

CHAPTER 7

ADVANCES, PREPAID EXPENSES, AND OTHER ASSETS

1. INTRODUCTION.

- a. **Purpose.** This chapter supplements part 6-2000 of the Treasury Financial Manual (I TFM 6-2000) and Federal Acquisitions Regulation, "Advance Payments" (48 CFR 1-32.4), as supplemented or modified by DOE Acquisition Regulation (DEAR), "Advance Payments" (48 CFR 9-932.4) and "Contract Financing" (48 CFR 9-970.32). Disbursement methods and procedures are discussed in Chapter 6, "Cash." Advances for work to be performed for others are covered in Chapter 13, "Reimbursable Work, Revenues, and Other Collections."
- b. **Applicability.** This chapter applies to all Departmental elements and integrated contractors as provided by law and/or contract and as implemented by the appropriate contracting officer.

2. MANAGEMENT OF ADVANCES.

- a. **Employees.** Advances to employees shall be made only for tuition, books, and training fees. The advance shall be made for the lowest practical amount and at the latest practical time. Strict controls shall be maintained over all advances, including cash, and third-party drafts, and the like. A delinquency notice must be issued to the employee if the advance is still outstanding 30 days after completion of the activity for which the advance was made. Collection action through payroll deduction shall be initiated 30 days after the delinquency notice has been issued. Administrative offsets are covered in Chapter 8, "Receivables," and DOE 2200.2B, Collections from Current and Former Employees for Indebtedness to the United States.
- b. **Federal Agencies.** Advances shall not be made to other Federal agencies except when required by law or by a provision of an interagency agreement.
- c. **Contractors and Financial Assistance Recipients.** Advances under a contract must be justified in writing by the responsible DOE contracting officer. Advances to financial assistance recipients do not require formal justifications.
 - (1) **Amounts of Advances.** Advances shall be limited to the immediate cash disbursement needs of the contractor or financial assistance recipient carrying out the purpose of the contract or financial assistance document. However, when the total amount of the award is less than \$10,000 and the anticipated performance period is 1 year or less, the advance may be made in a single payment.
 - (2) **Monitoring and Controlling Advances.** Advances shall be reviewed not less frequently than quarterly. If an advance balance is in excess of current needs, the excess amount shall be reclassified as a receivable and immediately invoiced. Regardless of the amount, uncosted advances at the end of the contract or grant period should be invoiced and collected. The responsible finance office should *not* delay such invoices until final closeout or audits have been completed.

3. **MANAGEMENT OF PREPAYMENTS.** Expenses should be prepaid only when required by standard business practice. Standard business practice usually requires prepayment for rent, taxes, royalties, subscriptions, and insurance.
4. **MANAGEMENT OF COLLATERAL FUNDS.** Collateral funds and deposits consist primarily of insurance collateral funds, employee benefit and annuity funds, pension funds, special contract funds, and excess premium payments. The establishment and maintenance of a collateral fund, including the income earned and any gain or loss resulting from the sale of securities forming part of the fund, shall be in accordance with the specific provisions of the contract between DOE and the contractor concerned and the provisions of the insurance plan or other trust agreement requiring the establishment of such a fund.
5. **ACCOUNTING.** Advances, prepayments, collateral funds, and service and container deposits of \$500 or more shall be accounted for as assets. The appropriate accounts, codes, and accounting entries for recording advances are contained in the Standardized Pro Forma Accounting Transactions Document.
 - a. **Advances.** Cost accruals shall be used to reduce the advance account based on a monthly cost report. In cases where monthly cost reports are unavailable or cannot be required, estimates of the cost of work performed will be used to charge the appropriate operating expense account and credit the appropriate liability account on a monthly basis. When the cost report is received, the liability account will be debited and the advance account will be credited for the amount previously accrued. Any necessary cost adjustments will be made to the operating and advance accounts.
 - b. **Prepayments.** Prepayments shall be expensed over the period to which they apply.
 - c. **Collateral Funds.** Income from a collateral fund is accounted for as an appropriation reimbursement and reported under the Revenues from Collateral Funds activity.
 - d. **Service and Container Deposits.** A record of all service and container deposits, regardless of the dollar amount, shall be maintained and monitored outside the accounting system to assure the ultimate return of the deposit.
 - e. **Interest Earned on Advances.** Any interest income earned by a recipient organization on Federal funds must be promptly refunded unless the recipient is authorized by law or regulation to keep the interest earned or a portion thereof. This requirement does not apply to State government entities; however, a State may be required to pay interest on Federal funds from the time they are deposited in its account until they are disbursed for program purposes under the Cash Management Improvement Act of 1990, as amended.