



# NASA Procedural Requirements

**COMPLIANCE IS MANDATORY**

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## **Subject: Advances and Prepayments**

**Responsible Office: Office of the Chief Financial Officer**

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## **Chapter 1. Advances and Prepayments**

### **1.1 Overview**

1.1.1 This chapter provides the National Aeronautics and Space Administration's (NASA) policy on accounting for advances and prepayments made within NASA and to employees, other Federal Government agencies, and Non-Federal Government organizations.

### **1.2 Agency Requirements**

1.2.1 Advance payments to others may only be made if the advance is authorized by a specific appropriation, law, or the President of the United States.

1.2.2 NASA will account for advances and prepayments in accordance with applicable Public Laws as codified in the United States Codes (U.S.C.), Office of Management and Budget (OMB) Circulars, Department of Treasury (Treasury) policy and requirements, Federal Acquisition Regulation (FAR) requirements, and other governing authorities.

1.2.3 Amounts recorded as advances and prepayments shall be supported by documentation that clearly shows the basis for the amount recorded and the terms upon which an advance or prepayment is to be made.

1.2.4 Advances and prepayments made to other Federal agencies are intragovernmental transactions and should be accounted for and reported separately from amounts made to the public.

1.2.5 Advances include the following:

a. Travel Advances. NASA may issue travel advances to employees subject to the provisions of 5 U.S.C. § 5705 and the Federal Travel Regulation. Although travel advances may be granted to employees, travel advances should be used minimally. The use of the Government travel card for official travel by NASA employees is to be encouraged in lieu of travel advances.

b. Advances to Grant Recipients. Grant recipients may be paid in advance provided they meet the requirements of OMB Circular No. A-110, Section 22.

c. Letter of Credit. Treasury prescribes regulations and instructions covering the use of letters of credit for advance payments under contracts. Additionally, FAR Subpart 32.4, § 32.406, contains policy and requirements for letter of credit for advance payments.

d. Advances to Federal Agencies. Advances to Federal agencies shall be made pursuant to law and agreements between NASA (the customer) and other federal agencies (the provider).

e. Advances for Contract Financing Payments. Contract financing payments are authorized Government disbursements of monies to contractors prior to acceptance of supplies or services by the Government. The FAR Subpart 32, § 32.001 states that contract financing payments include advances payments. Refer to the FAR

Subparts 32.2 and 32.4 for policies and procedures for advance payments on prime contracts and subcontracts. Additionally, the NASA FAR Supplement Subparts 1832.2 and 1832.4 contain terms in which advances can be used for contract financing payments.

f. Small Business Concern. NASA may make advances to small business concerns under contracts for property or services. Advances for small business concern is subject to the provisions of 10 U.S.C. § 2307 and may only be made if the contractor gives adequate security and after NASA Administrator determines that to provide an advance would be in the public interest.

#### 1.2.6 Recording Advances and Prepayments

1.2.6.1 NASA records all accounting transactions in the integrated accounting system, Integrated Enterprise Management Program (IEMP)/Core Financial (CF).

1.2.6.2 Advances and prepayments paid out by NASA are to be recorded as assets in the appropriate U.S. Standard General Ledger (USSGL) accounts that have been established by the Treasury Financial Management Service. Amounts recorded as advances should be recorded separate from prepayments. Additionally, advances and prepayments paid out by NASA should not be netted against advances and prepayments that NASA receives from others.

1.2.6.3 Generally, prepayments are recorded as assets; however, the following are exceptions when prepayments should be recorded as an expense as opposed to an asset.

- a. Prepayments that are immaterial amounts of less than \$500 a month should be recorded as expenses.
- b. If the recipient of a prepayment will be delivering the goods or services within 30 days, the prepayment should be recorded as an expense.

1.2.6.4 The USSGL accounts that are affected by each advance and prepayment related transaction and the applicable pro forma entries can be found at the Treasury Financial Management Service website.

1.2.7 Reconciliations and Verifications. To ensure the integrity of the data within the USSGL and the IEMP/CF modules, there are various account relationships and reconciliations that must remain in balance at all times. NASA Headquarters has identified account relationships and reconciliations used to validate proper general ledger account postings in the Continuous Monitoring Program (CMP) document. Users should refer to the CMP for detailed information on the account relationships, reconciliations, and other advance and prepayment control activities that must be executed on a monthly, quarterly and yearly basis.

### 1.3 Roles and Responsibilities

1.3.1 NASA Headquarters, Office of the Chief Financial Officer shall:

- a. Develop, maintain, issue, and interpret financial management policies for advances and prepayments.
- b. Coordinate and monitor the processes and systems used to process, record and report advances and prepayments.
- c. Perform quality control reviews to confirm that controls are effective and processes are efficient. Additionally, ensure internal reviews are conducted.
- d. Review and monitor the CMP control activity data provided by NASA Centers and the NSSC.

1.3.2 NASA Centers and NSSC shall:

- a. Follow applicable policies in accounting for advances and prepayments.
- b. Record advance and prepayment transactions timely, accurately, and in accordance with applicable Federal regulations and NASA's policies and procedures.
- c. Maintain complete financial records of all supporting documentation.
- d. Ensure all documentation is readily available for review by procurement personnel, auditors, and NASA Headquarters or Centers' financial management personnel.
- e. Ensure adequate internal controls are in place, which include employing controls that limit access to data that is electronically transmitted and establishing/maintaining appropriate separation of duties.
- f. Timely complete the advances and prepayments CMP control activities as identified in the CMP document.

1.3.3 Competency Center shall:

- a. Process, in a timely manner, all system requests relating to advances and prepayments.

b. Ensure the financial management system provides timely, reliable, useful, complete, and consistent financial management information in accordance with OMB Circular No. A-127.

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