

P.L. 480, TITLE II: CLOSE-OUT PLAN GUIDANCE

BHR/FFP
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BACKGROUND:

This guidance should be used by all Title II projects that are in the process of closing out, and the documents described below should be used as a reference in preparing a close-out plan. Cooperating Sponsors (CSs) should plan to submit close-out plans to the Office of Food for Peace (FFP) six months prior to the expiration of the project/activity authorization, unless there have been discussions with BHR/FFP concerning continuation of the project.

I. REFERENCE DOCUMENTS:

A. USAID Regulation 11, Section 211.11 Suspension, termination and expiration of program.

This section states, in pertinent parts, that:

"(a) Termination or Suspension by A.I.D. ...When a program is terminated or suspended, title to commodities which have been transferred to the cooperating sponsor, or monetized proceeds, program income and real or personal property procured with monetized proceeds or program income shall, at the written request of USAID, the Diplomatic Post or AID/W, be transferred to the U.S. Government by the cooperating sponsor or shall otherwise be transferred by the cooperating sponsor as directed by A.I.D. Any then excess commodities on hand at the time the program is terminated shall be disposed of in accordance with Section 211.5 (o) and (p) or as otherwise instructed by USAID or the Diplomatic Post."

"(b) Expiration of Program. Upon expiration of the approved program under circumstances other than those described in paragraph (a), the cooperating sponsor shall deposit with the U.S. Disbursing Officer, American Embassy, with instructions to credit the deposit to CCC Account No. 20FT401, any remaining monetized proceeds or program income, or the cooperating sponsor shall obtain approval from AID/W for the use of such monetized proceeds or program income, or real or personal property procured with such proceeds or income, for purposes consistent with those authorized for support from A.I.D."

Based on the above, all remaining property, funds and commodities must be accounted for at the termination of the project and transferred to the USG, unless USAID approves a plan to allow the Cooperating Sponsor (CS) to use or dispose of the assets. Thus, the close-out plan must be negotiated between USAID and the Cooperating Sponsor for the disposition of all remaining assets.

B. OMB Circular A-110 and Handbook 13 -- Grants:

In preparing the guidance, BHR/FFP has followed the following:

- 1) OMB Circular A-110;
- 2) AID Handbook (HB) 13 for grants;
- 3) AID's codification of OMB Circular A-110, called [22 CFR 226](#); and
- 4) AID's Automated Directives System (ADS) Chapter 591 on Financial Audits of USAID Contractors, Grantees and Host Government Recipients (which will soon be available on the Internet).

Note that Circular A-110 pertains to all U.S. Government- supported grants and

agreements, and HB 13 interprets sections of A-110 relevant for AID-funded agreements. Per HB 13, close-out is defined as follows: "The closeout of a grant or cooperative agreement is the process by which AID determines that all applicable administrative actions and all required work of the grant or cooperative agreement have been completed by the recipient and AID..."

Handbook 13 also states that "AID closeout procedures include the following requirements:

- a. Upon request, AID shall make prompt payments to a recipient for allowable reimbursable costs under the grant or cooperative agreement being closed out.
- b. The recipient shall immediately refund any balance of unobligated (unencumbered) cash that AID has advanced or paid and that is not authorized to be retained by the recipient for use in other grants or cooperative agreements.
- c. AID shall obtain from the recipient within 90 calendar days after the date of completion of the grant or cooperative agreement all financial, performance, and other reports required as the condition of the grant or cooperative agreement. AID may grant extensions when requested by the recipient.
- d. When authorized by the grant or cooperative agreements, AID shall make a settlement for any upward or downward adjustments to AID's share of costs after these reports are received.
- e. The recipient shall account for any property acquired with AID funds, or received from the Government in accordance with the provisions of paragraph IT of this chapter.
- f. In the event a final audit has not been performed prior to the closeout of the grant or cooperative agreement, AID shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs resulting from the final audit."

C. USAID Regulation 2, Overseas Shipments of Supplies by Voluntary Non-Profit Relief Agencies:

Cooperating Sponsors that received PL480 funds for Ocean, Inland, Internal Transportation, Storage and Handling (ITSH) should also report on the status of these funds in their close-out plans. ITSH would only apply to CSs implementing emergency rather than development programs. USAID Regulation 2 for Shipping should be referenced for this purpose.

II. REGULATIONS AND SOURCES OF USAID FUNDS:

Regulation 11 (22 CFR, Part 211) pertains to use and disposition of Title II resources. However, because Reg. 11 does not contain specific grant agreement language, AID's Handbook 13 is typically used as guidance in the management of Section 202 (e) grants. Thus, this handbook, any provisions that are part of a CS's grant agreement, as well as the 22 CFR (Part 226.71 - Close Out Procedures) should be referenced when closing out Section 202 (e) grants and activities. Likewise, if a CS has received Development Assistance (DA) resources (most likely through a Mission-funded grant), the CS should use Handbook 13 and 22.CFR, Sub-Part D for reference.

NOTE on Relationship of This Guidance to Other AID Regulations and Instructions: Grants and cooperative agreements negotiated with USAID frequently contain standard provisions for closing them out. The close-out provisions in these grant agreements should be consistent with provisions found in the regulations and handbooks cited above. The food-aid related grants most likely to contain close-out language include the following: Section 202(e), Institutional Strengthening Grants (ISGs), and Development Assistance Grants provided by the Mission for Title II program support.

It is also important to note that because most food aid projects receive more than one type of funding (e.g. Title II commodities, 202 (e), ISGs, ITSH, etc.), CSs will be expected to follow the close-out regulations associated with each of these resources (as stipulated in the grant agreement or funding document). The guidance contained herewith is not intended to replace any of the regulations associated with specific funding sources, but rather to provide a format in which CSs can report to BHR/FFP and USAID Missions their overall plans for closing out a specific food aid program, regardless of the source of funding.

III. RESPONSIBILITIES WITHIN USAID:

Note that BHR/FFP serves as Grants Officer for Section 202(e) grants and handles Title II-related issues; M/OP serves as Grants Officer for Institutional Strengthening Grants, Matching Grants and other DA-funded support from Washington. If grants were provided directly by Missions to CSs, the Mission grants officer will need to be consulted on termination of the grant during close out. Although coordination with several offices could be required depending upon the source of funds, in all cases, both the Mission and BHR/FFP should be consulted during close out and receive copies of the CS's close-out plans. The CS should also expect to work closely with the Mission in determining the feasibility of various close-out options.

Although Missions and FFP should both be consulted during close-out, note that final approval of close-out plans will be carried out in accordance with the signed agreements between USAID and the Cooperating Sponsors, and approved as follows:

Title II commodities, Section 202(e), monetization proceeds, and ITSH: Final approval will be provided by BHR/FFP with Mission concurrence.

Development Assistance Funds, Including FFP-provided Institutional Strengthening Grants: Final approval will be provided by the cognizant grants officer whose office awarded the grant. This would likely be the Mission (if the funds were Mission provided) or the Office of Procurement in AID/Washington.

GUIDELINES FOR PREPARING PLAN

To assist in preparation of close-out plans for submission to Missions and USAID/W, BHR/FFP is providing the following guidance for submission of closeout plans by all CSs:

I. SUMMARY ON CLOSE-OUT:

- 1) Provide a brief summary of why the project is being suspended/terminated and the implications, if any, for the country and Title II beneficiaries, the project, and the CS's in-country operations.
- 2) Provide a brief summary of resources provided over the life of the project by USAID, the CS, the host government, other donors and beneficiaries. Also briefly summarize the sectors supported, and the location in the country where investments were made.
- 3) Provide a brief summary (by component if relevant) of where the project is at this point in meeting its stated goals and objectives, and where it will be at the date of close out.
- 4) State whether there have been any recent audits of the project (or will be) and the status of resolving outstanding audit recommendations. Attach a copy of the

audit to the close-out plan or send separately to the USAID Mission and BHR/FFP (if this has not already occurred).

5) State whether there have been (or will be) a final or impact evaluation of the project. If it has been completed, attach a copy of the evaluation to the close-out plan or send separately to the USAID Mission and BHR/FFP (if this has not already occurred). If an evaluation has not been completed but is planned, discuss briefly plans to carry out the evaluation and if possible, attach the evaluation Scope of Work (SOW).

II. LESSONS LEARNED:

Provide a brief summary of lessons learned from the project that might be relevant to design, implementation and evaluation of other Title II projects, either in the present country or others.

III. CLOSE-OUT SCHEDULE:

Provide a detailed implementation plan and schedule for closing out the project that details the disposition of property and equipment; the termination of staff; the finalization of all audits, evaluations and required reports; the settling of claims; and other critical activities.

IV. FINAL REPORTS:

Provide any reports (e.g. final report, Annual Results Report, Final Evaluation) required either in the project agreement, or in writing by USAID.

V. DISPOSITION OF COMMODITIES, ASSETS, EQUIPMENT, AND FUNDS:

1) Commodities: Prior to the project completion date, all commodities should be distributed to the intended recipients. If this is not possible, the CS should propose an alternative solution, and advise the Mission and BHR/FFP of the quantities, location and condition of the food.

2) Non-expendable property/equipment procured through Section 202(e), monetization or other USAID-provided funds: The close-out plan should include an inventory of all non-expendable property/equipment procured with funds provided by USAID, or obtained through a monetization of Title II commodities with a unit acquisition cost exceeding \$5000, and with a useful life estimated to exceed two years. The CS should describe how it proposes to dispose of each piece of property and what will be done with the proceeds if the items are sold. (Note: for additional information on and definitions of non-expendable property/equipment (as defined by the U.S. Government), please check OMB Circular 110, Subpart A and/or USAID's 22CFR, sections 226.2, 226.34 and 226.71).

3) Monetization-Generated Local Currency and Program Income:

a) The close-out plan should identify the balance of local currency and program income that will remain at the date of close out. Note that local currency and program income should include all resources applied to implementation of the subject Title II project, including Title II and Title III monetization proceeds, interest and reflows, container funds and beneficiary contributions. If a balance is anticipated, the close-out plan should describe a proposed use or transfer of the remaining monetization proceeds. Proposed uses must be consistent with those authorized in USAID Regulation 11, Section 211.5.

b) If USAID authorizes use of remaining local currency and program income by the cooperating sponsor, to ensure that the resources are being used for the agreed-upon purpose, the CS will be expected to report annually on how these funds, as well as any interest and reflows, are being used. USAID and the CS

will negotiate the length of time this annual reporting shall continue, based upon what makes sense given the agreed-upon activities. Use of the funds should also be reflected in the CS's annual A-133 audit.

For use of local currencies and program income in revolving accounts or similar mechanisms, in addition to the aforementioned reports and audits, it is likely that the appropriate Food for Peace Officer/USAID Food Aid manager will have to actually monitor the account's first use of the post- program funds (one revolution or one cycle of the revolving account after close-out).

4) Dollar resources (from Section 202 (e), Mission provided Development Assistance (DA) funding, and Title II Transportation Funding):

a) As stated in the background section, for any dollar resources provided by USAID for support of food aid programs, the Cooperating Sponsor should follow any close-out guidance attached as standard provisions to its grant agreement.

b) The CS should provide detailed information on all outstanding invoices that will be submitted for ocean and inland transportation charges applicable to the close-out project/activity. Only invoices for reported charges can be honored.

c) If there are ITSH resources remaining at the end of the project, these funds can be used in other countries approved in the Procurement Authorization and Purchase Request (PA/PR). Otherwise, the ITSH funds will be de-obligated and returned to the U.S. Government. In all cases, the CS will need to submit a pipeline analysis and proposal for using or returning remaining ITSH funds to FFP's Emergency Response Division, prior to any movement of funds.

d) As with remaining monetized funds, the close-out plan should identify the source and balance of all dollar resources (including interest and reflows) that will remain at the date of close out. If a balance is anticipated, the close-out plan should include a proposed use or transfer of the remaining dollar proceeds. Proposed uses must be consistent with those authorized in USAID Regulation 11. Note that because dollar resources require the greatest degree of monitoring by the U.S. Government, USAID Offices and Missions will be encouraged not to approve the reprogramming of remaining U.S. dollar resources after close-out, but rather to have these funds returned to the U.S. Government.

e) If USAID should authorize the use of remaining dollar resources by the cooperating sponsor, to ensure that the resources are being used for the agreed-upon purposes, the CS will be expected to report annually on how these funds, as well as any interest and reflows, are being used. USAID and the CS will negotiate the length of time this annual reporting shall continue, as well as the likelihood of on-site monitoring by the appropriate regional or other Food For Peace Officer/USAID Food Aid manager, based upon what makes sense given the agreed-upon activities. Use of the funds should also be reflected in the CS's annual A-133 audit.

VI. OUTSTANDING CLAIMS:

a) All outstanding claims resulting from damage, loss or improper distribution of commodities must be completed prior to termination of the Title II agreement. These must be done in accordance with section 211.9 of Regulation 11.

b) It is recommended that before the close-out plan is submitted, the CS notify USAID (the Mission and BHR/FFP) in writing if there are losses for which it is directly responsible pursuant to Reg. 11, Section 211.9(d). These cases will need to be individually reviewed by USAID and by the U.S. Department of Agriculture's (USDA's) Office of Debt Management, which should be contacted at the following:

USDA Office of Debt Management
Kansas City Management Office

P.O. Box 419205
Kansas City, MO 64141-6205
phone: (816) 926-6158

c) It is also advisable that before the close-out plan is submitted, the CS notify the Mission and BHR/FFP if there are losses due to the fault of others, pursuant to Reg. 11, Section 211.9(e), and whether the CS has filed a claim, made demands for collection, and pursued legal action. These cases will have to be individually reviewed by USAID and by USDA.

VII. AUDIT:

a) A U.S.-based non-profit organization is required to submit its OMB Circular A-133 Audits within 13 months after the close of its fiscal year, which shall be accepted as fulfilling the close-out audit requirements. Individual close-out audits (of specific country projects) will only be requested when a specific need is identified by USAID personnel, and coordinated with the Office of Procurement's Contract Audit Management Branch (M/OP/PS/CAM). (Ref. ADS 591.5.8).

b) For non-U.S.-based organizations, the contract/grant officer shall determine whether a close-out audit shall be conducted based on a review of the organization's audits covering all of the fiscal year periods for the agreements to be closed out. A request for a specific close-out audit shall be made by USAID personnel to the cognizant Regional Inspector General's Office (Ref. ADS 591.5.8).

c) Should an audit concern arise regarding receipt and disbursement of Title II program and grant funds, such records shall be retained for 3 years from the receipt by USAID of the audit report.

VIII. PERSONNEL:

To the extent that the CS must discharge and/or reassign staff as a result of this program termination, the CS must comply with all discharge, reassignment and severance laws of the host country. The close-out plan should describe how this will be accomplished and the associated costs.

IX. CLOSE-OUT BUDGET:

The CS should provide a budget detailing all costs associated with close-out (e.g. legal resolution of claims, payment of loans, disposition of property, completion of audits and evaluations, and termination of personnel). The plan should clearly identify whether these expenditures were planned in the original program budget, or whether additional resources will be needed to meet these expenses. If the latter, the plan should describe how the CS plans to cover these unanticipated expenses.

X. OTHER RELEVANT INFORMATION:

If there is other information relevant to the close-out of this Title II project which has not been requested in other parts of this guidance, the CS should provide this information under item X.