**US Agreements**

1. **UNDP as Beneficiary of US Government Letters of Credit**

2. 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 and, in a few limited instances, the US Department of State.

3. After a UNDP Business Unit signs the agreement with the local US Federal Government Agency counterpart, the US Government updates its public web-site (http://www.dpm.psc.gov) with information on the new grant to obligate the grant and making funding available to UNDP. The website also provides standard reports on the status of all UNDP approved grants. These reports provide information on grant ID, grant start date, grant obligated amount, any increase/decrease in the grant amount and the grant expiry date. Contributions Unit at UNDP HQ requests cash draw-downs quarterly for obligated grants using the Department of Health and Human Services (DHHS) Payment Management System (PMS) based on expenditures incurred by the UNDP Business Units.

4. 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.

5. For agreements with the US Government which are cash funded, refer to POPP on Revenue Management, Other Resources.

6. All US Government agreements must be cleared by the Bureau of External Relations and Advocacy (BERA) before signing. Business Units 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 with BERA.

7. 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 with HQ.

8. For ongoing projects, 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). This replaces the previously filed SF-269.

9. Upon project completion and grant expiry, Contributions Unit 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. This replaces the previously filed Final SF-269.

10. Contributions Unit will file electronically a quarterly FFR-425 {complete Lines 10(a) – 10(c)} and FFR attachment through the DHHS Payment Management System (PMS) to report cumulative expenditures for all grants. The deadline for filing the quarterly FFR-425 is within 30 days from the end of the quarter. This replaces the previously filed PSC-272.
11. Business Units must ensure expenditures charged to the project are incurred or committed prior to the grant expiry date. Expenditures 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.

12. If the Business Unit determines that programming activities will not be completed by the Grant expiry date, a no-cost extension should be requested for the local US Federal Government Agency office. The no-cost extension should be requested prior to the grant expiry date and expenditures 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 CU at UNDP HQ.

**Contributions**

13. After a UNDP Business Unit signs the agreement with the local US Federal Government Agency counterpart, the US Government updates its public web-site (http://www.dpm.psc.gov) with information on the new grant to obligate the grant and making funding available to UNDP. The website also provides standard reports on the status of all UNDP approved grants. These reports provide information on grant ID, grant start date, grant obligated amount, any increase/decrease in the grant amount and the grant expiry date. Contributions Unit at UNDP HQ request cash draw-downs quarterly for obligated grants using the Department of Health and Human Services (DHHS) Payment Management System (PMS) based on expenditures incurred by the UNDP Business Unit.

14. Once Business Unit have negotiated and signed grant agreements with the relevant US Federal Government Agency (Local USAID or US Department of State office), a copy of the signed agreement and the Chart of Accounts (COA) for the associated project should be sent to Contributions Unit (contributions@undp.org) who will verify whether the new grant has been reflected on the US Government website. Contributions Unit will credit the project in Atlas with the funds that have been obligated by the US Federal Government Agency using the COA provided by the Business Unit. Business Units are responsible for creating the project in Atlas and completing all the relevant chart fields. The accounting entries used by Contributions to record new grants when funds are obligated by the Federal Government Agency are:

   Dr Government Letters of Credit Receivable (GL Account 13010) Cr Project Contribution Revenue (GL Account 51005)

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

   Project ID: As provide by the BU  
   Fund Code: 30000 and 16610  
   Donor Code 10480  
   Department ID: As provided by the BU  
   PCBU: As provided by the BU

16. In entering the project in Atlas, Business Units must ensure that the GMS rate, as agreed with the US Federal Government Agency, in the agreement is entered accurately.

17. Quarterly, based on an analysis of expenditure per grant, the Contributions Unit determines whether UNDP has unfunded expenditure (i.e. UNDP has incurred expenditure against the grant without drawing funds from the LOC). This analysis is performed for each grant separately, taking into account the current level of expenditure (increase/decrease) from prior quarter, the amount
of cash already drawn and the grant expiry date. Contributions Unit draws down the LOC by electronically requesting funds via the PMS system. Once requested, the transfer occurs within 2 business days. When cash is received, the following accounting entries are passed using direct journal by Contributions Units at UNDP HQ:

- Dr Cash (GL Account 11005)
- Cr Dr Government Letters of Credit Receivable (GL Account 13010)

18. All draw downs are handled by Contributions Units at UNDP HQ and cash is received in HQ Bank Accounts.

Year-End Procedures

19. The approved IPSAS Revenue Recognition policy for all US funded grants through the LOC mechanism is to recognize revenue based on the expenditures incurred because the agreements are “reimbursive” agreements.

20. Since the full amount of revenue is credited to the project by Contributions Unit when the grant is obligated by US Government, at year-end, Contributions Unit will generate a report of expenditures incurred on each grant and reverse the revenues and receivable by the amount of the unutilized balance to match revenues to expenditures incurred. After the financial close of the books, Contributions Unit will credit the utilized resource balance to the project to allow the Business Unit to incur expenditures. Business Units are required to certify expenditures at yearend to confirm the final grant expenditures. These manual year-end procedures will be performed annually by Contributions Unit until the Atlas Rate-Based system is rolled out.

21. Contributions Unit requires Business Units to certify expenditure figures extracted from Atlas for each operational grant, before the end of the month following the quarter in question. This requirement will be included in the quarterly closing instructions issued by the Office of Financial Resources Management (OFRM). In this regard Business Units must ensure accuracy and completeness of expenditure data in Atlas. Expenditure certifications must be made using the attached certification template and forwarded to Contributions Unit (contributions@undp.org) mailbox.

Forms and Templates

- LOC Expenditure Certification Template
- FFR 425 Form
- FFR 425 Instructions
- Revised LOC Guidelines
- US Government Letter of Credit Guidelines and Procedures for funding UNDP projects