

DRAFT RECLAMATION MANUAL RELEASE

Comments on this draft release must be submitted to Linda Griswold lgriswold@usbr.gov by May 5, 2025.

Background and Purpose of the Following Draft Directive and Standard (D&S) Advances to Others and Prepayments FIN 07-36

This new Directives and Standards (D&S) establishes the Bureau of Reclamation's requirements and procedures for the recording, accruing, and drawing down of advances to others and prepayments in accordance with generally accepted accounting principles.

The Reclamation Manual is used to clarify program responsibility and authority and to document Reclamation-wide methods of doing business. All requirements in the Reclamation Manual are mandatory.

See the following pages for the draft D&S.

Reclamation Manual

Directives and Standards

Subject:	Advances to Others and Prepayments
Purpose:	To establish the Bureau of Reclamation's requirements and procedures for the recording, accruing, and drawing down of advances to others and prepayments. The benefit of this Directives and Standards (D&S) is Reclamation-wide standardization for the accounting of advances to others and prepayments in accordance with generally accepted accounting principles.
Authority:	Reclamation Act of June 17, 1902 (32 Stat. 388), as amended; Indian Self-Determination and Education Assistance Act (Pub. L. 93-638), as amended; 31 USC 3324 ; 41 USC 4503 ; 2 CFR Part 200 ; Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting (SFFAS) 1 , <i>Accounting for Selected Assets and Liabilities</i> ; FASAB SFFAS 6 , <i>Accounting for Property, Plant, and Equipment</i> ; FASAB SFFAS 54 , <i>Leases</i> ; FASAB Technical Release 12 , <i>Accrual Estimates for Grant Programs</i> ; FASAB Statement of Federal Financial Accounting Concepts 5 , <i>Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements</i> ; Office of Management and Budget (OMB) Circular A-11 , <i>Preparation, Submission, and Execution of the Budget</i> .
Approving Official:	Director, Mission Support Organization
Contact:	Finance Policy and Programs Division (FPPD); Policy, Compliance & Audit Team (84-27410)

1. Introduction.

Unless otherwise authorized, 31 USC 3324 prohibits payment under a contract to provide goods or services that is more than the value of the goods already delivered or the service already provided. Reclamation must have authority to advance or prepay funds. Examples of such authorities include:

- A. Pub. L. 111-11 allows advances to non-Federal entities for extraordinary maintenance when they meet specific requirements (see Reclamation Manual (RM) D&S, *Funding and Extended Repayment of Extraordinary Maintenance Costs* ([PEC 05-03](#))).
- B. The Economy Act allows Federal agencies to perform intragovernmental reimbursable activity with or without an advance. OMB Circular A-11 provides guidance for when Reclamation advances funds to other Federal entities.

Reclamation Manual

Directives and Standards

2. **Applicability.**

This D&S applies to Reclamation employees who participate in monitoring and recording advances to other entities and prepayments when Reclamation advances the funding prior to the performance of the work or the receipt of the goods. It does not apply to:

- A. partial payments or progress payments made to a contractor based on a percentage or stage of completion of the contract; and
- B. specific authorized advances to employees such as for travel¹.

3. **Capitalization.**

Reclamation frequently provides funding to another entity to perform work on assets Reclamation currently owns, will own, or will hold in trust. Regardless of the mechanism for providing funds, Reclamation determines whether to capitalize or expense the costs prior to establishing the work breakdown structure (WBS). See RM D&S *General Property, Plant, and Equipment (G-PP&E)* ([FIN 07-20](#)) for capitalization criteria and RM D&S *Master Data and General Ledger (GL) Chart of Accounts* ([FIN 04-20](#)) for WBS requirements.

4. **Assets Under Construction (AUC).**

The Financial and Business Management System (FBMS) does not allow an RA WBS in general ledger (GL) 141000WCN0, *Advances – Reclamation Water Contracts* or GL 141000PPA0, *Prepayments on Agreements*. The region creates an appropriate reciprocal WBS (e.g., RX) and transfers the costs from the reciprocal WBS to the RA WBS using cost allocation or other appropriate methods. Cost allocation must not cross funds and functional area. See Paragraph 11.B. for leases with AUC. See RM D&S *Assets Under Construction (AUC)* ([FIN 07-24](#)) for AUC requirements.

5. **Requesting and Creating an Advance Payment or Prepayment.**

The authority cited on the agreement and the agreement terms determine whether Reclamation pays in advance or as a prepayment.

A. **Obligation.**

When an agreement requires a preliminary purchase request (PPR), the request for an advance must indicate “advance payment” in the PPR creator notes. The purchase order or an order in G-invoicing must also indicate advance payment if Reclamation is paying in advance or as a prepayment.

B. **Payment to Non-Federal Entity.**

To request advance payment for non-Federal entities, the regional finance office enters the request into the Accounting Services Division (ASD), Accounts Payable

¹ See 5 USC 5705 and Reclamation Intranet > Additional Resources/Quick List > Finance & Accounting > Accounting Services Division > Travel

Reclamation Manual

Directives and Standards

(AP) SharePoint site and specifies payment is in advance. The request includes the Financial Manager's or the Finance Officer's approval to advance or prepay the funds to the non-Federal entity. AP processes the advanced payment and prepayments in GL 141000WCN0. See Paragraph 4 for requirements for processing activity related to AUC.

C. **Payment to Federal Entity.**

(1) **G-Invoicing.**

For intragovernmental payments processed in G-invoicing, the 7600B agreement must indicate an advance. The seller (servicing agency) enters a down payment request in G-invoicing, which interfaces with FBMS to pay and record the advance.

(2) **Other Than G-Invoicing.**

For intragovernmental payments not processed in G-invoicing, the seller requests an intragovernmental payment and collection (IPAC) notating the advance payment. ASD, Accounting and Fiscal Services Team (AFS) verifies the advance requirements on the 7600B or agreement and processes the IPAC as an advance, which records the entry in GL 141000PPA0.

6. **Accrual of the Drawdown of the Advances to Others.**

SFFAS 7 requires recording expenses (and the drawdown of the advance to others or prepayment) in the period incurred. As per the Department of the Interior's Accounting Handbook, Reclamation records actuals or accruals at least quarterly. See Paragraph 8 for the requirements for recording actuals.

- A. The regional finance office gathers accrual information from personnel assigned to monitor the agreement (e.g., the project manager) and records the accrual quarterly (see Paragraph 7 for methodologies).
- B. The regional finance office records an auto-reversing journal voucher (JV) to accrue the estimated drawdown of the advance and recognizes the associated estimated expenses quarterly. The JV uses document type SB with a debit to the applicable expense GL 6xxxxxxx and a credit to GL 141000OTH0. They submit the JV to the FPPD; Reporting, Accounting & Production Support team for processing in FBMS. The JV derives the budgetary GLs 480200C000, *Undelivered Orders, Obligations Prepaid/Advanced – Journal Voucher* and GL 4902000000, *Delivered Orders – Obligations Paid*. Abnormal balances caused by the JV at the GL level will not affect financial reporting at the standard GL level. If Reclamation capitalizes the construction activity and records the advance in the RX WBS, the region transfers the costs from the RX WBS to the RA WBS using cost allocation or other appropriate methods, see Paragraph 4.

Reclamation Manual

Directives and Standards

7. Accrual Estimate Methodologies.

A. Non-Federal.

Personnel responsible for monitoring the agreement, in conjunction with the regional finance office, estimate expenditures incurred since the most recent financial report/data received from the recipient of the advance or prepayment. The regional finance office attaches documentation of the methodology, source of information, computations, and/or records of discussions and assumptions to the JV for audit purposes. Documentation for a phone call must include the following: date of call, name of the recipient of the advance, name and position of individual who provided the information, specifics as to what work has been accomplished, etc. Acceptable methods for the accrual include:

(1) Percentage of Completion Method.

Verified estimates of work completed by the recipient of the advance or prepayment using progress reports, inspection reports, contract schedules, or through documented discussions with the recipient regarding performance and work accomplishment.

(2) Historical Trend Analysis.

Past experience, when month-to-month costs do not vary significantly, and estimates are reliable.

(3) Other Methods.

Other methods that are consistently applied, are reasonable, and are supportable if audited by either the Government Accountability Office, Office of the Inspector General, or another audit organization.

B. Federal.

Best practices are both Federal agencies record the actuals at least quarterly instead of recording an accrual. If an accrual is required, the regional office works with the trading partner to determine the amount both entities accrue. The regional finance office attaches supporting documentation to the JV. Documentation of a phone call must include the following: date of call, name of the recipient of the advance, name and position of individual who provided the information, specifics as to what work has been accomplished, etc.

8. Actual Drawdown of Advances.

A. Non-Federal.

Personnel assigned to monitor the agreement receive the required documentation (e.g., SF-425 Financial Report) from the recipient of the advance or prepayment in accordance with the frequency specified in the agreement. They review and approve the documentation and forward copies to the regional finance office. If the documentation is not received, the regional finance office follows up with the

Reclamation Manual

Directives and Standards

personnel assigned to monitor the agreement. The regional finance office reviews the documentation for reasonableness and calculates the amount of the actual drawdown. They submit a request in the ASD AP SharePoint Site to draw it down. If applicable, after the drawdown occurs, the regional finance office transfers the costs from the RX WBS to the RA WBS using cost allocation or other appropriate methods, see Paragraph 4.

B. **Federal.**

(1) **G-Invoicing.**

- (a) G-invoicing will not allow settlement if a modification is pending. Prior to month end, AFS and the regions work closely with Reclamation's trading partner to ensure any modification is either fully approved or, if the modification was rejected, Reclamation pushes through a new modification to change the order back to the previous state. Reclamation must also complete its part of the approval prior to month end.
- (b) The seller enters a performance transaction, which reflects the delivery of goods or services, to drawdown the advance in the frequency specified in the agreement. If the 7600B states freight or free on board (FOB) source, the performance automatically settles but if it is FOB destination, Reclamation accepts the receipt of the goods or services.

(2) **Non-G-Invoicing.**

Reclamation draws down non-G-invoicing advances and prepayments to Federal entities using the same process described in Paragraph 8.A., except the regional office works with the trading partner to receive documentation of the amount to draw down. The regional finance office submits the request and supporting documentation to process the drawdown to AFS via mailbox bor-ipacs@usbr.gov.

9. **Monitoring Inactive Balances.**

Reclamation ensures the completeness of advance to others and prepayment drawdowns by reviewing WBSs in GL 141000xxxx without activity in the previous quarter. The regional finance office works with personnel assigned to monitor the agreement to determine whether Reclamation should accrue a drawdown of the advance to others/prepayment or whether Reclamation should pursue requesting a refund (see Paragraph 10). They note actions taken to clear the advance or prepayment. The regional finance office performs the quarterly review in accordance with regional business practices. The regional finance officer, or their designee, reviews the responses for reasonableness.

10. **Refunds.**

At the end of the period of performance, agreement closeout, and final reconciliations, personnel assigned to monitor the agreement work with the regional finance office to

Reclamation Manual

Directives and Standards

retrieve funding in excess of the allowable costs the other entity incurred to accomplish the agreed upon activity(s).

11. Lease.

A. Short-Term and Intragovernmental Lease.

Record and monitor advances to others and prepayments for a short-term lease and intragovernmental lease the same as non-lease advances to others (asset GL 141000xxxx). The corresponding expense GL for non-intragovernmental short-term leases is GL 610000xxxx and for intragovernmental leases is GL 693000xxxx.

B. Other Than Short-Term Leases, Intragovernmental Leases, and Leases That Transfer Ownership.

If Reclamation provides payments prior to the commencement of the lease (e.g., during construction of the underlying asset), it records the payment as an advance to others, GL 141000xxxx. Upon commencement of the lease, Reclamation reclassifies the advance and includes it in the measurement of the lease asset.

12. Recordkeeping and Section 508 Compliance.

Reclamation employees maintain all records in accordance with the Information Management Handbook², as referenced in RM D&S *Information Management* ([RCD 05-01](#)). In addition, Reclamation employees who create electronic content ensure information and communication technology developed, procured, maintained, or used is accessible to individuals with disabilities in accordance with the Information Technology Standards and Guidelines ([36 CFR 1194](#)), as required by the Rehabilitation Act of 1973, including use of electronic signature software. See RM D&S, *Accessibility to Information and Communication Technology: Section 508 of the Rehabilitation Act* ([IRM 05-08](#)).

13. Definitions.

A. Advance to Others.

Cash outlays Reclamation makes to other entities to cover a part or all of the recipients' anticipated expenses or as an advance payment for the cost of goods and services Reclamation acquires. Progress payments made to a contractor based on a percentage of completion of the contract are not advances.

B. Agreement.

For the purposes of this D&S, a binding agreement including a contract, intragovernmental agreement, memorandum of understanding/agreement, financial assistance agreement, or other instrument utilized by Reclamation.

² Reclamation Intranet > Additional Resources/Quick List > Records and Info. Management > Information Management Handbook

Reclamation Manual

Directives and Standards

- C. **Assets Under Construction or (AUC).**
General property, plant, and equipment construction costs that meet the requirements for capitalization until the work is substantially complete, as defined in the project management plan.
 - D. **Capitalize.**
Record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized.
 - E. **Drawdown.**
Recording the decrease in an account's balance.
 - F. **Expense.**
Outflow or other using up of assets or incurrences of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other activities related to Reclamation's programs and missions, the benefits from which do not extend beyond the present operating period.
 - G. **Intragovernmental Lease.**
A contract or agreement occurring between Governmental agencies whereby one entity (lessor) conveys the right to control the use of property, plant, and equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.
 - H. **Prepayment.**
Payments Reclamation makes to cover certain periodic expenses before the recipient incurs the expense.
 - I. **Short-Term Lease.**
A non-intragovernmental lease with a lease term of 24 months or less.
14. **Review Period.**
The originating office will review this release every four years.