How to use the Account Codes for Services to Projects (Delivery Enabling Service Costs, formerly known as “direct project costs”)

(revised as per POPP update - 15 March 2023)

1. **Overview**

Please refer to the POPP update, [**Programme and Project Management**](https://popp.undp.org/taxonomy/term/36), June 17th, 2021

In order to assist offices in their costing and budgeting of project activities, PPM procedures "[Prepare Fully Costed Budgets for Projects](https://popp.undp.org/node/1706)" have been added. These procedures provide guidance on how to budget direct and indirect costs including personnel and operating costs, as well services by UNDP offices to projects. They also provide a sample project budget template by activities and budget inputs and a sample timesheet template when estimating UNDP services to projects. These updates are reflected in the following PPM chapters:

1. [Formulate Programmes and Projects policy](https://popp.undp.org/node/1981) (clauses 41-42, 47 and 49)
2. [Formulate Development Projects procedures](https://popp.undp.org/node/10826) (Step 3.2)
3. [Formulate Development and Institutional Effectiveness Projects procedures](https://popp.undp.org/node/10826) (Step 1.1)
4. [Engagement Facility procedures](https://popp.undp.org/node/10706) (Step 3.1)
5. [Multi-Country and South-South Projects procedures](https://popp.undp.org/node/11131) (Step 3.1)

Budgeting and costing requirements of the specific funding partners (EU, GEF and Global Fund) are also available under a hyperlink in the above procedures:

* [European Union (EU)](https://popp.undp.org/node/1701)
* [GEF funded](https://popp.undp.org/node/1456)
* [Global Fund (GF)](https://popp.undp.org/node/1706)

 **Direct Project Costing**

* [Planning and Paying for Delivery Enabling Services to Projects](https://popp.undp.org/node/11271)
* [Multiple Funding Lines for Positions](https://popp.undp.org/node/11136)
* [Use of UPL and LPL](https://popp.undp.org/node/11736)

Direct Project Costs (DPC) (or as re-defined as delivery enabling services) are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed in full to that development activity (projects & programmes) or service. Therefore, these costs are included in the project budgets and charged directly to the projects budget for the development activity and/or service.

The primary objective of POPP update is to reflect in the appropriate projects budget the true direct costs of achieving the development results and objectives funded from regular (core) and other (non-core) programme resources.

There are **two** main options for implementing Direct Project Costing at the country office level. The flexibility to determine which option to use rests with the respective country office.

**Option 1 - Application of the CO workload study results, combined with multiple funding lines for posts:** This is the preferred modality as there is a minimal transactional burden on the COs. By using the multiple funding lines for posts, most of the costs are attributed up front in the Quantum HR module and the payroll charges are posted directly to the defined COAs without the requirement to perform ‘ex-post-facto’ Zero-dollar invoice adjustments.

**Option 2 - Application of the Universal Price Lists (UPL) or Local Price List (LPL) for transactional costs recovery:** This option may be preferred for operations support, where staff are more likely to provide support to the full range of country office projects (as opposed to programme staff who typically support a narrower portfolio of limited projects).

The use of multi-COA position or UPL/LPL based charges via Zero-dollar invoices are the preferred methods for direct services. When the development project COA is **not** available, the units can establish a delivery enabling service project (pre-financing) until information projects to be charged becomes available. Please refer to POPP [Planning and Paying for Delivery Enabling Services to Projects](https://popp.undp.org/node/11271) paragraphs 5-10.

**CO services to development projects - Account codes**

Please be noted it is NOT necessary to reverse the direct project costs attributed through the option 1 (e.g. position multiple COA line through Quantum HCM position management). These costs will be posted directly to various payroll expense accounts in 6 series. DPC implementation report (BMS/OFM) will include the DPC positions based on their position distribution (%).

The following two new account codes effective 1 January 2017 are available:

64397 – Services to Projects - CO Staff

74596 – Services to Projects - GOE

DPC account codes (64397 and 74596) are used to charge directly attributable costs incurred by the **country offices** to the development projects for UPL/LPL services or reverse direct expenses to the projects when pre-financing had to be made:

1. UPL/LPL based services - use both accounts 64397 & 74596;
2. Eligible **staff** costs from DPC pre-financing projects - use the account 64397;
3. Eligible **operational expenses** from DPC pre-financing projects to development projects - use the account 74596.

When charging DPC under the Option 2 and a pre-financing, it is important to use the same DPC account on both sides of debit and credit entries of Zero-dollar invoices and AP invoices. It is attribution of already-incurred expenses from a UNDP CO management project to the development projects, hence, the debit entries to the development project should also have to be with the same DPC accounts. (Note that it is a change from prior year practices! The offices used to charge UPL/LPL based services to various expense accounts of the development projects and credit it to a single income account in XB funds despite the fact that such charges are simply reversal of already-incurred expenses, not a new revenue!).

**Accounting Entries for UPL/LPL services via** Zero-dollar invoices **and AP Invoice:**

 For example, LPL for a visa processing fee is $100, it has two cost components: a) staff costs (70%); b) GOE (30%). $70 is charged to COA of the development project and credited to the management project with the account code “Direct Project Costs – Staff- 64397 on BOTH debit and credit entries. Similarly, $30, the GOE portion is posted with the account code “Direct project Costs –GOE – 74596” BOTH on debit and credit entries of journal.

Zero-dollar invoices shall have the following entries:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Debit (Credit) amount | Distribution of UPL/LPL(%) | ExpenseAccount Code | Fund | Project |
| $70 -  Debit | 70% of total bill  | 64397 – DPC staff cost | Prog. Funds as per Project COA | Prog. projects |
| ($70) - Credit | 70% of total bill | 64397 –DPC staff cost | Mgmt  (core or XB) funds | Mgmt projects |
| $30 -  Debit | 30% of total bill | 74596 – DPC GOE | Prog. Funds as per Project COA | Prog. projects |
| ($30)  - Credit | 30% of total bill | 74596 – DPC GOE | Mgmt  (core or XB) funds | Mgmt projects |

APinvoices: If an office recovers a DPC (for example, a visa fee) based on UPL/LPL at the time of processing travel allowance, an AP Invoice shall have 4 additional lines in addition to the travel allowance payable to the vendor:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Debit (Credit) amount | Distribution of UPL/LPL(%) | ExpenseAccount Code | Fund | Project |
| **Recording of travel allowance:** |  |  |  |
|  $2,000 - Debit |  | 71615 – Travel allowance | Prog. Funds as per Project COA | Prog. projects |
| **Recording of DPC:** |  |  |  |
| $70 -  Debit | 70% of total bill  | 64397 – Project Services Staff costs | Prog. Funds as per Project COA | Prog. projects |
| ($70) - Credit | 70% of total bill | 64397 - Project Services Staff costs | Mgmt  (core or XB) funds or DPC pre-financing (11309) | Mgmt or DPC pre-financing projects |
| $30 -  Debit | 30% of total bill | 74596 – Project Services GOE | Prog. Funds as per Project COA | Prog. projects |
| ($30) - Credit | 30% of total bill | 74596 – Project Services GOE | Mgmt  (core or XB) funds or or DPC pre-financing (11309) | Mgmt or DPC pre-financing projects |
|  |  |  |  |  |

Zero-dollar invoices **accounting entries for expenses incurred in CO DPC pre-financing projects:**

When the country offices decided to pre-finance the costs when the development project COA is not available, the units can establish a delivery enabling service project (pre-financing) until information projects to be charged becomes available.

The expenses should be apportioned to development projects regularly (monthly or at least quarterly). The following review and analysis should be completed for any Zero-dollar invoices to attribute the costs to development projects (for more detail to POPP [**Planning and Paying for Delivery Enabling Services to Projects**](https://popp.undp.org/node/2996)):

1. Review and summary of expenses in two categories a) staff costs (all expenses in 6 series) and general operating expenses (7 series) in their pre-financing projects;
2. Apportionment of actual expenses based on the workload of staff pre-funded from DPC project

Once the office finalized the apportionment of direct project costs across the development projects, the following entries would need to be made with DPC account codes (64397 and 74596)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Debit (Credit) amount | Purpose | ExpenseAccount Code | Fund | Project |
| $10,000 -  Debit | Project to project A | 64397 – project services –staff cost | programme funds (30000 or 04000) | Prog. projects |
|  $5,000 - Debit  | Staff cost to project B | 64397  | programme funds (30000 or 04000) | Prog. projects |
| ($15,000) - Credit | Staff costs | 64397 | Mgmt  (core or XB) or prefinancing fund | Mgmt project |
|  $5,000 - Debit | Project Services – GOE project A | 74596 – project services - GOE  | programme funds (30000 or 04000) | Prog. projects |
|  $2,000 - Debit | Project Services - GOE to project B | 74596 | programme funds (30000 or 04000) | Prog. projects |
|  ($5,000) - Credit | Project Services - GOE | 74596  | Mgmt  (core or XB) or pre-financing fund | Mgmt project |

**Attribution of “Expert Policy Advisory Services” from HQ (BPPS and central bureaux) from country development projects**

The country offices may request expert advisory services from HQ units to support the development projects at any stage of project life cycle in consultation with HQ bureaux.

A dedicated account code, Expert Advisory Service- Staff cost (64399) is created to record the internal services charges. This account is only used to pay the cost of HQ staff to development projects.

*Accounting Entries to reimburse “Expert Policy Advisory Services” from HQ (BPPS and central bureaux:*

For example, at the request from the country office, HQ staff conducted a 5-day mission for two projects with the following costs:

1. Staff costs for 5 days - $1000 cost at the internal charge-out rate (lower than the full proforma)
2. Mission costs (ticket and DSA) - $5000

In this case, the mission costs should be charged directly to the concerned development projects COA against the travel account codes (716xx) when processing the travel requests in Quantum for the staff member. If the office was not able to pay the travel costs at the time of travel, the office should reimburse the mission costs from the development projects budget to the HQ units COA using the travel account codes (716xx) not DPC account codes.

The recovery of staff costs, e.g. expert advisory services, however, will be processed via Zero-dollar invoices as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Debit (Credit) amount | Purpose | ExpenseAccount Code | Fund | Project |
| $1,000 -  Debit | Project to project A | 64399 – Expert Advisory Services staff cost | programme funds (30000 or 04000) | Prog. projects |
|  $1,000 - Debit  | Staff cost to project B | 64399 | programme funds (30000 or 04000) | Prog. projects |
| ($2,000) - Credit | Staff costs | 64399 | COA from HQ (BPPS, BMS, BERA) | As provided from HQ |

1. Incorrect use of DPC accounts

The following DPC accounts should be used only to attribute the internal direct project costs.

* 64399- Expert advisory services – HQ staff
* 64397 – Projects services – CO staff
* 74596- Project services – GOE

Any transactions where the above account codes were incorrectly used, for instance, DPC accounts were only used to charge the development projects while the credits were recorded in different accounts, will be included in a monthly DPC exception report and year-end accounts certification exercise. The offices should review the DPC exception reports regularly to correct any miscoding on time.

DPC accounts should NOT be used to charge the mission costs, external consultants, translators and drivers who were hired to support the mission, rental of equipment and vehicles and premises. These type of expenses should be paid directly from the respective development project budgets using the following expense accounts at the time of payments to vendors:

* 716xx - Travel costs
* 731xx - Rental of premise
* 712xx – Consultants
* 734xx – Rental of equipment
* 725xx – Publications

DPC accounts should NOT be used to recover the agency services costs via Zero-dollar invoices or AP Invoices. DPC account codes are only used for internal re-distribution of UNDP costs among UNDP development projects. Agency service fees are recorded to country offices XB fund (11302) and service fee income account (54015). For more information, please refer to POPP Chapter Agency services.