



## USAID PROCUREMENT EXECUTIVE

PROCUREMENT EXECUTIVE'S BULLETIN NO. 19-01

SUBJECT: Guidance for Awards that use Letter of Credit (LOC) as a Method of Payment

- 1. Scope:** This Bulletin applies to all USAID Contracting Officers (COs) and Agreement Officers (AOs) managing awards that use Letter of Credit (LOC) as a method of payment.
- 2. Purpose:** The purpose of this PEB is to provide guidance related to the Payment Management System (PMS) changes applicable to some awards that use LOC.
- 3. Background:** USAID LOC payments are administered by the Department of Health and Human Services (DHHS) through the Payment Management System (PMS). While some of USAID awards are funded by multiple Operating Units (OU)<sup>1</sup> covering several Program Areas (PA)<sup>2</sup>, prior to March 2019 PMS allowed recipients to drawdown funds only from one account per award. As a result, the awardee had to drawdown the total amount necessary to implement all activities under the award from a single account line. Absent adequate information on the programmatic purpose for which the funds were used, the LOC disbursements were then charged in Phoenix to the earliest obligated funds in the award pool that in many instances were inconsistent with the programmatic purpose for which the funds were expended. This caused significant inaccuracy in obligation balances per geographic (i.e. OU) and program areas (PA).

In the absence of a systematic way of linking programmatic results with costs, USAID has not been able to allocate costs to the delivery of services or program results, which is necessary to adequately evaluate program implementation and ensure efficient use of public funds. The Agency's inability to track costs in association with results also reduced our strategic budgeting capacity.

To address this significant internal control deficiency, starting in March 2019, USAID switched to an existing configuration feature in PMS that allows additional award details, such as the OU and PA to be included for each applicable award. This allows awardees operating in several OUs and/or implementing programs in several PA to be able to drawdown funds in accordance with the OU and PA where the work is performed. USAID disbursements, in turn, will be posted to the appropriate OU/PA combination in Phoenix, providing the missing link between the program results and costs.

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<sup>1</sup> OUs can be USAID missions, bureaus, or offices that fund activities within an award. See Tab 1 for the list of OUs in PMS.

<sup>2</sup> PAs are based on the attached Foreign Assistance Standardized Program Structure and Definitions codes. See Tab 2 for the list of PAs.

Reporting:

This change does not impact the awardee’s reporting requirements. For assistance awards USAID will continue to use the standard financial reports (SF 425) and require recipients to report aggregate totals per award.

**4. Discussion:**

Applicability:

The PMS system change applies to awards that use LOC as a payment method, including grants, cooperative agreements, contracts and cost-type PIO agreements. It does not, however, impact existing and new awards that perform work in one operating unit and implement activities under one program area.

This change applies to awards performed in more than one operating unit and/or those implementing activities under two or more program areas. **Only new awards and incremental funding under the existing awards will be impacted. No changes will be made to existing awards that are not receiving additional funds.**

A typical example of an award impacted by this change is a cooperative agreement structured to provide Global Health assistance in maternal and child health (PA – HL.6), HIV/AIDS (PA – HL.1) and Malaria (PA – HL.3) in one or more countries. For more examples please see the Frequently Asked Questions (Tab 5).

CO/AO actions:

- 1) For all new awards that use LOC, please correctly identify LOC as the method of payment in GLAAS as further explained below. For existing awards, when processing an amendment/modification please ensure the appropriate method of payment is used, and corrected, if necessary.

Code	Description
ADVANCE	Periodic Advance by other than LOC
DIR/LOC	Direct/Letter of Credit
DIRECT	Direct Reimbursement
IPAC	Intra-Government Payment and Collection
LOC	Letter of Credit
LOC/CLOSED	LOC Closed
OTHER	Other

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Cancel Selection

- “LOC” must be used for all applicable awards that are being paid via a Letter of Credit through the DHHS Payment Management System. This method of payment will be selected for most assistance awards and PIO agreements.
- “DIR/LOC” is a mix of both Direct Reimbursement and LOC. It is appropriate only for contracts with a grants under contracts (GUCs) component.
- “LOC/Closed” is appropriate when an Assistance Agreement is being closed out.

The correct choice of the LOC type will allow for information to be transmitted from GLAAS to Phoenix and PMS automatically, reducing the need for manual postings and potential delays in having the funds available to the awardees.

In addition, to reduce the risk of incorrect drawdowns in PMS, for all new awards and new obligations with more than one OU/PA combination, COs/AOs must take the following actions:

2) Add the following language to the award:

***“The [contractor/recipient] must use funds obligated under this award and any subsequent [modifications/amendments] from the specific Operating Units (OU) and Program areas (PA) for activities approved in the award and detailed in the work plan, as applicable. Program disbursements for each OU/PA must not exceed the amounts specified in the Accounting and Appropriations data for each Operating Unit (OU) and Program area (PA).”***

This language must be added to the section on the award amounts, as demonstrated in the examples below (the added new language is highlighted in yellow):

Example of an assistance award/PIO agreement language:

**“A.x Amount of [Grant / Cooperative Agreement] and Payment**

*(a) The total estimated amount of this Agreement for its full period, as set forth in Section A.xx above is \$...*

*(b) The amount of \$xx is obligated by USAID for the purpose of this Agreement. **The recipient must use funds obligated under this award and any subsequent amendments from the specific Operating Units (OU) and Program areas (PA) for activities approved in the award and detailed in the work plan, as applicable. Program disbursements for each OU/PA must not exceed the amounts specified in the Accounting and Appropriations data for each Operating Unit (OU) and Program area (PA).***

*(c) USAID is not required to reimburse the Recipient for any costs in excess of this amount, nor is the Recipient required to continue performance or incur costs in excess of this amount ....”*

Example of a contract language applicable when the OU/PA information is not covered in the award budget:

**B.3 ESTIMATED COST AND FIXED FEE AND OBLIGATED AMOUNT**

(a) The estimated cost for the performance of the work required hereunder, exclusive of fixed fee, if any, is: \$xxx. The estimated fee is \$TBD. The estimated cost plus fixed fee, if any, is \$xxx. ...

(b) Within the estimated cost plus fixed fee (if any) specified in paragraph (a) above, the amount currently obligated and available for reimbursement of allowable costs incurred by the Contractor (and payment of fee, if any) for performance hereunder is xxx. The contractor must use funds obligated under this award and any subsequent modifications from the specific Operating Units (OU) and Program areas (PA) for activities approved in the award and detailed in the work plan, as applicable. Program disbursements for each OU/PA must not exceed the amounts specified in the Accounting and Appropriations data for each Operating Unit (OU) and Program area (PA).

- Before issuing the award, please make minor changes to the accounting lines in the budget to ensure the OU/PA is identified within the accounting information. Specifically, please identify the OU and add the name of the program area. Please see the example below in track changes and highlighted.

Account ID	Accounting Template	BBF Y	EB FY	Funds	Operating Unit	Program Area	Program Area Name	disc code	B G A	SOL	Amount
I-545	GH-HN Program funds	2017	2018	GH-C	GH MCHN	HL.6	Maternal and Child Health	936-6200	997	4100201	\$135,581
I-546	669-PRG-LIBRERIA	2015	2016	ES-EB	GH HIDN	HL.7	Family Planning and Reproductive Health	669-GH-M	669	4100201	\$126,666
I-547	696GH-C-20172018H L.3	2017	2018	GH-C	Rwanda	HL.3	Malaria	696-M	669	4100201	\$369,993
I-548	696GH-C-20172018H L.6	2017	2018	ES-EB	Rwanda	HL.6	Maternal and Child Health	696-M	669	4100201	\$600,000
I-549	669-PRG-HAITI	2015	2015	GH-C	Haiti	HL.3	Malaria	669-GH-M	997	4100201	\$46,300

This information will appear in PMS for the awardees to draw down as follows:

- 7200AA18CA00022- GH MCHN -HL.6: \$135,581
- 7200AA18CA00022- GH HIDN -HL.7: \$126,666
- 7200AA18CA00022- Rwanda -HL.3: \$369,993

- 7200AA18CA00022- Rwanda -HL.6: \$600,000
- 7200AA18CA00022-HAITI-HL.3: \$46,300

Awards with FY 2016 and prior funding:

As the old Standardized Program Structure and Definitions (SPSD) framework referred to program elements rather than the PA, the accounting information pulled from Phoenix for FY 2016 and earlier funding will not contain the PA data. However, recent system changes allow for the current PA, instead of the program element to appear in PMS for the drawdowns. For example, an incremental funding for a grant in GLAAS may include the following details:

Funds	Operating Unit	Program Element	Amount
GH-C	Tanzania	(A049)	\$100,000
ES-EB	GH HIDN	(A052)	\$120,000
GH-C	Guatemala	(A053)	\$300,000

However, this new information in PMS will look like this:

- 7200AA18CA00010 - Tanzania -HL.3: \$100,000
- 7200AA18CA00010 - GH HIDN -HL.6: \$120,000
- 7200AA18CA00010 - Guatemala -HL.7: \$300,000.

To eliminate the inconsistency between the accounting data in the award and the information available in PMS, when obligating or subobligating FY 2016 and earlier funds, using the crosswalk found at Tab 4, please revise the accounting information in the award budget to include both old program element and the appropriate PA as shown below:

Account ID	Accounting Template	BBF Y	EBF Y	Funds	Operating Unit	Program Area	Program Area Name	disc code	B G A	SOL	Amount
I-545	GH-HN Program funds	2015	2016	GH-C	Tanzania	(A049)/HL.3	Malaria	936-6200	997	4100201	\$100,000
I-546	669-PRG-LIBRERIA	2015	2016	ES-EB	GH HIDN	(A052)/HL.6	Maternal and Child Health	669-GH-M	669	4100201	\$120,000
I-547	696GH-C-20172018HL.3	2015	2016	GH-C	Guatemala	(A053)/HL.7	Family Planning and Reproductive Health	696-M	669	4100201	\$300,000

**5. Inquiries:**

COs and AOs can send their questions to the "Ask M/OAA" google group.

Implementing partner inquiries related to the technical aspects of the system changes in PMS may be directed to [loc@usaid.gov](mailto:loc@usaid.gov). Questions from implementing partners pertaining to the guidance in this document and how it applies to individual awards should be directed to the cognizant CO/AO.

**6. Effective Date:** This Bulletin is effective immediately and shall remain in effect until cancelled by the Procurement Executive.

4/22/19

\_\_\_\_\_  
Date

/s/

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Mark Walther

Acting Senior Procurement Executive

Attachments:

Tab 1 – List of OUs in PMS.

Tab 2 – List of PAs and Definitions codes in the Foreign Assistance Standardized Program Structure.

Tab 3 – Examples of various scenarios under the enhanced PMS process: guidance to implementing partners.

Tab 4 – Current Framework to Revised SPSD Crosswalk

Tab 5 – Frequently Asked Questions.