

Finance

1503: Advance Payment Policy for Community-Based Organizations

Purpose

The purpose of this policy is to establish a consistent approach to advance requests, disbursement, and repayment with nonprofit Community-Based Organizations (CBO) that contract with the Sacramento County (County).

The policy aims to support contracted nonprofit entities with advances, when necessary, as part of a County program, while appropriately managing the risks to the County.

Authority

- 2 CFR 200.305 Federal Payment, as it pertains to Federal pass-through programs
- California Government Code 11019, as it pertains to state programs

Scope

This policy applies to all County departments and agencies that administer grants and contracts with nonprofit CBOs. Further, the policy applies to nonprofit CBOs that are recipients and awarded County grants and contracts. The policy only applies to advance payments on grants or contract awards and does not apply to loans, lines of credit, or other borrowing requests of County funds, which are evaluated separately from this policy.

Policy

Advanced payments are appropriate when they are essential for the effective implementation or ongoing operation of a County program and where funding sources allow for advances.

Demonstrated Need

CBOs must demonstrate their need for an Advance Payment. This includes submitting an Advance Payment Request Form to the responsible Department Director, stating the amount of the advance and reason why the advance payment is essential (ex., cash flow issues).

A standard form for CBO application for Advance Payment may be published by the County Director of Finance for consistency.

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Approval for Advance Payment

Approval for an Advance Payment is granted by the responsible Department Head after a thorough review of the CBO's request for Advance Payment, including consideration of reference checks, contracting history, prior compliance with this policy, and other relevant factors. Department Heads may request additional fiscal, operational, or other information from the CBO to ensure a thorough review of the request.

To be considered for an Advance Payment, eligible CBOs must show a demonstrated need as well as the ability to adhere to all the provisions of this policy. Department Heads have the authority to deny a request for Advance Payment for any reason.

For advances \$250,000 or higher, secondary approval is required by the Director of Finance. For CBOs that have prior non-compliance with this policy or have previously failed to repay a prior advance timely, additional review and approval by the Director of Finance is required. The Director of Finance will notify the respective Deputy County Executive of advances approved or denied above this threshold. The notification threshold may be increased at the request of the respective Deputy County Executive.

Departments are ultimately responsible for the monitoring of advances, tracking compliance, and ensuring timely recoupment of advances following County policy.

Limit on Advance Payment

Advance payments are limited to a maximum of 25% of the annual grant amount to be made pursuant to the contract during a fiscal year. Department heads may adopt a lower maximum percentage or dollar amount to comply with funding source requirements or to meet department needs.

Any exception to advance greater than the maximum 25% must be approved by the Director of Finance and the Board of Supervisors.

Re-Payment

If the need for advanced payment is approved, departments will work with the CBO to establish the repayment plan in writing. All repayment plans must be made prior to the issuance of advance payments. Departments shall identify the collection method and timeline of repayment in the Advance Payment approval and in the contract.

Under most circumstances, repayment will be made during the same fiscal year of the advance payment. Failure to comply with the repayment plan will result in the County (or Department) recouping funds from subsequent contracts with the CBO.

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CBOs that do not repay the advance within the terms outlined in the contract may be sent to DOF Division of Revenue Recovery (Revenue Recovery) for collections. Advances that are not repaid or able to be collected by Revenue Recovery will be absorbed as a fiscal loss to the Department. The Department will be responsible for any resulting non-compliance with program funding terms and conditions.

Additionally, at the end of each fiscal year (or specified period), any excess advanced funds must be repaid within 60 days after receiving a request by the County. Further advance requests will not be considered until prior excess advances are repaid.

Compliance

All departments and recipients of advance payments must comply with the terms of this policy. Non-compliance may result in contract termination, the suspension of future advance payments and potential disqualification from future funding opportunities.

Review

Review annually and revise for any changes in guidance from the aforementioned authorities above.

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Revision History

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