

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

### CHAPTER 5. CASH ADVANCES

#### Section 1.0 General

This chapter prescribes the policies and procedures to be observed by organization units when making cash advances to finance grant, contract, and travel activity. For detailed policies and procedures on advances to imprest fund cashiers see Chapter 6 of this Handbook.

#### Section 2.0 Policy

##### .01 Federal Grant Programs

Organization units authorizing a grant may provide advance financing to qualifying recipients as part of the grant agreement. However, no grantee is automatically entitled to receive advances. Eligibility requirements for receiving advances and considerations as to the adequacy of the recipient's financial management system are discussed in this section.

##### .02 Advances to Employees

As a general rule, public funds are not advanced to employees. However, there are some exceptions. Travel advances may be issued to employees when the employee does not have a DOC travel card. Advances of pay and allowances are generally not authorized, but pay and allowances may be advanced to employees assigned to posts in a foreign area and to uniformed members of the NOAA Corps under applicable regulations (see Chapter 6, Section 8 of this Handbook).

### Section 3.0 Authority

In accordance with 31 U.S.C. Sec. 3324, organization units may only advance public monies when authorized by a specific appropriation or law, or by the President to a disbursing official. However, there are statutory exceptions to this policy. This chapter notes a few of these exceptions. The following authorities also govern the management of advances:

- a. [31 U.S.C. Sec. 3324](#). - Provides for advances for a publication printed or recorded in any way for the auditory or visual use of an agency.
  
- b. [31 U.S.C. Sec. 3726](#) - A carrier or freight forwarder presenting a bill for transporting an individual or property may be paid before an audit is conducted by the General Services Administration. Payment for transportation ordered, but not provided, may be recovered by deduction or other means.
  
- c. [5 U.S.C. Sec. 4109](#) - Provides for advances for all or part of the necessary expenses for training employees under the Government Employees Training Act.
  
- d. [5 U.S.C. Sec. 5923](#) - Provides for a living quarters allowance granted to an employee assigned to a foreign area.
  
- e. [5 U.S.C. Sec. 5927](#) - Up to three months pay may be paid in advance to an employee upon the assignment of the employee to a post in a foreign area.
  
- f. [15 U.S.C. Sec. 196](#) - Provides for advance payments for rent of offices in foreign countries.
  
- g. [33 U.S.C. Sec. 877](#) - Provides for advances of money from available appropriations to the National Oceans Survey.
  
- h. [37 U.S.C. Sec. 1006](#) - Provides for advance payments to members of the uniformed service.
  
- i. [5 U.S.C. Sec. 5524a](#) - Provides for regulations that allow the head of each agency to make advance payments of basic pay, covering not more than two (2) pay periods, to any individual who is newly appointed to a position in the agency.
  
- j. [DOC Travel Handbook](#) - Provides detailed policy on providing travel advances to employees on official travel.

- k. Other - Advance payments may be provided for under other specific purpose legislation or appropriation acts.

#### Section 4.0 Federal Grant Programs

The Department of Commerce is utilizing the Automated Standard Application for Payment (ASAP), which is an all-electronic payment and information system deployed jointly by Treasury Financial Management Service and the Federal Reserve Bank of Richmond. ASAP is a system through which grantee organization receiving Federal Funds can draw (both advances and reimbursements) from accounts preauthorized by the grant officer and certified by the finance officers. For specific guideline on the use of ASAP, please visit the Department of Treasury website at [www.fms.treas.gov/asap](http://www.fms.treas.gov/asap).

#### Section 5.0 Advances to Employees

##### .01 Travel Advances

Organization units of the Department shall hold to a minimum the amount of cash advanced for travel purposes, follow-up with travelers to assure that vouchers are submitted within established deadlines, and process travel vouchers in a timely manner to recover any excess amounts advanced.

At the same time, no Federal employee should have to use his/her own personal funds to pay official travel expenses unless the employee has elected not to use alternative resources made available by the Government; i.e., Government travel charge card.

When a government travel charge card is not applicable for an employee (i.e. the employee does not travel enough to require use of a travel charge card), travel advances may be used when appropriate.

Accordingly, each organization unit should limit funds advanced for travel expenses to the estimated out-of-pocket expenses that a traveler is expected to incur for authorized travel purposes prior to reimbursement. Organization units and travelers are also required to take all reasonable steps to minimize the resulting cash requirements on the organization unit or the traveler. Use of the Government travel charge card is strongly encouraged. (For further details, see DOC's Travel Handbook, Part 301-51, Paying Travel Expenses.)

a. Issuance of Advances

1. Authorization

Travel advances will be issued to travelers based on an approved travel order. Advances may only be authorized under the laws and regulations applicable to the type of travel to be performed (e.g., temporary duty, permanent change of station, and foreign).

The amount advanced will be based on the character and duration of the travel and must be reasonable under the circumstances. (See DOC Travel Handbook, Part 301-10.3, Advances of Funds, Authority.)

2. Timing of Advances--Amounts to be Advanced

Organization unit officials who have been delegated the authority to approve travel advances are to manage and control outstanding travel advance balances within their organizations. See the DOC Travel Handbook, Part 301-10.3, for detailed information on appropriate amounts to be advanced, limitations, and the procedures to be followed for requesting the funds. The traveler is to make a reasonable advance request and the approving officer is to verify the request before signing the CD-369, Travel Advance, application. The computation for the advance should accompany the request along with a copy of the travel authorization; i.e., travel order.

3. Maximum Advance

The maximum advance for domestic temporary duty travel is \$5,000. This does not represent an entitlement, but the maximum cumulative amount the Department's system for foreign travel advances will allow in unvouchered advances. The maximum advance for foreign and relocation travel is \$7,500. Travel advances for domestic relocation expenses should be requested in incremental portions as needed (e.g., house hunting advance, temporary quarters, transportation of household goods). Travel vouchers should be submitted in a timely manner so that the traveler can account for or maintain the advance.

#### 4. Accounting for Advances

The traveler must show the balance of all advances outstanding at the time another request is submitted. A traveler is to file a travel voucher within five days after completing the travel, and clear any previous outstanding travel advances before requesting another advance. If, at the time the traveler files the travel voucher, the advance granted was larger than the total claim due, the traveler must attach a check to the travel voucher for the remaining travel advance balance. The check should be made payable to the Department of Commerce. A remaining travel advance balance may be retained if official travel is scheduled to take place within 30 days of filing of the travel voucher and the amount to be retained is commensurate with the travel to be performed. Expenses during an extended overseas trip should be vouchered with the traveler's servicing payment center at least every 30 days.

##### b. Control of Advances

1. Travelers are to submit travel vouchers no later than five working days after completing a trip and account for or repay any outstanding advance. When an advance has been outstanding for 30 days and no offsetting travel expenses exist, the traveler will be required to return the advance promptly to the servicing payment center.
2. For frequent travelers (traveling at least every 30 days), it is not economical to repay a travel advance and shortly thereafter request another. Advances may be maintained by frequent travelers. The maximum amount of the advance should be limited to estimated out-of-pocket meal and incidental expenses (M&IE) for a maximum 45 day period. The authorization to maintain an advance should be related to the frequency of travel, and not the type of travel authorization (order) issued. For example, the authority to maintain an advance is not limited to individuals operating under a limited-open travel authorization.
3. Infrequent travelers should immediately repay any unused advance when they submit their completed travel voucher. Failure to file a travel voucher and/or respond to a demand letter will result in an administrative offset of the traveler's salary for the amount of the excessive advance.

c. Review of Outstanding Travel Advance Balances

Organization units will review reports of outstanding travel advances to identify those travel advances that are outstanding. The report will show unvouchered advances as well as amounts considered excessive. Managers must take immediate action to have their travelers:

- O Submit refunds of unneeded advance amounts; or
- O Submit vouchers for unreported expenses and account for the outstanding travel advance.

d. Excessive Advances

1. In order to reduce excessive travel advance balances, the Department's automated payment system will analyze travel records to determine excessive amounts being held by travelers. Travel advances identified as excessive will be brought to the attention of the traveler and the traveler's supervisor or the authorizing officer who is responsible for taking the necessary action. The travel advance balance may be eliminated in one of two ways:

- By direct remittance of a personal check, bank check, or money order for the total amount outstanding or the amount determined to be excessive; or
- By submission of a travel voucher--the claimed amount to be applied against the outstanding advance balance.

2. If the excessive travel advance balance is not liquidated within 30 days (as provided for in the demand notice) by one of the above actions, the automated payment system will initiate a deduction of the excess amount by an administrative offset ([15 CFR 21](#)) from the employee's salary under the authority of [5 U.S.C. Sec. 5705](#). Form CD-369, Travel Advance, contains a "Notice of Intent" which advises travelers of this policy. Additionally, travelers will be assessed an administrative charge when collection by offset is instituted. The administrative charge is applied only once each time an outstanding balance is identified as excessive and the offset procedure is instituted.

3. If the gross pay of an employee is not sufficient to permit all deductions to be made, both mandatory and voluntary, administrative offset will continue into the next pay period in order to collect the entire outstanding excessive balance.

## .02 Advances of Pay

### a. Foreign Commercial Service Officers

Up to three months pay (i.e., not more than net pay for six bi-weekly pay periods) may be advanced to a foreign commercial service officer after the transfer from one foreign area to another, from the United States to a foreign area, or from a foreign area to the United States. However, an employee may not request an advance that would exceed repayment ability, after voluntary allotments, over 18 pay periods (3 Foreign Administrative Manual 390). An employee who has an outstanding balance from a prior advance of pay may be issued a new one after arrival at the new foreign post or, if the employee is reassigned to another foreign post, before full repayment of a previous advance of pay.

#### 1. Limitations

The amount of the advance shall be based on net pay (i.e., gross pay--exclusive of allowances, differentials, and other compensation--less required deductions).

#### 2. Timing of Advance

The advance may be paid up to 45 days before departure to a new duty post (but not sooner than the issuance of travel orders), or not later than 60 days after arrival at the new duty post.

#### 3. Repayment

Repayments shall be made by payroll deductions for a period of not more than 18 pay periods beginning with the second full pay period following the pay period in which the advance check was issued. However, full repayments shall be made immediately when assignments are cancelled for the convenience of the employee, or if the employee separates prior to the completion of the repayment period.

b. Newly Appointed Employees

The head of each organization unit may provide the advance payment of basic pay (in one or more installments covering not more than two pay periods) to any individual who is newly appointed to a position in the organization unit ([5 U.S.C. Sec. 5524a](#)). "Newly appointed" means first appointment, regardless of tenure, as an employee of the Federal Government or a new appointment following a break in service of at least 90 days.

1. Limitations

The maximum amount of pay that may be advanced shall be based on the rate of basic pay to which the employee is entitled on the date of his/her new appointment with the agency, reduced by the amount of any applicable allotments or deductions from pay. The rate of basic pay is the rate fixed by law or administrative action for the position held by an employee, including annual premiums for standby duty; night differentials for prevailing rate employees; any special rates established under [5 U.S.C. Sec. 5305](#), [5 CFR 532.251 and 253](#), or other legal authority; and locality-based comparability payments or interim geographic adjustments.

2. Timing of Advance

An advance in pay may not be made to an employee before the date of the employee's appointment with the agency or after the employee has received his/her first regular pay check.

3. Repayment.

Unless repayment is waived, repayment shall be made by installments under procedures for payroll deductions or by salary offset. The recovery period shall be no longer than 13 pay periods beginning on the date of appointment. Any balance remaining after transfer or termination of employment must be recovered by salary offset. Section 6.0 Advances to Contractors

.01 Advice and Assistance

Findings and determinations with respect to advance payments under contracts shall be made in accordance with the advice of the appropriate procurement official in the organization unit and with the advice and concurrence of the organization unit's cash management officer.

.02 Financing Tool

As a general rule, contractors are to provide their own financing, and any payment under a contract may not be more than the value of the service already provided or the article already delivered. Under statutory authority, however, advances of funds to contractors may be made as a financing tool where the agency head determines that the use of an advance payment is in the public interest, and no other means of contract financing is available to the contractor, or the contract is for national defense ([41 U.S.C. Sec. 255](#); [48 CFR subpt. 1-32.4](#) et seq.).

.03 Types of Contracts

The statutes authorizing advance payments under contracts apply equally to negotiated contracts and contracts awarded by formal advertising.

.04 Cash Flow Analysis

Advances should be approved sparingly, even when statutory authority exists, and should be based on an analysis of the cash flow required under the contract. The advance should not exceed the interim cash needs arising during the reimbursement cycle, nor exceed the unpaid contract price.

.05 Advances to Prime Contractors

Advance payments may be made only to prime contractors, but advance payments may be made to prime contractors for the purpose of making sub advances to subcontractors.

.06 Security

Contractors are required to give security for any approved advance.

.07 Liquidation of Advances

Advances will be liquidated from payments due to the contractor incident to performance under the contract.

.08 Special Bank Account

Subject to certain exceptions, advances shall be deposited into special bank accounts and protected by suitable covenants, such as a Government lien on the balance, the bank's liability for the account, access to bank records, etc. ([48 CFR subpt. 32-411](#)).

.09 Interest on Advances

Normally, interest will be charged on the unliquidated balance of advance payments at the rate established by Treasury for the Renegotiation Act of 1971 (P.L. 92-41, 85 Stat. 97), and published in the Federal Register each six month period. The rate in effect at the time the advance is authorized shall be used throughout the term of repayment. Exceptions may be made to the charging of interest ([48 CFR subpt. 32.407](#)).

.10 ACH/EFT Method

Whenever the criteria prescribed in Treasury regulations are met ([I-TFM 6-2000](#)), the ACH/EFT method of financing advance payments must be used unless waived by Treasury.