



Acquisition & Assistance Policy Directive (AAPD)

From the Director, Office of Procurement

Issued: March 28, 2003

AAPD 03-03

Obligation of Funds for Assistance Agreements

Subject Category: Assistance
Type: Procedure

AAPDs provide information of significance to all agency personnel and partners involved in the Acquisition and Assistance process. Information includes (but is not limited to): advance notification of changes in acquisition or assistance regulations; reminders; procedures; and general information. Also, AAPDs may be used to implement new requirements on short-notice, pending formal amendment of acquisition or assistance regulations.

AAPDs are **EFFECTIVE AS OF THE ISSUED DATE** unless otherwise noted in the guidance below; the directives remain in effect until this office issues a notice of cancellation.

This AAPD: Is New Replaces/ Amends
CIB/AAPD No: _____

Precedes change to: AIDAR Part(s) Appendix
 USAID Automated Directives System (ADS) Chapter _____
 Code of Federal Regulations _____
 Other _____
 No change to regulations

Applicable to: Existing awards; Modification required:
 Effective immediately
 No later than _____
 As noted in guidance below
 RFPs/RFAs issued on or after the effective date of this AAPD; all other Pending Awards, i.e., 8(a), sole source...
 Other or N/A New Awards and Modifications

New Provision/Clause Provided Herein: Yes; Scheduled update to Prodoc: _____ (insert date) _____
 No

(SIGNATURE ON FILE)

TIM BEANS

AAPD 03-XX - OBLIGATION OF FUNDS FOR ASSISTANCE AGREEMENTS

PURPOSE: The purpose of this AAPD is to clarify when funds are obligated under an assistance agreement (grant/cooperative agreement) and available for expenditure, and to remind Agreement Officers (AOs) to immediately forward award documents to the paying office.

BACKGROUND: An audit report dated February 25, 2002 on USAID's Consolidated Financial Statements, Internal Controls and Compliance found that there are significant delays in the transmission of copies of assistance agreements and modifications that call for payment by letter of credit to the Cash Management and Payment Division of the Office of Financial Management. The audit report included a recommendation that we issue guidance directing AOs to immediately send copies of the documents to FM. Although this was done (see [CIB 01-18](#)), a more recent audit found the problem still exists. FM has instituted a tracking system that allows it to monitor the receipt of documents and time necessary for processing them. Yet discussions with AOs in the Office of Procurement and in the field indicated that distribution is being done without delay.

In a meeting with representatives from FM, it became apparent that the problem was less with the mechanics of document distribution, but more with the lack of consistent practice as to when in the process the documents should be submitted to FM. While the audit findings were based on the assumption that AOs submit their documents when they sign them, and some AOs do so, many AOs wait until both parties sign before submitting them. In those cases, an award may be 60-90 days old before it is submitted to FM.

DISCUSSION: Agency policy on the obligation of funds under a grant or cooperative agreement can be found in ADS 621.3.4b. It says "Only a USAID signature is required for an assistance award to be an obligation unless there are major issues that are unresolved between USAID and the grantee, in which case both parties must sign the award." This is consistent with GAO's Accounting Principles and Standards, which state, "A legal obligation to disburse the assistance funds, in accordance with the terms of the agreement, generally occurs with an executed agreement or an approved application or similar document."

In other words, as long as the Agreement Officer accepts the recipient's application without substantial modification, or negotiates any changes to the proposal with the applicant, the grant letter may be considered an approval of the application, and the Agreement Officer's signature is sufficient to obligate the funds.

The SF-424, Application for Federal Assistance, is required for all grant and cooperative agreement applications. This form includes the statement that the data in the application are true and correct, that the document has been authorized by the applicant's board, and that the applicant will carry out the activity if granted the award. Therefore, as long as the AO incorporates the applicant's program description and budget, and is not making any substantive changes to any of the terms and conditions, the grant letter serves as the approval of the application, and obligates funds.

The grant letter format in ADS 303 states that "This agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date." Since the Agreement Officer's signature obligates funds, and authorizes the recipient to incur costs, it is not necessary to obtain the recipient's signature before forwarding the document to the paying office.

AAPD 03-XX - OBLIGATION OF FUNDS FOR ASSISTANCE AGREEMENTS

GUIDANCE: Given that the AO's signature obligates funds, a copy of the agreement (or a modification obligating additional funds) must immediately be submitted to the paying office, in no case more than 10 business days after the AO's signature (See [CIB 01-18](#) for agreements payable by Letter of Credit).

While the AO must still obtain the recipient's signature to the award to assure that it has read the agreement and has no objection to any of its terms, it is not necessary to provide a second copy with the recipient's signature to FM.

In all cases, to the maximum extent practicable, the AO should provide a draft of the grant or cooperative agreement to the recipient to ensure their agreement with its terms and conditions. If the Agreement Officer makes any substantive change to the program description or the budget, or adds terms to the agreement, that were not addressed during negotiations, such as a Substantial Involvement Understanding, or Special Award Conditions (see [22 CFR 226.14](#) and [ADS 303.5.9b](#)), he/she must obtain the applicant's agreement to the changes or additional terms prior to obligating funds.

POINT OF CONTACT: Please direct any questions to M/OP/POL Allen Eisenberg, e-mail aeisenberg@usaid.gov; Telephone No. (202) 712-1467