



DRAFT - for discussion

# PEPFAR Financial Management Policies and Financial Reporting Requirements

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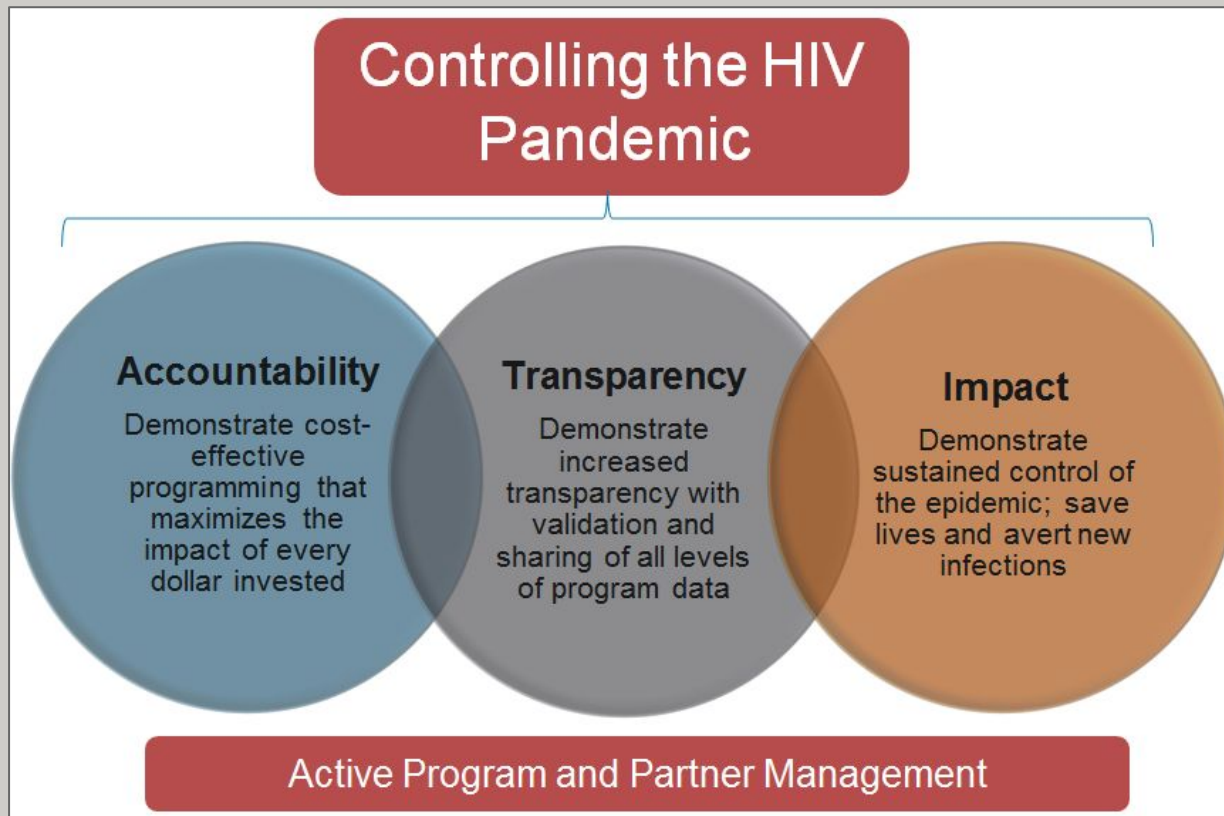
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Katherine Fertakis  
GH/Office of HIV/AIDS, Budget and Financial Reporting

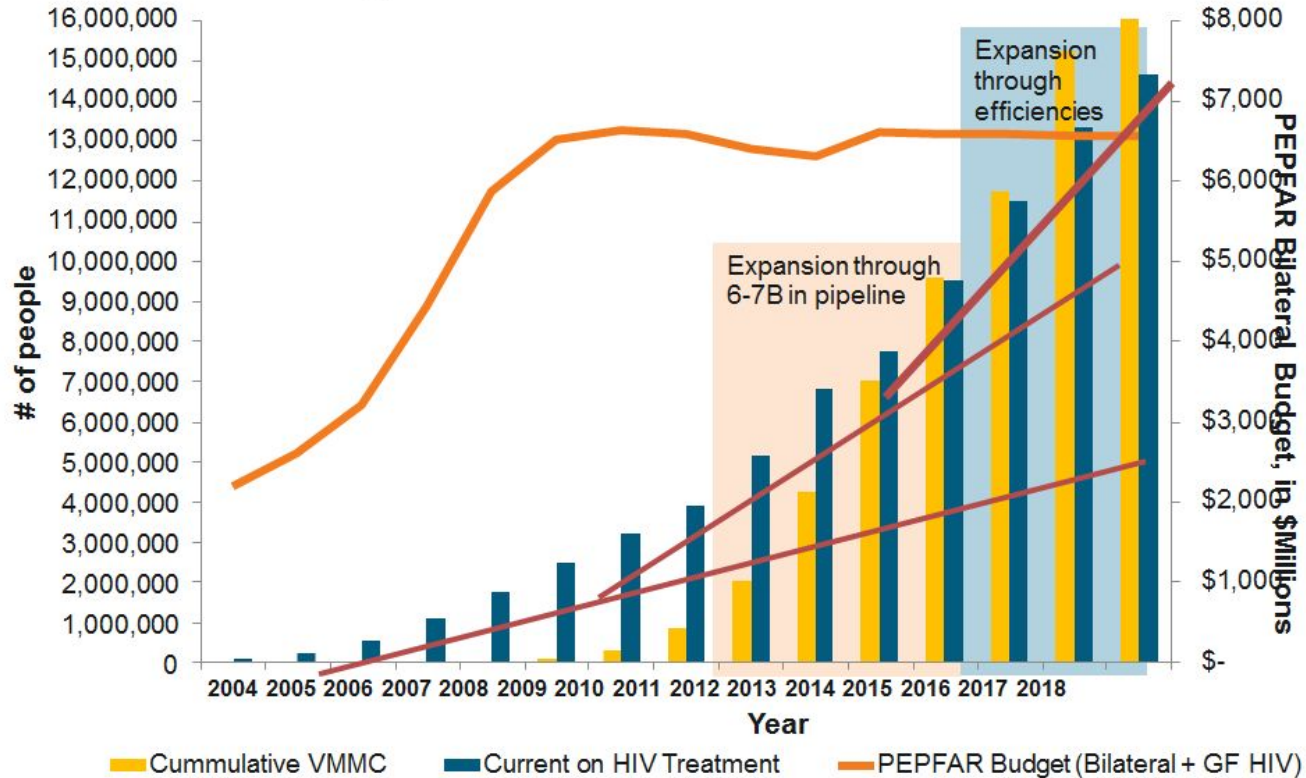
# Overview

- 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

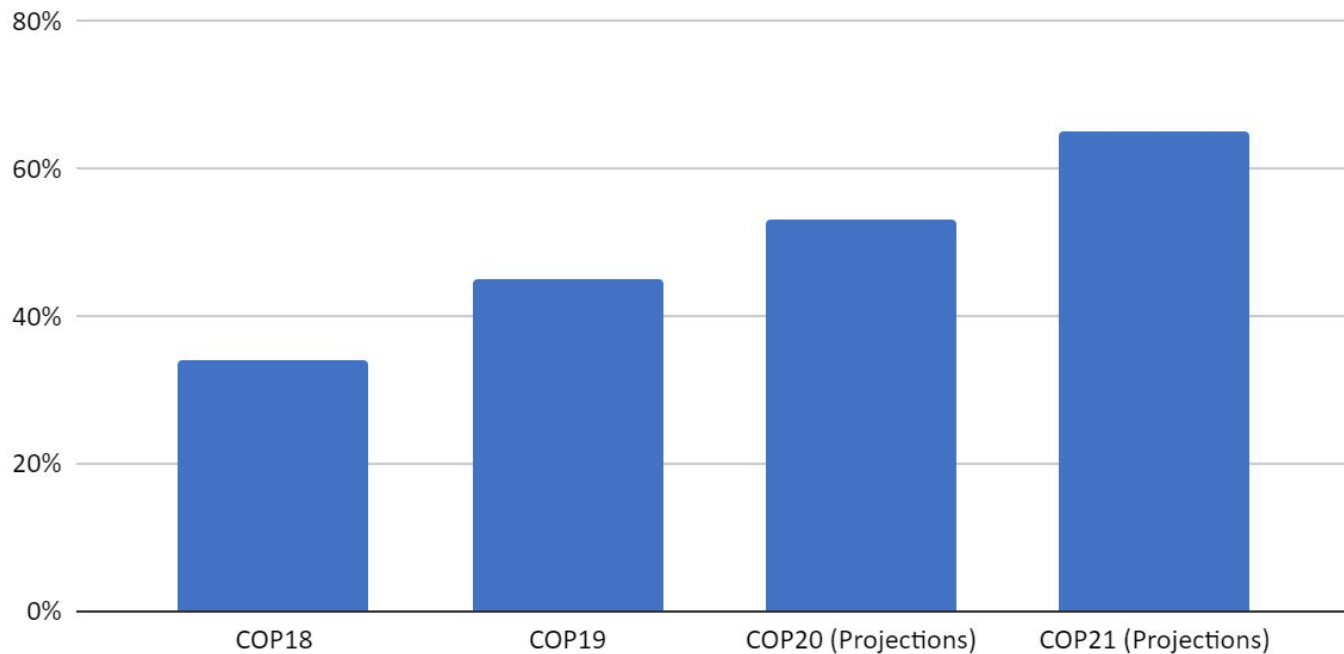


# PEPFAR: Remarkable Expansion of Prevention and Treatment Services with Flat Budget since 2010



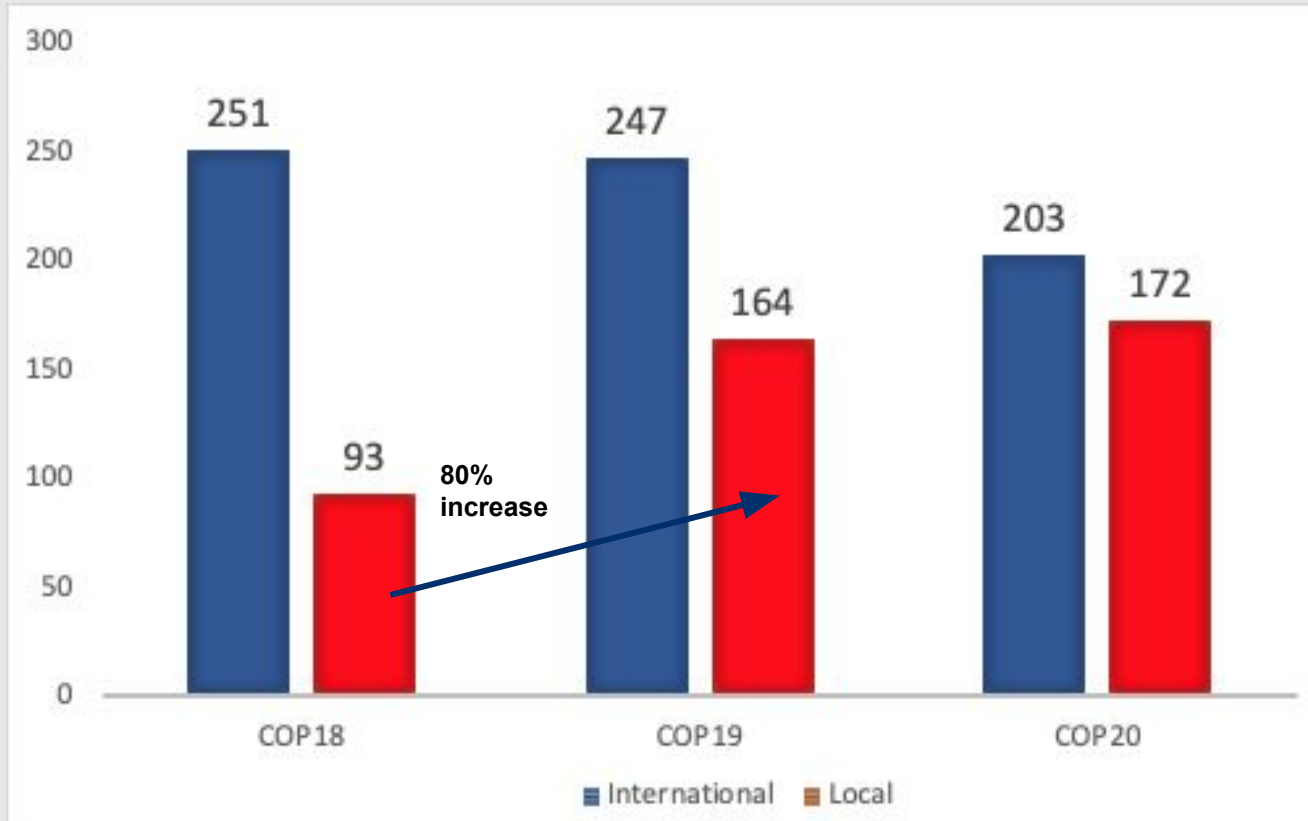
# Progress Toward Local Partner Funding Goals

USAID PEPFAR Local Partner Funding COP18-COP21



USAID PEPFAR Local Partner Funding COP18-COP21

## Number of USAID Local Partner Awards



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**

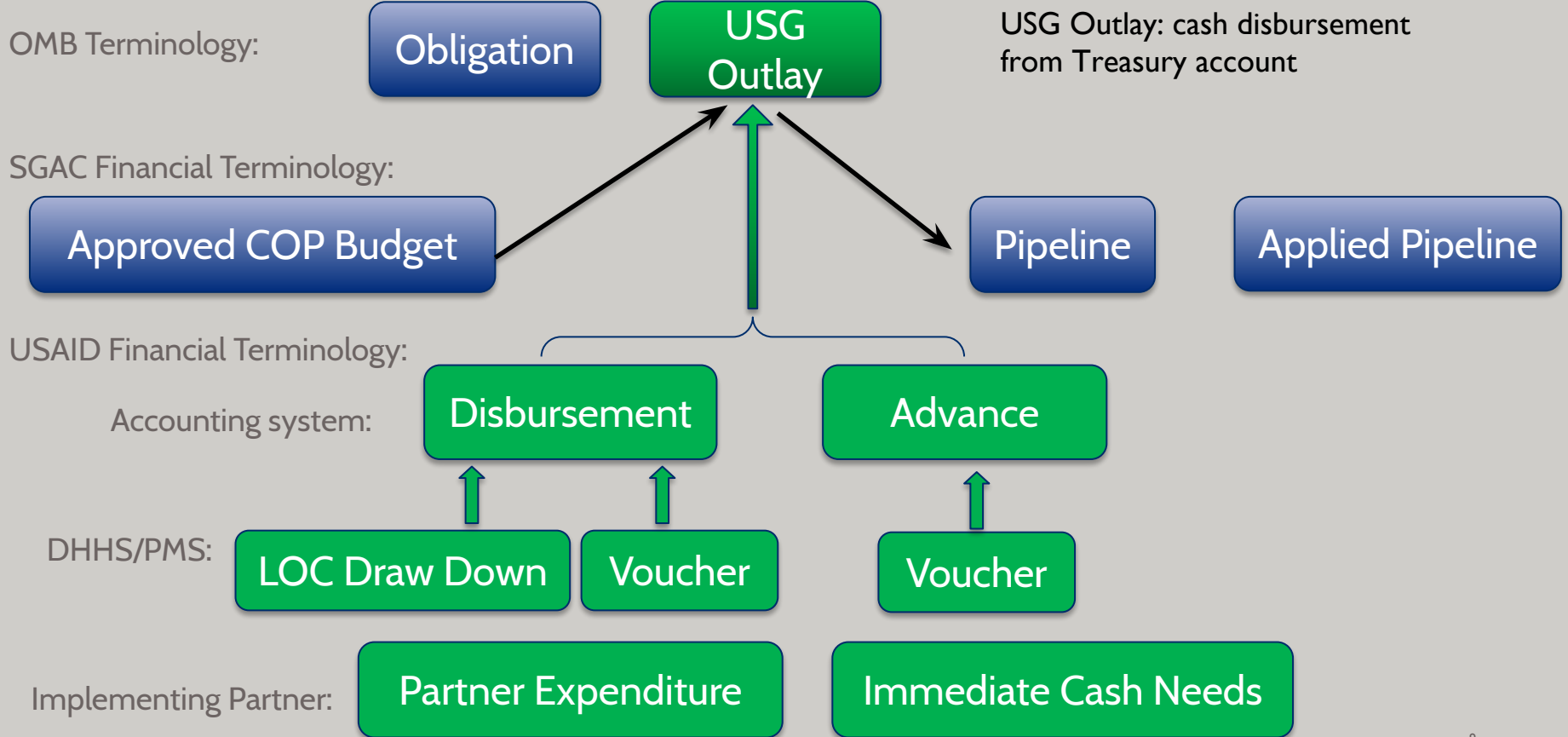
from US Treasury  
to partners  
as recorded within  
USG financial  
systems

## **Partner Expenditures**

from Partner bank  
account  
reported and charged  
to USAID



# USAID/PEPFAR Financial Terminology and Process



# 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)

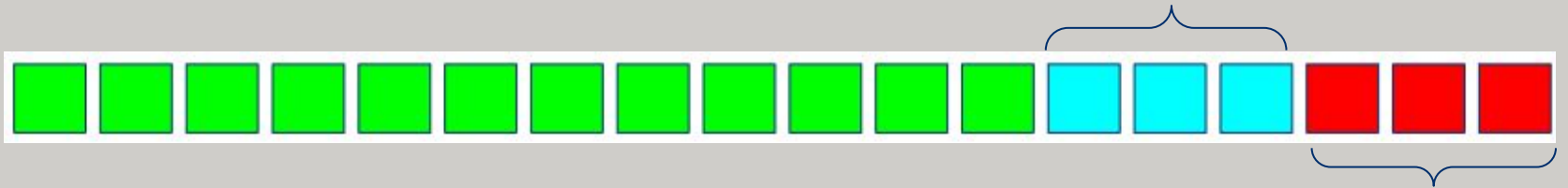
\$7m

USAID  
Award  
level  
pipeline  
**\$1m**

Total amount not yet outlaid 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.

# More SGAC/PEPFAR Pipeline Terminology

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). COPI8 was implemented in FY19, and **COPI9 is being implemented in FY20.**
  - Ex.: USG outlays on Oct 1, 2019 will be counted as COPI9, even if the obligations and activities were related to COPI8. 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.**
- COPI9/20 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

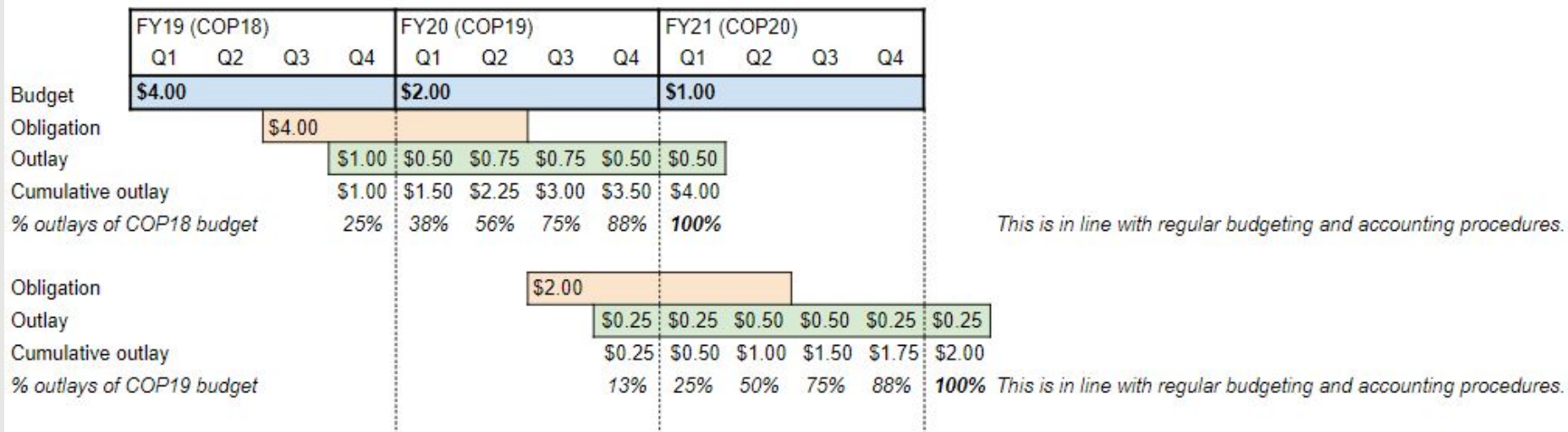
# S/GAC Cable on PEPFAR Budgeting and Financial Monitoring for Accountability, Transparency, and Impact

7. (U) 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





# Comparison with PEPFAR Budgeting and FY Outlay Limits

	FY19 (COP18)				FY20 (COP19)				FY21 (COP20)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Budget	\$4.00				\$2.00				\$1.00			
Obligation		\$4.00										
Outlay			\$1.00		\$0.50	\$0.75	\$0.75	\$0.50	\$0.50			
Cumulative outlay			\$1.00		\$1.50	\$2.25	\$3.00	\$3.50	\$4.00			
% outlays of COP18 budget			25%		38%	56%	75%	88%	100%			

*This is in line with regular budgeting and accounting procedures.*

Obligation					\$2.00							
Outlay							\$0.25	\$0.25	\$0.50	\$0.50	\$0.25	\$0.25
Cumulative outlay							\$0.25	\$0.50	\$1.00	\$1.50	\$1.75	\$2.00
% outlays of COP19 budget							13%	25%	50%	75%	88%	100%

*This is in line with regular budgeting and accounting procedures.*

## PEPFAR Budgeting and FY Outlay Limits

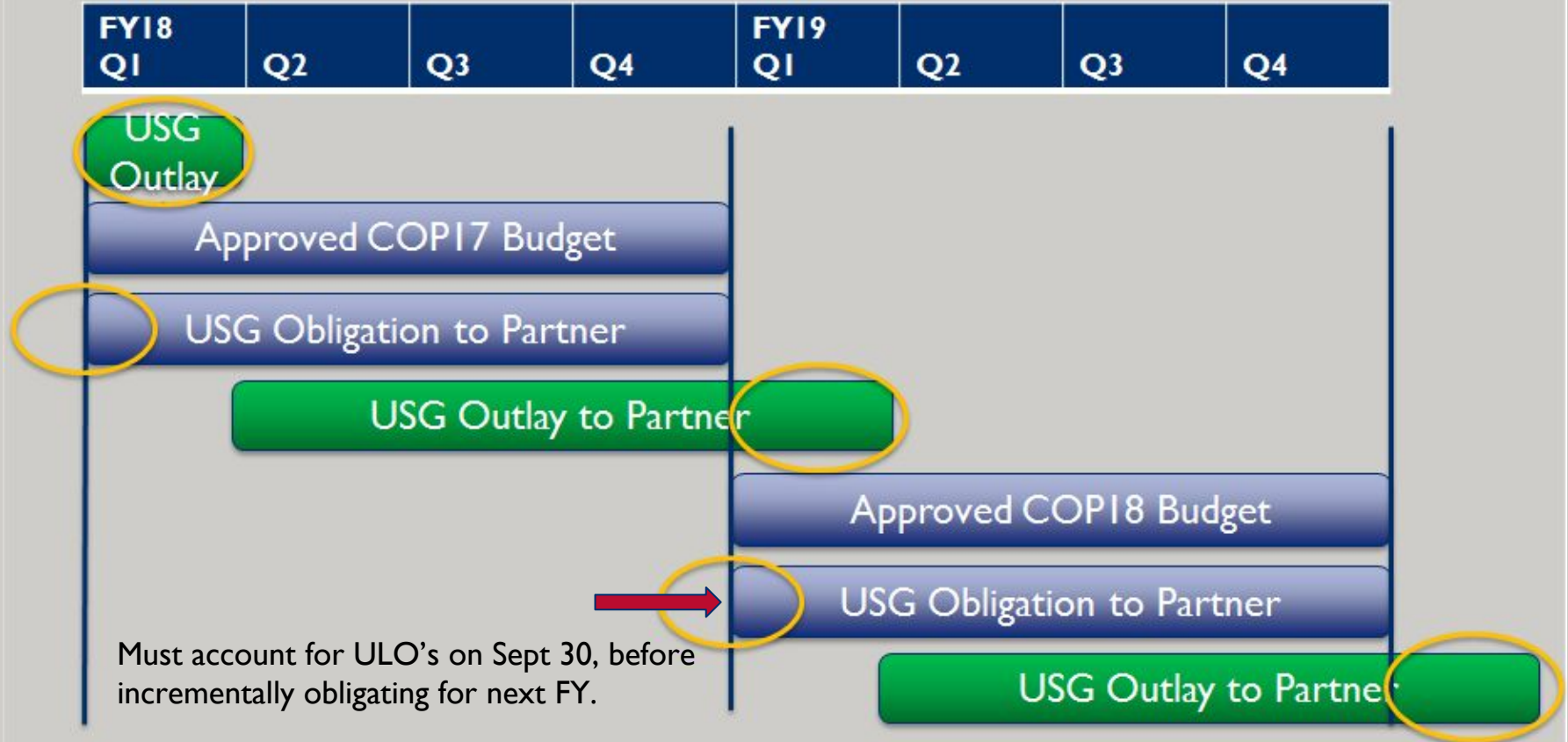
FY Outlay (within FY20 only)	\$0.50	\$0.75	\$0.75	\$0.75
Cumulative outlay (FY20 only)	\$0.50	\$1.25	\$2.00	\$2.75
% outlays of COP19 budget	25%	63%	100%	138%

PEPFAR FM policy defines this as "over-spent" / "over-outlayed"

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-outlayed"

# Measuring by “FY Outlays”: USG cash disbursements within a 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.

	<b>Quarterly Report on Obligations and Outlays</b>	<b>Q2 and Q4 Report on Implementing Mechanism Outlays</b>
Since?	Required since FY04	Required since FY17
What?	<b>Cumulative Obligations and Outlays</b> on each FY/Fund Account since inception	<b>Outlays during one FY period</b> , regardless of FY/Fund Account
Purpose?	Submission to Congress	Internal use: monitoring USG spending
Other:	Totals for GHP-State fund account <i>*must*</i> match the SF-133 report on budget execution	Q4 “ <b>End of FY Report</b> ” captures: Pipeline, projected Pipeline for the next year, and “Excess” Pipeline that must be applied towards the following year.

# 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:*

**Projected** 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.

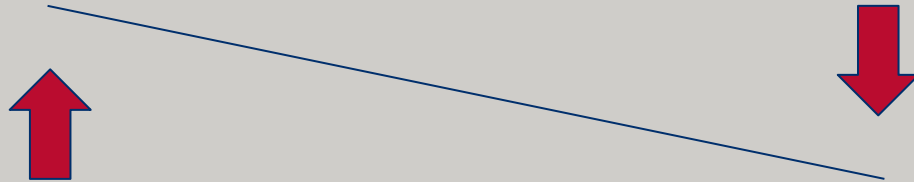
*{Future} COP20:*

**Excess pipeline** that becomes **Applied pipeline** in COP20 Planning Level Letters.

# COP18 “FY over-outlays” => what now?

In theory:

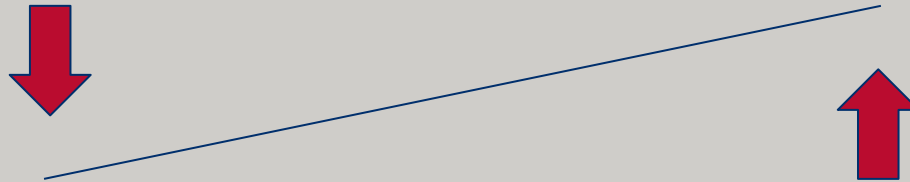
If COP18 outlays **exceed** approval, it *lowers the amount of pipeline available* for COP19 implementation, and potentially *lowers the amount of “allowable pipeline”*



# 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.