ADS Chapter 635

Working Capital Fund

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ADS 635 – Working Capital Fund

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ADS 635 – Working Capital Fund

635.1 OVERVIEW
Effective Date: 05/08/2008

This chapter describes the policy directives and required procedures for using Working Capital Funds (WCFs).

Section 635(m) of the Foreign Assistance Act (FAA) of 1961, as amended, authorized the United States Agency for International Development's (USAID) Working Capital Fund (WCF). The WCF finances the costs incurred by USAID Missions when providing administrative support to other agencies under the International Cooperative Administrative Support Services (ICASS) program. (See **ADS 520** for specific information on becoming an ICASS **Alternative Service Provider (ASP)**).

The FAA also authorizes USAID to deposit the rebates it earns from the use of U.S. Government credit cards into the WCF, which can then be used to capitalize the fund or other uses deemed appropriate (see **635.3.3**).

The WCF is a no-year fund. No-year funds are available until expended; however, unobligated balances must be reapportioned to the fund by the Office of Management and Budget (OMB) for the amounts to be carried over to the next fiscal year. This advantage provides fiscal flexibility and helps to coordinate multi-year planning by enabling managers to make long-term decisions without the constraints of the fiscal year cycle.

*635.2 PRIMARY RESPONSIBILITIES
Effective Date: 08/27/2010

a. The Bureau for Management, Office of the Chief Financial Officer (M/CFO) develops, publishes, and announces financial management policy guidance and oversight for USAID's activities and operations, including the WCF.

b. The Bureau for Management, Overseas Management Support (M/OMS) reviews Missions' ASP budgets and invoices and summarizes the ASP Memorandum of Understanding agreements by Mission, Bureau, and funding source. M/OMS also assists the Bureau for Management, Office of Management Policy, Budget, and Performance (M/MPBP) in preparing the WCF request in the President's budget by incorporating Mission data into the M/MPBP annual budget call.

***c. The Bureau for Management, Office of Management Policy, Budget, and Performance (M/MPBP)** prepares summaries of customer billing data from each ASP Mission. M/MPBP prepares and distributes consolidated reimbursable agreements with customer agency budget and finance offices.

*M/MPBP also coordinates with the Bureau for Management, Office of the Chief Financial Officer, Central Accounting and Reporting Division (M/CFO/CAR) and M/OMS to ensure that collections are posted in the Phoenix Financial System and apportionment requests are submitted to the OMB for approval. Once the collections are available and apportioned in Phoenix, M/MPBP will issue allowances through the regional Bureaus.

d. The Bureau for Management, Office of the Chief Financial Officer, Cash Management and Payments Division (M/CFO/CMP) collects invoiced ASP funds from customer agencies through the Department of the Treasury's Interagency Payment and Collection system.

e. The Bureau for Management, Office of the Chief Financial Officer, Washington Financial Services (M/CFO/WFS) transfers the reimbursable funds recorded in Phoenix to each Mission's specific WCF and Operating Expense (OE) accounts.

f. The Bureau for Management, Office of the Chief Financial Officer, Central Accounting and Reporting Division (M/CFO/CAR) makes apportionment requests to the OMB and records the approved apportionments in Phoenix prior to their distribution to the Missions.

g. Regional Bureau Controllers issue WCF budget allowances to the Missions for ASP expenses.

h. Mission Controllers ensure that sufficient OE and program funds are available to pay ASP expenses and record financial transactions for the ICASS ASP WCF promptly in the official accounting system. The Mission Controller is responsible for recording and maintaining files on delegated obligations. The Mission Controller also reviews the ASP budget prepared by the Mission Executive Officer and submits it to the M/OMS.

i. Mission Executive Officers (EXOs), in coordination with the Mission Controllers, develop the Mission's detailed budget narrative justification, which defends the proposed budget targets. The EXO also prepares the Memorandum of Understanding agreements with the customer agencies. The EXO provides day-to-day management of the ICASS ASP operations, which includes maintaining customer relations for all services.

*635.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

Effective Date: 08/27/2010

ICASS (ICASS) Alternative Service Providers (ASPs) administering Working Capital Funds (WCF) must follow the applicable budget, finance, and financial management policy directives and required procedures. The policy directives and required procedures described in this and other ADS 600 series chapters can be found in **ADS**

631, Accrued Expenditures and **ADS 621 Obligations** (see especially **ADS 621.3.17**, **Review of Unexpended Obligated Balances**; **ADS 621.3.18, Annual Certification of Validity of Obligations**; and, **ADS 621.3.19, Annual Certification of Unexpended Obligated Balances**).

*635.3.1 Financial Documentation Responsibilities

Effective Date: 08/27/2010

*Financial documentation is any material or data that impacts on or results in financial activity. It includes any source material causing or resulting in a financial transaction. Contracting Officer's Technical Representatives (COTRs), Loans/Grants Officers, and Agreement Officer's Technical Representative (AOTRs) are responsible for retaining financial documentation.

[Note: Because of the USAID reorganization and the implementation of the Foreign Assistance Framework, the references to assistance objectives in this document can also be interpreted to mean program areas.]

The Loans/Grants Officers, COTRs and AOTRs use the following basic financial documentation retention rules:

- If an action will result in a financial transaction, it must be documented.
- Source documentation must be readily available for audit by either the Office of Inspector General or another responsible audit entity.
- Financial documents should be retained for seven years. However, because retention times may vary by document type, please refer to **ADS 502, The USAID Records Management Program**. The financial Records Disposition Schedules are located in the Mandatory Reference section of ADS 502 under Records Disposition Schedule, USAID/W, Chapter 15, Fiscal Management Records, and Records Disposition Schedule, USAID, Chapter 35, Financial Management Records. See also the **National Archives and Records Administration (NARA) General Records Schedules (GRS) 6 and 7**, Accountable Officers' Account Records and Expenditure Accounting Records, respectively.

*635.3.2 Cost Recovery

Effective Date: 08/27/2010

***FAA 635(m)(3)** states, "The fund shall be reimbursed or credited with advance payments for services, equipment, or supplies provided …at rates that will recover total expenses of operation, including accrual of annual leave and depreciation. Receipts from the disposal of or payments for the loss or damage to, property held in the fund, rebates, reimbursements, refunds, and other credits applicable to the operation of the fund may be deposited in the fund."

Missions must ensure that all WCF costs are accounted for in a manner that complies with the Federal Accounting Standards Advisory Board's **Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Standards for the Federal Government**.

Missions must charge their customers for the total cost of doing business in order to fully recover the funds they spend providing ICASS ASPs goods and services (**Foreign Assistance Act, Section 632(g)**). In other words, you must manage the ICASS ASP WCF on a full-cost recovery basis so that the Missions capture all direct and indirect costs for a 100 percent cost reimbursement. Recoverable costs can be categorized into three distinct categories: direct costs, indirect costs, and overhead costs.

All recoverable costs must be factored into the resource justification submitted to the M/OMS on an annual basis. Adjustments for underestimated costs may be included in the following year's budget.

***a. Direct costs.** This category contains salary and benefits, including American and Foreign Service National (FSN) staff support that directly provide ASP services to customer agencies and expenses that are readily identifiable with the service. Direct costs for staff support include:

- Office and residential rent,
- Utility costs,
- Training and travel expenses,
- Rest and relaxation and home leave travel,
- Post assignment travel,
- Education allowances,
- Post paid cost of living allowance (COLA),
- *Accrued annual leave, and
- *Depreciation.

You may base allocation of any shared costs for staff that directly provide ASP service on a proportionate basis of square meters occupied for rent and utilities, which means you may distribute the costs of shared space on a proportionate basis. Direct costs also include expenses that are identifiable with a service, but not always tied to a specific individual, such as motor fuel for vehicle operations, lease costs for a warehouse, and purchases for equipment.

b. Indirect costs. Indirect costs are those costs for personnel who provide support only to USAID ASP staff. Some examples of indirect cost are:

- Proportional shares of salary and benefit expenses for administrative functions, such as procurement staff time devoted to Non-Expendable Property (NXP) acquisition of ASP equipment and supplies.

- Human resources staff who administer defined benefit programs for employees working in the ASP program.

You must incorporate salaries, benefits, and support costs for staff that indirectly support ASP operations into the budget that is constructed within the ICASS ASP software. If the sum of all such costs is less than $50,000, the costs may be allocated to the non-ASP administrative services cost center (0009). If the salary and support costs exceed $50,000, you must allocate the amounts to the appropriate ICASS cost center, and the workload for those cost centers must be charged to agency code 7203.3, Alternate Service Provider. This allocation will result in a distribution of those costs only to agencies that receive ASP services. These costs must also be factored into the resource justification submitted to the M/OMS on an annual basis. USAID will recover its costs through the invoicing of customer agencies serviced at Missions and through any other USAID program accounts that are properly chargeable.

c. Overhead costs. Overhead costs are those costs that cannot be associated directly or indirectly with a discrete set of ASP activities. Some examples of overhead cost are:

- Postage,
- Toll calls,
- Post office box rentals, and
- Office machine repairs.

You must identify and incorporate overhead costs into the ICASS overhead cost center (8790).

*635.3.3 Rebates from Government-Sponsored Travel and Purchase Cards

Effective Date: 08/27/2010

FAA 635(m) authorizes the use of rebates from the Agency sponsored travel and purchase cards to fund the USAID WCF. USAID/W centrally receives the card rebates and deposits them in the Treasury Account Symbol (TAS) 72X4513, Working Capital Fund – No Year account.

OMB apportions available receipts as part of the overall WCF. After OMB apportions the funds to USAID, the Bureau for Management, Office of the Chief Financial Officer, Central Accounting and Reporting (M/CFO/CAR) in turn apportions the funds in Phoenix. The Bureau for Management, Office of Management Policy, Budget, and Performance (M/MPBP) then allots and allows the funds to Bureaus for onward allowance to the Missions.

*WCFs derived from credit card rebates, as opposed to reimbursements for Mission ASP services, must be made available for either the support or expansion of the card programs or ASP support activities. Examples of ASP support services include those

costs not directly reimbursable by clients, such as incidental expenses for ASP conferences, temporary duty travel to assist new ASP Missions, and contract staff who assist ASP Missions. M/MPBP determines the distribution of available funds based on requirements that broadly support the Agency. Current and prospective ASP Missions and Washington Bureaus may request non-reimbursable WCF funding through the Bureau for Management, Overseas Management Support (M/OMS) from M/MPBP if they can demonstrate a clear relationship between their funding requirements and the ASP program.

635.3.4 ICASS WCF Budget Procedures for the ASP

Effective Date: 05/08/2008

The following topics are discussed in **635.3.4**:

- Activities required for developing annual budget targets;
- Submission of the budget for the approval process; and
- Execution of approved budgetary resources for the USAID ICASS ASP.

635.3.4.1 Missions

Effective Date: 05/08/2008

ASP Missions require that the EO develop budget targets in accordance with the annual guidelines issued by the M/OMS. ASP Missions generally begin developing their budget requirements each July for the coming fiscal year. However, the ICASS Service Center's guidance and timetables may affect the timing of the budget process.

Missions must compile workload counts based on Department of State service provider standards for each customer subscribing to their services. Workload counts include the number of personnel served, the space occupied, and the procurements processed Workload counts are used to distribute costs to customers. The local ICASS Council must approve these statistics.

Missions are also responsible for the following:

a. Identification of all costs associated with the ASP program by using the prescribed budget spreadsheet and narrative justification format distributed by M/OMS in accordance with M/OMS guidelines and within the required deadlines.

b. Preparation of the baseline budget in the initial budget request. This budget is based on:

- The designated level of service being offered at post,
- Prior year levels,
- Non-recurrence of one-time expenses,

- Annualization of prior year increases,
- Additional capital requirements, and
- Resource increases.

c. Primary application of estimated carryover in the budget targets to one-time new requirements. This will minimize impacts on the current year budget and present a better picture of what ongoing resource requirements are necessary to perform ASP services.

d. Reasons for increases in a Mission's budget may include:

- Additional staff devoted to ASP activity;
- Increases to the local compensation plan for staff devoted to ASP activity;
- Annualized cost increments for services introduced in a prior fiscal year (for example, replacement of non-expendable property, leasing of additional warehouse space, or office facilities and utilities); and
- Exchange rate adjustments.

e. Transmission of the budget requests to M/OMS.

f. Preparation of budgets in the ICASS software that conform to target levels approved by the Interagency Budget Committee.

g. Preparation of reports from the ICASS software for local ICASS Councils containing explanations of its proposals for using the resources in its approved budget target.

h. Submission of the ICASS software-developed budgets to M/OMS for technical review.

i. Submission of ASP invoices to customer agencies either (a) after the budget has been submitted or (b) after the ICASS Service Center sends recomputed invoices when ASP and State ICASS providers cross service each other. (See **635.3.7.e** for an explanation of cross service arrangements.)

j. Reporting to the ICASS Service Center the number of agencies that signed its invoices within 10 days after M/OMS received the budgets, including recalculated invoices from cross-serviced posts that the Service Center sent out.

635.3.4.2 ICASS Inter-Agency Working Group (IWG)
Effective Date: 05/08/2008

An ICASS IWG is a committee that represents the various inter-agency ICASS agencies receiving services and providing services to other agencies at post.

635.3.4.3 ICASS Working Group Budget Committee (Budget Committee) – Washington
Effective Date: 05/08/2008

The ICASS Budget Committee is the IWG designated to review all ICASS budgets submitted for conformance to budget guidance as well as narrative justifications.

The IWG, Budget Committee is responsible for

- Reviewing and approving ICASS budgets submitted by ASP posts through the M/OMS ICASS coordinator, and
- Approving ICASS budgets that have conditions.

635.3.4.4 ICASS Service Center – Washington
Effective Date: 05/08/2008

The ICASS Service Center documents ICASS Budget Committee approvals of agencies' current year budget targets as submitted or with specific conditions.

The ICASS Service Center performs these other functions:

- Serves as the initial point of contact for the Mission's budget submission;
- Distributes ICASS invoices to ASP Missions;
- Coordinates activities and services among the various ICASS posts;
- Coordinates development of the ICASS ASP software by contract staff for use in preparing ICASS budget targets,;
- Facilitates testing of the ICASS ASP budget software;
- Facilitates training of staff in the use of the ICASS ASP budget software;
- Oversees the budget formulation process; and
- Issues cable advice for approved budgets.

635.3.4.5 ICASS Council (At Post)
Effective Date: 05/08/2008

ICASS Council at post evaluates cost and staffing alternatives and approves the local Mission's ASP budget.

635.3.4.6 Customer Agencies
Effective Date: 05/08/2008

Customer agencies at post are responsible for reviewing and signing the ICASS invoice and returning it to the USAID Mission ASP's designated representative within 10 business days of receipt. ASP customers who wish to contest and do not sign their invoice, must follow the ICASS dispute resolution procedure listed at **6 FAH-5 H-440**. The ICASS Council at post is the initial point of contact for the process. **6 FAH-5 H-443** describes the resolution process in detail.

*635.3.5 USAID Budgetary Process and Controls
Effective Date: 08/27/2010

After the IWG Budget Committee approves the ASP Missions' budget targets, the ICASS Service Center will formally notify USAID. This serves as the official notification to the Agency that the budgetary resources are available. The commitment of the funds by the agencies for which USAID will provide services at post is evidenced by the approval of the current year budget targets.

Budgetary resources made available through the ICASS process are subject to USAID funds control processes in the same manner and with the same restrictions as any other appropriated amount made available to the Agency (see **ADS 634, Administrative Control of Funds**). Funds committed by other agencies must first be apportioned by the OMB before any obligation is established.

OMB will apportion the full amount of the approved ICASS budget targets as presented in the M/CFO/CAR apportionment request at the beginning of the fiscal year. The apportionment constitutes the formal budget authority for the WCF. The WCF budget and the accompanying apportionment request are based on anticipated reimbursements.

Allowances must be in place to the field operating units before they may carry out service provider functions. USAID recognizes reimbursements as it bills and collects from serviced agencies.

The WCF is a no-year intergovernmental revolving fund. No-year funds are available until expended; however, unobligated balances must be reapportioned to the fund by OMB for the amounts to be carried over to the next fiscal year.

Each August, the Agency submits to OMB the estimated carryover funds and the unobligated WCF account balance as of September 30 of the current year, for advance approval of reapportionments. This allows for a continuity of budgetary resources at the start of the new fiscal year.

Valid un-liquidated obligations must remain in the obligation record to ensure proper accountability of carryover funding. Carryover funding is subject to review and reapportionment by OMB. Recorded un-liquidated obligations must demonstrate a legitimate, continuing bona fide need. If a need does not exist, the amounts must be de-obligated. Valid obligations must remain on the books and not be de-obligated at the close of the fiscal year. Excess balances must be de-obligated and made available for other priorities. Alternative forward funding guidelines for ASP activities are presented in **635.3.11**. In addition, ASP management must establish adequate and reasonable management controls in accordance with **ADS 596, Management Accountability and Control**.

635.3.6 Mission WCF Control Process

Effective Date: 05/08/2008

At the beginning of the fiscal year, M/OMS coordinates with M/CFO/CAR to make WCFs available to finance ASP operations during the year.

In October, M/MPBP allows approximately 50 percent of the funding to regional bureaus, which in turn allows the funds to the ASP Missions. M/MPBP usually distributes the remaining balance to the ASP Missions during the first or second quarter of the fiscal year after the local ICASS council prepares and approves the final budget.

Once the ICASS Budget Committee approves the budget, M/CFO/CAR will record the Phoenix transaction for the budgetary amounts. The ICASS Service Center will communicate advice concerning the approval via Department of State cable. M/CFO/WFS will prepare an External Document (ED) transaction in Phoenix to also record the budgetary amounts that become available. The ED transaction establishes the WCF budget allowance at the Mission level. M/CFO/CAR has established a Phoenix WCF account for the Missions operating as ASPs. Each of these Missions has a unique Phoenix fund code, which identifies the Mission and the funding type.

The naming convention for the WCF Phoenix Budget Fund codes is:

FY-WC-X-Country Code

For example, the account code for USAID/Bolivia Fiscal Year 2008 is 08-WC-X-511.

635.3.7 Missions' ASP Budgets and Invoice Distribution

Effective Date: 05/08/2008

This subsection provides the guidance for ASP Missions in the preparation of the annual budget for approval by the local ICASS Council and the distribution of invoices for customer agencies serviced at post.

a. Initial Budget. During the month of July, EXOs, in coordination with their Controller's Office, develop initial budget requirements based on instructional guidance from the M/OMS. The EXO sends the initial budget to M/OMS for review. M/OMS reviews the initial budget and prepares justifications for the ICASS Budget Committee. At the same time, Mission EXOs must prepare and submit their proposed ASP budget to their local ICASS Council indicating projected costs for the fiscal year. It is important to capture and include in the ASP budget and invoices all direct, indirect, and overhead costs (see **635.3.2, Cost Recovery**).

During November, through the ICASS Service Center, M/OMS will summarize and submit the initial budget to the Budget Committee. The Budget Committee can approve the budget as provided or approve it with conditions. Once approved, the Budget Committee issues a cable showing the authorized ASP budget.

During the second quarter of the fiscal year, Missions must evaluate the initial budget to determine whether it remains reasonable. Budgets can only be adjusted for valid reasons, such as unanticipated emergencies, compensating for changes in foreign exchange rates, or reducing estimates that were set too high. Submit requests for adjustments to M/OMS for review and presentation to the Budget Committee.

In February or March, M/OMS presents the final budget to the Budget Committee for approval of any adjusted budget levels.

b. ICASS Council. During the previous fiscal year, the post ICASS Council Budget Committees review workload counts and staff time allocations prepared by their respective ASP Mission. The workload counts form the basis for distributing the budget amounts among the customer agencies.

Upon receipt of the proposed budgets from M/OMS, the Budget Committees evaluate cost and staffing alternatives for the Mission based on customer priorities and funds available. The Council has the discretion to modify the Mission's proposed ASP budget.

c. ICASS Software. EXOs are required to use the post's ICASS software ASP node to prepare their ASP budgets. Missions that use ICASS software to prepare invoices must allocate any time spent using the software on non-ICASS tasks to the non-ICASS administrative cost center. The software produces standard reports showing the ASP budget by object class code, the total cost of each service, the distribution of costs to all customers, and the unit cost for each service. The EXO must provide these reports to the ICASS Council at post to assist in the review of the ASP budget.

d. Cross Serviced Posts. If necessary, during December, the ICASS Service Center redistributes the invoices for cross serviced posts.

Where an ASP provides services to or receives services from the Department of State ICASS, the ICASS software will generate invoices to the provider. Because the providers receive funding only from the end-users, the providers must redistribute the invoices to those customers. The ICASS Service Center electronically transmits these invoices to the ASP and State ICASS service provider for appropriate circulation and signature. Agencies have 10 business days to review and authorize the invoices or to initiate the dispute process.

*635.3.8 USAID/W Preparation of Reimbursable Agreements and Billing and Collection of ASP Funding

Effective Date: 08/27/2010

This subsection provides the mandatory guidance for preparation of reimbursable agreements with customer agencies at post and the billing and collection of funding for ASP operations.

a. When the local ICASS Council approves the ASP budgets at post, those budgets are forwarded to the ICASS SC in Washington. The ICASS Service Center summarizes the budget data by customer agency and forwards the summary data, with back up documentation, to M/MPBP.

***b.** M/MPBP prepares reimbursable agreements for approval by the customer agency. The customer agency is responsible for returning the signed agreement with all necessary fiscal data required to complete an IPAC transaction within 30 days of receipt of the document. M/MPBP coordinates with M/CFO/CMP on billings and collections.

***c.** The agreement contains billing data, including the customer agency's Agency Location Code (ALC), obligation number, Treasury Account symbol (TAS), Business Event Transaction Code (BETC), and billing agency point of contact. M/MPBP sends the signed reimbursable agreement to M/CFO/CMP for billing through the Interagency Payment and Collection (IPAC) system to collect the funds from customer agencies.

d. M/MPBP coordinates with M/CFO/CMP and M/CFO/WFS to collect funds from the ASP's customer agencies via IPAC based on 70 percent of the initial ICASS invoices. Upon collection of funding, M/CFO/WFS must ensure that the proper WCF accounts are credited. M/MPBP submits revised reimbursable agreements to the ASP's customer agencies once it receives the revisions from the Missions. By June 1, M/CFO/CMP bills the ASP's customer agencies for the balance, including any changes, upon request by M/MPBP. M/MPBP also coordinates collections from the Missions based on invoices to the operating expenses (OE) and Program accounts generated from the ICASS ASP software. Budget authority is established independently of the collection process (see **635.3.6**).

e. M/MPBP coordinates with M/CFO/WFS to ensure that funds collected are credited either to a Mission's WCF account or to the central OE reimbursable account. With the exception of U.S. direct-hire (USDH) salaries, funds collected from all customer agencies, including USAID, are recorded into the Mission's specific WCF account. The amounts collected for USDH salaries, which were originally charged to the USAID central OE account and that are not obligated by the Mission, must be credited into the central OE reimbursable account. M/CFO/CAR apportions the remaining funds in Phoenix to the Mission's specific WCF account. M/MPBP must allot the funds and issue allowances to the Missions through their Regional Bureau.

635.3.9 Closeout of ASP Missions

Effective Date: 05/08/2008

Missions that have ceased operations as an ICASS ASP must conduct an orderly close out of operations, including the disposition of residual funding.

a. Closeout Procedures

Missions planning to close out their ASP in the current fiscal year should make every attempt to utilize existing funding and de-obligate unnecessary funds before the fiscal year ends.

When a Mission ceases to be an ASP at post and a successor ICASS service provider takes over the subscriber service, USAID's M/CFO/WFS will transfer all assets, including carryover residual funding (over the de minimis amount of $1,000), to the successor. **FAA Section 632(b)** gives USAID the authority for this transfer. The transfer process must include careful reviews of all unexpended WCF ASP balances, USAID ASP contract commitments, and any contingent liability associated with the ASP program at post prior to the transfer.

After the closeout date, net recoveries (de-obligations minus upward adjustments within the same month) will no longer be available for the closed ASP. Any recoveries of amounts over the de minimis amount of $1,000 become subject to transfer to the successor provider. M/CFO/WFS will conduct transfers quarterly, with amounts under $1,000 to be returned to USAID/W for posting to the central WCF budget, allotment code WC-X.

The ASP at post must notify its current customer agencies that USAID will no longer perform the subscriber services after the closeout date. This notification should occur as soon as possible after the closing decision is made. Any two-party reimbursable agreements, whereby USAID and a customer agency have agreed to the ASP services, will be null and void at closeout. Further, USAID must notify the customer agency that USAID will transfer unexpended balances of funding provided by the customer agency to the successor ICASS provider.

The local ICASS Council must take into consideration any amounts transferred from the previous WCF/ASP when approving current year spending plans for successor providers. **FAA 635(m)(4)** requires USAID to return excess funds as miscellaneous receipts to the general fund of the U.S. Treasury when the Administrator determines excess funding exists. See **635.3.13, De-obligated WCF Amounts,** for additional guidance on excess funds.

[Note: **Budget targets are adjusted annually for ongoing ICASS operations. When budget targets continue as a bona fide need into the next year, they do not represent excess funding.]**

When another agency at post assumes the ICASS ASP activities, that agency will charge USAID and any subscriber agencies at post for its services. Therefore, USAID must transfer working capital residual unobligated budget allowances at post to the new service provider.

b. Closeout ASP Missions, Prior Year Recoveries

Recoveries from prior and current year de-obligations will not be available for new obligations in closeout ASP Missions. The Mission will accumulate the recovered amounts and transfer them to the successor ICASS service provider at post on a quarterly basis via the transfer process described in **635.3.9(a)** when recoveries reach the de minimis amount of $1,000.

Keeping the local WCF account open will facilitate recording transactions if there is a need to post upward adjustments, prior-year recoveries, or de-obligate amounts.

Pay upward adjustments of obligations that are more than the available net recoveries in the ASP account at post from the central WCF account (72X4513) using the standard upward adjustment process. The process requires sending an e-mail to the Funds Control Upward Adjustment (USAID) account requesting the specified amount from the central WC-X fund account. The ASP, in conjunction with M/OMS, will authorize a bill for collection of amounts over the $1,000 de minimis amount.

635.3.10 Expansion of ICASS/ASP Services

Effective Date: 05/08/2008

When a Mission agrees to expand the level of services provided at post and the expansion requires the purchase of capitalized NXP, the NXP will be depreciated over its useful life. The annual ICASS/ASP budget targets will include the initial acquisition cost; cost of putting the equipment in place, including transportation and delivery; and, any other start-up cost related to the activity in the year of acquisition. (See **ADS 629.3.2.4 Valuation and Recording of PP&E** for additional information.)

Include newly hired or transferred employees' salaries and benefits and support costs in the annual budget targets.

635.3.11 Obligation and Forward Funding Guidelines for ICASS/ASP WCF

Effective Date: 05/08/2008

The guidelines for WCF obligation management and special forward funding follow.

a. Obligation Management. Obligation of funding under the WCF 72X4513, TAS must conform to the stated purpose in the approved ASP budget. Obligations must also conform to the proper management of obligations (See **ADS 621, Obligation Management**).

Obligations for non-severable type contracts, either fixed price or cost reimbursement, must be placed in the fiscal year period in which the bona fide need arises. Record the obligation in the period in which the contract is signed, even if the goods or services may not be delivered until the next fiscal year (for example, vehicle fleet purchases).

b. Forward Funding. Forward funding may occur within the USAID ICASS ASP WCF for non-severable contracts subject to the limitations cited in **FAR 32.700, Scope of Subpart**.

The Agency limits forward funding obligations for severable (services) contracts, including personal service contractor (PSC) contracts, to those meeting the guidelines contained in **ADS 602, Forward Funding of Program Funds**, specifically the maximum length of forward funding permissible. This means that program managers may not forward fund obligations for more than twelve months beyond the end of the fiscal year (**ADS 602.3.2**).

Annual ASP budget targets must take into consideration obligations forward funded from the prior fiscal year. Generally, amounts forward funded in one year will likewise be forward funded in subsequent years as the contract financing may not coincide with the fiscal year. Usually, this will not have an effect on the current year ASP budget targets.

One must pay close attention when developing budget targets involving known variables, such as early termination of contracts that may have been funded in a prior fiscal year and result in residual or excess funding (see **ADS 621, Obligation Management**).

*635.3.12 Unobligated WCF Balance

Effective Date: 08/27/2010

Unobligated balances at year end will carry forward into the following fiscal year and are not immediately available to Missions for obligation. In the following fiscal year, M/CFO/CAR submits an apportionment request to OMB for approval. Once

M/CFO/CAR makes the approved apportionment available in Phoenix, M/OMS will submit a request that M/MPBP allow funds to the respective ASP mission. In an effort to expedite this process, missions are directed to provide M/MPBP with estimates of their expected unobligated balances in their WCF accounts by August 1 of each fiscal year. This will allow M/MPBP and M/CFO/CAR to submit an estimated carryover apportionment schedule to OMB for approval.

*635.3.13 De-obligated WCF Amounts

Effective Date: 08/27/2010

Because each Mission designated as an ASP has a separate WCF fund account in Phoenix, all de-obligations remain in the mission-specific WCF fund account for future costs. De-obligations against current-year obligations flow back to the current-year allowance and remain available until year end. However, de-obligations of prior-year obligations must be apportioned and are made available along with the unobligated carryover in the following fiscal year. In the event of an emergency, it is possible to access prior-year de-obligations in the year they are de-obligated. This is done on a case-by case basis and must be coordinated with M/MPBP, M/CFO, and M/OMS.

FAA 635(m)(4) requires USAID to de-obligate and return excess funds as miscellaneous receipts to the general fund of the U.S. Treasury when the Administrator determines excess funding exists.

Examples of excess funding are:

- Funds exist for which no bona fide need remains;
- Overestimation in closeout Missions' annual budget targets; and
- There is no successor ICASS provider at post for which the funds could be made available.

635.3.14 Allocating ICASS Costs, OE, and Program Funds

Effective Date: 05/08/2008

FAA 635(m) authorizes the Administrator to reimburse the WCF from all applicable Agency appropriations. Therefore, **ADS 601, Funding Source Policy**, does not apply to the WCF.

Salary and support costs allocated to the WCF require special attention to ensure that the involved charges are properly authorized and supported.

The Agency must charge direct and indirect salary expenses for U.S. direct-hire (USDH) personnel, their office space, warehouse space, and any other ICASS costs to OE in accordance with **6 FAH-5 ICASS Handbook**. Because the central OE budget pays for all USDH salaries and benefits, credit the total amount identified as American (USDH and USPSC) salaries on the combined Agency invoices to the OE account upon collection of funds from customers, including the Mission.

635.3.15 Disposal of WCF Assets
Effective Date: 05/08/2008

Each year USAID sells property because those items are at the end of their useful lives, damaged beyond economical repair, or no longer needed. WCF furniture, equipment, supplies, appliances, machinery, and vehicles may be disposed of at the Mission. The Mission must deposit the proceeds from the sale into its WCF account.

635.4 MANDATORY REFERENCES
Effective Date: 05/08/2008

635.4.1 External Mandatory References
Effective Date: 05/08/2008

a. Department of State, Foreign Affairs Handbook, ICASS International Cooperative Administrative Support Services

b. FAR 32.700, Scope of Subpart

c. Section 632(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2395), as amended

d. Section 632(g) of the Foreign Assistance Act of 1961 (22 U.S.C. 2395), as amended

e. Section 635(m) of the Foreign Assistance Act of 1961 (22 U.S.C. 2395), as amended

f. OMB Circular A-11, Part 4, Instructions on Budget Execution

g. Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government

635.4.2 Internal Mandatory References
Effective Date: 05/08/2008

a. ADS 502, The USAID Records Management Program

b. ADS 520, International Cooperative Administrative Support Services (ICASS)

c. ADS 596, Management Accountability and Control

d. ADS 601, Funding Source Policy

e. **ADS 602, Forward Funding of Program Funds**

f. **ADS 621, Obligations**

g. **ADS 629, Accounting for USAID-Owned Property and Internal Use Software**

h. **ADS 631, Accrued Expenditures**

i. **ADS 634, Administrative Control of Funds**

635.5 ADDITIONAL HELP

Effective Date: 05/08/2008

a. **ADS 603, Forward Funding, Non-Program Funds**

b. **ADS 630, Payables Management**

*635.6 DEFINITIONS

Effective Date: 08/27/2010

***Agreement Officer's Technical Representative (AOTR)**
The individual who performs functions that are designated by the Agreement Officer, or is specifically designated by policy or regulation as part of the administration of an assistance award (grant or cooperative agreement).

apportionment
The distribution made by the Office of Management and Budget (OMB) to agencies of amounts of budgetary resources available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objectives, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred by the agencies. (Source: Joint Financial Management Improvement Program (JFMIP), OMB A-11)

category A apportionments
Apportionments that are made on a quarterly basis.

category B apportionments
Apportionments made on time periods other than a quarterly basis. They are made by time periods other than quarterly (by activities, projects, objects, or a combination of activity and time period). (**Chapters 634**, 635)

charge card rebates
Cash received back quarterly from the use of government purchase and travel charge cards based on various contractual factors such as cash volume use or timely bill payment.

***Contracting Officer's Technical Representative (COTR)**
The individual who performs functions that are designated by the Contracting Officer, or is specifically designated by policy or regulation as part of contract administration.

de-obligation
The process of removing unneeded funds from an obligating instrument. This step is typically done upon completion of activities when unliquidated obligations may be excessive or may no longer be needed for the original purpose. De-obligations are also referred to as the cancellation or downward adjustment of a previously recorded obligation. (**Chapters 200-203, 621**, 635)

financial documentation
Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within the Controllers' or Chief Financial Office (CFO) operations, but includes documentation from any source material. Contracting Officer's Technical Representatives (COTRs), Loans/Grants Officers, and Agreement Officer's Technical Representatives (AOTR) are responsible for retaining financial documentation and ensuring it's availability for audit by either the Office of Inspector General (OIG) or another responsible audit organization.(**ADS Series 600**)

full cost recovery/funding
Full cost recovery (full cost funding) to the Federal Government for providing goods, resources, and services, including both direct and indirect costs (market price) (**OMB Circular A-11), (OMB Circular A-25 6.d.),** (Chapter 635)

International Cooperative Administrative Support Services (ICASS)
ICASS is a customer-driven voluntary interagency system for managing and funding administrative support services abroad. ICASS gives posts the authority to determine how services are delivered, at what cost, and by whom. ICASS has customer service standards established by the post with the service provider formally accountable to the customer and incorporates a full cost recovery system through a no-year working capital fund. (**Chapter 520**) (**6 FAH-5 ICASS Handbook**).

Intra-Governmental Payment and Collection System (IPAC)
An Internet application that enables Federal agencies to transmit transactions in a real-time environment on a government-owned platform by the Federal Reserve Bank (FRB) of Richmond. (Chapter 635)

reapportionment
A revision by OMB of a previous apportionment of budgetary resources for an appropriation or fund account. A reapportionment would ordinarily cover the same period, project, or activity covered in the original apportionment. (Source: JFMIP, OMB A-11) (Chapter 635)

***Treasury Account Symbol (TAS)**
The TAS is the account symbol assigned by the Department of Treasury for receipts, appropriations, expenditures, and other funds. The Agency Identifier for USAID is "72." (**US Treasury Financial Management Service**)

unobligated balance
The portion of budget authority that has not yet been obligated. The unobligated balance for unexpired accounts is still available for new obligations. The unobligated balance for expired accounts is not available for new obligations. However, valid obligations may be adjusted, unrecorded obligations may be added, and payments may be made from expired accounts. (Chapters **621**, 635)

working capital fund
A revolving fund that operates as an accounting entity. In these funds, the assets are capitalized and all income is in the form of offsetting collections derived from the funds' operations and available in their entirety to finance the funds' continuing cycle operations without fiscal limitation. A working capital fund is a type of intragovernmental revolving fund. (Source: GAO Glossary of Budget Terms) (Chapters **629**, 635)

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