



# Advance Payment, Liquidation/ Reimbursement, and Reporting for Program Funded Advances

A Mandatory Reference for ADS Chapter 636

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## 1. OVERVIEW

This Mandatory Reference provides mandatory guidance related to advance payment, liquidation/reimbursement, and reporting procedures for program funded acquisition and assistance awards per [ADS 636, Program Funded Advances](#). In this Mandatory Reference, a recipient is defined as an organization or entity that receives Federal funds to carry out USAID missions and objectives.

## 2. PROCEDURES

Voucher examiners are responsible for the proper review, reconciliation, and processing of vouchers for payment and the amounts must be supported with appropriate documentation. During the examination of payment documentation, voucher examiners:

- Determine that a valid obligation exists;
- Ensure the appropriate USAID approvals and authorizations (including a receiving report, if required) and the documentation required by the obligating document adequately support the voucher;
- Verify the name, address, and tax identification number (TIN) of the payee;
- Check the mathematical accuracy of the vendor's invoice;
- Observe established internal controls designed to prevent any improper or duplicate payment;
- Ensure the disbursement is in accordance with laws and regulations; and
- Determine the payment due date and computing late payment interest, if required, in accordance with prompt payment guidelines.

### A. Advance Payments

To receive an advance payment, recipients must submit an [SF-270](#) or [SF-1034](#) and [SF-425](#) (preferably electronically) request for advance to the electronic invoice box: [ei@usaid.gov](mailto:ei@usaid.gov) and subsequently submit the request to the voucher examiner by Document Control. The voucher examiner verifies that the advance payment request is in accordance with the method of payment stated in the contract/award and that the appropriate approvals and documentation adequately support the request (see [ADS 630, Payables Management](#) for additional guidance).

Requests for advance payments may be submitted as follows:

- Every 30 days covering a 30-day period;
- Three requests may be submitted covering 30-day sub-periods of a 90-day period to be paid automatically every 30 days (i.e., 3-month rolling advance); or
- One request for 90 days may be submitted to be automatically disbursed in 30-day equal increments.

For an example of how a “rolling advance” method of payment is included in a recipient’s agreement, see [ADS 636saa, Managing Program Advances for Non-U.S. and Nongovernmental Recipients](#), which outlines the process for grantees in submitting liquidation vouchers within 120 days.

Advance payments or any portion of an advance payment not liquidated within 150 days (i.e., 120 days for voucher submission plus 30 days for processing) is considered delinquent (see [ADS 625, Accounts Receivable and Debt Collection](#)). A documented rationale from the Contracting/Agreement Officer (CO/AO) and/or Contracting/Agreement Officer’s Representative (COR/AOR) and approval by the Controller for Missions, or Chief of the Bureau for Management, Office of the Chief Financial Officer, Cash Management and Payments Division (M/CFO/CMP) for Washington, must support any exception.

The voucher examiner must perform the steps below to substantiate an advance payment request.

1. Run a detailed Phoenix or Phoenix Viewer obligation report and verify that the advance/liquidation/reimbursement (e.g., the Excel tracking workbook is an optional method based on individual Operating Unit (OU) requirements) is up-to-date for all transactions (posted and pending) (see [Advance Liquidation and Request Analysis Worksheet](#)).
2. Certify that sufficient “*undisbursed funds*” (total obligation less actual liquidation/reimbursement and outstanding advances) exist to make the advance request payment.
3. Run the Phoenix Viewer *Outstanding Obligation Advance Aging* report for the individual award (attaching it to the Excel tracking worksheet as documentation is optional) and perform the following for active awards:
  - a. Verify the advance balance or any portion is outstanding beyond the allowed period. If beyond the allowed period, the voucher examiner determines if liquidation vouchers are in process and deducts those amounts from the advance balance and reexamines the aging of the advance balance. If there is no overdue advance balance, proceed to step #4.

- b. Consult with the COR/AOR if an overdue advance balance exists and determine whether to (1) process a full or partial advance request with written justification by the COR/AOR, or (2) withhold the advance payment. Once overdue balance(s) are resolved, process the advance.
- 4. Avoid the release of excess funds for awards close to or at expiration or termination. Advanced amounts must be for the amount required by the recipient for disbursement, up to the end date of the contract/award, and for other planned disbursements (post expiration date) provided the contract/award allows for post expiration costs (i.e., employee severance costs, audit costs, etc.), regardless of whether the undisbursed amount shown in the system is greater. Prior to providing additional advances, the COR/AOR must ensure liquidation vouchers are received for existing advance balances.
- 5. Verify the amount requested is within the recipient's "immediate disbursing needs" defined in policy as up to 30 calendar days of an organization's expenses (see [ADS 636, Program Funded Advances](#)) or specifically stated in each award.
  - a. To determine if the amount represents immediate needs, calculate the expenditure rate. If the request is significantly greater than the expenditure rate, consult with the COR/AOR prior to making the advance payment. **Note:** Expenditure rate calculations may not be an accurate predictor of future spend rates; the COR/AOR must verify (and amended as necessary). The COR/AOR must document all deviations from the calculated expenditure rate.
  - b. Amounts greater than 30 days of the organization's expenses are allowed if included in the award and/or an approved written waiver exists per [ADS 636, Program Funded Advances](#). Waivers generally cover a temporary period and the COR/AOR must handle these with care when granting advances greater than 30 days of an organization's expenses (only during the waiver period) and in accordance with the waiver instructions.
- 6. Review vendor code information and request updates, if necessary.
- 7. Complete the advance voucher examination and determination for the amount to be advanced and process the payment and update the optional tracking workbook.
- 8. Ensure compliance with cash advance requirements. Cash advances made by the recipient to subrecipients, or the recipient's field

organizations must substantially conform to the same requirements as those applicable to USAID prime recipients. In the case of interest earned on advances, any interest over \$500 per account, per year must be remitted through the prime recipient (see [2 CFR 200.305](#) and [ADS 303mab](#)).

## **B. Liquidations/Reimbursements**

Mission Controllers and M/CFO/CMP must ensure that outstanding advances for awards are monitored on an on-going basis to ensure funds advanced are not in excess of immediate disbursing needs (see [ADS 636, Program Funded Advances](#)).

The voucher examiner performs the steps below monthly or quarterly (in accordance with the terms of the award) to liquidate/reimburse advances.

1. Standard Process - Track recipient SF-270 or SF-1034 and SF-425 liquidation/reimbursement submissions (processed and pending) and ensure submissions are accompanied by financial reports showing actual expenditures incurred. If the recipient fails to provide monthly or quarterly reports it could result in the suspension, disruption, or termination of additional payments.
2. Past Due Amounts - Follow up with the recipient by email or another appropriate written communication method if liquidation vouchers are due and have not been received by the office responsible for payment listed in the agreement.
  - a. The voucher examiner should copy the Supervisory Voucher Examiner, Authorized Certifying Officer (for Missions), Chief Accountant, and COR/AOR outlining the advance balance status and highlighting overdue amounts. Advise the recipient that pending or future advance requests are subject to reduction and/or postponement until the required liquidation voucher(s) covering overdue advance balance(s) is/are submitted to the office responsible for payment listed in the agreement.
  - b. Where serious issues exist, notify the applicable CO/AO or Mission Director, and forward a copy of the communication sent to the recipient. Written communication to the recipient regarding past-due liquidations must occur at least every 30 days until resolved.
  - c. Where advance balances appear to have become delinquent (i.e., a defunct entity), follow the procedures in [ADS 625, Accounts Receivable and Debt Collection](#).

3. Excessive Outstanding Advances - If an outstanding advance held by a recipient is deemed to be excessive (see [ADS 636, Program Funded Advances](#)), meet with the CO/AO and determine the appropriate course of action (i.e., withholding future advance payments until the existing balance becomes current and/or requesting that the recipient return the excess portion to USAID). The Financial Management staff can assist in determining whether the recipient has spent the cash and has simply failed to submit timely liquidation vouchers, or the contractor/recipient has idle cash in their bank account and is able to return funds to USAID.
4. Award Near End Date - Perform pre-expiration/termination steps (by Financial Management staff) with the CO/AO and/or COR/AOR, and the recipient to outline remaining financial management matters.
  - a. In accordance with the terms and conditions of the contract/award and the appropriate standard provisions, recipients must submit all required financial reports within the time specified in the award following the expiration date.
  - b. The recipient must submit the final financial report within 90 days following the expiration of the contract/award or in accordance with the terms and conditions using the SF-270 or SF-1034 and SF-425 showing total disbursements, total advances received, and any cash remaining on hand, which the recipient must refund to USAID (see procedures related to final vouchers with final indirect cost adjustments).
    - When the award expires, the recipient must immediately return all unexpended funds that USAID has advanced to the recipient, unless advanced funds are spent or committed in a legally binding transaction during the period of award or are required for approved close-out costs.
    - At any time, USAID reserves the right to (1) withhold or offset payments to, or (2) require refund by the contractor/recipient of any amount that the recipient did not spend according to the terms and conditions of the award or that is otherwise determined by the CO/AO as unallowable.
  - c. USAID retains the right to a refund of all amounts paid under the award until all outstanding audit findings and settlement claims have been resolved between USAID and the recipient. Financial management staff must provide instructions to the recipient on how to refund the excess amounts.

- For unused advance balances that are large and/or if the recipient is U.S.-based, the preferred method of refund is via wire transfer to USAID's account at the Federal Reserve Bank of New York (see [ADS 636, Program Funded Advances](#)).
- If the voucher is not received by the due date and an advance balance exists, the CO/AO must determine if a debt to the U.S. Government is owed. Once a debt has been determined and the CO/AO notifies the recipient, follow the procedures outlined in [ADS 625, Accounts Receivable and Debt Collection](#) to issue a formal Bill for Collection for the outstanding advance balance.

### **C. Reporting**

Payment office supervisors, or their designees, should review and analyze the Phoenix Viewer *Outstanding Obligation Advance Aging* report for their OU and client locations if applicable on a quarterly basis, or more frequently as deemed necessary. It is recommended that *Outstanding Obligation Advance Aging* reports be tailored for individual payment office needs using this criterion: (1) aged by Days Past Due - Month Increment; (2) aged by Days Past Due (within the months); and (3) aged by Years Past Due. Then the reports can be saved using the Phoenix Viewer *Saved Queries* function to facilitate and expedite the running of the reports on a regular basis.

For any outstanding advances exceeding the due date, the COR/AOR must provide a written description indicating the most recent collection action(s) taken, including the date of the most recent written communication to the recipient and any Bills for Collection issued.

### **3. DEFINITIONS**

#### **3-month Rolling Advance**

An optional procedure that allows a recipient to simultaneously submit three advance requests covering 30-day sub-periods of a 90-day period for payment just prior to the beginning of each month. This allows the maintenance of cash flow to the recipient while at the same time limiting the available cash to the recipient to immediate cash needs as required by [ADS 636](#).

#### **Expenditure Rate**

The average amount spent by the entity over a period of time (i.e., average monthly rate during a three-month period).

**Voucher Examiner**

Individual responsible for the proper review and processing of vouchers that are submitted to USAID for payment.

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