

VA Financial Policies and Procedures
Advance Payments

CHAPTER 7C

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0701 OVERVIEW

This chapter describes the Department of Veterans Affairs (VA) financial policies and procedures relating to advance payments, which are made in anticipation of future performance, often based on an estimated cost. Advance payments, in general, are prohibited by [31 U.S.C. 3324](#), which is intended to protect the Government against any risk of non-performance—“to preclude the possibility of loss to the Government in the event a contractor—after receipt of payment— should fail to perform his contract or refuse or fail to refund moneys advanced,” [25 Comp. Gen. 834 \(1946\)](#). Additional references include [65 Comp. Gen. 806 \(1986\)](#); [B-256692, June 22, 1995](#); [B-249006, April 6, 1993](#); and [B-180713, April 10, 1974](#).

In its simplest terms, [31 U.S.C. 3324](#) prohibits the Government from paying for goods before they have been received or for services before they have been rendered. However, advance payments may be made in certain instances if the prohibition is overridden by another appropriation or other law. Exceptions to the general prohibition clause include the following:

- Advance payments to other Federal agencies ([31 U.S.C. 1535](#));
- Advance payments for grants ([60 Comp. Gen. 208, \(1981\)](#));
- Advance payments for tuition for civilian employees as authorized by the Government Employees Training Act ([5 U.S.C. 4109](#));
- Advance payments for Subsistence Allowance ([38 U.S.C. Chapter 31](#)) and Educational Assistance Allowance ([38 U.S.C. Chapter 32, Chapter 34, Chapter 35, Chapter 36](#) and [38 C.F.R 21.4138](#));
- Advance payments for subscriptions or other charges for newspapers, magazines, periodicals and other publications for official use ([31 U.S.C. 3324\(d\)](#));
- Advance payments for official travel ([5 U.S.C. 5705](#)); and
- Advance payments for Post Office Box Rentals ([25 Comp. Gen. 834 \(1946\)](#); [34 Comp. Gen. 191 \(1954\)](#)).

0702 POLICIES

A. General

070201 VA may advance money to cover a part of or all of the recipient’s anticipated expenses to its employees, contractors and grantees only if it is authorized by a specific appropriation or other law.

070202 VA may advance payments for goods or services to other Federal agencies when payment is required by an interagency agreement.

070203 VA may advance payments to non-Federal (public) hospitals and medical schools under educational affiliation agreements.

B. Advances Made to/on Behalf of Employees

070204 VA may issue travel advances to employees subject to the provisions of [5 U.S.C. 5705](#), the [Federal Travel Regulation \(FTR\)](#) and [VA Financial Policies, Volume XIV, Travel](#), and [Volume XVI, Charge Card Programs](#). Travel advances may be made as cash advances through electronic funds transfer (EFT) or ATM withdrawal on the employee's VA Travel Card.

1. EFT Travel Advances for Temporary Duty (TDY) Travel. Per Volume XIV, *Travel*; Chapter 1, Travel Administration, these advances are requested and approved on the travel authorization through VA's travel system. Although travel advances may be granted to employees, they should be used minimally. An employee can only request a cash advance by EFT when they do not have a VA Travel Card.

2. TDY Travel Advances by ATM Withdrawal on VA Travel Card. Per Volume XVI, *Charge Card Programs*, Chapter 2, Government Travel Charge Card Programs, these advances are also requested and approved on the travel authorization through VA's travel system. Travel advances through ATM withdrawal with the contractor-issued charge card are limited to the amount allowed for meals per travel day, depending on temporary duty location, plus amounts for anticipated miscellaneous expenses, such as taxicabs (if applicable), mileage, tolls, and laundry (if applicable).

3. EFT Travel Advances for a Temporary Change of Station (TCS) or Permanent Change of Station (PCS). Per Volume XIV, *Travel*, Chapter 8, Relocation Packages, these advances are limited by the type and amount of TCS or PCS entitlement. Through EFT, VA may advance a sum considered advisable, with regard to the travel entitlement and probable duration of the travel to be performed, to an employee entitled to per diem or mileage allowances. If an employee chooses to receive an EFT travel advance for TCS or PCS entitlements, they cannot then use their VA Travel Card for those same entitlements.

Note: An employee cannot receive a travel advance in the form of cash or check directly from the Agent Cashier.

070205 VA will make advance payments to the Federal Employees Health Benefits (FEHB) program on behalf of VA employees who are in an insufficient pay or leave-without-pay status and for pre-tax benefits for FEHB amounts repaid through payroll deductions or direct payments to Agent Cashiers.

070206 VA may make advance payments on behalf of employees for tuition costs relating to educational benefit programs, such as educational seminars.

070207 VA's policies relating to advance payments made to Agent Cashiers are contained in [Volume VIII, Cash Management, Chapter 3, Agent Cashier Policy](#).

070208 VA's policies relating to advance salary payments are contained in [Volume XV, Payroll, Chapter 6, Payroll: Payments](#)¹.

C. Advances to Educational Institutions on Behalf of Veteran Beneficiaries

070209 VA may authorize advance payments for educational assistance in all cases, provided:

1. The Veteran, survivors or eligible dependents have an advance payment request on file at the school.
2. The Veteran, survivors or eligible dependents are attending school at least half time.
3. The Veteran, survivors or eligible dependents have a break of at least 30 days before the start of the term.
4. VA receives the Veteran's, survivors' or eligible dependents' enrollment certification at least 30 days before classes start.

D. Advances to Veterans

070210 VA will provide advance payments to cover subsistence and educational assistance allowances that Veterans, survivors or eligible dependents are entitled to by attending school and meeting certain conditions of enrollment, as follows:

1. The advance payment amount will be the allowance payable for the initial month or fraction thereof in which the term will commence plus the allowance for the succeeding month.
2. In the case of an in-service student, the advance payment will be a lump-sum payment for the entire term.

070211 VA will not process an advance payment for a correspondence course, on-the-job training, flight training, homebound training, or an independent instruction program.

¹ For additional information on advance salary payments, refer to Volume XV, Payroll, Chapter 6, Payroll: Payments, 060203.12.A Advance Salary.

E. Advances to Grants and Other Programs

070212 VA will limit the amount of advance payments to contractors and grantees to the minimum amounts needed and will schedule payments to coincide with the actual immediate cash requirement date of the recipient organization as it carries out the purpose of the approved program or project.

1. The timing and amount of advance payments will be as close to the actual disbursement date and amount as requested by the recipient organization for direct program costs, and proportionate share of any allowable indirect costs.

2. Funds requested for drawdown when using the Health and Human Services'/Payment Management System (HHS/PMS) are deposited directly into the grantee's or contractor's subaccount within 24 hours of the request. Advances can cover approved expenses that are expected to be paid within three days of expected drawdown.

070213 If VA has, or expects to have, a continuing relationship with a recipient grantee organization for at least one year involving advances aggregating at least \$120,000 annually, it will use the HHS/PMS.

070214 When an advance to a recipient grantee organization is less than \$120,000 annually, or there is not a continuing relationship for at least one year, the cash advances may be made by EFT or by Department of the Treasury (Treasury) checks. These advances will only be made in amounts necessary to meet current disbursement needs and will be scheduled so funds are only made available to the recipient grantee organization immediately prior to their disbursement by the recipient grantee organization.

F. Accounting for Advances

070215 VA will account for advance payments as assets and report them in quarterly and annual consolidated financial statements under the "Other Assets" category.

0703 AUTHORITY AND REFERENCES

070301 [5 U.S.C. 4109, Expenses of Training](#)

070302 [5 U.S.C. 5705, Advancements and Deductions](#)

070303 [10 U.S.C. 2307, Contract Financing](#)

070304 [31 U.S.C. 1535, Agency Agreements](#)

070305 [31 U.S.C. 3324, Advances](#)

070306 38 U.S.C. Chapter 31, Training and Rehabilitation for Veterans with Service-Connected Disabilities

070307 38 U.S.C. Chapter 32, Post-Vietnam Era Veterans' Educational Assistance

070308 38 U.S.C. Chapter 34, Veterans' Educational Assistance

070309 38 U.S.C. Chapter 35, Survivors' and Dependents' Educational Assistance

070310 38 U.S.C. Chapter 36, Administration of Educational Benefits

070311 Office of Management and Budget Circular A-136, Financial Reporting Requirements - Revised

070312 Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities

070313 38 C.F.R. 21.4138, Certifications and Release of Payments

070314 Federal Acquisition Regulation Part 32.4, Advance Payments for Non-Commercial Items

070315 25 Comp. Gen. 834 (1946); 34 Comp. Gen. 191 (1954) – Advance Payments for Post Office Box Rentals

070316 60 Comp. Gen. 208 (1981), Making Advance Payments to Grantees

070317 Volume XVI, Charge Card Programs, Chapter 2, Government Travel Charge Card Program

070318 VHA Directive 2004-066, Educational Affiliation Agreements, November 18, 2004

0704 ROLES AND RESPONSIBILITIES

070401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management, and provision of policy guidance and oversight of VA's financial management personnel, activities, and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

070402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

070403 The Office of Financial Policy (OFP), within the VA Office of Finance, is responsible for the information contained in this chapter.

0705 PROCEDURES

A. General

070501 When the need arises and specific requests are made by Federal agencies to provide VA with goods and/or services, VA will process advance payments to the providing Federal agencies. Payments are usually made via the Intragovernmental Payment and Collection (IPAC) system. Per Treasury, Federal agencies are required to have like-entries for Trading Partners. VA's policies and procedures relating to intragovernmental transactions are contained in Volume VII, *Financial Reporting*, Chapter 5, Intragovernmental Activity and Reconciliations.

B. Advances Made to/on Behalf of Employees

070502 Advance payments to employees for travel will initially be recorded as assets and then subsequently reduced when travel expenses are actually incurred.

1. VA employees can obtain travel advances in either of two ways: (1) VA's electronic travel system (ETS) for temporary duty travel, or (2) Standard Form 1038, Advance of Funds Application and Account, for permanent or temporary change of station entitlements.

(a). VA employees will use the ETS² for temporary duty travel, including making reservations, obtaining authorization from managers, purchasing tickets, requesting travel advances and receiving reimbursement. Once approved, the travel advances are processed to the employees' direct deposit accounts within three or four business days. If VA employees use Government-issued travel cards, the advance is processed as an ATM withdrawal against the travel card.

(b). VA employees can obtain travel advances for permanent or temporary change-of-station using the SF 1038, Advance of Funds Application and Account. The form must be accompanied by the original travel order signed by the authorizing VA official and the traveler. Once approved, the form is forwarded to the fiscal office for processing and travelers receive the advance via direct deposit within three or four business days. Similar to temporary duty travel, if VA employees use

²VA's travel system is a comprehensive end-to-end service to plan, book, track, approve and request reimbursement for travel services for the Federal employee.

Government-issued travel cards, they may receive an advance as a cash withdrawal on their travel cards. If an employee receives an EFT cash advance for TCS/PCS entitlements, they cannot use their travel card for those same entitlements. (See 0702.B.3)

2. The gross amount of travel advances not used for allowable travel expenses is recoverable from the employee or the employee's estate by (1) offset against accrued pay, retirement or other amount due the employee; (2) deduction from an amount due from the United States; or (3) such other method as provided for by law. The offset is a flexible amount depending on circumstances.

3. Travel advances will not be issued to employees who have misused VA's Travel Card Program.

070503 Advance payments for FEHB payments made on behalf of VA employees in an insufficient pay or leave-without-pay status will result in receivables being automatically generated in VA's Financial Management System (FMS).

1. An accounts receivable entry will be established (or its balance increased) for each employee based on the amount charged to personnel compensation budget object code 1132, Advance FEHB.

2. Local payroll offices should continue to monitor amounts advanced on behalf of employees and ensure the collection of such amounts, based either on an arrangement made with the employee or on an offset action initiated by the fiscal officer. Amounts collected by Agent Cashiers should generally be applied to the oldest accounting line. A payroll office should advise the accounting office whenever amounts are collected for established receivables.

070504 VA will process tuition assistance payments to employees issued in advance of approved educational benefit training programs, including educational seminars.

070505 VA's procedures relating to advance payments made to Agent Cashiers will be contained in Volume VIII, *Cash Management*, Chapter 3, Agent Cashier Policy.

C. Advances for Educational Assistance Benefits for Veteran Beneficiaries

070506 Advance payments are made to VA beneficiaries who are enrolled in certain educational programs.

1. The advance payment check, made payable to the Veteran or eligible person, will be mailed to the school by the Treasury Regional Financial Center (TRFC) on behalf of the individual, who will receive the payment upon registering (but not more than 30 days prior to the date classes commence).

2. If the check cannot be delivered because the eligible person fails to register, the check should be returned by the educational institution to the TRFC as soon as possible.
3. When educational institutions receive unidentifiable checks, they should be encouraged to return the check to the Regional Processing Office or Treasury for examination. Any misdirected checks must be forwarded to the proper educational institution for corrective action to input the correct facility code.
4. Advance payment checks, received by Agent Cashiers at regional offices because of unmatched school codes in the facility file and/or students' education master record, will require prompt action to identify and release the checks to the proper institution.

070507 When subsistence allowances are authorized, the amount of subsistence allowance to be paid in advance will represent the amount due for the first month of training (or partial month) plus the second month. Only properly-approved subsistence allowances will be processed for advance payment. In computing the amount of advance, no deduction will be made for an existing overpayment. However, if such a deduction is to be made, the award will not be processed under advance payment procedures.

070508 Once the semester begins, the tuition will be expensed.

D. Advances to Grants and Other Programs

070509 The procedures relating to establishing a grantee account to use the HHS/PMS for funds drawdown, the establishment of an obligation in VA's FMS, and the payment review process for obtaining funds from HHS/PMS are described in Appendix A. HHS/PMS can be accessed at <http://www.dpm.psc.gov>.

070510 Guidance relating to obtaining cash advances by way of direct Treasury checks is in the [Treasury Financial Manual, Volume 1, Part 4A, Chapter 2000, Overall Disbursing Rules for All Federal Agencies](#). EFT is the preferred method for obtaining funds. Guidance on EFT transfers can be found at the following links:

<http://www.fms.treas.gov/eft/regulations.html>

<http://www.fms.treas.gov/tfm/vol1/v1p6c800.txt> (Cash Management)

E. Accounting for Advance Payments

070511 Advance payments will be initially recorded as assets and then reduced when the related expenses occur.

070512 Advance payments will be reduced when goods or services are received and contract terms are fulfilled. The advance payments, in effect, expire with the completion and delivery of the goods and/or services.

070513 Amounts of advance payments that represent valid debts owed to VA should be reclassified as accounts receivable, which are then subject to VA's debt collection procedures.³

0706 DEFINITIONS

070601 Advance Payment. An amount paid by VA to its employees, contractors, grantees or others to cover a part or all of the recipient's anticipated expenses or to cover the cost of goods and services that VA acquires.

070602 Advance FEHB Payment. Money paid to finance the cost of maintaining Federal Employees Health Benefits for VA employees who are in an insufficient pay or leave-without-pay status. These payments are made on behalf of the employee, but are not paid directly to the employee.

070603 Affiliation. A relationship between VA and an educational institution or other health care facility for the purposes of enhanced patient care and education. It may also involve research. VA and the affiliated educational institution have a shared responsibility for the academic enterprise.

070604 Affiliation Agreement. The legal instrument that enables clinical education of trainees at a VA or non-VA medical facility. Affiliation agreements are required for all education or training that involves direct patient contact or contact with patient information by trainees from a non-VA institution.

0707 RESCISSIONS

This chapter rescinds VA Financial Policy Vol. II Chapter 7C, dated August 2009.

0708 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

³Refer to [Volume V, Chapter 6, Accounts and Interests Receivable](#).

0709 REVISIONS

Section	Revision	Office	Effective Date
Overall	Updated the hyperlinks	APPS	July 2013
070204	Reworded the paragraphs and added statements for three kinds of travel advances	APPS	July 2013
070207	Deleted footnote 1	APPS	July 2013
0702.C	Added “on Behalf of Veteran Beneficiaries” to the title	APPS	July 2013
0702.D	Added title “D. Advances to Veterans”	APPS	July 2013
070208	Added policy reference for advance salary payments	APPS	July 2013
0705.A	Added statements for intragovernmental transactions with Trading Partners.	APPS	July 2013
070502.1.(b)	Added statement for employee receiving EFT advance for TCS/PCS entitlements.	APPS	July 2013
0705.C	Added “for Veteran Beneficiaries” to the title	APPS	July 2013
0707	Updated the RESCISSIONS section	APPS	July 2013
0709	Added “0709 REVISIONS” section	APPS	July 2013

APPENDIX A: PROCEDURES FOR CASH ADVANCES TO RECIPIENT ORGANIZATIONS

Advance Financing (Drawdowns) Using the Department of Health and Human Services Payment Management System (HHS/PMS)

HHS Division of Payment Management (DPM) operates and maintains the HHS/PMS, which is an automated system used to provide disbursement, grant monitoring, reporting and cash management services to both awarding agencies and grant recipients. HHS/PMS is a flexible system, capable of receiving automated or manual payment requests, editing them for accuracy and content, and transmitting them to either the Federal Reserve Bank or the U.S. Treasury for deposit into the grantee's bank account for payment. HHS/PMS online capabilities allow users to determine the status of accounts on a real-time basis. HHS/PMS is accessible through DPM's home page at <http://www.dpm.psc.gov>. The following is a brief outline of the major steps for a recipient organization to obtain a cash advance using HHS/PMS:

A. Grant Award to Recipient Organization (Grantee)

1. VA receives the recipient organization's application, Standard Form (SF) 424, Application for Federal Assistance, a required face sheet for pre-applications and applications for Federal assistance and SF 424-C (Budget Information-Construction Programs). The application is reviewed to ensure it meets VA requirements. The application includes a box to record the recipient organization's Employee Identification Number (EIN).
2. VA sends the recipient organization an SF 1199a (Direct Deposit Sign-Up Form), along with a contact information sheet requesting both a primary and alternate point of contact, titles, names, phone numbers and email addresses.
3. After VA receives the SF 1199a containing original signatures, a copy of the form is filed and the original is forwarded to DPM at the following address:

Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

In addition to this address, DPM can be accessed via the Internet at www.dpm.psc.gov or via email at PMSSupport@psc.gov.

4. HHS modifies the EIN number, which is the recipient organization's tax ID number, with three numbers/letters for HHS identifying purposes, followed by a message to VA stating that the grant recipient organization's account has been established. Grant data are submitted to update the HHS/PMS database.

5. VA provides official notification to the recipient organization of the approved award and that its account has been established in the HHS/PMS, from which grant funds can be drawn down.

B. Obligation Mechanism

1. VA assigns an obligation number and prepares a VA Form 1358, Obligation or Change in Obligation. (Refer to [Volume II, Chapter 6, 1358 Obligations](#), for procedures used in preparing this form.)
2. VA inputs information from VA Form 1358 into VA's FMS and monitors the system to ensure the funds are obligated.
3. VA creates a project Notepad file that includes the proper card column spacing acceptable to HHS/PMS.
4. After VA enters the grant information in HHS/PMS, an e-mail is automatically generated to the next level for supervisory approval and payment processing.

C. Payment

1. DPM provides VA's grantees with a Personal Identification Number (PIN) and a Personal Account Number (PAN), access to the HHS/PMS System and a password to the electronic PSC272 Reporting System.
2. Using the Payment Management System (PMS), the user can click on the payment tab followed by the request for payment tab. Further instructions, including additional information required for payment, are available at www.dpm.psc.gov.
3. The recipient organization submits a hard copy of SF-271 (Claim for Reimbursement) to VA for review. HHS/PMS sends an e-mail request stating that the grantee has placed a reimbursement request into the system. After the amount is verified in HHS/PMS, the first level approver in VA approves the request, prompting a request to be sent automatically to the second level confirmer for final review. After this second level review, the funds are electronically transferred to the Federal Reserve Bank or Treasury account that the recipient organization has established for the grant.
4. After payment has been approved, VA monitors the HHS/PMS system to confirm that the payment has been made to the recipient organization.