh month for the advances covering the fifth and sixth months and the end of the tenth month for the advance covering the seventh month.
8. In the seventh month, the recipient submits a single liquidation voucher for the fourth, fifth, and sixth months. This SF 1034 must also be marked at the top of the form with "**Liquidation of Advances**". **No new advance can be given for the eighth month or beyond until this liquidation voucher is received from the recipient.**
9. The submission, review for reasonableness, and liquidation cycle continues in the same way until the end of the grant is reached.

Contact:

Any questions should be directed to: Joe Keady, M/MPI, (202) 712-5744.

**REPORT OF EXPENDITURES AND ADVANCE CONTROL
VALUE IN XXX**

Grantee

Agreement Number

Date of the report: _____

Advance request for : _____

Expenditures liquidation for : _____

Note - this is a sample analysis of an advance request for the second quarter.

Voucher Number _____ xxxx

Expenditure Classification	1	2	3	4	5	6	7	8	9	10
	Approved Budget	Cumulative Advances Through:	Cumulative Expenditures Through:	Expenditures reported this period:	Projected Expenditures For:	Cumulative Expenditures Through:	Projected Cash Available:	Projected Expenditures	Projected Expenditures	Projected Expenditures
Report Date		March	December	Jan - March	April	April	May 1st	May	June	July
XXXXXXXXXX	1,000,000	500,000	420,000	58,000	20,000	498,000	2,000	20,000	20,000	20,000
Advance needed:								18,000	20,000	20,000

Justification for Advance:	Month	Amount
Advance request for	May	20,000
	June	20,000
	July	20,000
Expenditures for last 3 months:	January	18,000
	February	21,000
	March	19,000
	TOTAL	58,000
AVERAGE	19,333	
Justification		
Any advance request that is noticeably different from the average expenditures for last three months or an excessive cash balance needs to be justified.		
Signed by: _____		

Prepared by: _____

Authorized by: _____

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