

**ADMINISTRATIVE MEMORANDUM No. 125 Rev. 1 Corr. 1****SUBJECT: FINANCIAL HANDBOOK FOR SPECIFIC FUND PROJECTS
(revision 5)****CONSIDERING,**

That Administrative Memorandum No. 125 was issued on March 17, 2015, to set out clear and transparent rules and procedures in the management of entrusted Specific Funds Contributions to the General Secretariat that are key to ensuring proper project execution and are also a critical component of the General Secretariat's accountability to Donors for the resources they provide,

That the Department of Financial Services (DFS) is responsible for receiving, recording, and reporting execution of all incoming funds to Donors;

That Administrative Management Services Sections and program/project managers are primarily accountable for the proper execution, monitoring and requesting corresponding administrative actions regarding incoming funds from Donors in accordance with the respective agreements;

That it is necessary to establish additional guidelines and procedures and make adjustments and updates to the Financial Manual for Specific Fund Projects, to more faithfully and efficiently reflect practices and procedures implemented, and

That is necessary to adopt the corrigendum to reflect a correction in article 5 of Attachment A to be in line with Executive Order 05-06 Rev.1 regarding the review of agreements,

THE DECISION:

1. To adopt the Financial Handbook for Specific Funds Projects (revision 5) as set forth in Attachment A effective on the date of this Administrative Memorandum is signed.
2. To revoke as of the date of this Administrative Memorandum the previous version of the Financial Handbook for Specific Funds Projects (revision 4.1).

A handwritten signature in blue ink, appearing to read 'Charles H. Grover', is written over a light blue horizontal line.

Charles H. Grover

Secretary for Administration and Finance

Original: English

Date: September 2, 2020

Attachment A



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Secretariat for Administration and Finance (SAF)

Original: English
June 2020
Revision 5

FINANCIAL HANDBOOK FOR SPECIFIC FUND PROJECTS

A guide to General Secretariat personnel, Member States and other donors regarding the financial management of Specific Fund Projects at the GS/OAS

PREFACE

The main purpose of this handbook is to give guidance to internal and external stakeholders on frequently asked questions regarding the financial management of Specific Fund Projects at the GS/OAS.

- This handbook complements all other GS/OAS financial rules and regulations, including the General Standards to Govern the Operations of the General Secretariat, Budgetary and Financial Rules, Executive Orders, Administrative Memoranda and Directives, which may be found at the following web address: : <http://www.oas.org/legal/intro.htm>.
- Specific Fund Projects are made up of special contributions from Member States and Permanent Observers of the Organization, as well as from individuals and public or private institutions, whether national or international. These contributions are executed in development cooperation activities or programs of the General Secretariat and other organs and entities of the OAS.
- In accordance with Article 80 of the General Standards, the purpose and limitations of these projects shall be defined in precise terms and agreement with the instruments establishing them. **Models of acceptable agreements** may be found in Annex II of Executive Order 05-06 available at: <http://www.oas.org/legal/english/gensec/EXOR0506REV1.htm>
- All contributions to Specific Funds shall be documented by an agreement, which may also be amended through bilateral negotiations with the donor.
- For purposes of this handbook, the term **Agreement** includes Memoranda of Understanding, Arrangements or Exchange of Letters in which there is a written exchange of mutually agreed undertakings by the Parties. In the same context, the term **Dependency** (D) corresponds to the area (Secretariat, Department or Office) of the General Secretariat executing the Specific Fund Project.

- Please contact the **Department of Financial Service (DFS)** in the Secretariat for Administration and Finance (SAF) should you have any questions or would like to provide feedback regarding the information presented in this handbook.

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1. ACCOUNTING PRINCIPLES AND INTERNAL CONTROLS

1.1 GS/OAS accounting principles

As part of the General Secretariat of the OAS (GS/OAS) efforts towards modernization, the Secretariat for Administration and Finance (SAF) has recommended to the OAS governing bodies to migrate to an accrual basis of accounting and to adopt the International Public Sector Accounting Standards (IPSAS). The adoption of international standards will improve both the quality and comparability of financial information presented to Member States and other donors. The SAF expects to implement IPSAS in the upcoming years following the implementation of the GS/OAS' new ERP.

In the meantime, the [OAS Budgetary and Financial Rules](#) provide the basis for the accounting principles applied in the preparation of financial statements. These rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material aspects from an accrual basis of accounting.

1.2 Sample deviations from U.S. GAAP

- A. The GS/OAS utilizes a modified cash basis of accounting in recognizing revenue and expenses in its financial records. Contributions from Member States and from other interested parties for specific purposes are recognized at the time of collection. In the same manner, expenses are recorded when the invoice is registered in the system.
- B. **Obligations¹** are commitments to disburse monies for the procurement of goods or services in future periods. These commitments are liabilities with suppliers at the end of the year. Payment to suppliers is expected to occur in subsequent periods.
- C. The OAS General Assembly adopts the program budget for the Regular Fund and the Fund for Indirect Cost Recovery (FICR). Certain administrative costs benefiting all funds are included in the budget of the Regular Fund. In lieu of allocating these costs to various funds on a services-rendered basis, the General Assembly has provided that all the other funds, including those related to Specific Fund Agreements, establish a provision for Indirect Cost Recovery (ICR).
- D. Contributions from Member States and other interested parties in the form of use of facilities and/or services are received in certain activities administered by the General Secretariat and defined as "In-Kind Contributions". No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services in as much as the General Secretariat currently does not have a reliable procedure to value these amounts.

Further deviations from the accrual basis of accounting may be found on the notes to the financial statements of the annual audit of accounts and financial statements of the GS/OAS.

1.3 Internal controls

GS/OAS establishes an environment of internal control through various mechanisms. Internal controls are an integral part of GS/OAS' financial policies and procedures and can be found at different levels of the organization. Some of the elements include control activities such as budgetary control of funds entrusted to the organization, authorization, approvals and verification of transactions, segregation of duties, regular reconciliations, statutory financial reporting, sharing of information and communication across all levels of the organization, and monitoring activities. The internal control environment consists of the collective measures taken by the organization with the purpose of protecting its resources against inappropriate management and inefficiency and it is crucial to comply with the organization's policies and donor requirements. Internal controls are designed to provide reasonable, not absolute, assurance that financial information is accurate and reliable, that contributions received from donors are administered within established regulations, processes and their corresponding donor agreements, and that resources are utilized efficiently, effectively, and transparently.

OAS Budgetary and Financial Rules may be found at the following web address:

http://www.oas.org/legal/english/admmem/Budgetary_and_Financial_Rules.htm

¹ Article 100 of the General Standards refers to **Obligations** as "...those arising from any agreement, contract, purchase order, or other document concluded with a natural or legal person under which the General Secretariat is legally obligated to disburse funds to the corresponding natural or legal person in order to execute approved activities..." Obligations shall be recorded on the date on which the commitment becomes legally binding. Allotment must be available to meet the obligations incurred. Funds available are reduced by obligations.

The collective measures of internal controls in the GS/OAS are designed to provide reasonable assurance to achieve the objectives of the Organization in the following areas:

- A.** EFFECTIVENESS AND EFFICIENCY OF OPERATIONS.
- B.** RELIABILITY OF FINANCIAL REPORTING.
- C.** COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Dependencies executing funds, along with SAF Departments, work together to implement a process that ensures segregation of duties and transparency, sharing responsibility in the administration of expenses incurred through donor contributions. For example, the Secretariat for Strengthening Democracy (Dependency) initiates expenditure requisitions based on donor agreement/budget requirements, including policies and procedures of purchasing standards and parameters issued by the Department of Procurement Services (DPS) within SAF. Once the requisition is approved, it is processed into a purchase order approved by the DPS. The Department of Financial Services (DFS), also within SAF, is responsible for disbursing funds to make the payment and providing the corresponding financial statements, once the requestor certifies receipt of such service or product, and an invoice from the provider is received (3-way-matching).

Internal controls at the GS/OAS are supported by the utilization of a robust accounting system (GS/OAS ERP System). This system allows the GS/OAS to segregate and individually track financial information for each donor contribution. The Office of Inspector General (OIG), the GS/OAS' independent internal audit body, works as an additional on-going safeguard in assessing and maintaining the internal control environment. Internal controls also include an annual audit performed by an independent external audit firm under the supervision of a Board of External Auditors elected by the Member States. The Board of External Auditors is designated by the OAS General Assembly. The Board members are high officials of the audit institutions of their respective countries. Furthermore, [external audits of specific donor contributions](#) and programs can be contracted upon donor request.²

² See Section 9.2.2 of this handbook. The cost of any donor requested audit must be borne by the donor.

2. BANK ACCOUNTS, UNCLAIMED INCOMING FUNDS AND METHODS OF PAYMENT TO THE GS/OAS

2.1 Bank accounts

The GS/OAS maintains one primary bank account for all of its transactions. The General Secretariat does not open a separate bank account for each contribution; notwithstanding, a unique identifier account in the current GS/OAS ERP System, is assigned for each contribution and project to facilitate tracking and segregation of all financial transactions for each contribution. All transactions related to the contribution are codified with its corresponding identifier.

2.2 Unclaimed incoming funds

Unclaimed funds are subject to the directives established in Administrative Memorandum No. 124 "Procedures for Unclaimed funds of the General Secretariat of the Organization of American States" found at: <http://www.oas.org/legal/english/admmem/admmem124.pdf>

DFS provides daily updates regarding the arrival of new funds through the OAS Finance Portal. Dependencies are required to perform systematic reviews of [unclaimed incoming funds](#) to prevent delays in the execution of Specific Fund Projects. DFS must receive proper allocation instructions and supporting documentation to be able to assign these contributions to the corresponding projects (e.g., signed agreements).

When funds remain unclaimed, SAF will send formal communications to the donor requesting further instructions at 60 and 90 days respectively. If funds remain unclaimed for over 120 days, DFS will proceed as follows:

- A.** Unclaimed funds equal or greater than USD 5,000 will be returned to the donor or originating source, net of any applicable fees.



A list of currently unclaimed incoming funds is available for review in the Intranet, at OAS Connect - Finance Portal: <http://oasconnect/Default.aspx?tabid=776>

- B.** Unclaimed funds less than USD 5,000 will be consolidated into a GS/OAS control account (see section 12.4 of this handbook).

Interest income does not accrue on unclaimed funds. For further detail on unclaimed funds, please refer to Administrative Memorandum No. 124.

2.3 Methods of payment to the GS/OAS

In accordance with Article 84 of the OAS General Standards and the Budgetary and Financial Rules, the Treasurer, by delegation of the Secretary General, shall designate the banking institutions in which the funds of the Organization and those entrusted shall be deposited.

2.3.1 Payments by electronic fund transfers

Contributions to Specific Funds sent via [electronic fund transfers](#), must include clear instructions as to the destination of funds within the GS/OAS. Specifically, electronic fund transfers must identify the name and number of the project, and the responsible area within the GS/OAS to administer the funds. Questions regarding bank transfers must be submitted to DFS Cash Manager.

2.3.2 Payments by check

Contributions to Specific Funds sent via check must be accompanied by a transmittal letter with clear instructions as to the intended use and destination of funds. Specifically, transmittal letters must identify the name and number of the project, and the responsible area within the GS/OAS to administer the funds. **Checks drawn on bank accounts other than U.S. banks must be sent by the GS/OAS for international collection, for which clearance of funds may take up to one month. Checks sent for collection are subject to fees by the international and local bank. Availability for execution of funds will be provided upon clearance of check.** Payments by check should be made payable to the General Secretariat of the OAS and sent to: Organizations of American States, Department of Financial Services, GSB 4th Floor, Attention: DFS Director / Treasurer, 1889 F St., NW, Washington, DC 20006.

2.3.3 A note on incomplete information

Electronic fund transfers or checks that lack the above-described information will be returned to the donor if final destination cannot be promptly assessed in accordance with the OAS Unclaimed Incoming Funds policy, as it creates a liability to the Organization and a disservice to the donor.

3. GS/OAS OFFICIAL CURRENCY AND EXCHANGE RATES

3.1 Official currency

The official and functional currency of the GS/OAS is the United States dollar (USD). All financial transactions including financial statements are denominated in USD. If the contribution is made in a currency other than USD, it will be converted to USD at the [exchange rate](#)³ of the day of the receipt of funds. Bank commissions or other transaction fees are customarily charged by the Bank and recorded as part of the contribution expenditures.

3.2 Currency exchange rates for transactions

The following rules apply to transactions affected by currency exchange rates:

- A.** Income transactions will be recorded at the OAS official exchange rate on the day that the transactions occur or at the spot/indicative rate as applicable per procedures.
- B.** Expenses will be recorded at the OAS official exchange rate.

Wire transfers to the GS/OAS (outside the US and CANADA)

Bank full name: BANK OF AMERICA
Bank short name: BANK OF AMERICA
ABA/Routing #: 0260-0959-3
Swift Code: bofaus3n
Account number: 002080125354
Account name: GENERAL SECRETARIAT OF THE OAS
Bank's address: 222 BROADWAY
 NEW YORK, NY 10038

Please include one of the following:

- Project Name
- Project Number
- Recipient Area

ACH transfers (inside the US and CANADA)

Bank full name: BANK OF AMERICA
Bank short name: BANK OF AMERICA
ABA/Routing #: 054001204
Account number: 002080125354
Account name: GENERAL SECRETARIAT OF THE OAS
Bank's address: 222 BROADWAY
 NEW YORK, NY 10038

Please include one of the following:

- Project Name
- Project Number
- Recipient Area



³ Also known as the **foreign-exchange rate**, **forex rate** or **FX rate** between two currencies. It specifies how much one currency is worth in terms of the other. At the GS/OAS, the basis for exchange rate conversion to US dollars is determined by the Bank receiving the funds on the date of the transaction.

- C. Gains and losses arising from exchange rate differential will be recorded to the project as an acquired expenditure. In case of monthly accumulated exchange rate differentials, when the net result is a gain, it shall be considered miscellaneous income. If the net result is a loss, it shall be charged to the project (or contribution) as an expenditure.
- D. Transactions affecting conversions of currency shall be performed by the authorized fiduciary officers in the National Offices of the GS/OAS in the Member States only through the bank where the local currency account in the respective Member State is maintained, except in Member States where the law requires using different institutions.

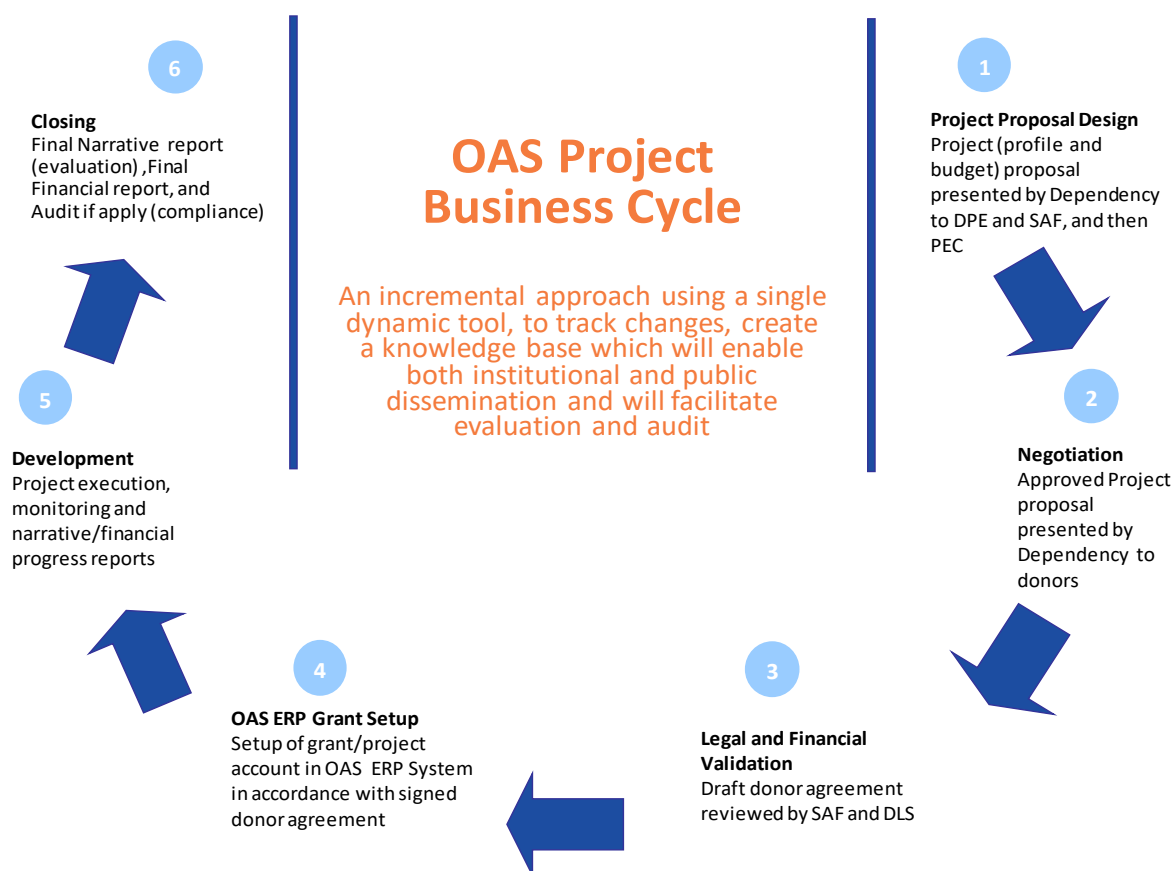
4. PROJECT AND AWARD

4.1 Project:

A project is an endeavor with a pre-determined timeframe and well-defined phases or activities, undertaken to deliver a unique product or service that contributes to a common organizational goal. It is both measurable and observable, and precisely identifies and allocates the sources of financing for each phase or activity. A program is a collection of related projects with a common organizational goal, carried out in a periodic and coordinated manner, but not necessarily in a pre-determined timeframe, to deliver a product or service.

All projects are reviewed and approved by the Project Evaluation Committee (PEC) as per [Executive order 17-03](#)

Sample of the OAS Project Business Cycle:



	Expected outcome(s)	Main document(s) for reference	Support Area(s)
1	<ul style="list-style-type: none"> a) Project aligned to a logical framework to promote institutional collaboration, learning, integration and ownership b) Project identification and alignment to OAS mandates c) Identification of potential funding sources d) Properly costed budgets using OAS standard template 	<ul style="list-style-type: none"> a) DPE "Guía de Proyectos" b) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects c) Executive Order 17-03 	DPE SAF PEC
2	<ul style="list-style-type: none"> a) Uniform project proposal to donors b) Present model of OAS grant agreement to donor c) Gather donor feedback on budget proposal 	<ul style="list-style-type: none"> a) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects b) Executive Order 05-06 Rev 1 and its Annexes I, II, III, and IV 	DPE SAF
3	<ul style="list-style-type: none"> a) Ensure compliance with OAS financial and legal rules and regulations b) Agreed-upon budget with final costing (e.g. ICR, in-kind, contingency) c) Database of agreement reviews 	<ul style="list-style-type: none"> a) General Standards b) Executive Orders a) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects d) All other OAS legal/financial basis 	DLS SAF
4	<ul style="list-style-type: none"> a) Grant/project structure in OAS ERP reflects budget in donor agreement b) Budget allocated and restricted at the line item level (e.g. project activities) c) Streamlined setup process in OAS ERP through the use of standard project budget template 	<ul style="list-style-type: none"> a) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects 	SAF
5	<ul style="list-style-type: none"> a) Project in compliance with OAS procurement and financial regulations b) Project in compliance with donor agreement c) Well documented budget variances d) Timely narrative/financial progress reports as scheduled in agreement e) Project on track to reach purposes 	<ul style="list-style-type: none"> a) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects b) OAS Administrative Handbook for Projects & Special Missions 	SAF DPE
6	<ul style="list-style-type: none"> a) Detailed reports at the budgetary line item level (easy to extract from OAS ERP) b) Compliance with donor agreement (e.g. Audit, Expenditure verification, etc) / budget providing transparency c) Evaluation of project's results d) Well documented process to facilitate internal and external auditing e) Lessons learned 	<ul style="list-style-type: none"> a) Administrative Memorandum N° 125 - OAS Financial Handbook for Specific Fund Projects 	SAF DPE

4.2 Award:

An award is used to identify a grant, contract, or other agreement from/with a donor in the GS/OAS ERP System - Grants Accounting environment.

5. DONOR AGREEMENT REVIEW AND SIGNATURE PROCESS

All donor agreements (including budgets), amendments, project extensions, Memoranda of Understanding, Arrangement, or Exchange of Letters must be reviewed by the Department of Legal Services (DLS), and DFS prior to their signature. The information provided in this handbook should be incorporated in the draft agreements (as applicable). DFS will review the financial clauses for compliance with the GS/OAS Budgetary and Financial Rules.

In summary, the agreement review and signature process as established in the latest version of the [Executive Order 05-06 Rev.1](#) is as follows:

STEP 1

The Dependency submits project proposal to the Project Evaluation Committee (PEC) for approval (see [Executive Order 05-11 Rev. 1](#) and [Executive Order 17-03](#)).

STEP 2

The draft agreement including all annexes thereto must be submitted to DLS and to DFS (OASES Customer Service) in WORD format for incorporating comments and/or suggestions through “track changes.” If applicable, the draft agreement shall also be submitted for review to other departments (DP, DHR, etc.).

STEP 3

Once required changes and/or suggestions are incorporated through “track changes” from DLS and DFS, the Dependency shall submit to the donor the request for inclusion of these comments to the draft agreement. DLS and DFS may assist in the negotiation process where necessary.

STEP 4

If the donor accepts the changes proposed by DLS and DFS, and if no other changes are proposed, the Dependency does not have to re-submit the draft agreement for further review and shall continue with the remaining steps towards signature. Otherwise, further review and consultation with by DLS and DFS must be conducted.

STEP 5

ANNEX IV “Checklist” found in [Executive Order 05-06](#) (Rev. 1 at the time of this publication) must be completed to proceed with signature. Note that the Office of the Secretary General requires this checklist prior to providing Delegation of Authority. It is the Dependency’s responsibility to provide the checklist to the Office of the Secretary General.

6. INDIRECT COST RECOVERY (ICR)**6.1 Background**

The GS/OAS receives multiple funding from various sources requiring efficient and effective record-keeping and an environment of transparency and accountability. A sound cost-recovery policy ensures transparency and reduces [cross-subsidization](#)⁴ among projects and/or Funds. To ensure this, the GS/OAS General Standards established the Fund for Indirect Cost Recovery (FICR) which is outlined primarily in two Articles⁵, [84](#) and [86](#).

6.2 Policy authority

The authority for this policy is established through:

- A.** OAS Charter, article 109 and 113.
- B.** General Standards, articles 4, 8, 12(f), 14, 84 and 86.
- C.** [Executive Order 07-01](#).(Rev. 3 at the time of this publication)

6.3 Policy basis

The implementation of this policy is based on:

- A.** Recommendations from the Board of External Auditors.
- B.** Recommendations from the Office of the Inspector General.
- C.** Program-Budget Resolutions (2006 and beyond).
- D.** ICR policy of other international organizations (best and common practices).

⁴ **Cross-subsidization** refers to the use of resources from one project or fund to support another.

⁵ Article **84** “Banking Deposits, Interest and Indirect Costs” and Article **86** “Direct Costs and Recovery of Indirect Costs”.

6.4 Indirect cost recovery rate (ICRR)

The ICRR is determined through an Executive Order issued by the Secretary General based on cost analysis, projections, and organizational circumstances.

6.5 ICR policy, guidelines and procedures

- A.** Article 86(d) of the General Standards grants authority to the General Secretariat to establish the ICR rate (“ICRR”).
- B.** Article 86(c) of the General Standards requires that the budget for every project funded all or in part by Specific Fund and Trust Fund contributions include a provision for ICR.
- C.** Contributions in support of the holding of an OAS General Assembly and ministerial level meetings which are co-financed by the Regular Fund are not subject to the requirements of this Executive Order.
- D.** Contributions by Member States totaling no more than USD 20,000 in the Organization’s fiscal year to an ongoing activity shall be exempt from ICR.
- E.** Further exemptions can be found in article 86(j).
- F.** Consistent with Article 84(c) of the General Standards, interest earned by the Specific Funds shall be credited to the corresponding ICR Service Account, unless otherwise specified in the corresponding agreement with the donor.
- G.** The ICR Policy shall not be applicable to contributions received by the General Secretariat prior to the entry into force of Executive Order No. 07-01, which went into effect May 29, 2007.
- H.** The current ICR Policy shall be applicable to all contributions received by the General Secretariat pursuant to all agreements signed by the General Secretariat after the date of the entry into force of Executive Order No. 07-01 Rev. 2 on November 10, 2016. For purposes of this Policy, the terms "agreement" includes, but is not limited to, contribution agreements, grant agreements, donations, exchanges of letters, memoranda of understanding, and supplementary agreements and amendments thereto entered into by the General Secretariat. The term “agreement” also includes supplementary agreements and amendments to agreements in force as of the effective date of Executive Order No. 07-01 Rev. 2 (November 10, 2016) where the ICR rate was not established in the underlying agreement, but was left to later negotiation between the parties. The current ICR Policy is prescribed in Executive Order No. 07-01 Rev.3, which entered into force on November 28, 2017.
- I.** SAF is tasked with the coordination of the ICR Policy.
- J.** The General Secretariat, through SAF, shall periodically review the ICR Policy and shall implement revisions thereto as necessary by way of a Revision to Executive Order No. 07-01.
- K.** DFS is the only GS/OAS dependency authorized to collect ICR on behalf of the GS/OAS. Independent collection of ICR funds from donors by other dependencies of the GS/OAS is prohibited.
- L.** All ICR collections shall be centrally recorded in the account established for this purpose. SAF shall ensure proper recording of indirect costs recovered in the financial system, including amount/percentage recovered, contribution amount, and donor.
- M.** SAF shall be responsible for timely presentation of accurate semi-annual reports reflecting uses of indirect cost recovered.

6.6 Current ICR rate

- A.** The ICR for all contributions received by the GS/OAS pursuant to agreements with Member State governments, non-Member State governments, and all other entities, organizations, and institutions is established at a minimum of 13% of the contribution amount received in support of the particular project or activity. For purposes of the ICR Policy, the term contribution shall also include membership fees paid to the GS/OAS, income from fundraising activities by the GS/OAS, and income from the provision of services by the GS/OAS to third parties.
- B.** ICR shall be calculated based on the total contribution amount in support of the project or activity. This amount includes direct costs and the amount allocated to ICR pursuant to the ICR Policy (not only direct costs). For example, for a contribution of USD 100, USD 13 will be the amount recovered for ICR from that contribution.

6.7 Budgets for Specific Fund Projects

Project budgets must clearly define and include all direct costs related to the activity. In this context, project budget costs should be clearly divided into direct or indirect.

- A. Direct costs:** Costs that can be attributed directly to and solely benefit a particular activity or project with a high degree of accuracy (e.g.: personnel, travel, supplies, equipment, narrative and fiscal reports, and external specific audit, etc.).
- B. Indirect costs:** Costs that are incurred for a common purpose which cannot be easily attributed to a particular activity or project (e.g.: financial reporting, procurement of goods and services, legal and financial review of donor agreements, office cleaning services, building maintenance, etc.) and benefit numerous programs, projects and activities.

6.8 ICR use

As established in Article 86(i) of the General Standards, all resources from ICR shall be assigned to the Fund for Indirect Cost Recovery (FICR). The FICR shall include two Subfunds: the ICR Operations Subfund (ICROS) and the ICR Reserve Subfund (ICRRS). The FICR shall be subject to the following guidelines:

- A.** The General Secretariat shall submit to the Permanent Council a proposed budget for use of the ICR resources, which shall form an integral part of the draft Program-Budget. This proposal shall include a budget ceiling of 90% of the average ICR obtained in the three years immediately preceding the year in which the Program-Budget is adopted and shall be applied to the subsequent year. The average shall be reviewed every year in adopting the Program-Budget of the Organization and the General Assembly shall also adopt the ICR budget. In the event that the revenue from ICR collected in the fiscal year concerned is less than the revenue projected, and to the extent that funds are available in the ICRRS, the General Secretariat may transfer from the ICRRS to the ICROS an amount equal to the difference between projected ICR revenue and ICR revenue collected in the current fiscal year. If revenue collected is more than that projected, the surplus shall be deposited in the ICRRS.
- B.** Every year the CAAP shall evaluate the ICRRS level to determine whether transferring funds from the ICRRS to the Reserve Subfund of the Regular Fund is justified. In such event, the Permanent Council shall approve the amount or percentage to be transferred.

6.9 Examples:

- **Difference between direct and indirect costs**
- **ICR calculation in project budgets**

● Difference between direct and indirect costs

DEFINITIONS

DIRECT COST

Costs that can be attributed directly to and solely benefit a particular activity or project with a high degree of accuracy (e.g.: personnel, travel, supplies, equipment, narrative and fiscal reports, and external specific audit), etc.

Example of DIRECT COSTS:

- Personnel contracts
- Non- recurring personnel costs
- Fellowships
- Travel
- Publications and documents
- Equipment, supplies and maintenance
- Building and maintenance
- Performance contracts
- Audit costs already included in agreement budgets
- Other expenses (e.g.: Shipping costs, transportation, courier services, bank fees, training costs, insurance, internet services, etc.)

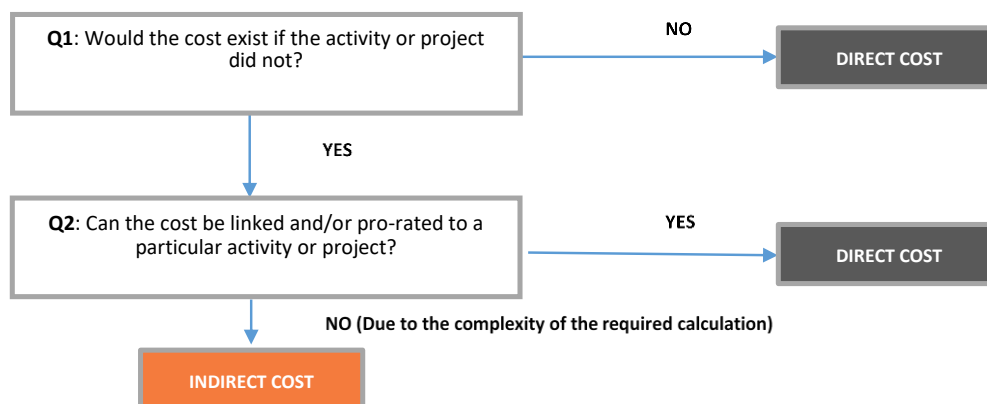
INDIRECT COST

Costs that are incurred for a common purpose which cannot be easily attributed to a particular activity or project (e.g.: financial reporting, procurement of goods and services, disbursements, legal and financial review of donor agreements, office cleaning services, building maintenance, etc.) and benefit numerous programs, projects and activities.

Example of INDIRECT COSTS:

- Overall administrative functions of the General Secretariat
- Recruitment and servicing of staff
- Resource mobilization services
- Financial management framework (e.g.: financial manuals, handbooks, guidelines, and training)
- Standard financial reporting
- Financial Accounting
- Legal and Financial review of donor agreements
- Financial operations, accounts, recording and processing of transactions
- Banking operations (e.g.: receipt of funds, check emission, bank reconciliations)
- Setup and management of account
- Planning, monitoring, review and evaluation of project
- Internal audits
- Procurement of goods and services
- Facilities and Utilities
- General use office equipment and supplies (e.g.: networks)

DECISION CHART: IS IT A DIRECT OR AN INDIRECT COST?



● ICR calculation in project budgets

PRINCIPLES

- ▶ ICRR = Indirect Cost Recovery (ICR) Rate.
- ▶ The ICRR for Member states and all other donors is established at a minimum of 13% of the contribution amount.
- ▶ The ICRR is calculated based on the total amount of the contribution (direct costs + ICR amount).
- ▶ The ICR is charged when the contribution or advance of funds is recorded in the OAS ERP system.

EXAMPLE OF A BASIC PROJECT BUDGET INCLUDING INDIRECT COST RECOVERY (ICR)

As shown below, Project A's total cost is USD 605,115 (columns B + C + D). Three sources of financing have been identified: OAS in-kind, Donor 1 and a Donor 2.

	Total cost (A = B + C + D)	Sources of financing:		
		OAS in-kind (B)	Donor 1 (C)	Donor 2 (D)
1 Direct Costs:				
2 Direct Cost X	\$ 400,000	\$ 25,000	\$ 175,000	\$ 200,000
3 Direct Cost Y	75,000	-	25,000	50,000
4 Direct Cost Z	40,000	-	30,000	10,000
5 SUB-TOTAL Direct Costs	515,000	25,000	230,000	260,000
6 Cost Contingency (3% of sub-total direct costs by contribution)	14,700	-	6,900	7,800
7 TOTAL Direct Costs	529,700	25,000	236,900	267,800
8 Indirect Cost Recovery (13% of the contribution)	75,415	-	35,399	40,016
9 TOTAL Project Costs (total contribution)	\$ 605,115	\$ 25,000	\$ 272,299	\$ 307,816

STEP 1 $9 = \frac{7. \text{ TOTAL Direct Costs } (\$236,900)}{100\% - \text{ICRR } 13\% \text{ (or } 1.00 - 0.13)}$

STEP 2 $8 = 9. \text{ TOTAL Project Costs minus } 7. \text{ TOTAL Direct Costs}$

As an alternative, a cost contingency line may be added within the agreement clauses to address the risk of cost escalations and cover potential shortfalls of cost estimates prepared at the planning stage of the project. In-kind contributions should not include cost contingency.

$6 = 5. \text{ SUB-TOTAL Direct Costs } (\$260,000) \times 3\%$

ADDITIONAL NOTES

- ▶ In the above example, the effective ICRR for the contributions is **13%**. For **comparative** purposes on the ICR calculation, an equivalent rate of 14.95% could be applied over the Total Direct Costs, and as long as the contribution is executed in full. However, in the case that funds are not fully executed, and a recalculation of indirect costs is requested based on the total expenses, the executing dependency must identify an alternative source of financing to cover the difference generated in such recalculation.

7. INTEREST INCOME ACCREDITATION

7.1 Interest income credited to Specific Fund Projects

Interest income is subject to the directives established in Administrative Memorandum No. 131 Amendment of Section XII.6 of the Budgetary and Financial Rules: Income from Investments” found at: <http://www.oas.org/legal/english/admmem/admmem131.pdf>

7.1.1 Accreditation

Interest income earned by Specific Fund Projects shall be credited to the corresponding ICR Service Account, unless otherwise specified in the corresponding agreement with the donor and only for those Specific Fund Projects with cash balance equal or over USD 100,000⁶ at the time of interest accreditation and it will be recorded only to those projects that earned a yield of at least USD 200 over the quarter.

⁶ Threshold is established by DFS and is subject to change without notice as deemed necessary.

7.1.2 Interest rate

The interest rate applied to Specific Fund Projects requiring interest accreditation shall be determined by the guidelines established in Administrative Memorandum No. 131. In general, for projects financed by external donors, the interest rate to be applied is the short term rate or short-term interest rate benchmark of the OAS Managed Investment Portfolio.

8. FINANCIAL REPORTING

8.1 Responsibility and accountability for financial information presented to donors

The GS/OAS Budgetary and Financial Rules as well as Executive Order 08-01 Rev. 7 establish that DFS is the only GS/OAS dependency with the authority to certify “... all official financial reports of the General Secretariat, including internal reports for management and formal statements for external reporting purposes ...” Internal management reports for the purposes of each dependency are prepared by the corresponding Administrative Management Support (AMS) Section or their administrative personnel.

The following are some examples of financial information related to Specific Fund Projects and must be certified for external use by DFS:

- A. Statement of changes in fund balance (also known as income statement)
- B. Execution report (budget vs actuals)
- C. Authorization for disbursement and/or request for advance of funds

8.2 Project and program financial statements for donors

Upon request from dependencies, DFS prepares and certifies standard financial statements and prepares financial statements based on agreed donor reporting requirements. The requesting dependency is accountable for the proper execution and monitoring of project budgets. **Thus, financial information must also be validated by Project/Program managers through their AMS Sections to ensure integrity of information presented to donors.**

8.2.1 Standard financial statements

If the donor agreement does not require a detailed statement, DFS may still prepare and certify financial statements based on the nine objects of expenditures identified in Article 91 of the General Standards. Standard statements include:

1. Statement of Cash Receipts and Payments (overall cash flows in and out and ending cash balance)
2. Statement of Fund Balance (ending cash balance minus any commitments)

3. Statement of Contributions (chronological detail of disbursements received from the donor)
4. Statement of Expenditures (breakdown by OAS object of expenditure)

8.2.2 Further considerations

1. Financial statements are prepared after the closing of an accounting period. For example, if the financial statement is needed as of March 31, 2020, the corresponding dependency should wait until the accounting period is closed (usually within the first seven to ten business days of the following calendar month) before requesting the financial statement. This ensures that all transactions posted for the period are included in the financial statement.
2. Financial statements are not issued in hard copy; they are issued electronically in PDF format.
3. Financial statements are labeled interim or final. Certified final financial statements are not subject to modifications, unless otherwise disclosed to the donor.
4. Financial statements must be reviewed by the corresponding dependency prior to certification to validate accuracy of execution within donor agreement terms and budget.
5. Financial statements are reported in United States dollars (USD), which is the functional currency of the GS/OAS. If the contribution is made in a currency other than USD, it is converted to USD at the exchange rate on the day of the receipt of funds. When the donor agreement provides for reporting in a currency other than USD, these statements will be prepared in the required currency for illustrative purposes only using the weighted average exchange rate of the received contributions and the projected receipts, unless otherwise agreed with the donor.
6. The expected turnaround time for financial statements will depend on the complexity of the financial statement requirements established by the donor. The turnaround will also vary depending on workload.
7. AMS sections, once trained and certified by DFS, are able to prepare draft donor financial statements. AMS sections are encouraged to prepare draft financial statements but these must be certified by DFS if they are for external use.
8. When the donor agreement requires detailed financial statements to reflect activities based on project budget costs, the corresponding dependency shall set up the proper project task structure in the GS/OAS ERP System reflecting the budget presented in the agreement. Financial statements are prepared based on budgetary execution recorded in the GS/OAS ERP System by the corresponding dependency.

9. INTERNAL AND EXTERNAL AUDITING

9.1 Internal auditing

The internal audit function of the GS/OAS resides with the Office of the Inspector General (OIG). The Inspector General (IG) is charged with the responsibility to assist the Secretary General and the Member States, through the governing bodies, in monitoring both proper fulfillment of the responsibilities of the various levels of management with respect to the General Secretariat's programs and resources and adherence to the legal system governing the General Secretariat. For further details, please refer to Chapter IX Subchapter A of the General Standards.

9.2 External auditing

9.2.1 GS/OAS annual audit of accounts

The Board of External Auditors, consisting of three Members elected by the General Assembly who are high officials of the auditing bodies of their corresponding countries, is entrusted with auditing all accounts, funds, and operations of the Organization.

The Board of External Auditors contracts the services of an external auditing firm which conducts a yearly audit of accounts of the General Secretariat. The auditing firm's opinion on the financial statements is based on auditing procedures, which include a review of internal controls and selected tests of transactions and records. These auditing procedures are intended to provide a reasonable level of assurance that the financial statements are fairly stated in all material respects. The Board periodically meets with the external auditors, officials of the General Secretariat, and the OIG and its internal auditors to review and evaluate accounting, auditing and financial reporting activities and responsibilities. The Board of External Auditors, the external auditors, as well as the internal auditors, have unlimited access to all records maintained by the General Secretariat. The audit of all Specific Fund Projects and the overall GS/OAS audit are performed within this context.

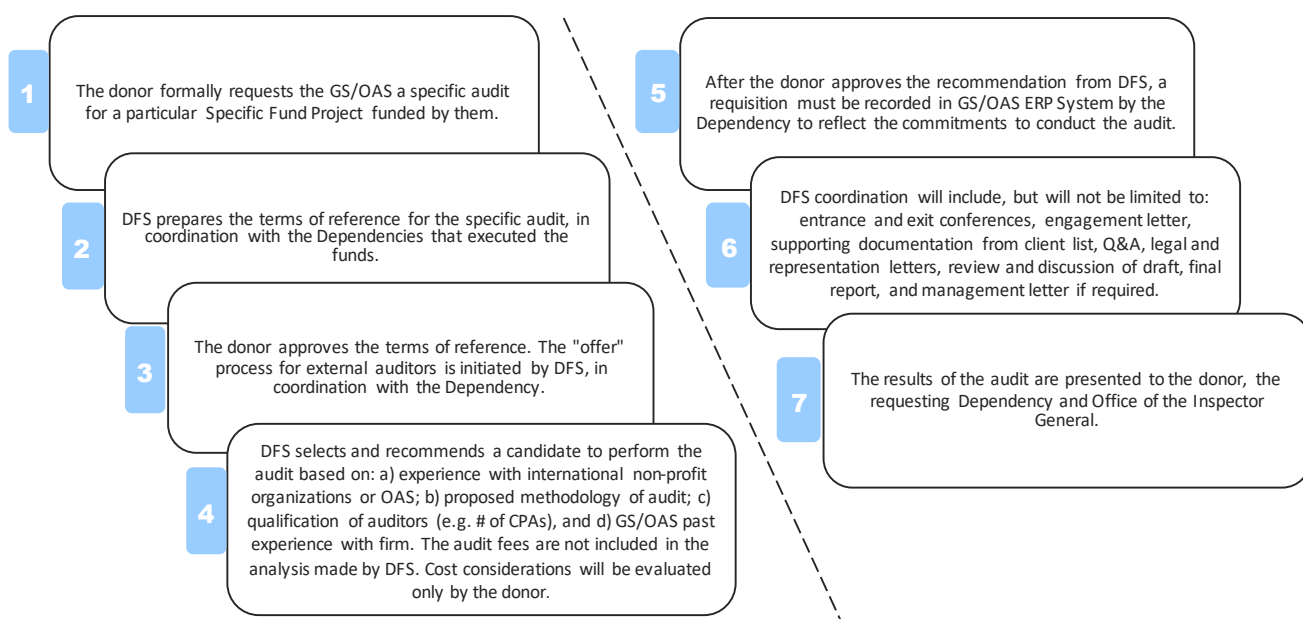
DFS serves as the Technical Secretariat for the Board of External Auditors and has overall responsibility for publishing GS/OAS' audited financial statements and annual reports.

9.2.2 Donor requirement for a specific external audit

All specific external audits must be coordinated by DFS. In practice, the duration of the audit process and the corresponding cost may vary depending on the terms of reference and type of engagement. When a donor requires an external audit for a Specific Fund Project funded by them, the cost shall be borne by the donor. The audit cost includes the cost of the independent external audit firm hired to do the audit, and the coordination costs incurred by DFS (e.g., preparing terms of reference, requests for proposals, audit firm evaluation, gathering audit documentation, reviewing audit findings, discussions with audit firms, etc.).

In some specific cases, the external audit may be requested by the donor in the form of an expenditure verification, which has a different type of terms of reference. The process to evaluate and select an audit firm to conduct expenditure verification is the same as the one for an external audit.

The work flow of specific external audits is as follows:



10. FINANCIAL RECORDS

10.1 Retention period

Consistent with the OAS Records Management Manual, invoices, checks, receipts, and related documents for Specific Fund Projects are kept by the GS/OAS for a period of up to six years after the close of the fiscal year in which the record was created, after which time they are destroyed.

10.2 Accessibility to original records

Original financial documents form an integral part of GS/OAS records as they are required for GS/OAS annual audit of accounts and financial statements. Requests for providing, reviewing or auditing original records by donors or their representatives cannot be granted, as it is impractical given that there are hundreds of donors to the GS/OAS. Nonetheless, the GS/OAS can comply with donor reviewing and audit requirements by providing photocopies of invoices, checks or other financial information, with a certification from the Treasurer of the GS/OAS that the copies are exact representation of the originals. With reasonable notice, facilities for reviewing these copies can be provided subject to availability. There may be GS/OAS costs associated with coordinating these reviews, which shall be promptly communicated to the requestor. Whenever possible, all documentation is kept and provided in electronic form.

11. ADVANCE OF FUNDS FOR EXECUTION

In general, funds must be provided by the donor prior to the beginning of execution of a project or activity. However, in special circumstances, DFS may approve advance of funds for execution if certain conditions are met. These conditions are evaluated by DFS on a case-by-case basis and usually include:

- A.** existence of a signed agreement with the donor;
- B.** expected date of receipt of funds from the donor;
- C.** the amount of the contribution;
- D.** the liquidity levels of the Organization;
- E.** amount of advance requested;
- F.** purpose of the advance;
- G.** duration of the agreement;
- H.** the donor history with the GS/OAS;
- I.** outstanding prior advances of the requesting dependency; and
- J.** currency of the contribution, among others.

Dependencies must request advances of funds instead of temporarily using funds from other donors while they wait to receive the funds, unless such temporary use has been authorized in writing by the other donor. This practice creates significant legal risk and administrative burdens for the GS/OAS and it is a practice explicitly prohibited under the terms of most donor agreements. All advances of funds must be requested by the director of the dependency, through the AMS via the OASES Customer Service.

11.1 Types of advances of funds

DFS manages two types of advances of funds based on the type of donor agreement:

11.1.1 Reimbursable Based Agreements (RBA): These are agreements where the GS/OAS performs the work and then is reimbursed based on actual execution. In most agreements of this kind, the GS/OAS is only reimbursed after narrative and financial statements are delivered to the donor, therefore reimbursable agreements must be tracked separately from other contributions. Since advances of funds are dependent on cash availability, DFS advises that these kinds of agreements be limited. Dependencies are encouraged to negotiate agreements with upfront contributions.

11.1.2 Advance of Funds for Execution (AFE): These are cases where the executing area needs to start obligating funds before the cash contribution from the donor arrives due to timing, and there are no limitations under the terms of the donor agreement on the start of execution.

Letters of Credit (LOC) can be either an RBA or an AFE, depending on the terms of the agreements. For more information about the definition of a LOC and its payment method, see the glossary attached.

11.2 Limit of allotment

The limit of allotment for advance of funds is summarized as follows:

- **Contributions in USD:** Up to 100%.
- **Contributions in other currencies:** Up to 95%. The remaining advance percentage will be approved after an analysis of exchange rate variances has been performed.

Ultimately, DFS reserves the right to approve or deny requests for advances based on its own professional judgment.

11.3 ICR charge on Advances of Funds

It is DFS' policy to charge ICR on advances of funds to facilitate the execution of the project. The rationale behind this is to ensure that there will be enough funds to cover the ICR once the contribution is received. No additional ICR is charged when the contribution related to the advance is received. In the end, the ICR charged will never exceed the agreed/budgeted amount provided for in the donor agreement.

12. UNSPENT BALANCES IN AWARDS

It is highly recommended that donor agreements for Specific Funds specify donor requirements as to the disposition of unspent funds at the end of the activity. If the agreement requires that unspent funds are returned to the donor, funds will be sent via electronic funds transfer. Donor banking information must be provided in the agreement, including bank name and address, account name and number, and ABA/Routing number or SWIFT number. Whenever the agreement does not include specific instructions as to the return of funds, the GS/OAS will utilize those remnants to offset projects requirements.

GS/OAS dependencies, through their AMS sections, must monitor overall unspent balances and must conduct systematic reviews to assure the return of unspent funds to donors within the timeframe established in the agreements, if required. Requests for return of funds to donors will be reviewed and the balance confirmed by DFS.

DFS monitors overall unspent balances as well, and may take appropriate action to resolve these balances in accordance with this handbook, as specified below:

12.1 Equal or less than USD 1,000

Depending on the conditions established in the donor agreement, funds will be subject to the following criteria:

12.1.1 Disposition of unspent balances established in the agreement: GS/OAS will follow instructions established in the donor agreement.

GS/OAS dependencies must take the necessary actions to return or dispose of funds through the AMS via the OASES Customer Service within the timeframe agreed with the donor. If the timeframe is not specified, or no actions have been taken after six (6) months of the expiration of the award, or there are no instructions as to where the funds must be returned, these balances will be consolidated into a GS/OAS control account (see section 12.4 of this handbook).

12.1.2 Disposition of unspent balances not established in the agreement: Funds will be consolidated into a GS/OAS control account (see section 12.4 of this handbook) after six (6) months of the expiration of the award.

DFS will periodically review these balances and will proceed with consolidation unless there are official communications with the donor regarding the use of these balances.

12.2 More than USD 1,000 and equal to or less than USD 10,000

These amounts will be returned to the donor, unless reprogramming instructions are received from the donor. GS/OAS dependencies executing the funds must initiate the request to return unspent balances to the donor promptly through the AMS via the OASES Customer Service or contact the donor through the corresponding channels to request use of the remaining funds for other activities.

If no actions have been taken after two (2) years of the expiration of the award, these balances will be consolidated into a GS/OAS control account (see section 12.4 of this handbook).

12.3 More than USD 10,000

These amounts will be returned to the donor, unless reprogramming instructions are received from the donor. GS/OAS dependencies executing the funds must initiate the request to return unspent balances to the donor promptly through the AMS via the OASES Customer Service or contact the donor through the corresponding channels to request use of the remaining funds for other activities.

If no actions have been taken after five (5) years of the expiration of the award, these balances will be consolidated into a GS/OAS control account (see section 12.4 of this handbook).

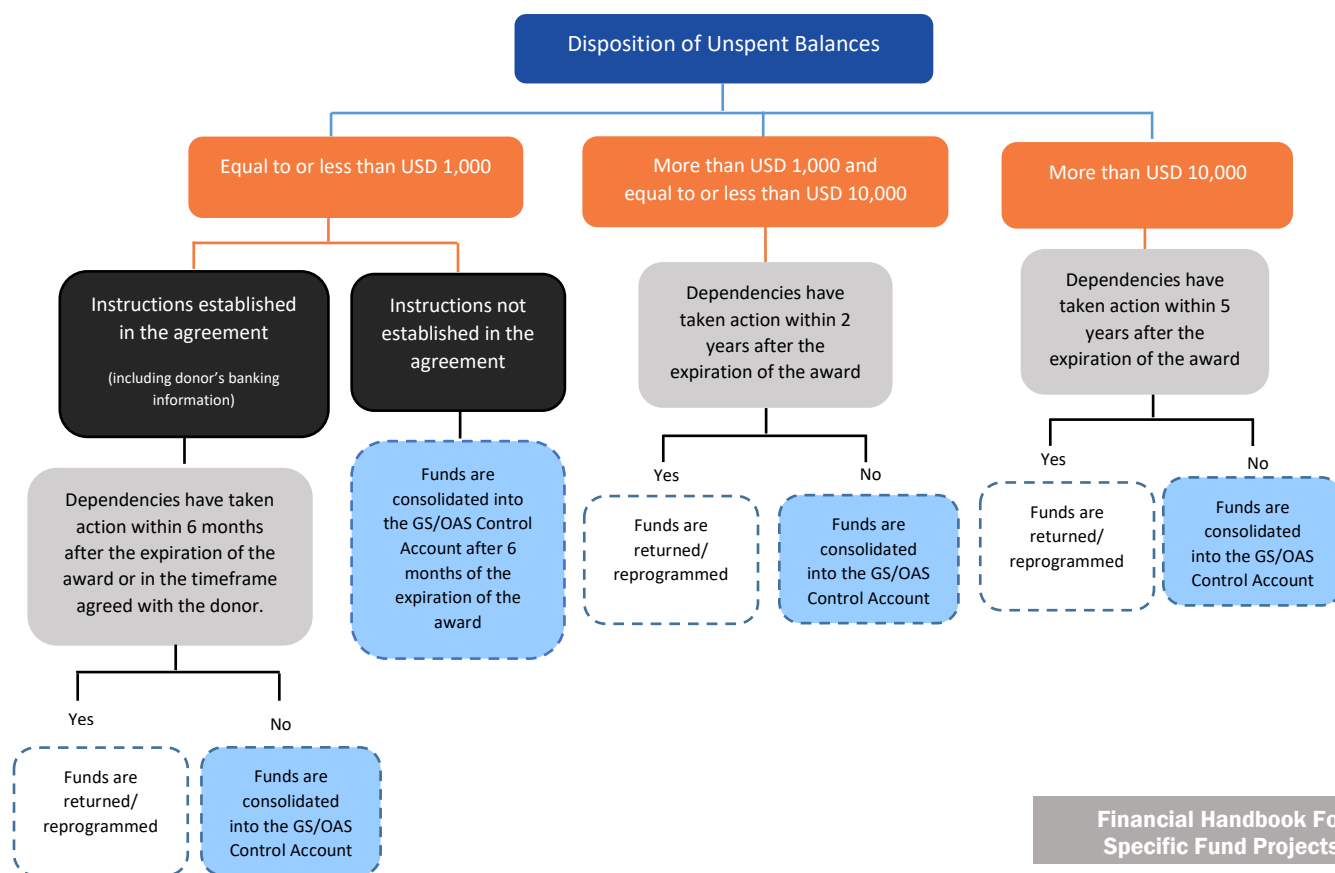
12.4 Use of GS/OAS control accounts

The GS/OAS control account is a repository account of all leftover balances of concluded projects or unidentified funds. This account is under the purview of the GS/OAS Treasurer and may be used to address various administrative situations.

These situations may include, but are not limited to:

- Reimburse the GS/OAS for outstanding project cash advances previously provided to the programmatic area
- Write-off negative project balances deemed uncollectible as per Write off Policy.
- GS/OAS irrevocable commitments with no financing secured.
- Projects lacking immediate financing due to timing issues regarding the receipt of funds from donors.
- Others situations, as deemed necessary and in consultation with the Chief of Staff of the Secretary General.

The following chart summarizes the treatment of unspent balances:



13. RESPONSIBILITY AND ACCOUNTABILITY FOR EXECUTION OF PROJECTS/AGREEMENTS

Follow up on project execution is necessary to assess whether budget allocations match project objectives originally planned, and whether significant variances between the original budget and actual expenditures need to be adjusted for the remaining time period.

In this regard, the Dependency is responsible and accountable for the revision and accuracy of the transactions recorded in the financial system as established under Chapter IV.2, IV.3 and IV.4 of the Budgetary and Financial Rules, as well as in other internal GS/OAS regulations.

Individuals responsible for and with decision making authority in respect of the execution of projects/agreements are responsible for the proper fulfillment of all project requirements. This includes project managers, financial and administrative support personnel. The Dependency's director is ultimately responsible for compliance with project/agreement requirements.

13.1 Code of Ethics

The GS/OAS Code of Ethics applies to "... all individuals performing services for GS/OAS, regardless of their form of contract, duration of employment, or Workplace. All Staff Members and Other Service Providers must comply with the Code." Consequently, individuals responsible for and with decision making authority in respect of the execution of projects/agreements must abide by the principles established therein. These principles can be found at:

<http://www.oas.org/legal/spanish/gensec/EXOR1203.htm>

13.2 Procurement of goods or services

A purchase order (PO), which records an obligation, must be duly recorded in the GS/OAS ERP System prior to ordering goods or services that commit financial resources to a third party, be it a natural or legal person, and for which the General Secretariat would have to disburse funds. In the case of credit cards or petty cash, POs are duly recorded in the GS/OAS ERP System within the timeframes authorized by each procedure. Any staff member who procures goods or services on behalf of the General Secretariat must ensure that such purchases are in compliance with the following GS/OAS procurement rules and regulations:

Procurement Contract Rules: <http://www.oas.org/legal/english/gensec/EX-OR-00-1.htm>

Performance Contract ("CPR") Rules: <http://www.oas.org/legal/english/gensec/EXOR0504corr1.doc>

Administrative Memorandum No. 110 Rev. 1 "Policy for Use of the Performance Contract ("CPR") Mechanism and Guidelines for Processing CPRs":

<http://www.oas.org/legal/english/admmem/admmem110rev1.doc>

13.3 Recording and monitoring of unliquidated obligations

Obligations are commitments to disburse monies for the procurement of goods or services in future periods. Program managers and Administrative Management Support (AMS) sections in each area are responsible and must ascertain that sufficient funding is allocated to cover personnel commitments and other obligations financed by Specific Fund contributions and that these are eligible costs pursuant to the terms of the applicable donor agreement.

It is strongly recommended that the Dependency periodically review obligations to ensure that, after goods and services are received and/or concluded; no outstanding balances remain for such obligations. Refer to Administrative Memorandum No. 86 Rev. 1 "Obligations Review Guidelines" for further information, found at: <http://www.oas.org/legal/english/admmem/admmem86R1.htm>.

14. COST TRANSFERS BETWEEN PROJECTS AND AWARDS (a.k.a. “TRANSFER OF EXPENDITURES”)

Cost transfers, or transfer of expenditures, between projects and awards are only permissible under certain circumstances, such as an authorization from the donor, data entry errors, and other circumstances where such transfers can be clearly justified. Ultimately, DFS reserves the right to approve or deny requests for cost transfers based on its own professional judgment, and compliance with the applicable donor agreements and GS/OAS regulations.

14.1 Criteria⁷

Request for cost transfers shall meet the following criteria:

Allowable: The cost must be allowable under the terms and conditions of the award, including the award’s budget, covered period and applicable regulations.

Allocable: The cost of goods or services must benefit the project charged. Goods or services shared by more than one project are allocable in proportions that can be estimated through actual use. Example: If you are charging Project A for 50% of an item purchased, Project A must receive half the benefit or use of that item.

Reasonableness: A cost may be considered reasonable if the nature of the goods or services acquired and the amount paid, reflect the action that a prudent person would have taken at the time the decision was made to incur the cost.

Consistency: The application of costs must be given consistent treatment within established GS/OAS policies and procedures. Example: transfer of expenditures should be limited to modifying the project, award, task, organization, and fund but not the expenditure type.

In addition, costs should not be transferred more than once. Since the transfer has already been justified, documented and accepted as appropriate, any additional transfer will not be allowed.

Timeliness: Transfers should be made within 90 calendar days from the accounting date on which the cost was originally recorded. This period is reduced up to 60 days during the annual accounting closing period.

Reliability: Costs already reported and/or certified to a donor, or in a period already audited, cannot be modified unless otherwise disclosed to and authorized by the donor. A cost that has been reported to a donor cannot be reported to another donor. This also applies to the receiving source of financing.

Materiality: The amount of the cost that needs to be transferred cannot represent 50% of the total cost of the project/award combination, unless authorized by both donors where applicable.

Retroactivity: Retroactive costs can be transferred only if it is permissible under the terms of the donor agreement.

Regular and Indirect Cost Recovery (ICR) Funds: Costs that need to be transferred to these funds must be within the current appropriation period and have the corresponding approvals (i.e. EARS).

Letter of Credit (LOC): Costs that had been reimbursed cannot be transferred, unless otherwise authorized by the donor.

14.2 Justification and supporting documentation

The justification for cost transfers requires a detailed explanation of why the transfer is necessary in order for a reviewer or auditor to conclude that it is appropriate. An explanation that merely states “to correct error” or “to transfer to correct account” is insufficient. The Dependency must fill out and diligently complete the “Transfer of Expenditures” form provided by DFS. This form must be presented in Excel and PDF formats, requested by the project manager (if there is no AMS available) and approved (signed) by the director. All requests shall be channeled by the AMS via the OASES Customer Service.

⁷ These criteria are for illustrative purposes and are not exhaustive.

14.3 Accountability

Transfers of expenditures that are frequent, tardy or inadequately explained, particularly on projects with unexpended balances, raise questions regarding the appropriateness of the transfers and the reliability of the Organization's accounting system and internal controls, specifically financial reporting.

Dependencies and their designees are responsible for reviewing charges on their awards in order to timely identify errors within the timeframe explained under point 14.1 above. Dependencies that delegate responsibilities and decision making authority for cost transfers must ensure that responsible employees are qualified and are properly fulfilling their responsibilities.

15. IMPLEMENTING PROJECTS WITH INTERNAL AND/OR EXTERNAL PARTNERS

Some Specific Fund projects may require that another partner be involved for the successful implementation of the project and this may require the executing GS/OAS dependency to transfer a portion of donor funds to that implementing partner. In these cases, proper accountability and compliance requirements must be established with that partner in respect of the use of donor funds. Specific Funds are governed by the terms of the corresponding donor agreements and the requirements contained therein similarly apply to funds transferred to any implementing partner.

The corresponding GS/OAS dependency must contact DFS and DLS before committing GS/OAS funds to implementing partners

15.1 Internal partners

- In most cases, a written understanding between internal partners such as other dependencies of the GS/OAS is required. The executing dependency must consult with DFS to define the scope of the understanding in terms of financial compliance.
- It is strongly recommended that the project budget clearly delineate the budgetary lines to be executed by the implementing partner.

15.2 External partners

- As per Executive Order No. 05-06 Rev.1, the GS/OAS, through the executing dependency must enter into a legal agreement with external partners, such as other organizations or institutions. This process is governed by Executive Order No. 05-06 Rev.1 and as per Annex I – Rules for the Negotiation, Preparation, Review, Signature, and Registration of Agreements of the General Secretariat thereto, all such agreements must be submitted to DLS and DFS for legal and financial review. These agreements must contain financial language to hold the implementing partner accountable for the proper execution of funds consistent with the terms of the Specific Fund agreement signed between the GS/OAS and the donor.
- Prior authorization from the donor that an implementing partner external to the GS/OAS will be executing some or all donor funds is required.
- Project budgets must clearly delineate the budgetary lines to be executed by the implementing partner
- Note that entities such as Trust for the Americas (TFA), Pan American Development Foundation (PADF), Inter-American Court of Human Rights (IACHR), amongst others, are external partners.

16. OFFICIAL TRAVEL

Official travel is subject to the directives established in Administrative Memorandum No. 122 “Travel Policy of the General Secretariat of the Organization of American States” found at:

<http://www.oas.org/legal/english/admmem/admmem122.pdf>

Staff rules related to official travel can be found at:

<http://www.oas.org/legal/english/rules/chapter8.htm>

Please contact the Department of Procurement Services for further information regarding official travel.

ANNEX A

GS/OAS ERP SYSTEM – GRANTS ACCOUNTING ENVIROMENT

The GS/OAS ERP System - Grants accounting environment provides the GS/OAS with the ability to track Specific Fund Agreements and funded projects from inception to final reporting. The GS/OAS ERP System - Grants accounting is an integrated system that supports multi-funded projects and compliance with the terms and conditions of donor agreements.

A.1 Required information to establish or amend Specific Fund Projects in the GS/OAS ERP System

All requests from Dependencies to establish or amend (e.g. extension of end dates) agreements must include the corresponding authorization from the donor. DFS enters information pertaining to financial requirements into the GS/OAS ERP System, to ensure financial compliance with donor agreements. In the case of requests to establish new projects, DFS will request approval from DPE to ensure that the project has been approved by the PEC as it deems necessary.

DFS implemented **Form 100** to facilitate several administrative requests related to the establishment and management of Specific Fund Agreements in the GS/OAS ERP System, including the setup of projects, recording of contributions, transfer of expenditures and return of funds to donors. **Form 100** may be found in the OAS Finance Portal – section More Services: “Forms and Templates” at: <http://oasconnect/Default.aspx?tabid=746>

ANNEX B

IN-KIND CONTRIBUTIONS TO THE GS/OAS, COST SHARE AND COST CONTINGENCY

B.1 In-kind contributions

- In-kind contributions form an integral part of the project costing process and can be included in budgets.
- In-kind contributions are non-cash contributions to Specific Fund Projects which can be assigned an estimated monetary value.
- The monetary value of each in-kind contribution should be equivalent to the cost that the GS/OAS would have incurred in the project had it not received the in-kind contribution.
- In-kind contributions to a project are contributed by the GS/OAS and/or a donor(s).
- In-kind contributions from the GS/OAS can only be associated to costs incurred in the OAS Regular Fund or ICR Fund. No costs incurred from a contribution received pursuant to a donor agreement can be considered an In-kind contribution from the GS/OAS (this should be considered cost share).

EXAMPLE OF AN OAS IN-KIND CONTRIBUTION

A program specialist manages 3 different projects (X, Y and Z) for an annual cost to the **OAS Regular Fund** of \$100 thousand. His or her time is pro-rated and budgeted to each project as OAS in-kind contributions.

Project	% of total time allocated	Estimated OAS in-kind contribution
X	20	\$ 20,000
Y	30	30,000
Z	50	50,000
		<u>\$ 100,000</u>

B.2 Cost share

Cost share refers to cash resources and in kind contributions provided by the GS/OAS and/or by other donors to the total cost of a project. It becomes a condition of a donor agreement when it is part of the approved budget. It includes all cash and in-kind contributions to the project.

B.3 Cost contingency

Cost contingency addresses the risk of cost escalations and covers potential shortfalls of cost estimates prepared at the planning stage of the project. A risk allocated cost contingency should be included in project budgets for the mitigation of various risks. Cost contingency should be negotiated with donors.

ANNEX C

GLOSSARY

- Accounts Payable: Liabilities due to individuals, firms or enterprises for goods and services received by GS/OAS.
- Accounts Receivable: Amounts due to the GS/OAS by individuals, firms, enterprises, international organizations, and Member and non-Member States for goods and services delivered or cash advanced.
- Agreement: Agreement includes, but is not limited to, contribution agreements, grant agreements, donations, exchanges of letters, amendments, and letters and memoranda of understanding entered into by the GS/OAS and third parties.
- Allotment: Written authorization from the Secretary General to obligate funds within a specific period of time for a determined amount in conformity with an appropriation in the Program-Budget, a programming decision of the corresponding authority or donor with respect to a Specific Fund or Trust Fund.
- Award: See point 4 of this Handbook (page 6).
- Budgetary and Financial Rules: Administrative Memorandum No. 103 – Budgetary and Financial Rules of the General Secretariat of the Organization of American States.
- CAAP: Committee on Administrative and Budgetary Affairs of the Permanent Council of the Organization of American States.
- Carry-over or Carry-Forward Funds: Obligations pending payment to third parties (natural or legal persons) for goods and services received, or to be received at the end of the fiscal period and that will be paid in the new fiscal period.
- Cash: Currency, coins, checks, postal or express money orders, and bank drafts on hand or deposited with a staff member or an agent designated as custodian of cash and bank deposits.
- Contributions: Funds received by the General Secretariat for Specific and Trust Fund projects and activities pursuant to Agreements with Member State governments, non-Member State governments, and all other entities, organizations, and institutions. For purposes of Executive Order No. 07-01 Rev.3, the term “Contribution” shall also include membership fees paid to the General Secretariat, income from fundraising activities by the General Secretariat, and income from the provision of services by the General Secretariat to third parties.
- Dependency: Technical or administrative area of the GS/OAS (i.e. Secretariat, Department, Office, Unit) executing the Specific Fund Project.
- Deposit: Money placed in a bank or another institution or with a person either as a general deposit from which checks can be drawn or as a special deposit for specific purposes.
- DFS: Department of Financial Services.
- DHR: Department of Human Resources.
- DHHS: The U.S. Department of Health and Human Services
- DHHS PMS: The U.S. Department of Health and Human Services Payment Management System. It is a centralized grants payment and cash management system. The DHHS PMS is a Web-based system and serves as the fiscal intermediary between the awarding agencies and the grantees. Each grantee has a separate DHHS PMS account for drawing funds and reporting disbursements. All awards applicable to a single grantee under the LOC payment method will be covered under one DHHS PMS account.
- Disbursements: Cash payments by check, electronic, transfer.
- DLS: Department of Legal Services.
- DOITS: Department of Information and Technology Services.
- Donor: Any entity including but not limited to: Government or other public entity; private-sector entity, non-governmental organization, international organization or individual that contributes resources to the GS/OAS or to the Organization, usually by way of an Agreement or Trust Declaration.
- DP: Department of Procurement Services.
- DPE: Department of Planning and Evaluation.
- Equipment: Tangible personal property of a durable nature; not real estate (land and buildings). Examples of equipment are computers, tools, furniture, books, and telecommunications networks.

- Expenses: Charges for the cost of goods and services delivered or rendered to GS/OAS, whether or not any money has been disbursed to cancel obligations.
- Fiscal Period: The year covered by the annual Program-Budget Resolution. In the case of the GS/OAS, it is the calendar year (January 1 – December 31).
- Fund: Independent fiscal and accounting entity consisting of a group of accounts and sub-accounts and for which the total of accounts and sub-accounts equal the total fund balance. The accounts within a Fund are recorded to show cash and other resources, along with liabilities, obligations, reserves, and capital. The Funds of the GS/OAS include the Regular Fund, OAS Development and Cooperation Fund, Specific Funds, and Trust Funds, as further defined in Chapter II of the Budgetary and Financial Rules.
- Fund Balance: A Fund's assets in excess of liabilities, reserves, and pending obligations.
- General Standards: General Standards to Govern the Operation of GS/OAS.
- Grant: A grant carries no repayment obligation when utilized for the agreed activities. The recipient agrees to implement the grant activities through the signing of a Grant Agreement.
- Income: Money or equivalent to money received during an accounting period. It includes quotas, pledges, contributions, earnings from investments, rents, royalties, and fees for goods and services.
- GS/OAS: General Secretariat of the Organization of American States.
- GS/OAS ERP System: Current OAS Enterprise Resource Planning System, used for the management information system. Previously known as OASES - ORACLE.
- Internal Controls: Procedures implemented for the effective control of assets, liabilities, income, and expenses.
- Investments: Securities, real property purchased to produce income, money market accounts.
- Letter of Credit (LOC): Corresponds to a contribution from the United States of America that is paid through the U.S. Department of Health and Human Services Payment Management System (DHHS PMS). A LOC is [defined](#)⁸ as an advance payment method that authorizes grant recipients to request an electronic drawdown/advance of funds approved by the corresponding U.S. agency via award documents. U.S. agencies have outsourced its LOC award drawdown/advances and reporting services to the U.S. Department of Health and Human Services (DHHS). DHHS operates the Payment Management System.
- Liabilities: Debt or other binding legal obligations arising from transactions that must be settled or renewed at a future date.
- Modified Cash basis: An accounting method in which income and expenses are recorded when the cash is paid or received regardless of the time period in which such income or expenses were incurred or accrued but where some components are considered under the accrual basis.
- OASES Customer Service: Internal OAS system used to submit and track administrative requests (tickets).
- Object of Expenditure: An expense category which is part of a system of nine categories under General Standard Article 91 to classify obligations and expenditures with the purpose of separating and identifying the types of services and goods to be purchased: The nine objects of Expenditure are: (1) Recurring personnel expenses; (2) Non-recurring personnel expenses; (3) Fellowships; (4) Travel; (5) Documents; (6) Equipment and supplies; (7) Buildings and maintenance; (8) Performance contracts; (9) Other costs, (ICR) Indirect cost recovery.
- Obligations incurred: sums of money for placed orders issued and signed contracts with third parties that the General Secretariat must pay within a limited time frame.
- PEC: The Project Evaluation Committee established by the Secretary General through Executive Order No. 05-11 as the primary body entrusted with the evaluation of the appropriateness and importance of all proposed projects in the General Secretariat.
- Performance Contract: A contract for the purchase of services or a specific work product or result for an approved program or project in areas of specialization.
- Petty Cash: Amount of money kept separately for purposes of making small change or to pay small obligations when producing a voucher and issuing a check would be too costly and time consuming.
- Procurement Contract: A contract for the purchase or lease of goods, transportation, or real estate; the purchase of insurance; and the purchase of services incidental to and as part of a contract for the purchase or lease of goods or real estate.

⁸ See USAID's Letter of Credit (LOC) Account Set-Up and Payment Procedures

- Program Manager: Normally a GS/OAS staff member who has been appointed by the Secretary General to be responsible for the management of one or more appropriations from one or more of GS/OAS' Funds. The Program Manager is responsible for overseeing the appropriation assigned and for its use in accordance with the corresponding provisions of the Program-Budget, or donor agreement, as the case may be, and in accordance with the Budgetary and Financial Rules and the General Standards.
- Project: See point 4 of this Handbook (page 6).
- Real property: Land and anything upon it that can be removed without injuring the land, like, for instance, a building.
- Regular Fund: The principal funding source for the annual Program-Budget funded primarily through Member state Quotas. See Chapter II of the Budgetary and Financial Rules.
- SAF: Secretariat for Administration and Finance.
- Stakeholder: General Secretariat staff members or other Human Resources, Member States and other Donors
- Treasurer: Director of DFS.
- Unliquidated obligations: Outstanding balances of previously contracted obligations which have not been paid or settled in any form.