**US Letter of Credits Policy**

1. **Scope and application**
   1. The US Government utilizes a Letter of Credit (LOC) mechanism to fund most of its contributions to UNDP. The Agreements which are funded via the LOC mechanism are primarily on behalf of USAID. For agreements with the US Government which are cash funded, refer to [POPP on Revenue Management, Other Resources](https://popp.undp.org/taxonomy/term/106).
   2. This POPP outlines procedures that should be followed in administering grants made under the LOC mechanism where UNDP is a beneficiary of US Government Letters of Credit in order to ensure compliance with donor guidelines and UNDP financial processes.
2. **UNDP as Beneficiary of US Government Letters of Credit** 
   1. Except for the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), which the standard [agreement template has been established, all other US Government agreements](https://popp.undp.org/node/881), must be cleared by the Legal Office, Bureau for Management Services (LO/BMS) before signing. UNDP Offices must ensure the agreements do not obligate UNDP to submit any reports to the US Federal Government Agency other than the reports listed below. Any request for additional reports should be cleared by the LO.
   2. UNDP Offices should NOT submit any donor checklist (including Recipient Closeout Statement) to the US Federal Government Agency upon project completion. Any requests from the US Federal Government Agency for additional documents should be cleared by GSSC after consultation with CFRA, as necessary.
   3. For ongoing projects, UNDP Offices are required to complete an interim Federal Financial Report (FFR)425 {complete lines 10(d) to 10(o)} for each award and submit it to the local Contract/Agreement Officer’s Technical Representative (COTR/AOTR) within the time frame agreed with the COTR/AOTR (usually quarterly).
   4. Upon project completion and grant expiry, GSSC will prepare and submit a Final FFR-425 {complete lines 10(d) to 10(o)} for each award and submit it to the respective US Federal Government Agency HQ. The deadline to submit the Final FFR-425 is 90 days after grant expiry.
   5. GSSC will file electronically a quarterly FFR-425 {complete Lines 10(a) – 10(c)} and FFR attachment through the Department of Health and Human Services (DHHS) Payment Management System (PMS) to report cumulative expenses for all grants. The deadline for filing the quarterly FFR-425 is within 30 days from the end of the quarter.
   6. UNDP Offices must that ensure expenses charged to the project are incurred or committed prior to the grant expiry date. Expenses committed after the grant expiry date will be disallowed by the US Federal Government Agency and should not be charged to the project being funded by the US Federal Agency grant.
   7. If the UNDP Office determines that programming activities will not be completed by the Grant expiry date, a no-cost extension should be requested from the local US Federal Government Agency office. Such no-cost extension should be requested well in advance, prior to the grant expiry date and expenses should not be incurred after the grant expiry date if the no-cost extension has not been approved. A copy of the approved no-cost extension should be sent to GSSC **within 1 week** of approval.

# Contributions

* 1. UNDP’s Revenue Recognition policy for all US funded grants through the LOC mechanism is to recognize revenue based on the obligated amount stipulated in the signed agreement.
  2. After a UNDP Office signs the agreement with the local US Federal Government Agency counterpart, the US Government updates its public website [(](http://www.dpm.psc.gov/)<http://pms.psc.gov>[)](http://www.dpm.psc.gov/) with information on the new grant to obligate the grant and make funding available to UNDP. The website also provides standard reports on the status of all UNDP approved grants. These reports provide information on the grant ID, grant start date, grant obligated amount, any increase/decrease in the grant amount and the grant expiry date. GSSC requests quarterly cash drawdowns for obligated grants using the DHHS PMS based on expenses incurred by the UNDP Offices against the respective projects.
  3. Once the UNDP Office has negotiated and signed a LOC grant agreement with the relevant US Federal Government Agency (Local USAID), a copy of the signed agreement and the Chart of Accounts (COA) for the associated project should be submitted to GSSC **within 1 week of signing the grant agreement** via the UNITY/UNall for processing in the Contract Management Module.
  4. At the end of every year, the Head of Office will be required to certify in the annual representation that all signed agreements/amendments to agreements have been submitted to GSSC on a timely basis prior to the closure of the financial ledgers. This will help ensure that UNDP revenue is captured in a timely manner as any late submission of these documents poses a significant management reporting risk and audit risk as revenue will not be reported accurately in the UNDP financial statements, including quarterly financial statements.
  5. GSSC will verify whether the new grant has been reflected on the US Government website and will credit the project in Quantum PPM with the funds that have been obligated using the COA provided by the UNDP Office. Revenue is recognized based on the full obligated amount per the signed agreement.
  6. UNDP Offices are responsible for creating the project in Quantum PPM and providing all the relevant chart fields. The accounting entries used by GSSC to record new grants when funds are obligated by the Federal Government Agency are:

Dr Unbilled Accounts Receivable Contracts - Letter of Credit (GL Account 14082)

Cr Project Voluntary Contributions - US Government Letter of Credit (GL Account 51013)

* 1. The COA for crediting the contribution to the project should include:

Project ID: As provided by the BU

Fund Code: Appropriate fund codes as advised by GSSC

Donor Code 10480

Cost Centre: As provided by the BU

PCBU: As provided by the BU

* 1. When performing quarterly payment drawdowns, GSSC will create the relevant Billed Accounts Receivable entry as follows:

Dr Government Letters of Credit Receivable (GL Account 13010)

Cr Unbilled Accounts Receivable Contracts - Letter of Credit (GL Account 14082)

* 1. When entering the project in Quantum,, UNDP Offices must ensure that the correct GMS rate, as agreed with the US Federal Government Agency, in accordance with UNDP’s cost recovery policy.

* 1. On a quarterly basis, GSSC requires UNDP Offices to certify expense figures extracted from Quantum for each operational grant, before the end of the month following the quarter in question.
  2. On a quarterly basis, an analysis of expenses per grant is completed by GSSC to determine whether UNDP has any unfunded expenses (i.e. UNDP has incurred expenses against the grant without drawing funds from the LOC). This analysis is performed for each grant separately, taking into account the current level of expenses (increase/decrease) from the prior quarter, the amount of cash already drawn and the grant expiry date. GSSC draws down the LOC by electronically requesting funds via the PMS. Once requested, the transfer occurs normally within 2 business days. When cash is received, GSSC applies the funds against the Billed Accounts Receivable as follows:

Dr Cash Clearing - Contributions USD Account (GL Account 41436)

Cr Government Letters of Credit Receivable (GL Account 13010)

* 1. All drawdowns are handled by GSSC and cash is received in HQ Bank Accounts.

**Roles allocated in the DHHS PMS**

3.13 UNDP Offices are requested to enter 793511262 for DUNS Number and 13-2924889 for EIN Number where requested in the FFR-425. Any changes to the DUNS or EIN Numbers will be advised by UNDP Treasury. The entity Administrator for the DHHS PMS is the Finance Specialist in the Corporate Financial Reporting and Agencies Services (CFRA) Section within OFM. This individual is authorized to have access to the System for Award Management (SAM) which is part of the DHHS PMS. UNDP Offices should enter UNDP304 for the account number where requested.

* 1. Any questions on completing the form should be sent to GSSC.

# 4.0 Forms and Templates

* [LOC Expenses Certification Template](https://popp.undp.org/node/421)
* [FFR 425 Form](https://popp.undp.org/node/6031)
* [FFR 425 Instructions](https://popp.undp.org/node/6036)
* [US Government Letter of Credit Guidelines and Procedures for funding UNDP projects](https://popp.undp.org/node/881)

# UNDP Revenue Recognition policy paper

* [IPSAS 23 Policy paper](https://popp.undp.org/node/2931)