

Background

In general, it is the University of Georgia's policy to deny advance payments to Subcontractors, due to the liability it creates for the University. However, in exceptional circumstances, it may be necessary to advance funds to subcontractors in developing countries if not doing so would jeopardize the performance of the project.

- A. Contract language regarding advance payments will be discussed at the outset of subcontract negotiations. The agreement between the University of Georgia or the University of Georgia Research Foundation and the subcontractee must include specific language in the payment section stating the terms for advance payments from Section D below.

If advance payments are not agreed to during the negotiation stage, the decision to advance funds on subcontracts will be approved by the Director of Contracts and Grants, on a case-by-case basis, in accordance with these guidelines and OMB A-110. The University of Georgia will allow the cash advance of funds to federal subrecipients only in exceptional or extraordinary circumstances when cash flow for the operation is a critical factor in project performance.

- B. Fund Sources for advance payments:

- 1- Advance payments will be made from departmental "discretionary" type funds, such as indirect cost return 900 or residual 950 accounts. Once the advanced funds are expended, the charges will then be transferred to the sponsored account using the documentation supporting the expenses (i.e. detailed categorical report).
- 2- Advance payments may be made from the sponsored account **only** in exceptional and unusual circumstances. The decision to do so rests with the Director of Contracts and Grants.

Exception:

- 1. Peanut CRSP projects may be advanced funds from the sponsored account without Director approval.

- C. The Principal Investigator (PI) is ultimately responsible for advances made to the subcontractor, regardless of funding source. The PI must review and sign all subcontractor advances, certified invoices, and reports attesting that he or she is in close contact with the subcontractor, the advance is necessary to the success of the project, the charges are appropriate to the project, and the expenditures are directly related to the work product.

It is advisable that the PI also remain in close communication with University officials, should difficulties be encountered during the course of the project. Investigators should request cash advances with caution because of the risk and liability involved. Positive cash balances can result in interest being charged to the subcontractor. Should the

amount of funds advanced exceed the cumulative total expenditures reported on the certified reports, the PI will be responsible for working with the subcontractor to ensure that all unspent funds are returned to the University of Georgia's Contracts and Grants Division.

D. Steps involved in securing cash advances:

1. A maximum of 25% of the contract's annual amount may be advanced at any given time. In rare instances (i.e., when the actual immediate cash requests of the recipient organization necessitate advance funds to carry out the purposes of the approved program or project) cash advances beyond 25% may be allowed.
 - a. If an invoice is received prior to the first advance, this invoice amount must be subtracted from the total encumbered amount before an advance amount can be determined. The advance amount will then be determined based on this new balance. Subsequent invoices will not affect the advancement amount. For example, if the total encumbrance amount is \$100,000 and an invoice for \$25,000 is received prior to an advance, the new balance will be \$75,000. Any advances subsequent to this invoice will be calculated at 25% of \$75,000 (\$18,750).
2. A detailed categorical report, certifying actual expenditures for project-related expenses signed by the subrecipient's financial officer must be received, countersigned and approved by the PI, and submitted to Contracts and Grants.
3. Once 90% of the advanced funds have been expended and reported on by the receiving institution, an additional advance on the project may be requested, repeating the steps in D, above.
4. UGA will advance a maximum of 90% of the contracted funds; the remaining 10% balance will be reimbursed to the receiving institution upon the receipt of a certified final detailed categorical report.
5. For each advance payment requested, a Check Request form personally signed by the PI along with a copy of the contract payment terms attached must be submitted to Contracts and Grants by the PI's department, requesting advance funding for the subcontract. The foreign entity should send an invoice, thus attesting to the working capital need.
6. A check will be cut and mailed to the address provided on the Check Request form. If the department prefers to use a traceable mail carrier (for example Fedex), the department may indicate on the Check Request form that they wish to pickup the check from accounts payable and mail via their preferred carrier.

E. Questions regarding these guidelines should be addressed to:
Contracts and Grants Division [(706) 227-7223]