

32.402 General.

(a) A limitation on authority to grant advance payments under Pub.L.85-804 (50 U.S.C. 1431-1435) is described at 50.102-3(b)(4).

(b) Advance payments *may* be provided on any type of contract; however, the agency *shall* authorize advance payments sparingly. Except for the contracts described in 32.403(a) and (b), advance payment is the least preferred method of contract financing (see 32.106) and generally they *should* not be authorized if other types of financing are reasonably available to the contractor in adequate amounts. Loans and credit at excessive interest rates or other exorbitant charges, or loans from other Government agencies, are not considered reasonably available financing.

(c) If statutory requirements and standards for advance payment determinations are met, the *contracting officer shall* generally recommend that the agency authorize advance payments.

(1) The statutory requirements are that-

(i) The contractor gives adequate security;

(ii) The advance payments will not exceed the unpaid contract price (see 32.410(b), paragraph (a)(2)); and

(iii) The *agency head* or designee determines, based on written findings, that the advance payment-

(A) Is in the public interest (under 32.401(a) or (b)); or

(B) Facilitates the *national defense* (under 32.401(c)).

(2) The standards for advance payment determinations are that-

(i) The advance payments will not exceed the contractor's interim cash needs based on-

(A) Analysis of the cash flow required for contract performance;

(B) Consideration of the reimbursement or other payment cycle; and

(C) To the extent possible, employment of the contractor's own working capital;

(ii) The advance payments are necessary to supplement other funds or credit available to a contractor;

(iii) The recipient is otherwise qualified as a responsible contractor;

(iv) The Government will benefit from performance prospects or there are other practical advantages; and

(v) The case fits one or more of the categories described in 32.403.

(d) If necessary, the agency *may* authorize advance payments in addition to progress or partial payments on the same contract (see 32.501-1(c)).

(e) Each agency that provides advance payments *shall*-

(1) Place the responsibility for making findings and determinations, and for approval of contract terms concerning advance payments (see [32.410](#)), at an organizational level high enough to ensure uniform application of this subpart (see the limitation at [50.102-1\(b\)](#) which also applies to advance payments authorized under Pub.L.85-804 ([50 U.S.C. 1431-1435](#))); and

(2) Establish procedures for coordination, before advance payment authorization, with the activity that provides contract financing support.

(f) If the contract provides for advance payments under Pub.L.85-804, the *contracting officer shall* ensure conformance with the requirements of [50.103-7](#).

Parent topic: [Subpart 32.4 - Advance Payments for Other Than Commercial Acquisitions](#)