ADS Chapter 628

Gifts and Donations and Dollar Trust Fund Management

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ADS 628 – Gifts and Donations and Dollar Trust Fund Management

628.1 OVERVIEW

This chapter establishes the requirements for the management, accounting, and reporting of transactions under USAID's gifts and donations authority, the Reimbursable Development Program, the Foreign Service National Separation Trust Fund, and for all other country financed dollar trust funds.

628.2 PRIMARY RESPONSIBILITIES

a. The **Bureau for Management, Office of Financial Management, Accounting Division (M/FM/A)**

Coordinates all 607(a) reimbursable development programs, including development of the appropriate overhead rate that will be recovered either as a percentage of direct costs or as a specific dollar amount. **(See mandatory reference, FAA Section 607(a))**

Manages country financed dollar trust funds that are established pursuant to Section 635(b) of the FAA and allowed to Washington. **(See mandatory reference, FAA Section 635(b))**

Maintains the official accounts for gifts and donations covered by the authority of Section 635(d) of the FAA that are received in Washington. **(See mandatory reference, FAA Section 635(d))**

b. The **Bureau for Management, Office of Financial Management, Central Accounting and Reporting Division (M/FM/CAR)**

Submits apportionment requests for all dollar trust funds including gifts and donations made in cash that the Agency receives, and

Ensures allotments are not issued in excess of the apportioned amounts.

c. Mission Controllers

Calculate and deposit the total amount of accrued Foreign Service National (**FSN**) separation entitlement in U.S. Dollars at the current exchange rate for the fiscal year for the FSN Separation Trust Fund authorized by Pub.L. 102-138, Section 151. **(See mandatory reference, P.L. 102-138, Section 151)**

Manage country financed dollar trust funds that are established pursuant to Section 635(b) of the FAA and issue budget allowances to the field.

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Maintain the official accounts for gifts and donations covered by the authority of Section 635(d) that are allowed to the field.

d. Delegated Management Officials

Make FAA Section 607 determinations and ensure that supplementary agreements or exchanges of correspondence providing for reimbursable program trust funds are executed. All such agreements must include the M/FM developed overhead rate.

e. Delegated Officials

Accept gifts under Section 635(d) of the FAA and complete the necessary determination that the Agency can comply with any conditions that may be attached to the gift in a reasonable and cost effective manner.

f. The **Bureau for Policy and Program Coordination, Office of Budget (PPC/B)**

Establishes an operational year budget (**OYB**) for all dollar trust funds (**except the FSN Separation Trust Fund**) and cash gifts so that the allottee Bureau can allow the funds.

g. The **Chief Financial Officer (CFO)**

Approves any method of financing for reimbursable development programs other than cash advanced by USAID.

628.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

628.3.1 Financial Documentation Responsibilities

Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within Controllers' or FM operations but includes any source material causing or resulting in a financial transaction. Contracting Technical Officers (**CTOs**), Loans/Grants Officers, Strategic Objective teams (**SOs**), etc., are responsible for retaining financial documentation and ensuring its availability for audit.

Basic financial documentation retention rules follow:

a. If an action will result in a financial transaction, it must be documented;

b. Source documentation must be readily available for audit (by either the Office of Inspector General or a responsible audit entity).

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Note: The general rule of thumb for retention of financial documents is seven years; however, retention times may vary, so please refer to retention by document type in ADS 502, The USAID Records Management Program. The specific 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, Accountable Officers' Account Records; and GRS 7, Expenditure Accounting Records.

628.3.2 Gifts and Donations

USAID has several authorities to accept gifts and donations either in-kind or as cash for carrying out its official functions. See **ADS 103** for the Agency officials who have been delegated authority to accept gifts and donations under Section 635(d) of the Foreign Assistance Act (FAA). Agency policy on accepting gifts to defray travel expenses is covered in **ADS 522.5.20**. The essential procedures are addressed in **ADS 633.5.8**. Before accepting any gift for official purposes, employees without gift acceptance authority must obtain the approval of a delegated official.

Gifts fall into three broad categories:

a. Conditional gifts are gifts made for a specific purpose or with conditions on their use. Before accepting a conditional gift, the delegated official must ensure that all of the following criteria are met:

(1) That the Agency can comply with conditions of the gift and still use the gift in furtherance of the FAA;

(2) That the Agency can comply with conditions of the gift in a reasonable and cost efficient manner; and

(3) That acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

b. Unconditional gifts are gifts made with no conditions on their use. Unconditional gifts may be used for any purpose authorized in the FAA. By accepting the gift, the designated official makes a determination that the acceptance of the gift will not result in, or create the appearance of, a conflict of interest.

c. In-kind gifts are gifts of property or materials other than cash. In-kind gifts also require determinations as noted in paragraphs a. and b. above. The

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officials delegated to accept such gifts must value the gift at fair market value. Individuals with the authority to accept gifts must immediately record the acceptance of in-kind gifts. M/FM/CAR will reflect this value in the accounting system of the Agency. Officials accepting gifts are encouraged to use the suggested format in **Additional Help, Suggested Format for Receipt of In-Kind Gifts**

Unconditional gifts or conditional gifts for the specific purpose of entertainment may be used for entertainment without regard to dollar limitations established in legislation governing foreign assistance as long as the entertainment furthers a valid Agency purpose.

Individuals with the authority to accept gifts must acknowledge in writing the receipt and acceptance of gifts. A copy of this response must be provided to M/FM/A or the Mission Controller. **(see Sample Gift Acceptance Letter)**

Unless specifically requested by the donor, the use of the gift will not be reported to the donor. Conditional gifts do establish a fiduciary responsibility on the Agency to ensure that the funds are used for the purpose for which they were given. Agency officials must exercise reasonable care to ensure funds are obligated in accordance with the terms and conditions, if any, of the gift.

Cash gifts and donations as well as dollar trust funds are subject to apportionment under **OMB Circular A-11, Part 4.**

Agency policy for gifts and donations related to disasters and humanitarian relief efforts abroad is to encourage donors to contribute their gifts directly to one or more of the private voluntary organizations (**PVOs**) that have mobilized to assist in the relief efforts. Collecting contributions and donations for relief work has long been the strong suit of many of the PVOs that work with USAID or in relief efforts. USAID does not desire to be in competition with the PVO community for such funds.

The accepting official forwards a completed copy of the determination that the required criteria have been met or an equivalent form, together with any supplemental materials (**exchange of letters with donors, etc**.), along with the checks or cash received to M/FM/A or the Mission Controller. Examples of determination forms for both conditional, unconditional, and in-kind gifts are shown in **additional help Suggested Formats for Accepting Conditional and Unconditional Gifts and Suggested Format for Receipt of In-Kind Gifts).**

M/FM/A or the Mission Controller transmits the funds to the appropriate Class B cashier for crediting to appropriation account 72X8824. M/FM/A or the Mission Controller also requests M/FM/CAR to execute the necessary funds control steps and issue the appropriate allotment authorization.

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Gifts received overseas are deposited by the Mission Controller and the proceeds sent to USAID/W's ALC Number 72-00-0001 via the U. S. Treasury's Inter-Agency Payment and Collection (**IPAC**) electronic funds transfer system. This procedure ensures that the apportionment, allotment, and budget allowance are issued in a timely fashion.

If an in-kind gift is accepted, M/FM/CAR must be notified of the fair market value assigned to the gift so that they can make appropriate entries in the accounting system. In-kind gifts do not require apportionment or allotment action before they are used.

M/FM/A or the appropriate Mission Controller must maintain the official accounts for gifts and donations covered by the authority of Section 635(d). Funds are distributed in the accounting system to the accounting station by the advice of allotment and subsequent funding allowances. Obligations under trust fund appropriation 72X8824 must be established and documented in accordance with the criteria contained in **ADS 621, Obligations**.

628.3.3 Reimbursable Development Programs

USAID, under the authority of Section 607 of the FAA, may sell services and commodities to friendly countries, international organizations, and certain voluntary organizations on a reimbursement basis. All reimbursable development programs, whether with friendly countries, international organizations or voluntary organizations, require a determination by the delegated USAID official that the sale of such services and commodities is consistent with and in furtherance of Part I of the FAA**. (See additional help Suggested Format for 607(a) Determinations)**

Section 607(a) of the FAA provides three methods of financing reimbursable development programs and activities:

a. Advance of Funds

b. Reimbursement of Funds within 180 days after the close of the fiscal year in which services and commodities are delivered, and

c. Extended Reimbursement, not to exceed three years from the date of signing of the agreement.

USAID's preferred method of financing all reimbursable development programs is by funds advanced to USAID for that purpose. The CFO must approve any method of financing other than USAID's preferred method.

USAID's overhead rates for reimbursable development programs are considered to be those costs incurred in USAID's operations, including program and management support, that clearly and fairly benefit the project and enhance its conduct in a substantive manner. For multi-year projects, the overhead rate must be determined each year the project is active.

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M/FM/A maintains the official accounts for all reimbursable development programs covered by the authority of Section 607(a). Upon receipt of an advance for deposit to the trust fund account, M/FM/A transmits the funds through the Agency's cashier to the U. S. Treasury for crediting to appropriation account 72X8502. M/FM/A also requests M/FM/CAR execute the necessary funds control steps and issue the appropriate allotment authorization.

As with appropriated funds, contracting officers must not execute obligation documents until the funds are made available in the accounting system. Obligations under trust fund appropriation 72X8502 must be established and documented in accordance with the criteria contained in **ADS 621**.

M/FM/A obligates overhead costs that are to be recovered under the Trust Fund and uses SF 1081, Voucher and Schedule of Withdrawals and Credits, to transfer the funds to USAID regular appropriations.

M/FM/A reviews the status of all reimbursable development trust funds quarterly. If the funds made available under the Advance of Funds method of financing will be depleted prior to completion of the project, M/FM/A notifies the responsible program office. The responsible program office must take prompt action to obtain additional funds. If the CFO has approved either of the other two methods of financing, M/FM/A ensures that prompt billings are rendered to the country or organization financing the activity. Under the Reimbursement of Funds method of financing, collection of the amounts due for services rendered during the fiscal year must be made within 180 days after the close of the fiscal year. Extended Reimbursement agreements must carry an interest rate equal to the current Export-Import Bank rate. Payments of the principal and interest due will be billed to the country or organization in accordance with the Reimbursable Development Program Agreement.

M/FM/A periodically provides reports showing receipts, expenditures, and balances of the dollar advances based on the official accounting records to the country or organization in accordance with the reimbursable agreement provisions. M/FM/A then requests that the report be verified with the trustor’s records. After final disbursements have been made to cover outstanding obligations under the Advance of Funds financing method, M/FM/A arranges to have any remaining funds returned to the country or organization.

628.3.4 Foreign National Employees Separation Trust Fund

The Local Compensation Plan approved by all Agency heads at overseas posts is the legal basis for foreign national employees' pay rates and all facets of compensation, including any separation or severance benefit entitlements. The Foreign National Employees Separation Trust Fund was established by legislation in Fiscal Year (**FY**)

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1992 to fund separation payments that may become due as a result of voluntary separation for eligible foreign national employees of USAID.

The Foreign Service National Separation Trust Fund legislation requires the funding of separation liabilities for FSN employees who voluntarily resign, retire, or quit their jobs in those countries that, due to local law, require a lump-sum voluntary separation payment based on years of service. When the Local Compensation Plan provides that employees will receive a separation payment upon voluntary termination of employment, the USAID Mission must establish a Foreign National Employees Separation Trust Fund under Account symbol 72X8342 to fund the future period liability.

Some local compensation plans use the term "severance pay" to refer to any payment due to an employee in connection with separation or no fault termination. Only regular separation/severance payments authorized by the local compensation plan for employees that may become due as a result of voluntary separation will be obligated and transferred annually to the Separation Trust Fund. Any special supplementary benefits paid over and above regular severance payments will not be included in the calculation of the separation liability. FSN staff who are hired on a non-personal service contract basis will not be included in the funds that are accrued in the Separation Trust Fund.

Obligations for the full amount of the fiscal year liability will be recorded in the dollar appropriation that will be used to fund the liability and the funds transferred to the Separation Trust Fund by July 31 of each year. All liabilities that existed prior to the FY 1992 initiation of the Separation Trust Fund must be funded in FY 2000. Obligations for the funds to be transferred to the Separation Trust Fund will be charged to dollar appropriations that are used to pay salary and benefits of the employee. Employees who are paid from local currency trust funds, either OE or program, will be charged to the appropriate dollar appropriation that is available for such purpose.

The Mission Controller determines the amounts to be obligated for the Foreign National Employees Separation Trust Fund in accordance with the local compensation plan. The Mission Controller must complete this determination and e-mail by May 31 the following to M/FM/CAR:

a. The amount required to be transferred to the Separation Trust Fund for the fiscal year, and

b. The amount of any liability that still remains unfunded for the periods prior to FY 1992.

M/FM/CAR uses this data in the annual consolidated financial statement of the Agency.

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While dollar trust funds are subject to apportionment under OMB Circular A-11, only appropriated dollars that have already been apportioned and allowed to the field are transferred to the Separation Trust Funds. Further apportionment action or issuance of allotments and budget allowances for these dollar funds is not required. The Mission Controller issues a locally designed Advice of Budget Allowance form to record the amount transferred to the Separation Trust Fund and to support the figures on the monthly U-101 Report.

After the budget allowance is recorded, the Mission Controller must obligate the entire amount transferred by July 31. The amounts obligated will be the full amount of the liability that accrues during the fiscal year, without regard to whether the amount currently is payable.

Payments out of the Separation Trust Fund do not require USAID/W prior approval. Payments may be made from the fund for involuntary separations that are eligible under the local compensation plan when the amount withdrawn does not exceed what the employee would have been entitled to had the separation been voluntary. For example, an eligible FSN is separated under a reduction-in-force (**RIF**) and is entitled to $10,000 under RIF rules. Had the FSN voluntarily separated, the payment would have been $7,000. The maximum which may be funded from the separation trust fund would be $7,000 with the balance being charged to current year availabilities of the appropriation from which salaries for the FSN are funded. Any questions regarding voluntary separation/severance benefits under the local compensation plan should first be addressed to the Embassy and then to M/FM/CAR (**if the issue is still unsettled**).

Routine reporting on the Separation Trust Fund is limited to the U-101 Report. Supporting documentation for the amounts deposited in the Separation Trust Fund account must be maintained by the mission controller since trust accounts are subject to the requirements covering the preparation of financial statements and the auditing of those statements. The revised former Financial Management Bulletin, Part II, 14C in the **Additional Help** section contains detailed guidance on recording deposits and obligations, calculating payments, and reporting for the Separation Trust Fund. **(See additional help, Additional Guidance on FSN Separation Pay Trust Fund)**

628.3.5 Other Dollar Trust Accounts

Occasionally, host governments or other organizations that USAID is assisting request the Agency to procure materials or services in the United States. USAID generally encourages such entities to develop their own procurement and payment capabilities. However, the Mission Director or other appropriate official is authorized to accept such funds for deposit to 72X8502 under the authority of Section 635(b) of the Foreign Assistance Act, when such requests meet the following conditions:

a. Fit within USAID's development strategy for the country

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b. The services requested will not create an undue workload burden on the Agency, and

c. A determination is made that a trust fund arrangement will facilitate the purposes of the FAA.

The Mission Director or other appropriate official must ensure that a trust fund agreement between USAID and the country or organization is executed before any funds are accepted for deposit. The Regional Legal Advisor should be consulted regarding the format of the trust fund agreement**.**

Section 635(b) does not require the Agency to recover full reimbursement for the incidental costs for services or commodities provided under USAID's appropriated dollars. The recovery of full cost for products/services rendered to countries that we are actively assisting in their development efforts would in many cases seriously impair the goals of the program. USAID's policy not to charge "**out-of-pocket**" and overhead recovery for the procurement work when the request has a direct link to the USAID development strategy. All dollar trust funds under Section 635(b) must be fully funded by dollars advanced to USAID for that purpose before the procurement is undertaken.

Dollar trust funds are subject to apportionment under **OMB Circular A-11**.

Depending on where the majority of the obligations and/or payments will be made, either M/FM/A or the Mission Controller must maintain the official accounts for all dollar trust funds covered by the authority of Section 635(b). Upon receipt of an advance for deposit to the trust fund account, M/FM/A or the Mission Controller transmits the funds to the appropriate Class B cashier for crediting to appropriation account 72X8502. M/FM/A or the Mission Controller requests M/FM/CAR to execute the necessary funds control steps and issue the appropriate allotment authorization.

The Mission Controller must deposit funds that are received and the proceeds sent via the Treasury's Inter-Agency Payment and Collection System (**IPAC**) to USAID/W's Agency's Locator Code (ALC) Number 72-00-0001. This procedure ensures that the apportionment, allotment, and budget allowance are issued in a timely fashion.

The request to issue the advice of allotment must clearly identify the location where financial management of the funds will be handled. The Bureau issues the advice of budget allowance to the appropriate accounting station after the funds have been made available in the accounting system.

As with appropriated funds, obligation documents are not to be executed until the funds have been made available in the accounting system. Obligations under trust fund appropriation 72X8502 must be established and documented in accordance with the criteria contained in **ADS 621**.

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Quarterly, the accounting station reviews the status of all trust funds. The appropriate program office will take prompt action to obtain additional funds when funds made available under the Advance of Funds method of financing will be depleted prior to completion of the procurement.

The accounting station will provide reports showing receipts, expenditures, and balances of the dollar advances based on the official accounts periodically to the country or organization in accordance with the trust fund agreement provisions and request that the report be verified with the trustor's records. **The procedures for the resolution of disagreements between the records of USAID and those of the donor must be stipulated in the trust fund agreement.**

After final disbursements are made to cover outstanding obligations, the accounting station must return any funds remaining to the country or organization.

Routine reporting to USAID/W on other dollar trust funds managed in the field is limited to the U-101 Report. In addition, M/FM/CAR may periodically send data calls to the accounting station for supporting documentation since dollar trust fund accounts are subject to consolidated financial statement preparation and auditing.

628.4 MANDATORY REFERENCES

628.4.1 External Mandatory References

a. FAA Section 607(a) Furnishing of Services and Commodities (Authority for Reimbursable Development Programs)

b. FAA Section 635(b) General Authorities (Authority for all other FAA trust funds)

c. FAA Section 635(d) General Authorities (Principal authority for USAID's acceptance of gifts)

d. NARA GRS 6, Accountable Officers' Account Records

e. NARA GRS 7, Expenditure Accounting Records

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

g Pub.L. 102-138, Section 151, Foreign National Employees Separation Pay (Authority for Foreign National Employees Separation Trust Fund)

h. 31 USC Sec. 1353, the Ethics Reform Act

i. 41 CFR 304, Federal Travel Regulations (Authority for acceptance of travel expenses from non-Federal sources)

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628.4.2 Internal Mandatory References

a. **ADS 103, Delegations of Authority**

b. **ADS 502, The USAID Records Management Program**

c. **ADS 522, Performance of Temporary Duty Travel in the U.S. and Abroad**

d. **ADS 621, Obligations**

e. **ADS 633, Financial Management Aspects of Temporary Duty Travel**

628.5 ADDITIONAL HELP

a. **Additional Guidance on FSN Separation Pay Trust Fund - Formerly Controller Bulletin 14C (Revised 11/1999)**

b. **Sample Gift Acceptance Letter**

c. **Suggest Format for Section 607(a) Determinations**

d. **Suggested Format for Receipt of In Kind Gifts**

e. **Suggested Formats for Accepting Conditional and Unconditional Gifts**

628.6 DEFINITIONS

allottee bureaus
The bureaus that have received a funding authorization making funds available for obligation for the purpose of carrying out the program. (Chapter 628)

conditional gifts
Gifts made for a specific purpose with conditions on their use. (Chapter 628)

dollar trust funds
These accounts established by the U. S. Treasury are for the purpose of recording expenditures against receipts held in trust, where USAID acts in a fiduciary capacity in carrying out specific purposes and programs in accordance with international agreements or U.S. statutory requirements. There is no connection between dollar trust fund accounts and separate dollar accounts required under the Appropriations Act for cash transfer assistance or nonproject sector assistance. (Chapter 628)

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donations
Donations are monies and materials given by private persons and organizations to USAID without receiving anything in exchange. This term is used interchangeably with gifts for the purposes of ADS Chapter 628. (Chapter 628)

gifts
Gifts are nonreciprocal, voluntary transfers of assets from foreign governments, private organizations, individuals, or others to USAID. (Chapter 628)

in-kind gifts
Non-cash gifts of property or materials for any purpose authorized in the Foreign Assistance Act. (Chapter 628)

reimbursable development program
The sale of services and commodities to friendly countries, international organizations, and certain voluntary organizations on a reimbursable basis under the authority of Section 607 of the Foreign Assistance Act. (Chapter 628)

unconditional gifts
Gifts made with no conditions on their use. (Chapter 628)

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