**US Government Letter of Credit Guidelines (LOC) and Procedures**

**for funding UNDP projects**

**Background**

The US Government utilizes a LOC to fund most of its contributions to UNDP. The Agreements which are funded via the LOC mechanism are primarily on behalf of USAID.

**US Government Procedures**

Except for the [U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL)](https://www.state.gov/bureaus-offices/under-secretary-for-civilian-security-democracy-and-human-rights/bureau-of-international-narcotics-and-law-enforcement-affairs/), which the standard agreement template has been established, all other US Government agreements 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 with the Legal Office (LO/BMS).

After the UNDP Office signs the agreement with the local US Federal Government Agency counterpart, the US Government updates its public website, <http://pms.psc.gov> with information on the new grant, making the funding available to UNDP. The website also provides standard reports on the status of all grants issued. These reports include information such as the grant ID number, start date, amount of the grant or any increase/decrease in the grant value and expiry date. The website is also used by UNDP GSSU to request draw-downs.

**US Government Reporting Requirements**

The US Government grant procedures require the submission of a Federal Financial Report (FFR-425). Responsibility for completing and submitting FFR-425 is as follows:

1. For ongoing projects, UNDP Offices are required to complete an interim 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).

1. Upon project completion and grant expiry, GSSU 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. Country Offices should NOT submit any donor checklist (including Recipient Closeout Statement) to the US Federal Government Agency upon project completion.
2. Any requests from the US Federal Government Agency for additional documents should be cleared by GSSU after consultation with CFRA, as necessary.
3. GSSU 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.

A copy of the [Federal Finance Report (FFR-425)](http://content.undp.org/go/prescriptive/Financial-Resources-Management---Prescriptive-Content/download/?d_id=2226505) and [FFR-425 line item instructions](http://content.undp.org/go/prescriptive/Financial-Resources-Management---Prescriptive-Content/download/?d_id=2226508) (for completing FFR-425) are attached for reference.

**Roles allocated in the DHHS PMS**

UNDP Offices are requested to enter 645521498 for DUNS Number and 1133417984A1 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 access to the System for Award Management (SAM) which is part of the DHHS PMS. UNDP Offices should enter UNDP304 for the account number.

Any questions on completing the form should be sent to GSSU.

**UNDP procedures**

To comply with the donor’s requirements UNDP must fulfil the following procedures. Failure to comply with these requirements could lead to request for return of grant funds and interest, and negatively affect the reputation of UNDP. Furthermore, UNDP Offices will be responsible for absorbing any expenses already incurred.

Setting Up the LOC in Atlas

Once UNDP Offices 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 submit to GSSU Revenue **within 1 week** of signing the grant agreement via the Service Request Portal. GSSU will verify whether the new grant has been reflected on the US Government website and will credit the project in Atlas with the full contribution amount as obligated in the signed agreement based on the COA submitted by the UNDP Office. UNDP Offices are responsible for creating the project in Atlas and completing all the relevant chart fields.

Expense reporting:

GSSU will update the FFR-425 data online on a quarterly basis with cumulative expenses for all grants using the DHHS PMS based on the reporting deadlines advised by the US Federal Government Agency (USAID or US Department of State). This is generally within 30 days of each calendar quarter-end (for example, 4Q 2009 has to be filed by January 31st 2010). GSSU requires UNDP Offices should certify expenses figures extracted from Atlas for operational grants, for each of their grants before the end of the month following the quarter in question. **In this regard UNDP Offices must ensure the accuracy and completeness of expenses data in Atlas.**

LOC Draw-down:

Based on an analysis of expenses per grant, GSSU determines whether UNDP has 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 prior quarter, the amount of cash already drawn and the grant expiry date. GSSU will draw-down the LOC by electronically requesting funds via the PMS. Once requested, the transfer occurs within 2 business days.

At present, the US government limits the value of drawdowns to 3 days’ expenses.

Accounting:

The accounting entries used by GSSU to record new grants when funds are obligated by the Federal Government Agency are:

Dr Unbilled AR Contracts (GL Account 14081)

Cr Project Contribution Revenue (GL Account 51005)

When performing quarterly payment drawdowns, GSSU will create the relevant Billed Accounts Receivable entry as follows:

Dr Government Letters of Credit Receivable (GL Account 13010)

 Cr Unbilled AR Contracts (GL Account 14081)

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 Government Letters of Credit Receivable (GL Account 13010)

**Operating Guidelines for use of Letter of Credit**

1. For each grant, a unique Cost Sharing Project (in the appropriate fund code which can be configured to accommodate online reporting) must be created in ATLAS (i.e. **One Project = One Grant/Award**). Any other arrangement requires prior clearance from the Financial Performance Management and Reporting Division. The grant period should be recorded in the Project “End Date” field at the time the project is setup in Atlas.
2. No income will be allocated to a project by GSSU without receipt of a copy of the signed grant agreement and project document (see below).
3. US grant income **MUST NOT** be transferred in Atlas from one project ID to another project ID without prior clearance from GSSU.
4. UNDP Offices should notify the GSSU of agreements to extend the grant expiry date. The notification (including signed modification agreement) must be sent to GSSU via the Service Request Portal, **within 1 week** of such extension being granted.
5. The GSSU will inform UNDP Offices of grants expiring within 60 days prior to grant expiry. UNDP Offices are responsible for confirming to GSSU the current status of the grant i.e. whether the project is complete, whether expenses has been reported, and whether a no-cost extension has been requested and granted[[1]](#footnote-1).
6. When recording the grant contribution in the Atlas Contracts Module, GSSU must ensure that the GMS rate, as agreed with the US Federal Government Agency, in the agreement is entered accurately.
7. 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.
8. GSSU is responsible for filing the **Final FFR-425** reports (upon grant expiry and project completion), which must be submitted within 90 days of the grant expiry date. GSSU is also responsible for filing quarterly FFR-425 reports for cumulative expenses of all grants. UNDP Offices are required to submit to GSSU quarterly grant [expenses certification](http://content.undp.org/go/prescriptive/Financial-Resources-Management---Prescriptive-Content/download/?d_id=2226502) within 30 days of the quarter close, this is for draw-down purposes.
9. UNDP Offices are responsible for submitting interim FFR-425 {lines 10(d) to 10(o)} to the local Contract/Agreement Officer’s Technical Representative (COTR/AOTR) for on-going grants. This should be done within the time frame agreed with the COTR/AOTR (usually quarterly) using expenses data from official financial records in Atlas and expenses certification submitted to GSSU. GSSU will close out grants with the US Federal Government Agency HQ upon timely certification by the UNDP Office that the activities related to the grant have been completed.

**Operating Guidelines for use of Letter of Credit – MATRIX**

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| **Step**  | **Timeframe/Report**  | **Responsibility**  |
| Signed agreements by UNDP Office (agreement with the US Federal Government Agency)  | UNDP Office from date of signing the Agreement  | UNDP Office |
| Agree on frequency of interim FFR-425 reporting requirements and deadline with local COTR/AOTR | Prior to signing agreement | UNDP Office |
| Submit a copy of signed grant agreement to GSSU Revenue | As soon as grant agreement is signed (within 1 week of signature)  | UNDP Office  |
| Creation of Project in Atlas  | As soon as the project budget is finalized | UNDP Office |
| Credit revenue to the project in Atlas | Upon receipt of executed agreement or amendment | GSSU |
| File quarterly FFR-425 to local US Federal Government Agency office  | As agreed with COTR / AOTR  | UNDP Office |
| Manage agreement against required filing dates and expiry date | As per agreement requirements | UNDP Office |
| File final FFR-425 (individual grant) | Within 90 days of grant expiry following expenses certification by UNDP Office | GSSU |
| File quarterly FFR-425 (consolidated for all grants) | Within 30 days of quarter’s end following expenses certification by UNDP Office | GSSU |
| **Step**  | **Timeframe/Report**  | **Responsibility**  |
| Project Operational Close | By the grant expiry date | UNDP Office |
| Project Financial Close | After operational closure but not more than 90 days after grant expiry | UNDP Office |
| Cash Draw-Down | Quarterly or other period TBD by GSSU | GSSU |
| Grant Extension Notification to GSSU Revenue | UNDP Office within 1 week of approval of the extension | UNDP Office |
| Notification of Grant Expiry | 60 days prior to grant expiry date | GSSU |
| Processing Refunds and De-Obligations | After submission of Final FFR-425 | GSSU |

Financial Performance Management and Reporting Division

27 January 2010 (Updated 9 November 2020)

1. If more time is necessary to complete the grant objectives, the project is not yet complete or the original funding has been expended but the project is not yet complete, then a No-Cost Amendment/Extension may be requested. To do so the Country Office must notify the relevant US Government Federal Agency Grants Officer in writing prior to the original expiration date (6 weeks is recommended), and provide the rationale for requesting the extension, the original date of expiration, the revised date, and the grant number. [↑](#footnote-ref-1)