Functional Series 600 - Budget and Finance
ADS Chapter 630 - Payables Management

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ADS 630 - Payables Management

630.1 OVERVIEW

The Certifying Officers Act, as amended, holds authorized Certifying Officers individually and personally responsible for their acts with respect to the certification of vouchers for payment. Few Certifying Officers are in a position to have direct and specific knowledge of each schedule for payment requiring certification. They must, therefore, place considerable confidence in the process by which a particular voucher is administratively approved and examined in detail for propriety and compliance with its corresponding obligation. USAID's internal controls for disbursements require the administrative approval of a responsible USAID employee who is in a position to know or to find out if the services for which payment is being requested have in fact been rendered, that the goods described in the billing have been delivered, and that payment is in order.

Federal agencies are required to convert from paper-based payment methods to electronic funds transfer (EFT) in accordance with regulations issued by the Department of Treasury. The Department of Treasury published 31 CFR 208 to implement the requirements to use EFT except as waived by the regulation, to pay and reimburse expenses for all Federal employees, to handle all interagency payments, to pay for purchases from the private sector, and to make all payments to private individuals. (See Mandatory Reference, **31 CFR 208**)

The Prompt Payment Act requires Federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are late, and to take discounts only when payments are made by the discount date. The Office of Management and Budget (OMB) has issued revisions to its rules on the Prompt Pay Act as 5 CFR 1315, which has the effect of superseding and rescinding Circular A-125. The revisions address the increased use of electronic commercial financial systems; promote the use of government credit cards and accelerated payment methods; reflect the new requirements of the Debt Collection Improvement Act of 1996 and the recent repeal of the annual agency Prompt Payment reporting requirement; and clarify and simplify the language used in the code. (See Mandatory Reference, **5 CFR 1315**) Prompt Payment Act information can be found on Treasury's Financial Management Services web site **(http://www.fms.treas.gov)**.

This ADS chapter sets forth the principles, requirements, and procedures that govern the examination, certification, and payment of basic vouchers, invoices, contract financing requests, claims, and other payment requests. The payables discussed in this ADS chapter deal with all payables except those due USAID employees, both U.S. and foreign service nationals, for personal services. These policies and standards are deliberately broad since duplication of policy and procedural material readily available from the central regulatory agencies (Treasury, OMB, etc.) has been kept to a minimum. Additional reference material applicable to this chapter includes decisions of the Office of Personnel Management, the GSA Board of Contract Appeals, and the Comptroller

General of the United States. The authorities and principles contained in each publication or decision may not be specifically referred to in this chapter; however, they are still expected to be fully and accurately applied to disbursement transactions. Certifying Officers must consult with legal counsel when necessary regarding the legality of payments.

630.2 PRIMARY RESPONSIBILITIES

a. The Chief Financial Officer (CFO) is responsible for using technology to improve the efficiency of payment processes and rewriting USAID policy and guidance to empower employees and eliminate unnecessary controls. The CFO is responsible for periodically reviewing USAID disbursement systems to ensure that the most effective mechanisms are in use.

b. The Bureau for Management, Office of Financial Management, Central Accounts and Reporting Division (M/FM/CAR) is responsible for appointing Certifying Officers and removing them from the approved list when they no longer serve in such a capacity.

c. Paying Offices (USAID Mission Controllers and the Bureau for Management, Office of Financial Management, Cash Management and Payments Division (M/FM/CMP)) must maintain appropriate internal controls to process payments in the correct amount, payable to the proper vendor, and within the time frame established by Prompt Pay Regulations.

*d. Cognizant Technical Officers (CTOs) are usually in a position to know or to find out if the services for which payment is being requested have in fact been rendered, if the goods described in the billing have been delivered, and if payment is in order. Therefore, CTOs are typically responsible for administratively approving all vouchers submitted under USAID direct contracts, grants, interagency agreements, cooperative agreements, and host country contracts, except those payments made by bank Letters of Commitment, agreements financed under Letters of Credit using the Department of Health and Human Services Payment Management System, or periodic advances requested under assistance agreements and paid by EFT or Treasury check. Administrative approvals are written statements attesting to the facts of an individual transaction based on personal knowledge.

*e. Contract and Agreement Officers are responsible for ensuring that payment terms specifying when payment will be due and the conditions under which payments will be made are contained in contracts, purchase orders, grants, and other procurement arrangements. Contract and Agreement Officers are responsible for including EFT clauses or provisions in all awards, as appropriate.

f. Certifying Officers are responsible for ensuring that the payment is permitted by law; the appropriation amounts are available at the time and are being used for the intended purpose; the goods and services have been received and conform to the

requirements of the order or agreement; the required administrative approvals have been obtained; and the prices and calculations are accurate.

630.3 POLICY AND PROCEDURES

630.3.1 Methods of Financing

USAID has the option of several payment methods to finance activities. Common USAID payment mechanisms are

- Direct payments;
- Letters of Credit;
- Direct Letters of Commitment; and
- Bank Letters of Commitment.

In certain cases we can also make other types of advances and mobilization payments. In rare cases, USAID may use a Special Letter of Credit for financing commodities and commodity-related services through commercial banks.

The activity paper must include a description of the methods of implementation and financing selected. A justification must be included in the paper if the Mission proposes to depart from USAID's general policy of using

a. Fixed Amount Reimbursement (or modified fixed amount reimbursement) as the preferred method in financing multiple unit construction with host government entities;

b. Letter of Credit procedure for qualifying nonprofit U.S. organizations and under all assistance awards regardless of organization type;

c. Direct reimbursement procedures (reimbursing the host country, contractors, and others) instead of payment methods that entail USAID financial instruments such as Bank Letters of Commitment; or

d. Direct Letters of Commitment instead of Bank Letters of Commitment, except for commodity import programs and commodity financing under activities for which the Mission expects a proliferation of invoices.

USAID prefers these four methods of payment. These methods allow for greater accountability and comply with cash management policies that aim to minimize advances and defer payment until all work is completed or goods and services delivered. Programming considerations sometimes dictate methods of financing that are less preferable from a vulnerability or cash management standpoint, so the full

range of methods is available. However, a decision to utilize other methods must be fully justified.

Descriptions of the methods of financing used for programs and activities follow:

***a. Advances:** Agency assistance regulations (**22 CFR 226.22**) dictate that under assistance awards, both nonprofit and for-profit recipients will be given advances provided they meet certain criteria. Recipients will be paid in advance provided they maintain or demonstrate the willingness to maintain: (1) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for funds control and accountability.

*Advances under contracts are governed by the Federal Acquisition Regulation (FAR) and USAID's supplement to the FAR, the AIDAR. These regulations require specific approvals in order to provide advances, which make advances under contracts rare with one exception: The FAA provides direction to USAID to provide advances to nonprofit organizations working under contracts without any other approvals. Advances to for-profit contractors are rarely made and require special approval. Advances to for-profit contractors, for example, can sometimes be justified when the contractor has significant mobilization or start-up costs such as could be expected with major construction activities.

*A Letter of Credit (LOC) is the preferred financing mechanism for providing advances under assistance awards to qualifying nonprofit organizations, public international organizations, and commercial organizations. LOCs are also the preferred mechanism for use with qualifying nonprofit organizations that are working under contracts, and, in some rare circumstances, with for-profit organizations under contracts. LOCs allow organizations to receive advances quickly on an as-needed basis, which reduces the interest cost on borrowing for the Treasury, thereby making this advance mechanism cost effective. USAID's LOC process has been transferred to the Department of Health and Human Services (DHHS) based on the cross-servicing policy established by the CFO Council.

*Advances to host governments, recipients under assistance awards, or nonprofit contractors and others who do not qualify for an LOC (e.g. a local Private Voluntary Organization or contractor) are made by check or electronic funds transfer. (See **ADS 636** for a full discussion of program-funded advances.)

b. Direct Letter of Commitment: USAID may issue Direct Letters of Commitment to U.S. or host country suppliers and contractors and make payment to them upon receipt of invoices and supporting documentation. The Direct Letter of Commitment can be assigned to a bank and used as collateral against a loan. All USAID Controllers have been delegated the authority to issue Direct Letters of Commitment.

c. Direct reimbursement for goods or services: USAID reimburses the recipient/contractor or host country for eligible expenditures that are incurred and paid. This method of payment may be used with any USAID grant or contract.

***d. Bank Letter of Commitment:** A Bank Letter of Commitment is a financial arrangement between USAID and a U.S. bank under which the bank is authorized to make payments to contractors or suppliers for eligible commodities or services. Under this payment method, the approved applicant may request the Letter of Commitment bank to issue commercial letters of credit to suppliers or contractors financed under the USAID-financed activity. Commercial banks in the host country may also be allowed to issue commercial letters of credit and have them advised by the Letter of Commitment bank. USAID generally does not allow Letter of Commitment banks to "confirm" letters of credit. Confirmation involves a guarantee by the Letter of Commitment bank and therefore costs more even though the U.S. Government is the ultimate guarantor. M/FM and the Mission Controller in Cairo have the authority to issue Bank Letters of Commitment.

e. Fixed Amount Reimbursement: Fixed Amount Reimbursement (FAR) is a form of project assistance under which the amount of reimbursement is fixed in advance based on cost estimates reviewed and approved by USAID. Reimbursement is made upon the physical completion of an activity, sub-activity, or quantifiable element within an activity. The emphasis is on reimbursement based on output rather than input or costs.

f. Special Letter of Credit: The Special Letter of Credit (SLC) is an alternative to financing commodities and commodity-related services under a Letter of Commitment. The SLC becomes a foreign exchange asset for the host country with an immediate impact on foreign exchange reserves and the rapid generation of local currency. When the SLC is used as a means for financing local costs, the Bureau Assistant Administrator must approve the justification for its use.

630.3.2 Internal Controls in the Payment Process

630.3.2.1 What Are the Basic USAID Internal Controls Over Payments?

The United States Code (U.S.C.) and other legislation requires all Federal agencies to ensure the accuracy, propriety, and promptness of payments for goods and services received and accepted. The law specifically emphasizes the responsibility and authority of Certifying Officers in the payment process, but other steps are needed to ensure adequate internal control.

Because of the critical nature of the disbursement function, paying offices are expected to have in place internal controls over disbursements that are both cost effective and

practical. Each paying office's system of internal controls (both manual and automated) should be based on the operating needs of that particular location and must conform to the financial policies and accounting standards prescribed in the Automated Directives System (ADS). At a minimum, controls over payments must include the following:

a. Separation of Duties: To the extent practicable, operations should be separated to reduce the risk of error, waste, and wrongful acts. For example, different responsibilities for automated systems should be assigned to computer operations personnel, software maintenance specialists, and users. The head of the paying office must ensure that disbursing operations are separated from such operations as purchasing, receiving, collections, and accounting. Internal controls procedures covering disbursements must be periodically reviewed and any actual or potential violations promptly resolved.

b. Systems to Avoid Duplicate Payments: Paying offices must establish appropriate procedures to prevent duplicate payments. Vouchers, voucher schedules, and supporting documents must be identified during the payment process by an acceptable means that will prevent them from being paid again. In addition, controls in the automated system must be designed to detect duplicate payments. The possibility of duplicating payments is greater whenever a second invoice or billing statement has been received. This may occur when payment has been delayed for an extended period and a duplicate follow-up invoice is submitted, or when a vendor submits bills to more than one paying office location.

c. Systems to Ensure that Goods and Services Were Received: The completion of an administrative approval by an employee signifies that the approval was executed only upon personal knowledge establishing that the exact quantity and quality of supplies, materials, or services were received and accepted on behalf of the Government. (See Mandatory Reference, **Administrative Approval Form and Checklist**) An administrative approval is required for each payment and must be attached to the payment documentation retained in financial management offices to provide evidence of receipt and acceptance. Administrative approval may also be accomplished electronically.

*630.3.2.2 Why Is So Much Emphasis Placed on the Accounting Office With the Obligation Making the Disbursement?

When the accounting office with the obligation makes the disbursement, we save the administrative expense of sending an Advice of Charge or using Treasury's Intra-Governmental Payment and Collection (IPAC) system to liquidate the obligation record maintained by the accounting office. (See Additional Help, **Procedure for Using OPAC Charges in lieu of AOC System Between Missions**) More importantly, when a voucher is processed for payment, the Certifying Officer must have complete and current knowledge of all payments involved with the related obligation. Without such records, there is a risk of overdisbursing an obligation or making a duplicate payment.

Therefore, the rule is that no office other than the designated paying office where the complete obligation/payment record is maintained can disburse any funds, either as an advance or as liquidation of the obligation for which another payment office has responsibility, without first obtaining approval from the responsible office. In the case of emergency payments, the responsible office must be notified immediately that a disbursement has been made.

*630.3.2.3 Are There Preferred Methods for Certifying and Transmitting Schedules?

Both Treasury and the State Department have created Electronic Certification Systems (ECS). These systems reduce vulnerabilities in the payment process and yield a number of benefits, including quick, reliable payments. While Missions can use both the Treasury and State Department ECS systems, the Treasury system is particularly well suited to making EFT payments to the U.S. bank accounts of vendors and employees without incurring any banking charges.

The Treasury ECS is a computer-based hardware/software system that provides the facilities for generating and certifying a voucher-schedule electronically and telecommunicating it to a Treasury Regional Finance Center (RFC). In this system, all voucher data are entered from a computer keyboard or diskette created by another computer system. Voucher-schedules are certified by Certifying Officers, who are issued tokens (smartcards) and Personal Identification Numbers (PINs) by Treasury to operate the system. The system also requires the user agency to have designated Security Administrators, who are also issued tokens (smartcards) and PINs by Treasury. The ECS authenticates voucher-schedules based on the encrypted keys assigned to each Certifying Officer and Security Administrator and contained on their tokens.

Given the advantages of ECS, Missions must convert their payments to an ECS payment process as soon as it is feasible.

630.3.2.4 What Records Must a Paying Office Maintain?

In addition to the sequential schedule/voucher files maintained by fiscal year, paying offices must maintain individual contract obligation/payment records in sufficient detail that the financial status of each contract can be readily determined and used in determining whether payment of a given invoice should be approved.

*630.3.2.5 How Does USAID Ensure That Vouchers Will Be Paid When Due?

Voucher tracking systems are in place in both USAID/Washington (USAID/W) and the field that are designed with adequate internal controls to facilitate the timely payment of invoices and take appropriate discounts in accordance with the Prompt Payment Act. Vendors are required by the terms of their agreement with USAID to send their vouchers directly to the paying office or another office designated in writing by the

paying office. The paying office must date stamp the voucher when received, assign control numbers, log the voucher into a voucher tracking system, and send it out for administrative approval. Paying offices must review the voucher inventory on a daily basis and ensure that payments are scheduled for payment in a timely fashion.

*630.3.2.6 What Happens When a Payment Is Not Made on Time?

When discounts are taken after the expiration of the discount period or the paying office fails to make timely payments, interest penalties will be paid automatically in accordance with 31 U.S.C. 39. Interest penalties are not required on contract financing payments, which include advance payments, progress payments based on cost, and progress payments based on a percentage or stage of completion (other than those under fixed-price construction contracts or fixed-price architect-engineer contracts). Interim payments under cost reimbursement contracts and final payments on cost-type contracts are subject to interest penalties, however, since they are not contract financing payments. Contract financing payments do not include lease and rental payments, and these payments are also subject to interest penalties. (See Mandatory References, **FAR 32.902** and **31 U.S.C. 39, Prompt Pay**)

630.3.3 Administrative Approval and Cognizant Technical Officer (CTO) Responsibilities

*630.3.3.1 What Does Administrative Approval by a CTO or Other Approving Official Signify?

Administrative Approval provides written evidence that work is proceeding satisfactorily under an assistance agreement or that, for a contract, the goods and/or services specified on the invoice were received and conform to the requirements of the agreement between the vendor and USAID. The approving officer must also complete the checklist included on the approval form showing the basis of his/her approval. The paying office, not the approving officer, is responsible for validation of pricing, extension of computations, etc. (See Mandatory Reference, **Administrative Approval Form and Checklist**)

*630.3.3.2 Can a CTO Approve an Invoice for an Amount Less Than Claimed?

Yes. If the CTO identifies any improper claims when reviewing the voucher before providing administrative approval, the CTO then has two choices can be exercised. If the questioned amount is on a continuing contract and can easily be corrected before the contract ends, the CTO can approve the invoice as submitted and request an explanation for the questioned amount to avoid a future suspension of the amount. The CTO must request additional information from the payee in writing, and attach a copy of the written request to the approved voucher when returning it to the paying office.

If the CTO decides that any or all of the costs in a voucher should not be paid until the payee provides additional information, the CTO may suspend these costs. The CTO must indicate the amount he/she is suspending--and why--in a written letter to the

payee, and send it within seven days of receiving the administrative approval form. The CTO must also return the invoice, Administrative Approval form, and a copy of the suspension letter to the paying office.

Sample letters for the CTO's use for this purpose are in the Additional Help section of this chapter. (See Additional Help, **Sample CTO Letters**) The CTO must include the voucher number on the letter or notification form.

*630.3.3.3 What Additional Information Can a CTO Request in Carrying Out Responsibilities to Review and Approve a Voucher?

The policy of the Office of Financial Management is to request only the documentation that is required by the payment clause in the contract or grant. This policy does not imply that CTOs cannot resolve with the contractor or recipient obvious anomalies in the invoice. But no one should request on a routine, recurring basis all of the support documentation that backs up a contractor's or recipient's invoice. Please keep in mind that contractors and recipients are subject to annual audits, which provide reasonable assurance that only eligible, supported costs are being claimed for reimbursement. If at any time a CTO has reason to believe that a contractor or recipient’s financial reports and/or vouchers do not accurately reflect its expenditures, he or she should discuss the issue with the Contracts or Agreement Officer, who may then decide to request a financial review or audit of the contract or agreement in question.

*630.3.3.4 What Is the CTO’s Responsibility for SF-269 Reports Received From Recipients Financed by Letters of Credit?

The SF-269, Financial Status Report, is not used by the Department of Health and Human Services, which manages our Letter of Credit procedures. The recipients have been instructed to send these reports to the CTO, who should use them to monitor the progress the recipient is making on implementing the project and to assist in developing accurate accruals for the quarterly USAID reports. Although the CTO is not asked for an administrative approval on the SF-269, he/she should still contact the recipient for further explanation if there are questions about an item on the report. If the CTO is not satisfied with the recipient’s explanation, he/she should notify the agreement officer for further action.

*630.3.3.5 Does the CTO Administratively Approve Liquidations for Organizations Financed Under the Periodic Advance Method?

Yes. Even though the policy has changed and administrative approval is not required for the payment voucher requesting a periodic advance, the CTO must administratively approve the Financial Status Report (generally an SF-269) to liquidate periodic advances. The majority of agreements that provide for periodic advances are with non-U.S. organizations, and some of the safeguards that are in place with the Letter of Credit system are missing. The administrative approval process requires someone closely involved with the program to review the financial report and attest that the work

is progressing satisfactorily. This additional safeguard is a useful management control that must be used when periodic advances are given.

*630.3.3.6 Where Can CTOs Obtain a Copy of the Administrative Approval Form and Checklist?

The paying office will most likely provide a copy of the form along with the voucher that the CTO is to review and approve. A copy of the Administrative Approval Form and Checklist is attached as an Internal Mandatory Reference. (See Mandatory Reference, **Administrative Approval Form and Checklist**)

630.3.4 Voucher Examination and Payment

630.3.4.1 Is There a Difference Between a Claim, a Voucher, and an Invoice?

The term claim covers any request for payment. The term voucher encompasses both commercial vendor invoices and other approved Government forms prepared by or for the creditor requesting payment for services, supplies, equipment, transportation, or any other transaction that obligates USAID and ultimately results in an expenditure. For purposes of this chapter, the terms claim, voucher, and invoice are used interchangeably to describe the document(s) that request payment.

630.3.4.2 What Are My Responsibilities as a Voucher Examiner?

As a voucher examiner, you are responsible for the proper review and processing of vouchers submitted to USAID. Your review must include

- Determining that a valid obligation exists;
- Ascertaining that the voucher is adequately supported by appropriate approvals and authorizations (including a receiving report if required) and the documentation required by the obligating document;
- Verifying the name, address, and tax identification number (TIN) of the payee;
- Checking the mathematical accuracy of the vendor's invoice;
- Observing established internal controls designed to prevent any improper or duplicate payment;
- Making certain that the disbursement is in accordance with laws and regulations; and
- Determining the payment due date and computing late payment interest, if required, in accordance with prompt payment guidelines.

*If after your review you conclude that the voucher is not proper, you must follow established office procedures in returning the voucher to the payee with an explanation of why it is being rejected.

*630.3.4.3 What Type of Invoice Is Required for a Payment?

Payment will be based on original documentation and certifications (see section **630.3.4.6** for the acceptability of electronic invoices and faxes) as specified in the obligating document (see section **630.3.4.2**). If the original document is lost or destroyed, the certifying official must attach to the payment copy an explanation of the circumstances involved. Carrier bills for transportation and related services, such as loading or storage, must be presented on a properly certified SF-1113. Except for carrier invoices, the form of the invoice used by a vendor is not material and does not require a SF-1034 unless required under the contract or grant.

630.3.4.4 Does a Paying Office Need an Invoice To Make a Recurring Service Payment for a Fixed Amount?

Payments for recurring services, such as rent, which are performed under agency-vendor agreements for payments of definite amounts at fixed periodic intervals, may be made without the submission of a vendor invoice. A basic SF-1034, Public Voucher for Purchases and Services Other Than Personal, must be prepared by the organization unit responsible for the contract and must show, at a minimum, the contract number, the payee's name, the period covered by the payment, and the appropriation to be charged. The basic voucher for recurring payments will be certified for payment like all other vouchers. Paying offices must ensure that recurrent payments are made for unexpired contracts or agreements for the correct amounts. Internal controls must also ensure that recurring payments comply with the Prompt Payment Act and are not duplicate payments.

*630.3.4.5 Does a Commercial Invoice Require a Payee's Certification?

A certification by the payee as to correctness and nonpayment of the invoice amount is only required in the case of vouchers submitted by U.S. banks for reimbursement under a Letter of Commitment or Special Letter of Credit and vouchers submitted by carriers and other corporations, agencies, or persons furnishing transportation or transportation-related services. The elimination of the requirement for execution of the payee's certification of the correctness and nonpayment of the billed amount from most invoices submitted for payment does not dispense with the requirement for the certification of specific facts required by certain contracts.

630.3.4.6 Are Electronic Invoices Acceptable?

The use of electronic invoices and of <u>any</u> media, including facsimiles, is allowed and encouraged as long as adequate safeguards and controls ensure the integrity of the data and prevent duplicate payments. Paying offices must not allow the alteration of

banking information by fax unless the change is confirmed independently with the vendor.

630.3.4.7 What Are a Voucher Examiner's Responsibilities for Non-Employee Compensation Payments?

The Internal Revenue Service requires that Form 1099-MISC, Miscellaneous Income, be given to each individual, partnership, or unincorporated commercial vendor to which the Agency has paid at least $600 in fees, commissions, or any other form of compensation in a calendar year. Payments to a corporation for services must also be reported in box 7 on Form 1099-MISC. This requirement applies to any recipient, in the United States or overseas, that is subject to U.S. tax laws.

*The reporting on Form 1099-MISC excludes (1) any recipient whose compensation has been reported on Form W-2, Wage and Tax Statement, (2) generally payments to corporations, and (3) payments to a tax-exempt organization. For detailed guidance on which payments should be and which should not be reported, download a copy of the Instructions for Form 1099-Misc from the IRS website, www.irs.gov.

The USAID/W office or the Mission that makes payment to the recipient must prepare a Form 1099-MISC for each recipient by January 31 of the following year.

*630.3.4.8 How Does a Voucher Examiner Handle No-Pay Vouchers?

No-pay vouchers are vouchers that do not require a payment to be made. Generally, no-pay vouchers record the liquidation of an advance against an obligation. No-pay vouchers are scheduled just as other vouchers. Such vouchers will be assigned numbers and must include all necessary accounting classification data. A travel voucher where the payee's expenses are offset by a liquidating entry to the Travel Advance Account is an example of a no-pay voucher.

630.3.4.9 Are Accelerated Payment Methods Under Prompt Pay Permitted?

Accelerated payments have been expanded to include "Fast Pay," payments for invoices under $2,500, payments to small or disadvantaged businesses, and payments related to emergencies and disasters. Accelerated payments may be made to any small business if the Bureau or Mission Director determines that such early payments are necessary.

630.3.4.10 What Is "Fast Pay"?

Under normal payment procedures, payments must not be made on invoices prior to receipt and acceptance of the related goods and services. In limited situations under **FAR Part 13.4**, payment may be made without evidence that supplies have been received. Instead, a contractor certification that supplies have been shipped may be used as the basis for authorizing payment. Payment may be made within 15 days after

the date of receipt of the invoice. This payment procedure is limited to suppliers who have had and continue to have a good ongoing business relationship with the Agency and may be employed only when all of the following conditions are present:

a. Individual orders do not exceed $25,000 (except where the CFO permits a higher amount on a case-by-case basis);

b. Deliveries of supplies are to occur where there is both a geographical separation and a lack of adequate communications facilities between Government receiving and disbursing activities, making it impracticable to make timely payments based on evidence of Federal acceptance;

c. Title to supplies will vest in the Government upon delivery to a post office or common carrier for mailing or shipment to destination or upon receipt by the Government if the shipment is by means other than the Postal Service or a common carrier; and

d. The contractor agrees to replace, repair, or correct supplies not received at destination, damaged in transit, or not conforming to purchase requirements.

USAID must promptly inspect and accept supplies acquired under these procedures and must ensure that receiving reports and payment documents are matched and steps are taken to correct discrepancies. In addition, USAID must ensure that specific internal controls are in place to ensure that supplies paid for are received.

630.3.4.11 Will Late Interest Penalties Apply If the Vendor Fails To Supply EFT Information or a TIN?

Late interest penalties do not apply if the vendor has failed to supply EFT information or a TIN.

630.3.4.12 When Do Late Payment Interest Penalties Begin To Accrue When the Vendor Has Supplied Incorrect EFT Information?

Paying offices are required to review invoices and return improper invoices as soon as possible, but no later than seven days after receipt of an improper invoice. The payment period begins after receiving a proper invoice, and USAID has up to 30 days from this date to make payment before late interest penalties accrue. However, if the paying office does not realize that the vendor supplied incorrect EFT information until payment is rejected, the paying office will have up to seven days after receiving correct EFT information to make payment.

*If the paying office fails to return the improper invoice to the vendor within seven days of receiving the invoice, the number of days allowed for payment of a corrected invoice is reduced by the number of days between the seventh day and the day the improper invoice is sent to the vendor. For example, if the paying office receives an invoice on

November 1 but does not return it as improper to the vendor until November 13, five days after required, and the paying office receives a corrected invoice on November 20, the payment due date is December 14, or five days earlier, if the payment was due 30 days after receipt of a proper invoice.

630.3.4.13 Do Late Payment Rates for Utility Services Established by Foreign Governments Take Precedence Over the Rates Set in Prompt Pay?

Locally applicable late payment rates established by foreign governments, in addition to state and local governments, take precedence over the Prompt Pay rate.

*630.3.4.14 How Does USAID Determine Credit Card Payment Dates?

The Prompt Payment rule provides guidance to Federal agencies on when to make payments for the Government-wide commercial purchase card. The rule instructs agencies to determine credit card payment dates based on an analysis of the total costs and total benefits to the Federal Government as a whole. When calculating cost and benefits, agencies are expected to include the cost to the Government of paying early, which includes the interest the Government would have earned at the Current Value of Funds rate.

630.3.4.15 Are Agencies Required To Report Prompt Pay Statistics to Treasury?

This reporting requirement has been eliminated.

630.3.4.16 Is Special Approval Required for Extremely Large Disbursements?

Anticipated disbursements totaling $50 million or more must be reported in advance of the transaction settlement date to the Treasury Department, Financial Management Service (FMS). A minimum of three days notice is required for these disbursements. Disbursements of $500 million require five days advance notice. M/FM/CMP must make formal arrangements with FMS for handling disbursements that are being made without advance notification to ensure that the necessary forecasting information is provided to Treasury. (See Mandatory Reference, **Treasury Financial Manual, Volume 1, Part 6-8535: Cash Forecasting Requirements**)

630.3.4.17 How Does a Voucher Examiner Document Amounts Suspended From a Vendor's Voucher?

*If you, the voucher examiner, identified any improper claims when reviewing the voucher (see **630.3.3.2**), suspend the amounts for those improper claims and draft a letter for the Certifying Officer to notify the payee of the amount and the reason for the suspension. You may pay overclaim amounts of $1.00 or less.

If you take a deduction as a result of a time-payment discount earned, document the deduction appropriately on the accounting records and on the payee's copy of the

voucher, showing the discount rate and the amount deducted. When the payee uses a government form in presenting a claim, note the deduction in the "Difference" block. Approve the voucher for payment in the net amount due.

Make any minor deductions if your review identifies mathematical errors of amounts claimed, include an explanation on the voucher to identify the errors, and adjust the amount to be paid accordingly.

If the CTO suspended any improper claims when reviewing the voucher before providing administrative approval, show the reduction on the voucher and schedule the amount that has been approved.

When processing payments of vouchers reclaiming amounts that were previously suspended, verify that the claimant cross-referenced the reclaim voucher to the initial payment voucher or notice of suspension by either enclosing a copy of the suspension letter or citing the voucher number, schedule number, and date of the initial payment voucher.

*630.3.4.18 Can a Voucher Examiner Adjust Obvious Underclaims?

During the examination of payment documents, variances may be discovered between the amount claimed by the payee and the proper amount determined by the voucher examiner to be payable. If these variances are underclaims not exceeding $100 and result from extension or computation errors or use of the wrong rate, an upward adjustment not to exceed $100 may be made in making the payment. These administrative adjustments may be made without amendment of the claim by the payee when it is clear on the face of the payment documents that the adjustment is appropriate. If the underclaim is more than $100, the voucher should be paid as claimed and the vendor informed that the voucher additions or extensions should be reexamined and a supplemental claim submitted if appropriate.

*630.3.4.19 If the Funding Document Contains Multiple Fund Citations, Which Fiscal Year Funding Should a Paying Office Use in Processing a Payment?

When a contract, grant, cooperative agreement, or other obligating document is funded by more than one fund citation and the contractor or recipient is not required to identify which funding citation(s) to charge each claim and absent information the approving officer may have regarding the funding citation to be charged, the paying office must liquidate the funding citations using the oldest fund citation with an undisbursed balance first, then the second oldest, and so forth until the obligation is fully disbursed. This policy applies even if the various funding citations are from different appropriation accounts. This policy also applies to the recording of periodic accrual estimates.

630.3.4.20 What Must a Voucher Examiner Do if the Payee Owes USAID Money?

When a claim is submitted by an indebted payee, the amount of the debt can be offset against the amount otherwise properly due and payable. The claimant must be appropriately advised of the action taken. The indebtedness record must be adjusted to show the amount collected by offset, clearly identified by the schedule number, date, and amount.

630.3.5 Certifying Officers

630.3.5.1 What Are My Duties and Responsibilities as a Certifying Officer?

After appointment as a Certifying Officer by M/FM/CAR, you certify payment schedules sent to the Treasury Department Disbursing Office, the Department of State's Financial Management Centers, or commercial banks in the case of local currency trust funds. Certifying Officers are responsible under 31 U.S.C. 3528 for any errors in certification, and for ensuring the existence and accuracy of information required to facilitate the certification of financial documents. Certifying Officers must not be hampered in exercising independent judgment. Coercion or administrative pressure must not be used to obtain a certification. This does not prohibit discussing with Certifying Officers any facts or circumstances bearing on invoices with a view to expediting settlement. (See Mandatory Reference, **31 U.S.C. 3528**)

Certifying Officers must rely on the systems, internal controls, and personnel that process payment transactions. As part of the review of internal controls required by the Federal Managers Financial Integrity Act, special emphasis should be given to testing controls over payment processes.

*630.3.5.2 What Are the Systems and Procedures That a Certifying Officer Must Rely On in Processing Payments to a Contractor Based on a Certified Fiscal Report That Contains No Supporting Documentation?

Contractors are subject to annual audits that provide reasonable assurance that only eligible, supported costs are being claimed for reimbursement. In addition, all such payments must be administratively approved by the CTO, who has reasonable knowledge that the goods and services covered by the invoice have been received. The policy of the Office of Financial Management is to request only documentation as required by the payment clause in the contract or grant. This policy does not imply that Certifying Officers cannot resolve with the contractor or recipient obvious anomalies in the invoice, but no one should request on a routine, recurring basis all of the support documentation that backs up a contractor's or recipient's invoice.

630.3.5.3 What Are the Personal Liabilities of a Certifying Officer?

As a matter of long-standing public policy, a Certifying Officer is strictly liable for any illegal, improper, or incorrect payments. You may be required to make restitution for any illegal, improper, or incorrect payments resulting from false, inaccurate, or misleading certifications. You may also be subject to disciplinary action for the loss or improper payment of funds.

630.3.5.4 How Can a Certifying Officer Protect Himself/Herself in Questionable Payment Cases?

The Department of Justice has concluded as a matter of law that the statutory mechanism that purports to authorize the Comptroller General, an agent of Congress, to relieve Executive Branch officials from liability in the certification of payments is unconstitutional because Congress may not be entrusted with executive powers under the doctrine of separation of powers.

USAID will not seek to recover a payment from or discipline a Certifying Officer if

- The officer requested and relied on the opinion of a Regional Legal Advisor or the Office of General Counsel that the specific payment or obligation in question could legally be made;

- The officer requested an advance opinion from another authority authorized to provide advance decisions. For example, under Pub. L. 104-316, the Office of Management and Budget (OMB) has delegated the authority to render decisions concerning Federal civilian employees' claims for compensation and leave to the Claims Adjudication Unit in the Office of Personnel Management. OMB has delegated civilian Federal employees' travel claims, transportation claims, relocation allowances, and transportation carriers' requests for a review of audits of their bills to the Board of Contract Appeals, General Services Administration (GSA). Under 31 U.S.C. 3529, the Comptroller General can also render advance decisions on certain claims; or

- The Chief Financial Officer determines that the circumstances do not warrant recovery.

630.3.5.5 Do These Changes Affect a Certifying Officer's Reliance on Previous Comptroller General Decisions?

Until they are superseded, these decisions are still reliable guidance that can be followed in the voucher examination process.

630.3.6 False, Fictitious, or Fraudulent Claims

630.3.6.1 What Are the Guidelines for Determining Fraud?

The existence of fraud or misrepresentation is determined by the facts in each individual case. The payee's responsibility is to complete a claim accurately in order to ensure proper payment. However, it may not be assumed that the voucher is fraudulent simply because it is not prepared according to the regulations. The burden of establishing fraud rests on the party alleging fraud and must be proven by evidence sufficient to overcome the existing presumption of honesty and fair dealing. If the circumstances are as consistent with honesty and good faith as with dishonesty, the inference of honesty is required.

Many innocent mistakes are made in the completion of claims, and not every inaccuracy on a voucher should be equated with an intent to defraud the government. Where discrepancies are minor, small in total dollar amounts, or infrequent, a suggestion of fraud normally would not be warranted, if the most convincing evidence to the contrary is lacking. However, such errors must be discussed with the payee and corrected.

Where discrepancies are glaring, involve large sums of money, or are frequently made, an allegation of fraud can more readily be made, if a satisfactory explanation from the claimant is lacking.

630.3.6.2 What Action Is Required When a Suspected Fraudulent Voucher Is Presented for Payment?

When there is reason to suspect that a voucher presented for payment contains fraudulent information, the Certifying Officer must refer the matter to the Office of the Inspector General, Assistant Inspector General for Investigations (OIG/AIG/I). This requirement applies regardless of the dollar value of the suspected fraud. Unless otherwise directed by the investigating office, the Certifying Officer must retain the claim and all supporting documentation. Primary responsibility for the determination of fraud rests with the OIG/AIG/I in cooperation with the Department of Justice (DOJ).

630.3.6.3 What Must Be Done With the Voucher if Fraud Is Established?

In general, a claim that is tainted with fraud is forfeited. The Certifying Officer in conjunction with the RLA or AGC must determine if such a claim can be partially disallowed or wholly disallowed. In cases where referrals have been made to the DOJ by OIG, no payments may be made unless approved by the DOJ.

630.3.7 Special Processing Considerations - Letters of Credit

630.3.7.1 How Are Letter of Credit (LOC) Payments Handled?

The LOC process has been transferred to the Department of Health and Human Services (DHHS) based on a cross-servicing policy established by the CFO Council. DHHS provides advance payment and advance liquidation support to USAID. Recipients eligible for LOC payments electronically request advances and submit expenditure reports via the Internet to DHHS. The Cash Management and Payments Division of the Office of Financial Management (M/FM/CMP) is still responsible for management of the LOC process and is the point-of-contact for Agreement Officers, Cognizant Technical Officers (CTOs), Missions, and recipients for the general administration of the LOC operation. The Bureau for Management, Office of Financial Management, Cash Management and Payments Division, Grants and Interagency Billing Branch (M/FM/CMP/GIB) enters new assistance awards and/or amendments into the DHHS Payment Management System (PMS).

DHHS does not require recipients to submit SF-269, Financial Status Report; however, the SF-269 may still be the USAID-required report in the agreement for CTO review. DHHS uses an electronic SF-272, Federal Cash Transactions Report. DHHS sends USAID a report that captures the award expenditure data from the SF-272. Award expenditures reported on the 272 are recorded in the Agency's official accounting records.

630.3.7.2 What Is the Administrative Approval Process for Payment Vouchers Using the LOC Method of Payment?

With the transfer of the advance payment and liquidation process to DHHS, the administrative approval process has been changed. Since we have a third party making the payments and liquidating the advances, expenditure data received from DHHS is recorded directly in the Agency's official accounting systems, and no report is sent to the CTO for administrative approval. M/FM/CMP advises recipient organizations to send the SF-269 to the CTO and/or the Agreement Officers, but not to M/FM. M/FM/CMP only needs a copy of the final SF-269 in order to close out the agreement on the DHHS Payment Management System. These requirements are also being incorporated into the assistance agreements.

If the CTO has concerns about the expenditures reported, and the explanation from the recipient organization does not resolve these concerns, the CTO must coordinate directly with the Agreement Officer. If the expenditures recorded in the official accounting records are to be adjusted due to disallowed costs, M/FM/CMP must have a written determination from the Agreement Officer. Neither the CTO nor the Certifying Officer has the authority to disallow costs under an award or contract instrument financed under an LOC.

630.3.7.3 Which Organizations Qualify for a Letter of Credit (LOC)?

An LOC is a method of payment that is negotiated and authorized by the Contracts or Agreement Officer. **ADS 636, Program-Funded Advances**, provides guidance for the use of program-funded advances. If the organization qualifies, the LOC is the preferred method of payment. In general, the following criteria have to be met:

- The organization must have adequate financial and internal controls.

- The award must be for at least $120,000 and must be for at least 12 months with the expectation that the relationship will be for more than one year for the initial establishment of the LOC. (For organizations that have an existing LOC, the dollar and time limitations do not apply. Also, once an organization has an established LOC, all assistance instruments to that organization must be under the same LOC.)

- The organization must be a U.S. organization. Some public international organizations (PIOs) qualify, but due to the decentralized structure of some PIOs, not all are suitable for LOC payment. Contact the LOC unit if you have questions about organizations qualifying for a LOC.

- The organization must have a U.S. bank account.

630.3.8 Special Processing Considerations - Transportation Vouchers

630.3.8.1 What Are Transportation Vouchers?

Transportation vouchers are commercial invoices representing the cost of transportation for both passengers and freight. Some examples are

- An invoice from a freight company for shipping household goods, also known as a GBL (Government Bill of Lading).

- A monthly statement from the Government travel and expense card company for airline tickets, also known as the Government Travel Account (GTA).

630.3.8.2 Why Are Transportation Vouchers Different From Other Types Of Commercial Payment Vouchers?

Transportation vouchers are strictly for payment for the transportation of goods and passengers and are subject to prepayment audit or postpayment audit in accordance with the guidance contained in 41 CFR 101-41 and 102-118, Transportation Payment and Audit. Special forms are used by freight carriers to bill the Government. (See Mandatory References, **41 CFR 101-41** and **102-118**)

*Generally, transportation or transportation services ordered with a Government contractor-issued charge card or charge account cannot be prepayment audited because the bank or charge card contractor pays the provider directly. USAID's policy is that to the maximum extent possible, all travel-related expenses must be paid for with the Travel Card and all transportation-related expenses must be paid for with the Purchase Card. All persons procuring transportation or transportation services for USAID should take steps to ensure that purchase cards are used to the maximum extent possible. Purchase cards may be obtained through the Bureau for Management, Office of Procurement, Evaluation Division (M/OP/E).

*GSA has a responsibility under 31 U.S.C. 3726 to perform oversight of transportation bill payments. An agreement between the CFO and GSA was reached that it would not be cost effective to implement a prepayment audit program on the remaining transportation and travel-related vouchers that are not paid by credit card. Since prepayment audits are not carried out by USAID, GSA must conduct a postpayment audit on the transportation bills. GSA receives a monthly tape from the credit card contractor for all transportation payments made with a Purchase Card. There is no need for paying offices to send credit card transportation vouchers to GSA. Payments that are not paid with a credit card must be sent to GSA on a monthly basis. (See Mandatory Reference**, 31 U.S.C. 3726**)

*The Bureau for Management, Office of Procurement, Transportation and Commodity Division (M/OP/TC) issues ocean carrier cargo booking notes, charter party agreements, and government bills of lading for the international transport of food aid and humanitarian relief cargoes. These forms of contracting and financing are recognized, and considered standard, within the transport industry for the international transport of commodities. Such contracting methods are exempt from the general practice of using purchase cards for payment of transport services. M/OP/TC must use purchase cards to the maximum extent possible for domestic shipments and transport services. When using the purchase card for payment, the GBL accompanies only as the shipping document, not as the payment instrument.

630.3.8.3 What Information Must Be on Transportation Bills Submitted to GSA for Postpayment Audit?

USAID must annotate all of its transportation bills submitted for postpayment audit with the following information:

- The date received from the Transportation Service Provider (TSP);
- The TSP's bill number;
- Our Agency name;
- The Document Reference Number;

- The amount requested;
- The amount paid;
- The payment voucher number;
- Complete tender or tariff authority, including contract price (if purchased under the Federal Acquisition Regulation), item or section number;
- The TSP's taxpayer identification number; and
- The TSP's standard carrier alpha code (SCAC).

630.3.8.4 Where Are Postpayment Transportation Vouchers Sent?

Forward documents monthly to

General Services Administration
Federal Supply Service Audit Division (FBA)
1800 F Street, N.W.
Washington, DC 20405

630.3.9 Special Processing Considerations - Sampling of Invoices

630.3.9.1 When Can a Paying Office Use Statistical Sampling?

Statistical sampling is a means of reducing the cost of unproductive voucher examinations and must be supported by an appropriate comparison of the cost to carry out the sampling procedure to the benefits resulting from voucher examination. A USAID payment office may use statistical sampling when examining payment dues in amounts of $2,500 or less when it has been demonstrated that economies will be achieved and a valid statistical sampling plan is used. The statistical sampling must

a. Define the appropriate universe of invoices in quantitative terms to be examined by statistical sampling, including the time period for the sample. Usually this will be a determination to sample certain categories and dollar ranges based on an analysis.

b. Choose appropriate sampling methods and sample size needed to meet the audit objective. The procedure must involve a random stratified selection of sample items from the vouchers being processed for payment. There must be the opportunity for any invoice not subject to normal voucher examination to be selected in the sample.

c. Analyze the results of the sample using the appropriate statistical procedure and determine if any changes to the sampling plan are needed or whether to examine the entire universe.

d. Report the results to management with the appropriate interpretation. Savings will be achieved if the combined costs of examining the sample and projected losses due to undetected errors on invoices are less than the administrative cost of examining all invoices.

Vouchers exceeding $2,500 are subject to a 100-percent voucher examination audit.

630.3.9.2 Who Approves a Statistical Sampling Proposal?

The CFO approves all statistical sampling proposals for USAID.

630.3.9.3 What Documentation Must Be Maintained?

The paying office must maintain records of all aspects of its sampling program, including the specific sampling procedures, the statistical formulas or tables used, and the resulting calculations. Records of the actual application of the sampling plan must also be maintained. Such records ordinarily consist of

a. Work sheets showing items selected for examination;

b. Errors discovered;

c. Total number and amount of vouchers in the universe;

d. Projected error, including possible range of error in the universe; and

e. Information on whether the results were acceptable.

630.3.10 Special Processing Considerations - Use of Funds for Confidential Purposes

*630.3.10.1 What Is the Basis for Using Funds for Confidential Purposes?

Section 636(a)(8) of the Foreign Assistance Act of 1961, as amended, authorizes the use of appropriated funds for expenditures of a confidential character other than entertainment, provided that a certificate for the amount of each such expenditure is issued by the Administrator or the Inspector General, or their designees. Every such certificate will be deemed a sufficient voucher for the amount it specifies. The Office of the Inspector General (OIG) has issued detailed directives on the procedures for obtaining and using confidential funds. The guiding principle for the expenditure of confidential funds is the necessity to conceal the identity of the persons involved or the nature of the expenditure of the funds.

*[Removed former section 630.3.9.2, What Can Confidential Funds Be Used For. This information is covered in OIG internal procedures]

*[Removed former section 630.3.9.3, How Are Confidential Funds Made Available. This information is covered in internal OIG procedures]

630.3.10.2 Who Approves Expenditures for Confidential Purposes?

Policy directives issued by the OIG govern the requesting and approval processes for confidential funds for investigative operations. The Administrator or Deputy Administrator approves the use of USAID funds for confidential purposes.

*[Removed former section 630.3.9.5, How is the Reservation of Funds Recorded.]

630.3.10.3 How Do Special Agents in the Field Obtain Cash Advances?

Ordinarily, cash advances of confidential funds are obtained from the Controller of the USAID Mission responsible for the field office's fiscal affairs. However, if circumstances dictate, the funds may be obtained from the USAID Controller in the country where the funds are to be expended.

The Special Agent in Charge requests cash advances by sending a memo to the USAID Controller. The request cites the appropriate funding information as provided by the OIG. The Special Agent requesting the funds signs a receipt for the advance.

630.3.10.4 What Accounting Is Required for Confidential Funds?

On completion of the approved funds expenditure, a Public Voucher for Purchases and Services Other than Personal, SF-1034, is prepared in the total amount of the expenditure. SF-1034 vouchers covering payments that are for confidential purposes may not contain information that requires a security classification.

*For expenditures covered by an advance given in the field, the SF-1034 is submitted to the Controller from whom the advance of funds was obtained. The Special Agent returns any residual from the advance to the Controller and obtains a receipt for this transaction. Supporting documentation as prescribed by IG policy directives is forwarded to the OIG.

No receipts should be attached to the SF-1034. Instead, one of the following statements is made on the face of the SF-1034:

> "CONFIDENTIAL EXPENDITURE IN CONNECTION WITH AN OFFICIAL INVESTIGATION."
>
> or

"THE DOCUMENTS NECESSARY TO SUPPORT THIS VOUCHER HAVE BEEN RETAINED IN THE OFFICIAL FILES WITH OTHER CLASSIFIED MATERIAL."

*630.3.11 Special Processing Considerations – Refreshments, Meals, Receptions, and Similar Events Funded With USAID Funds

ADS 610, Use of Entertainment Account, Representation Allowances, and Program and Operating Expense Funds for Entertainment, provides the policy on refreshments, meals, receptions, and similar events funded with USAID funds, including the use of program and Operating Expense funds for these expenses. (See Mandatory Reference, **ADS 610**)

*630.3.11.1 What Procedures Are Required To Obtain Payment for Entertainment, Refreshments, Receptions, and Similar Events Funded With USAID Funds?

The requesting official is responsible for obtaining all the required approvals and for making all the arrangements for the official entertainment event. In no case will the amount authorized and obligated be exceeded. Any cost in excess of the authorized amount will be the responsibility of the requesting official. The requesting official will normally submit the claim for an event using the form SF-1034.

*630.3.11.2 What Are the Preferred Payment Methods For Entertainment, Refreshments, Receptions, and Similar Events Funded With USAID Funds?

Generally, payment for all official entertainment expenses in USAID/W is made using the IMPAC VISA card account designated for that purpose. If a cash advance is necessary, the advance can be obtained from the small imprest fund held by the Administrator's Office.

Payment for events at overseas Missions is made in accordance with the normal payment processes available to the Mission, including advances from the Mission cashier.

630.3.12 Special Processing Considerations - State Department Cashier Vouchers

In small Missions, USAID does not have a cashier as part of the regular staff. Small payments that must be made in cash will be paid by State Department cashiers under an International Cooperative Administrative Support Services (ICASS) arrangement. Cashier payments are normally limited to amounts less than $500 for one transaction except in emergency situations, when the limit is up to $3,000. The U.S. Disbursing Officer (USDO) has authorized higher limits at certain posts that have limited banking

facilities. The emphasis of the U.S. Government is on shifting away from cash payments to the maximum extent possible. Missions must comply with the operating requirements of the Embassy and the USDO.

The fund replenishment voucher, Form OF-1129, Cashier Reimbursement Voucher and/or Accountability Report, for payments made by Embassy cashiers must be forwarded to USAID certifying officers for review and certification. Since the State Department cashier cannot receive reimbursement for these payments without the USAID certification, all such cashier vouchers must be handled on a priority basis and reviewed, certified, and returned to the Embassy within one week. (See Mandatory Reference, **4 FAH-3 H-452**)

630.3.13 Special Processing Considerations - Medical Expenses

630.3.13.1 How Does the Mission Pay for Shared Medical Expenses?

Shared medical expenses, such as services provided by post health units, are charged initially to the funds of the Department of State. USAID is billed for its share of these expenses in accordance with the established ICASS support agreement. (See Mandatory Reference, **3 FAM 1900, Appendix B, Medical and Health Program**)

630.3.13.2 What Medical Expenses for Eligible Employees Are Authorized?

Authorized medical services include immunizations, examinations, hospitalization, family advocacy counseling and related treatment, medical travel, and travel of medical attendants. All non-Foreign Service USAID/W employees and other U.S. Government employees on reimbursable detail to Washington are excluded from coverage, since such employees are not covered by the Foreign Service Medical and Health Program. The Medical Health Program is explained in 3 FAM 1900. Medical expenses for Personal Service Contractors are covered in Appendix D of USAID Acquisition Regulation (AIDAR).

630.3.13.3 Who Authorizes USAID-Funded Medical Services?

The Bureau for Management, Office of Human Resources, Personnel Operations Division (M/HRD/POD) authorizes physical examinations for eligible employees and their dependents and for candidates for employment in the Foreign Service and their dependents.

Missions authorize medical examinations for employees and their dependents at post or to take place in the United States, provided the employee and his/her dependents are unable to complete the examinations prior to departure from post on home leave or separation travel orders.

*Physical exams are a requirement of the Foreign Service and are usually paid directly by USAID. Employees are not required to file with their insurance companies.

The State Department Medical Division authorizes all other medical services to be performed in the United States for the benefit of USAID and participating Agency employees, including hospitalization and related expenses incurred for eligible personnel evacuated from Foreign Service posts. The Form FS-569, Authorization for Medical Treatment, or other form letter is used for such authorizations. The Medical Division may also authorize examinations or consultations by letter. Medical services include consultation, medical treatment, hospitalization, the furnishing of drugs, and equipment-such as vaporizers, beds, braces, and other minor items.

The Principal or Administrative Officer at Foreign Service posts has the authority to order medical services overseas at Government expense under the Foreign Service Medical and Health Program. These officers can authorize travel and per diem for eligible USAID employees and their dependents incident to authorized treatment while located abroad, and can contract for the services of medical attendants to accompany the patient when deemed necessary by the post medical advisor or attending physician. Form FS-569 is used for the medical treatment authorization.

630.3.13.4 Who Pays the Bills for Medical Services?

a. Expenses Incurred in the United States: Generally, all bills for medical expenses from doctors, hospitals, and Government facilities are received initially by the State Department Medical Division. The Medical Division

- Matches each bill properly payable by USAID with the original or a copy of the authorization document;

- Prepares and administratively approves form DS-1486, Voucher or Sub-Voucher for Medical Services. This administrative approval is evidence that the goods and services were ordered and received, and that the amount charged is properly payable;

- Submits the administratively approved vouchers with bill and authorization to M/FM/CMP on a daily basis; and

- Sends a letter to those employees covered by insurance to which the Government contributes a portion of the premium costs. This letter instructs them to file a claim with the insurance company and to transmit the settlement proceeds to the USAID cashier.

*M/FM/CMP audits the voucher and schedules the voucher for payment. Medical expenses incurred in the United States for Mission employees, including chartered aircraft cost for medical evacuations, are distributed to the funding Mission through the IPAC or AOC mechanism. M/FM/CMP follows up on the insurance proceeds due from the medical claims of Washington-assigned employees until they are received.

b. Expenses Incurred Overseas: All bills for medical expenses for doctors, hospitals, and Government facilities for treatment overseas are received initially by the Post Principal or Administrative Officer. The Principal or Administrative Officer

- Matches each bill properly payable by USAID with the original copy of the authorization document;
- Prepares and administratively approves form DS-1486, Voucher or Sub-Voucher for Medical Services. The administrative approval is evidence that the goods and services were ordered and received, and that the amount charged is properly payable;
- Submits the administratively approved vouchers with the attached bill and authorization to the Mission Controller for payment; and
- Sends a letter to those employees covered by insurance to which the Government contributes a portion of the premium costs. This letter instructs them to file a claim with the insurance company and to transmit the settlement proceeds to the USAID cashier.

The Mission Controller audits the voucher to the extent he/she considers warranted, schedules, and certifies the voucher for payment. The Controller must follow up on the insurance proceeds due from the employee's claim until they are received.

*630.3.13.5 What Is the Employee's Responsibility?

The employee is responsible for filing medical insurance claims with his/her insurance company and promptly transmitting the proceeds less any authorized out-of-pocket expenses to the USAID cashier for any medical treatment authorized under FS-569. The employee must furnish documentary evidence of the total amount recovered and itemize the deductions and the reasons for the deductions. An employee's failure to recover insurance payments, unless such failure is for reasons beyond the employee's control, will result in an indebtedness to the U.S. Government that will be recovered from other amounts due to the employee.

630.4 MANDATORY REFERENCES

630.4.1 External Mandatory References

a. **31 CFR 208: Management of Federal Agency Disbursements**

b. **41 CFR Parts 101-41 and 102-118 Transportation Payment and Audit Standardized Regulations**

c. **4 FAH-3 H-452, Special Voucher Processes**

d. **3 FAM 1900, Appendix B, Medical and Health Program**

e. **FAR Part 13.4, Legal Effect of Quotations**

f. **FAR 32.902, Prompt Payment – Definitions**

g. **31 U.S.C. 39, Prompt Pay**

h. **31 U.S.C. 3528, Responsibilities and Relief from Liability of Certifying Officials**

i. **31 U.S.C. 3726, Payment for Transportation**

j. **Treasury Financial Manual, Volume 1, Part 6-8535 (I TFM 6-8535): Cash Forecasting Requirements**

k. **Treasury Financial Manual, Volume 1, Part 4: Disbursing (Chapters 100 through 1000)**

l. **Treasury Cashier Manual**

630.4.2 Internal Mandatory References

***a.** **Administrative Approval Form and Checklist**

b. **ADS 477, Allowances and Differentials**

***c.** **ADS 610, Use of Entertainment Account, Representation Allowances, and Program and Operating Expense Funds for Entertainment**

d. **ADS 633, Financial Management Aspects of Temporary Duty Travel (TDY)**

e. **ADS 636, Program Funded Advances**

630.5 ADDITIONAL HELP

a. **ECS Instructions - Certifying Officer (Sections I through III) (Note: This link is only available to USAID employees.)**

b. **ECS Instructions - Data Entry Operator (Sections I through V) (Note: This link is only available to USAID employees.)**

c. **ECS Instructions - Security Administrator (Sections I through III) (Note: This link is only available to USAID employees.)**

d. **Principles of Federal Appropriations Law - Volume I** (This Additional Help reference is not available in Word or PDF format. Please visit the following web site to view the document: http://www.gao.gov/special.pubs/vol1.pdf)

e. **Principles of Federal Appropriations Law - Volume 2** (This Additional Help reference is not available in Word or PDF format. Please visit the following web site to view the document: http://www.gao.gov/special.pubs/vol2.pdf)

f. **Principles of Federal Appropriations Law - Volume 3** (This Additional Help reference is not available in Word or PDF format. Please visit the following web site to view the documents: http://www.gao.gov/special.pubs/og94033.pdf)

***g.** **Procedure for Using OPAC Charges in lieu of AOC System Between Missions**

***h.** **Sample Letter From CTO to Payee – Approving Full Payment But Asking For Additional Justification of Voucher Item(s)**

***i.** **Sample Letter From CTO to Payee - Suspension of Voucher Item**

630.6 DEFINITIONS

The terms and definitions listed below have been included into the ADS Glossary. See the **ADS Glossary** for all ADS terms and definitions.

*An asterisk next to a definition indicates that either the term is new or its definition has been revised.

Accelerated Payment Methods
A group of payment methods authorized under the Prompt Payment Act Implementation that, in certain instances, allows payment to be made to vendors prior to the normal 30-day waiting period. Accelerated payments have been expanded to include "Fast Pay," payments for invoices under $2,500, payments to small businesses, and payments related to emergencies~~,~~ and disasters. Accelerated payments may be made to any small business if the Bureau or Mission Director determines that such early payments are necessary. (Chapter 630)

Administrative Approval
The initial approval of an invoice or voucher received for payment. The approving officer is an employee (normally the CTO) directly concerned with acceptance of the supplies, services, etc., billed. The approval is necessary before the invoice or voucher is certified for payment by the authorized certifying officer, except as may be specifically exempted by USAID. (Chapter 630)

Bank Letter of Commitment
A USAID agreement with a U.S. bank under which USAID guarantees to reimburse the bank for the account of an approved applicant for all amounts paid by the bank and chargeable to the account under the instructions of the approved applicant and in accordance with general and specific conditions established by USAID. (Chapter 630)

Bank Letter of Credit
An instrument of credit extended by a bank to a beneficiary guaranteeing payments to the beneficiary upon compliance with the terms and conditions established by the letter of credit. (Chapter 630)

Direct Letter of Commitment
A USAID Letter of Commitment issued directly to primarily host-county contractors, suppliers, or carriers under which specified documents are submitted directly to USAID for payment. (Chapter 630)

Electronic Funds Transfer (EFT)
Electronic Funds Transfer (EFT) is the standard method for making Federal payments. EFT includes any method used to transfer funds electronically, including Fedwire, Automated Clearing House (ACH) transfers, Intra-Governmental Payment and Collection (IPAC) system, etc. (Chapter 630)

Fast Pay
A payment method that allows payment to be made without evidence that supplies have been received. Instead, a contractor certification that supplies have been shipped may be used as the basis for authorizing payment. Payment may be made within 15 days after the date of receipt of the invoice. (Chapter 630)

Fixed Amount Reimbursement
Fixed amount reimbursement is a form of project assistance under which the amount of reimbursement is fixed in advance based upon cost estimates reviewed and approved by USAID. Reimbursement is made upon the physical completion of an activity, a sub-activity, or a quantifiable element within an activity. The emphasis is upon reimbursement based on outputs rather than inputs or costs. (Chapter 630)

Letter of Credit
Letter of Credit is a method of advance payment for qualifying organizations under assistance agreements and certain contract awards that is negotiated and authorized by the Contracts or Agreement Officer. The Department of Health and Human Services (DHHS) is responsible for the payment and liquidation processes of USAID agreements using this method of financing. (Chapter 630)

No-Pay Voucher
No-pay vouchers are vouchers that do not require a payment to be made. A travel voucher where the payee's expenses are offset by a liquidating entry to the travel advance account is an example of a no-pay voucher. (Chapter 630)

Recurring Service Payment
A payment for recurring services, such as rents, which are performed under agency-vendor agreements for payments of definite amounts at fixed periodic intervals. Such payments may be made without the submission of a vendor invoice. (Chapter 630)

Special Letter of Credit
A Special Letter of Credit (SLC) is an alternative to financing commodities and commodity related services under a Letter of Commitment. The SLC becomes a foreign exchange asset for the host country with an immediate impact on foreign exchange reserves as well as the rapid generation of local currency. When the SLC is used as a means for financing local costs, the Bureau Assistant Administrator must approve the justification for its use. (Chapter 630)

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