PEPFAR Financial Management Policies and Financial Reporting Requirements

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Overview

➢ PEPFAR Financial Management Landscape
➢ PEPFAR Financial Management Policies
➢ PEPFAR Financial Reporting Requirements
➢ USAID Procedures affected by PEPFAR Financial Management Policies and Reporting Requirements
PEPFAR Financial Management Landscape: Three Guiding Pillars

Controlling the HIV Pandemic

Accountability
Demonstrate cost-effective programming that maximizes the impact of every dollar invested

Transparency
Demonstrate increased transparency with validation and sharing of all levels of program data

Impact
Demonstrate sustained control of the epidemic; save lives and avert new infections

Active Program and Partner Management
PEPFAR: Remarkable Expansion of Prevention and Treatment Services with Flat Budget since 2010

- Expansion through efficiencies
- Expansion through $6-7B in pipeline

Year
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018

# of people
- 1,000,000
- 2,000,000
- 3,000,000
- 4,000,000
- 5,000,000
- 6,000,000
- 7,000,000
- 8,000,000

PEPFAR Bilateral Budget, in $ Millions
- $-
- $1,000,000
- $2,000,000
- $3,000,000
- $4,000,000
- $5,000,000
- $6,000,000
- $7,000,000
- $8,000,000

Legend:
- Cumulative VMMC
- Current on HIV Treatment
- PEPFAR Budget (Bilateral + GF HIV)
The estimated # of new local partner awards increased by 80% in COP19 and has remained constant in COP20.
PEPFAR Budgeting and Financial Monitoring Redesign

- Increased reliability, usability, accountability, and timeliness of financial data to achieve program impact
- Construct common intra- and inter-agency budgeting, monitoring, and financial reporting framework that build upon PEPFAR’s pillars of transparency and accountability
- Clear linkages between program cycle processes to strengthen decision-making, improve coordination, and enable achieve efficiencies and impact
Financial Reporting from Two Different Perspectives

**USG Outlays**
from US Treasury to partners as recorded within USG financial systems

**Partner Expenditures**
from Partner bank account reported and charged to USAID
USAID/PEPFAR Financial Terminology and Process

**OMB Terminology:**
- **Obligation**
- **Outlay**

**USG Outlay:** cash disbursement from Treasury account

**SGAC Financial Terminology:**
- **Approved COP Budget**
- **Pipeline**
- **Applied Pipeline**

**USAID Financial Terminology:**
- **Disbursement**
- **Advance**

**Accounting system:**
- **LOC Draw Down**
- **Voucher**
- **Partner Expenditure**
- **Immediate Cash Needs**

**DHHS/PMS:**
- **Voucher**
- **Immediate Cash Needs**

**Implementing Partner:**
- **Partner Expenditure**
USAID Pipeline vs. SGAC/PEPFAR Pipeline

SGAC Approved Budget (COP, ROP, HOP) $10m

USAID (Sub) Obligation to Partner $9m

Partner Expenses (USAID accrued exp) $8m

USAID Outlays (disb + cash adv) $7m

Total amount not yet outlayed to partners / vendors = SGAC Pipeline, $3m
More SGAC/PEPFAR Pipeline Terminology

- **Allowable Pipeline** = months of pipeline after 12 month COP implementation period = 3 (or 4 for Special Notification OUs)

- **Excess Pipeline** = the amount of pipeline that is above the amount allowable.

- At Q4, “Excess pipeline” = “**Applied Pipeline**” to future COP requests, which reduces the level of new funds.
Examples of Q4 Excess Pipeline that becomes Applied Pipeline in a future COP:

If SGAC approves $10m annually for a partner, and USAID reported $3m in Excess Pipeline from Q4 of the prior year, the SGAC COP Approval will reflect:

- $3m in Applied Pipeline
- $7m in New Funds

If SGAC approves $10m annually for a partner, and USAID reported $9m in Excess Pipeline from Q4 of the prior year, the SGAC COP Approval will reflect:

- $9m in Applied Pipeline
- $1m in New Funds
PEPFAR Financial Management Policies - recent updates

• SGAC Approval memos approve partner spending (via USG outlays) within the fiscal year implementation period (Oct 1 - Sept 30). COP18 was implemented in FY19, and COP19 is being implemented in FY20.

  – Ex.: USG outlays on Oct 1, 2019 will be counted as COP19, even if the obligations and activities were related to COP18. Mechanisms with unliquidated obligations on Sept 30th, must be captured in COP approval, or field teams must submit an Op Plan Update (OPU) to SGAC for approval for USAID to disburse/outlay.

  – A “FY over outlay” occurs when: the outlays within the fiscal year exceed the COP approval level, regardless of actual pipeline available.

• SGAC Requires Mechanism-level Outlay reporting at least twice a year.

  – Explanations are needed for mechanisms that are “over” approval by $1 or significantly under.

  – Routine reconciliation of partner-reported expenditures and Phoenix outlays are key! Future funding levels depend on the accuracy of reported outlays from the USAID system.

• COP19/20 Allowable Pipeline is 3 mos; 4 mos for Special Notification OUs.
S/GAC Cable on PEPFAR Budgeting and Financial Monitoring for Accountability, Transparency, and Impact

3. (U) Implementing mechanisms (IM) projected to outlay any amount in any of the 12 months of the COP/ROP implementation cycle need to be represented in the approved COP/ROP budget with either new or applied pipeline funds
The approved COP/ROP budget levels reflect the total resources – both newly appropriated funds and pipeline applied to the COP/ROP implementation cycle – that a country or region is approved to outlay over the 12-month implementation period (01 October to 30 September) in order to achieve the stated goals and targets of the COP/ROP.

All partners that expect to outlay funding over the implementation period must be included in the FACTS Info system, including those outlaying only prior year funding to complete projects such as construction/renovation and partners that expect to outlay funds only as part of closing out an award.

Upon the issuing of a signed COP/ROP Approval Memo, the final approval is given which locks in the partner and CODB budget levels within FACTS Info. From this point, each PEPFAR implementing agency is accountable for ensuring that their implementing partners outlay at no more than the approved level and do not exceed their approved COP/ROP budget without prior authorization from S/GAC. Similarly, any implementing partner not documented within the system at approval should not be implementing activities and outlay associated funding without prior authorization.
### Overview of Regular Budgeting and Outlay Process

<table>
<thead>
<tr>
<th>FY19 (COP18)</th>
<th>FY20 (COP19)</th>
<th>FY21 (COP20)</th>
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</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td><strong>$4.00</strong></td>
<td><strong>$2.00</strong></td>
</tr>
</tbody>
</table>

This is in line with regular budgeting and accounting procedures.
### Comparison with PEPFAR Budgeting and FY Outlay Limits

<table>
<thead>
<tr>
<th></th>
<th>FY19 (COP18)</th>
<th>FY20 (COP19)</th>
<th>FY21 (COP20)</th>
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<tr>
<td><strong>Budget</strong></td>
<td>$4.00</td>
<td>$2.00</td>
<td>$1.00</td>
</tr>
<tr>
<td><strong>Obligation</strong></td>
<td>$4.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outlay</strong></td>
<td></td>
<td>$1.00</td>
<td>$0.50</td>
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<td>$1.00</td>
<td>$0.50</td>
<td>$0.75</td>
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<td>$0.75</td>
<td>$0.75</td>
<td>$0.50</td>
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<tr>
<td><strong>Cumulative outlay</strong></td>
<td>$1.00</td>
<td>$1.50</td>
<td>$2.25</td>
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<td></td>
<td>$1.50</td>
<td>$2.25</td>
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<tr>
<td></td>
<td>$3.00</td>
<td>$3.50</td>
<td>$4.00</td>
</tr>
<tr>
<td><strong>% outlays of COP18 budget</strong></td>
<td>25%</td>
<td>38%</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>75%</td>
<td>88%</td>
<td>100%</td>
</tr>
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<td><strong>Obligation</strong></td>
<td></td>
<td>$2.00</td>
<td></td>
</tr>
<tr>
<td><strong>Outlay</strong></td>
<td></td>
<td>$0.25</td>
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<td>$1.75</td>
<td>$2.00</td>
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<td>50%</td>
</tr>
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<td>75%</td>
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<td>100%</td>
</tr>
</tbody>
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### PEPFAR Budgeting and FY Outlay Limits

- **FY Outlay (within FY20 only)**: $0.50, $0.75, $0.75, $0.75
- **Cumulative outlay (FY20 only)**: $0.50, $1.25, $2.00, **$2.75**
- **% outlays of COP19 budget**: 25%, 63%, 100%, 138%

- **FY Outlay (within FY21 only)**: $0.75, $0.50, $0.50, $0.25
- **Cumulative outlay (FY21 only)**: $0.75, $1.25, $1.75, **$2.00**
- **% outlays of COP20 budget**: 75%, 125%, 175%, 200%

*PEPFAR FM policy defines this as “over-spent” / “over-outlaid”*

This is in line with regular budgeting and accounting procedures.
Measuring by “FY Outlays”: USG cash disbursements within a FY

Must account for ULO’s on Sept 30, before incrementally obligating for next FY.
PEPFAR Financial Reporting Requirements: Obligations and Outlays

- **USG Outlay** = cash disbursement or advance from US Treasury account, which is not the same as a partner expenditure.
- Since FY04, Congress has required quarterly reporting on Obligations and Outlays by Agency, FY/Fund account, and Operating Unit.
  - Amounts are cumulative
  - FY19 Q4 report is approx $48b.
- Starting a few years ago, SGAC has required FY outlay reporting by mechanism twice a year:
  - Q2
  - Q4, also known as “End of FY Tool”, which includes:
    - Actual outlays for most recent COP year
    - Projected outlays for current COP year (usually same as COP approval)
    - Projected “allowable” pipeline
    - Projected “excess” pipeline that Missions must apply to future COP.
      - Speaking of pipeline, how does SGAC define pipeline?
**PEPFAR Financial Reporting Requirements: Obligations and Outlays**

- **USG Outlay** = cash disbursement or advance from our Treasury account, which is *not* the same as a partner expenditure.

<table>
<thead>
<tr>
<th>Quarterly Report on Obligations and Outlays</th>
<th>Q2 and Q4 Report on Implementing Mechanism Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Since?</strong></td>
<td>Required since FY04</td>
</tr>
<tr>
<td><strong>What?</strong></td>
<td>Cumulative Obligations and Outlays on each FY/Fund Account since inception</td>
</tr>
<tr>
<td><strong>Purpose?</strong></td>
<td>Submission to Congress</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td>Totals for GHP-State fund account <em>must</em> match the SF-133 report on budget execution</td>
</tr>
</tbody>
</table>
## End of FY (EoFY) Report: USG Outlays

SGAC reporting requirement that captures financial data by Implementing Mechanism as follows:

### {Past} COP18:

**Actual** outlays against approved budget, and Pipeline available for COP19.

- Q4 ended on Sep 30, 2019, therefore we cannot retroactively change these amounts at this time.

### {Present} COP19:

**Project** ed outlays against approved budget, which is applied pipeline and new funds.

Projects amount for Allowable pipeline, kept “on hand” in case COP20 funds are not available by Sept / Oct.

### {Future} COP20:

**Excess pipeline** that becomes **Applied pipeline** in COP20 Planning Level Letters.
COP18 “FY over-outlays” => what now?

In theory:
If COP18 outlays exceed approval, it lowers the amount of pipeline available for COP19 implementation, and potentially lowers the amount of “allowable pipeline”
COP18 “FY under-outlays” => what now?

In theory:
If COP18 outlays are below approval, it increases the amount available, and potentially overstates pipeline and excess pipeline
USAID Procedures affected by PEPFAR Financial Management Policies and Reporting Requirements

• Access to Budget Authority
  – Expedited CN process for GHP-USAID HIV funds, to align with the implementation cycle, Oct - Sept.
  – OUs may need to amend our DOAGs off-cycle to capture the receipt of PEPFAR funds.

• Internal USAID guidance for obligating funds to partners
  – Incremental obligations can no longer cover activities after Sept.
  – Incremental obligations must be made towards the beginning of the cycle (Oct, or upon receipt of new funds).
  – Incremental obligations must be adjusted for Obligations pending Outlay on 9/30, to prevent “FY over outlays”
  – Clarification needed in award language re: FY outlays.

• Outlay Reporting
  – DHHS/PMS LOC upgrade to improve timeliness and accuracy of disbursements posted to PEPFAR
  – Clarification on impact of cash advances (and cleared advances) within the FY cycle.
Going Forward

- Submission of accurate vouchers in a timely manner, so that USG outlays more closely align with partner expenditures, especially for Q4 because our Q4 financial reports directly affect future funding levels.
  - Submit preliminary voucher by Sept 15th.
- Regular updates to A/CORs regarding USG payment issues
- Support with A/COR reconciliation of Phoenix disbursements and Partner expenditure reports.
  - Submission of Partner expenditure reports in a timely manner
  - Early identification of any area regarding payment that requires additional attention
Many Thanks for your time!

• Resources:
  – Please coordinate directly with your AORs / CORs and AOs / COs, who can direct questions to OHA / Budget Branch

Glossary of acronyms:

COP/ROP: Country or Regional Operational Plan
CN: Congressional Notification, process by which Congress clears our request for intended obligations
ER: Expenditure Reporting
EOFY: End of Fiscal Year
FACTS Info / Next Gen: Foreign Assistance Coordination and Tracking System
LOC: Letter of Credit payment mechanism
OU: Operational Unit: Country or Regional program through which SGAC approves funds
OPU: Op Plan Update: SGAC process for modifying mechanism amounts and targets from approved COP.