ADMINISTRATIVE MEMORANDUM No. 125

SUBJECT: FINANCIAL HANDBOOK FOR SPECIFIC FUND PROJECTS

CONSIDERING,

That the General Secretariat receives Specific Fund Contributions and that Member States, Permanent Observers, and donors (together “Donors”) entrust the General Secretariat with such funds to be administered and executed to carry out projects and other activities;

That clear and transparent rules and procedures in the management of entrusted funds to the General Secretariat are key to ensuring proper project execution and are also a critical component of the General Secretariat’s accountability to Donors for the resources they provide;

That, for these reasons, it is necessary to set out clear rules and procedures for the responsible parties for the handling of Specific Funds;

That the Department of Financial and Administrative Management Services is responsible for receiving, recording, and reporting execution of all incoming funds to Donors; and

That Administrative Management Services Sections and program/project managers are primarily accountable for the proper execution, monitoring and requesting corresponding administrative actions regarding incoming funds from Donors in accordance with the respective agreements,

THE DECISION:

To adopt the Financial Handbook for Specific Fund Projects as set forth in Attachment A.

Peter Quilter
Secretary for Administration and Finance

Original: English
March 17, 2015
FINANCIAL HANDBOOK FOR SPECIFIC FUND PROJECTS

A guide to General Secretariat staff, Member States and other donors regarding the financial management of Specific Fund Projects at the GS/OAS

March 2015
Preface

- The main purpose of this handbook is to give guidance to staff and donors on frequently asked questions regarding the financial management of Specific Fund Projects at the OAS.

- This handbook complements all other GS/OAS financial rules and regulations, including Executive Order 05-06 Rev.1, the General Standards that Govern the Operations of the General Secretariat of the OAS and Budgetary and Financial Rules, which may be found at the following web address: http://www.oas.org/legal/intro.htm.

- Specific Fund Projects are made up of special contributions from Member States and Permanent Observers of the Organization, as well as from individuals and public or private institutions, whether national or international. These contributions are executed in development cooperation activities or programs of the General Secretariat and other organs and entities of the OAS.

- In accordance with Article 74 of the General Standards, the purpose and limitations of these projects shall be defined in precise terms and agreement with the instruments establishing them. Models of acceptable agreements may be found in Annex II of Executive Order 05-06 Rev. 1 available at: http://www.oas.org/legal/english/exindexall1.htm

- All contributions to Specific Funds shall be documented by an agreement, which may also be amended through bilateral negotiations with the donor.

- For purposes of this handbook, the term agreement includes any Memoranda of Understanding, Arrangement, or Exchange of Letters in which there is a written exchange of mutually agreed undertakings by the Parties. In the same context, the term Primary Dependency (PD) corresponds to the principal area of the General Secretariat executing the Specific Fund Project.

- Please contact the Department of Financial and Administrative Management Service (DFAMS) in the Secretariat for Administration and Finance (SAF) should you have any questions or would like to provide feedback regarding the information presented in this handbook.
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1. Accounting principles and internal controls

1.1 GS/OAS accounting principles

As part of the General Secretariat of the OAS (GS/OAS) efforts towards modernization, the Secretariat for Administration and Finance (SAF) has recommended to the OAS governing bodies to migrate to an accrual basis of accounting and to adopt the International Public Sector Accounting Standards (IPSAS). The adoption of international standards will improve both the quality and comparability of financial information presented to Member States and other donors. The SAF expects to implement IPSAS in the upcoming years.

In the meantime, the OAS Budgetary and Financial Rules provide the basis for the accounting principles applied in the preparation of financial statements. These rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material aspects from an accrual basis of accounting. OAS Budgetary and Financial Rules may be found at the following web address: http://www.oas.org/legal/intro.htm.

1.2 Sample deviations from U.S. GAAP

i. The GS/OAS utilizes a modified cash basis of accounting in recognizing revenue and expenses in its financial records. Contributions from Member States and from other interested parties for specific purposes are recognized at the time of collection. In the same manner, expenses are recorded in the accounting period when bills are paid.

ii. Obligations\(^1\) in certain funds are commitments to disburse monies for the procurement of goods or services in future periods. These commitments are liabilities with suppliers at the end of the year. Payment to suppliers is expected to occur in subsequent periods.

iii. The General Assembly of the OAS adopts the program budget for the Regular Fund and the Fund for Indirect Cost Recovery (FICR). Certain administrative costs benefiting all funds are included in the budget of the Regular Fund. In lieu of allocating these costs to various funds on a services-rendered basis, the General Assembly has provided that all the other funds, including those related to Specific Fund Agreements, establish a provision for Indirect Cost Recovery (ICR).

iv. Contributions from Member States and other interested parties in the form of use of facilities and services are received by certain activities administered by the General Secretariat. No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services in as much as the General Secretariat currently does not have a reliable procedure to value these amounts.

Further deviations from the accrual basis of accounting may be found on the notes to the financial statements of the annual audit of accounts and financial statements of the OAS.

1.3 Internal controls

GS/OAS establishes an environment of internal control through various mechanisms. Internal controls are an integral part of GS/OAS’ financial policies and procedures and can be found at different levels of the organization. Some of the elements include control activities such as budgetary control of funds entrusted to the organization, authorization, approvals and verification of transactions, segregation of duties, regular reconciliations, statutory financial reporting, sharing of information and communication across at levels of the organization, and monitoring activities. The internal control environment consists of the collective measures taken by the organization with the purpose of protecting its resources against inappropriate management and inefficiency and it is crucial to comply with the organization’s policies and donor requirements. Internal controls are designed to provide reasonable, not absolute, assurance that financial information is accurate and reliable, that

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1 Article 100 of the General Standards refers to obligations as “…those arising from any agreement, contract, purchase order, or other document concluded with a natural or legal person under which the General Secretariat is legally obligated to disburse funds to the corresponding natural or legal person in order to execute approved activities…” Obligations shall be recorded on the date on which the commitment becomes legally binding. Allotment must be available to meet the obligations incurred. Funds available are reduced by obligations.
contributions received from donors are administered within established regulations and processes and their respective donor agreements, and that resources are utilized efficiently, effectively and transparently.

The collective measures of internal controls in the GS/OAS are designed to provide reasonable assurance to achieve the objectives of the Organization in the following areas:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

Organizational units work together to implement a process that ensures segregation of duties and transparency. Primary Dependencies, as well as SAF Departments, share responsibility in administering expenses incurred with donor contributions. For example, the Secretariat for Political Affairs (Primary Dependency) initiates expenditure requisitions based on donor agreement/budget requirements and policies and procedures of purchasing standards and parameters issued by the Department of Procurement within SAF. Once the requisition is approved, it is processed into a purchase order by the Department of Procurement. The Department of Financial and Administrative Management Services (DFAMS) also within SAF is responsible for disbursing funds to make the payment and providing the corresponding financial reports.

Internal controls at the GS/OAS are supported by the utilization of a robust accounting system (Oracle Financials). This system allows the GS/OAS to segregate and track financial information for each donor contribution. The Office of Inspector General, an internal independent body, works as an additional on-going safeguard in assessing and maintaining the internal control environment. Internal controls also include an annual audit performed by an independent external audit firm under the supervision of a Board of External Auditors elected by the Member States. The Board of External Auditors is designated by the OAS General Assembly. The Board members are high officials of the audit institutions of their respective countries. External audits of specific donor contributions and programs can be contracted upon donor request.  

2. Bank accounts, unclaimed incoming funds and methods of payment to the GS/OAS

2.1 Bank accounts

The GS/OAS maintains one primary bank account for all of its transactions. The General Secretariat does not open a separate bank account for each contribution; notwithstanding, a unique identifier account in the ORACLE-based financial system (OASES) is assigned for each contribution and project to facilitate tracking and segregation of all financial transactions for each contribution. All transactions related to the contribution are codified with its corresponding identifier.

2.2 Unclaimed incoming funds

Dependencies are required to perform systematic reviews of unclaimed incoming funds to prevent delays in the execution of Specific Fund Projects. The Department of Financial and Administrative Management Services (DFAMS), within SAF, provides daily updates regarding the arrival of new funds through the OAS Finance Portal. DFAMS must receive proper allocation instructions and supporting documentation to be able to assign these contributions to the corresponding projects. A list of currently unclaimed incoming funds is available for review in the Intranet, at the OAS Finance Portal: http://oasconnect/Default.aspx?tabid=642.

When funds remain unclaimed, SAF will send formal communications to the donor/country requesting further instructions at 60 and 90 days respectively. If funds equal or greater than $5,000 remain unclaimed for over 120 days, DFAMS will proceed to return the funds to the donor or originating source, net of any applicable fees. Unclaimed funds for over 120 days that are less than $5,000 will be consolidated into a GS/OAS Control Account (see section 10.4 of this handbook). Interest income does not accrue on unclaimed funds. For further detail on unclaimed funds, please refer to the OAS Unclaimed Incoming Funds policy.

2.3 Methods of payment to the GS/OAS

In accordance with Article 78 of the OAS General Standards and the Budgetary and Financial Rules, the Treasurer, by delegation of the Secretary General, shall designate the banking institutions in which the funds of the Organization and those entrusted to the bank shall be deposited.

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2 See Section 7.2 of this handbook. The cost of any donor requested audit must be borne by the donor.
2.3.1 Payments by electronic fund transfers

Contributions to Specific Funds sent via electronic fund transfer, must include clear instructions as to the destination of funds within the GS/OAS. Specifically, electronic fund transfers must identify the name and number of the project, and the responsible area within the GS/OAS to administer the funds. Questions regarding bank transfers must be submitted to DFAMS Cash Manager.

<table>
<thead>
<tr>
<th>ELECTRONIC FUND TRANSFERS TO THE OAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wire transfers (from outside the US and CANADA)</strong></td>
</tr>
<tr>
<td>Bank full name: Bank of America</td>
</tr>
<tr>
<td>Bank short name: Bank of America</td>
</tr>
<tr>
<td>ABA/Routing #: 0260-0959-3</td>
</tr>
<tr>
<td>Swift Code: bofaus3n</td>
</tr>
<tr>
<td>Account number: 002080125354</td>
</tr>
<tr>
<td>Account name: General Secretariat of the OAS</td>
</tr>
<tr>
<td>Bank’s address: 730 15th Street, N.W., Washington, DC 20005-1012, USA</td>
</tr>
</tbody>
</table>

2.3.2 Payments by check

Contributions to Specific Funds sent via check must be accompanied by a transmittal letter with clear instructions as to the intended use and destination of funds. Specifically, transmittal letters must identify the name and number of the project, and the responsible area within the GS/OAS to administer the funds. Checks drawn on bank accounts other than U.S. banks must be sent by the GS/OAS for international collection, for which clearance of funds may take up to one month. Checks sent for collection are subject to fees by the international and local bank. Availability for execution of funds will be provided upon clearance of check. Payments by check should be made payable to the General Secretariat of the OAS and sent to: Organizations of American States, Department of Financial and Administrative Management Services, GSB 4th Floor, Attention: DFAMS Director / Treasurer, 1889 F St., NW, Washington, DC 20006.

2.3.3 A note on incomplete information

Electronic fund transfers or checks that lack the above described information will be returned to the donor if final destination cannot be promptly assessed in accordance with the OAS Unclaimed Incoming Funds policy, as it creates a liability to the Organization and a disservice to the donor.

3. GS/OAS official currency and rates of exchange

3.1 Official currency

The official and functional currency of the GS/OAS is the United States dollar (USD). All financial transactions including financial statements are denominated in USD. If the contribution is made in a currency other than USD, it will be converted to USD at the exchange rate\(^3\) of the day of the receipt of funds. Bank commissions or other transaction fees are customarily charged by the Bank and recorded as part of the contribution expenditures.

3.2 Currency exchange rates for transactions

The following rules apply to transactions affected by currency exchange rates:

i. Income transactions will be recorded at the official rate of exchange on the day that the transactions occur as determined by the local bank. Expenses will be recorded at the official OAS effective exchange rate.

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\(^3\) Also known as the foreign-exchange rate, forex rate or FX rate between two currencies. It specifies how much one currency is worth in terms of the other. At the GS/OAS, the basis for exchange rate conversion to US dollars is determined by the Bank receiving the funds on the date of the transaction.
ii. If there is a substantial decline in an exchange rate after the end of each year of the fiscal period, prior to the time the books are closed, the lower rate shall be used to convert the amounts on hand at period end of the fiscal period.

iii. Gains and losses arising from exchange rate differential will be recorded monthly and accumulated for the fiscal year. If the net annual result is a gain, it shall be considered miscellaneous income. If the net result is a loss, it shall be charged to the project (or contribution) as expenditure.

iv. Transactions affecting conversions of currency shall be performed by the authorized fiduciary officers in the National Offices of the OAS in the Member States only through the bank where the local currency account in the respective Member State is maintained, except in Member States where the law requires using different institutions.

4. Donor agreement review and signature process

All donor agreements (including budgets), amendments, project extensions, Memoranda of Understanding, Arrangement, or Exchange of Letters must be reviewed by the Department of Legal Services (DLS) and DFAMS prior to their signature. In as much as the information provided in this handbook is incorporated in the draft agreements (as applicable), DFAMS is committed to submit initial reviews no later than 5 business days after receipt of request. In summary, the agreement review and signature process as established in Executive Order 05-06 Rev. 1 is as follows:

STEP 1: The Primary Dependency submits project proposal to the Project Evaluation Committee (PEC) for approval (see Executive Order 05-11 Rev. 1).

STEP 2: The draft agreement is submitted, preferably simultaneously, to DLS and DFAMS (OASES ticket system) and in WORD format for incorporating suggestions through “track changes.”

STEP 3: Once suggestions are incorporated through “track changes” from DLS and DFAMS, the Primary Dependency shall submit to the contributor the request for inclusion of these comments to the draft agreement. DLS and DFAMS may assist in the negotiation process.

STEP 4: If the donor accepts the changes proposed by DLS and DFAMS, and if no other substantial changes are proposed, the Primary Dependency shall not have to re-submit the draft agreement for further review and may continue with the remaining steps towards signature. Otherwise, further review and consultation by DLS and DFAMS must be conducted.
STEP 5: Complete ANNEX IV “Checklist” found in Executive Order 05-06 Rev. 1 to proceed with signature. Note that the Office of the Secretary General requires this checklist prior to providing a Delegation of Authority. It is the Dependency’s responsibility to provide the checklist to the Office of the Secretary General.

5. Indirect cost recovery (ICR) and interest income accreditation

5.1 Indirect Cost Recovery (ICR)

5.1.1 Background

The OAS receives multiple funding from various sources requiring efficiency, effective record-keeping and an environment of transparency and accountability. A sound cost-recovery policy ensures transparency and reduces cross-subsidization among projects and/or Funds. To ensure this, the OAS General Standards established the Fund for Indirect Cost Recovery (FICR) which is outlined primarily in two articles5, 78 and 80.

5.1.2 Policy authority

The authority for this policy is established through:

i. OAS Charter, article 109.
ii. General Standards, articles 8, 14, 78 and 80.
iii. Executive Order 07-01 Rev. 1.

5.1.3 Policy basis

The implementation of this policy is based on:

i. Recommendations from the Board of External Auditors.
v. ICR policy of other international organizations (best and common practices).

5.1.4 Indirect cost recovery rate (ICRR)

The ICRR is determined through an Executive Order issued by the Secretary General based on cost analysis, projections, and organizational circumstances.

5.1.5 ICR policy

i. General Standards grant authority to the General Secretariat to establish the ICRR.
ii. General Standards require Specific Fund contributions/grants to include a provision for ICR, with some exemptions, as listed under Article 80.
iii. Contributions to Specific and Trust Funds must include a provision for ICR with some exemptions considered in Article 80()i.
iv. Contributions/grants by Member States totaling no more than USD 20,000 in the Organization’s fiscal year to an ongoing6 activity shall be exempt from ICR.
v. Interest earned by the Specific Funds shall be credited to the corresponding ICR Service Account, unless otherwise specified in the corresponding agreement with the donor.
vi. Contributions from Member States and other interested parties in the form of use of facilities and services may be accepted by the General Secretariat towards defraying indirect costs. This requires prior approval from SAF. These in-kind contributions are not always presented in the financial

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4 Cross-subsidization refers to the use of resources from one project or fund to support another.
5 Article 78 “Banking Deposits, Interest and Indirect Costs” and Article 80 “Direct Costs and Recovery of Indirect Costs.”
6 Recurring activities expected to continue for the foreseeable future. These activities do not have a specific beginning and/or end date, and their duration can transcend several GS/OAS fiscal periods.
statements as the General Secretariat currently does not have a reliable procedure to value these amounts.

vii. The ICR Policy shall not be applicable to funds received by the General Secretariat prior to the entry into force of the General Secretariat’s ICR Policy.

viii. The ICR Policy shall be applicable to all grants and agreements and all amendments to them that are signed and/or accepted by the General Secretariat after the entry into force of the General Secretariat’s ICR Policy. The current policy went into effect on May 29, 2007.

5.1.6 Current ICR rates

i. ICRR for contributions from Member States is established at a minimum of 11% of the contribution/grant amount.

ii. ICR for contributions from all other donors is established at a minimum of 12% of the contribution/grant amount.

5.1.7 Budgets for Specific Fund Projects

Project budgets must clearly define and include all direct costs related to the activity. In this context, project budget costs should be clearly divided into direct or indirect as shown in Annex C of this handbook.

i. **Direct costs**: costs that can be easily attributed and are allocable to a particular activity with a high degree of accuracy (undoubtedly belonging to that activity).

ii. **Indirect costs**: Costs that are incurred for a common purpose which cannot be easily attributed or allocable to a particular activity. Budgets should include a line item with the corresponding ICR rate and amount to cover the indirect costs.

5.1.8 ICR use

Beginning 2013, the ICR program-budget is presented to Member States for approval. The ICR budget ceiling for each year is calculated at 90% of the average of the previous three years of ICR income and establishes the budget ceiling for the following three years. Specifically, the ICR budget ceiling for the years 2013, 2014 and 2015, was established as 90% of the average ICR income of the years 2009, 2010 and 2011. Based on current regulation, the ICR budget ceiling for years 2016, 2017 and 2018 will be established based as 90% of the average ICR income received during the years 2012, 2013 and 2014.

5.2 Interest income credited to Specific Fund Projects

5.2.1 Accreditation

Interest income earned by Specific Fund Projects shall be credited to the corresponding ICR Service Account, unless otherwise specified in the corresponding agreement with the donor and only for those Specific Fund Projects with cash balance equal or over USD 100,000\(^7\) at the time of interest accreditation.

5.2.2 Interest rate

The interest rate credited to Specific Fund Projects, requiring interest accreditation, is determined by the guidelines stipulated in Section XII.6 of the OAS Budgetary and Financial Rules.

6. Financial reporting

6.1 Responsibility and accountability for financial information presented to donors

OAS Budgetary and Financial Rules as well as Executive Order 08-01 Rev. 5 delegates DFAMS as the only dependency with the authority to certify “… all official financial reports of the General Secretariat, including internal reports for management and

\(^7\) Threshold is established by DFAMS and is subject to change without notice as deemed necessary.
formal statements for external reporting purposes …” Internal management reports for purposes of each dependency are prepared by the corresponding Administrative Management Support (AMS) Section or their administrative personnel.

The following are some examples of financial information related to Specific Fund Projects and must be certified for external use by DFAMS:

i. Statement of changes in fund balance (also known as income statement)
ii. Execution (expense) report
iii. Authorization for disbursement and/or request for advance of funds

6.2 Project and program financial statements for donors

DFAMS prepares and certifies financial reports based on donor reporting requirements. When the agreement requires detailed financial reports to reflect activities based on project budget costs, the corresponding dependency shall establish the proper project task structure in OASES reflecting the budget presented in the agreement. Financial statements are prepared based on budgetary execution recorded in OASES by the corresponding dependency. The dependency is accountable for the proper execution and monitoring of project budgets. Thus, financial information must also be validated by Project/Program managers through their Administrative Management Support (AMS) Sections to ensure integrity of information presented to donors.

6.2.1 Standard financial reports

If the donor agreement does not require a detailed statement, DFAMS may still prepare and certify financial reports based on the nine objects of expenditures identified in the OAS General Standards. Generally, standard reports include:

1. Statement of Cash Receipts and Payments (overall cash flows in and out and ending cash balance)
2. Statement of Fund Balance (ending cash balance minus any commitments)
3. Statement of Contributions (chronological detail of disbursements received from the donor)
4. Statement of Expenditures (breakdown by OAS object of expenditure)

6.2.2 Further considerations

1. Financial statements are prepared after the closing of a period. For example, if the financial statement is needed as of March 31, 2014, the corresponding dependency should wait until the accounting period is closed (usually within the first five to eight business days of the following calendar month) before requesting the financial statement. This ensures that all transactions posted for the period are included in the financial statement.

2. Financial statements are not issued in hard copy; they are issued electronically in PDF format.

3. Financial statements are labeled interim or final. Certified final financial statements are not subject to modifications, unless otherwise disclosed to the donor.

4. Financial statements must be reviewed by the corresponding dependency (in general, the AMS sections) prior to certification to validate accuracy of execution within donor agreement terms and budget.

5. The expected turnaround time for standard financial statements is five to eight business days from receipt of the request from the corresponding dependency as long as the project task structure has been properly established and if the task classification of requisitions has been entered correctly.

6. Most AMS sections are enabled to prepare donor financial statements through training and tools provided by DFAMS. AMS sections are encouraged to prepare draft financial statements but these must be certified by DFAMS if they are for external use.
7. Internal and external auditing

7.1 Internal auditing

The internal audit function of the GS/OAS resides with the Office of the Inspector General. The Inspector General (IG) is charged with the responsibility to assist the Secretary General and the Member States, through the governing bodies, in monitoring both proper fulfillment of the responsibilities of the various levels of management with respect to the General Secretariat’s programs and resources and adherence to the legal system governing the General Secretariat. For further details, please refer to Chapter IX Subchapter A of the General Standards that Govern the Operations of the OAS.

7.2 External auditing

7.2.1 GS/OAS annual audit of accounts

The Board of External Auditors, consisting of three Members elected by the General Assembly who are high officials of the auditing body of their corresponding countries, is entrusted with auditing all accounts, funds, and operations of the Organization.

The Board of External Auditors contracts the services of an external auditing firm which conducts a yearly audit of accounts of the General Secretariat. The auditing firm’s opinion on the financial statements is based on auditing procedures, which include a review of internal controls and selected tests of transactions and records. These auditing procedures are intended to provide a reasonable level of assurance that the financial statements are fairly stated in all material respects. The Board periodically meets with the external auditors, officials of the General Secretariat, and the Office of the Inspector General (OIG) and its internal auditors to review and evaluate accounting, auditing and financial reporting activities and responsibilities. The Board of External Auditors, the external auditors, as well as the internal auditors, have unlimited access to all records maintained by the General Secretariat. The audit of all Specific Fund Projects and the overall GS/OAS audit are performed within this context.

DFAMS serves as the Technical Secretariat for the Board of External Auditors and has overall responsibility for publishing OAS’ audited financial statements and annual reports.

7.2.2 Donor requirement for a specific external audit

All specific external audits (partial or final) must be coordinated by DFAMS. In practice, the duration of the audit process and the corresponding cost may vary depending on the project. When a donor requires an external audit for a Specific Fund Project funded by them, the cost shall be borne by the donor. The audit cost includes the cost of the independent external audit firm hired to do the audit, and the coordination costs incurred by DFAMS (e.g., preparing requests for proposals, audit firm evaluation, gathering audit documentation, reviewing audit findings, discussion and explanations to audit firms, etc.).

The work flow of specific external audits is as follows:

1. The donor formally requests the GS/OAS a specific external audit (partial or final) for a Specific Fund Project funded by them.
2. DFAMS prepares the terms of reference for the specific audit, in coordination with the Department of Legal Services (DLS) and the Primary Dependency that executed the funds.
3. The donor approves the terms of reference. The ‘offer’ process for external auditors is initiated by DFAMS, in coordination with the Primary Dependency.
4. DFAMS selects and recommends a candidate to perform the audit based on: a) experience with international non-profit organizations or OAS; b) proposed methodology of audit; c) qualification of auditors (e.g. # of CPAs); d) GS/OAS past experience with firm; and, e) fee comparison.
5. After the donor approves the recommendation from DFAMS, a requisition must be recorded in OASES by the Primary Dependency to reflect the commitment to conduct the audit.
6. The results of the audit are presented to the donor, Primary Dependency and Office of Inspector General.
7.2.3 European Commission (EC) specific audits

In the case of contributions received from the European Commission (EC), and at the request in writing by the EC, the GS/OAS shall contract an independent external audit firm to conduct a financial audit following the conclusion of the action. All costs incurred during the external audit, including GS/OAS coordination of the audit, will be financed by the contribution or the donor. In situations of multi-funded actions where the EC is one of the donors, the GS/OAS shall proceed to contract an independent external audit firm to conduct an audit of the whole action, following the conclusion of the action, provided that costs are borne by the EC and the budget is approved by all donors involved in the action, as evidenced in the corresponding donor agreements. Otherwise, the GS/OAS will still conduct one independent external financial audit at the conclusion of the action and for the EC contribution only.

8. Advance of funds for execution and letters of credit

In general, funds must be provided by the donor prior to beginning execution of a project or activity. Allotment levels to projects are established and assigned dependent upon availability of cash; thus, total allotments authorized and issued by DFAMS for Specific Fund Projects do not exceed the level of cash received from donors.

In special circumstances, DFAMS may approve advance of funds for execution if certain conditions are met. These conditions are evaluated by DFAMS on a case-by-case basis and usually include: 1) a signed agreement from the donor exists; 2) the speed by which funds are expected from the donor; 3) the amount of the contribution; 4) the liquidity levels of the Organization; 5) amount of advance requested; 6) purpose of the advance; and, 7) the donor history with the OAS.

Ultimately, DFAMS reserves the right to approve or deny requests for advances based on its own professional judgment.

8.1 Qualifying sources of financing for advance of funds without a signed agreement

Financing not provided in advance by donors must be temporarily covered from alternate qualifying funds. The following are considered possible sources:

i. A donor agrees to fund the project on a temporary basis from its own available funds originating from another contribution to the OAS. The request must come along with a signed communication from the donor, including the amount to be transferred. After the contribution arrives, the temporary transfer is reversed.

ii. A different donor approves to fund the project on a temporary basis from available funds originating from one of its contributions to the OAS. This request must be accompanied by a signed letter from the donor, including the exact amount to be transferred. After the contribution arrives, the temporary transfer is reversed.

iii. Unrestricted contributions from other donors to the same dependency within the OAS requiring the advance of funds may be used on a temporary basis.

8.2 Letters of Credit

The GS/OAS has established Letters of Credit with the US Agency for International Development (USAID), the US Department of Labor (USDOL), the US Department of State and the World Bank for some Specific Fund Projects. GS/OAS provides temporary availability of funds for these projects and it is then reimbursed for expenditures by these agencies, usually upon presentation of certified financial statements.

Approval for these agreements within the GS/OAS is dependent on the following conditions: 1) the nature of the agreement with the donor, 2) donor history with the OAS, 3) the speed by which funds are reimbursed by the donor, and 4) amount of the grant.

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8 A financial audit does not contemplate an expenditure verification report.
9 Term used by the EC. For GS/OAS purposes, this term refers to a project.
10 The GS/OAS complies with diverse donor reporting requirements. However, if donor budgets are not aligned in terms of budgetary structure, the GS/OAS will only be able to set up, track and report expenditures for each individual donor contribution but not for the action as whole.
9. Financial records

9.1 Retention period

Consistent with the OAS Records Management Manual, invoices, checks, receipts, and related documents for Specific Fund Projects are kept by the GS/OAS for a period of six years, after which they are destroyed.

9.2 Accessibility to original records

Original financial documents form an integral part of GS/OAS records as they are required for GS/OAS annual audit of accounts and financial statements. Requests for providing, reviewing or auditing original records by donors or their representatives cannot be granted, as it is impractical given that there are hundreds of donors to the GS/OAS. Nonetheless, the GS/OAS can comply with donor reviewing and audit requirements by providing photocopies of invoices, checks or other financial information, with a certification from the Treasurer of the GS/OAS that the copies are exact representation of the originals. With reasonable notice, facilities for reviewing these copies can be provided upon availability. There may be GS/OAS costs associated with coordinating these reviews which are promptly communicated to the requestor.

10. Unspent balances in awards

It is highly recommended that donor agreements for Specific Funds specify donor requirements as to the disposition of unspent funds at the end of the activity. If the agreement requires that unspent funds be returned to the donor, funds will be sent via electronic fund transfer. Donor banking information must be provided in the agreement, including bank name and address, account name and number, and ABA/Routing number or SWIFT number.

GS/OAS dependencies, through their Administrative Management Support (AMS) sections, must monitor overall unspent balances and must conduct systematic reviews to assure the return of unspent funds to donor within the timeframe established in the agreements, if so required. DFAMS monitors overall unspent balances as well and may take appropriate action to resolve these balances in accordance with this handbook if instructions from GS/OAS dependencies are not received in a timely manner.

For the most part, all requests for return of funds to donors must be accompanied by a certified financial statement as explained in this handbook under Section 6: Financial Reporting.

Questions regarding electronic fund transfers for return to donors must be submitted to DFAMS Cash Manager.

10.1 Unspent balances less than USD 1,000

All unspent balances less than USD 1,000 will be consolidated into a GS/OAS control account (see section 10.5 of this handbook) within 120 days of award expiration. These balances are not returned to the donor since transaction costs and administrative processing associated with the return are usually higher than the unspent balance itself. DFAMS will periodically review these balances and proceed with the consolidations.

10.2 Dormant and unspent balances less than USD 5,000

All unspent balances less than USD 5,000 that have been dormant for over a year will be consolidated into a GS/OAS control account (see section 10.5 of this handbook). These balances are not returned to the donor. DFAMS will periodically review these balances and proceed with the consolidations.

10.3 Unspent balances of USD 5,000 or more

All unspent balances of USD 5,000 or more will be returned to the donor within 120 days of termination, unless otherwise agreed with the donor through an official communication. The GS/OAS dependency executing the funds must initiate the request to return the unspent balance to the donor promptly and not to exceed 120 days following award expiration.

However, if the corresponding donor does not establish a clear disposition on unspent funds, all unspent balances of USD 5,000 or more will be consolidated into a GS/OAS control account (see section 10.5 of this handbook).
10.4 Unspent balances not returned to the donor in six or more years or unclaimed funds without records

Unspent balances, irrespective of amount, that have not been returned to the donor in six years or more are consolidated into a GS/OAS control account. The same applies to unresolved unclaimed funds lacking records (following donor contact as established in the Unclaimed Funds Policy). These old balances cannot be claimed by donors anymore. As per GS/OAS document retention rules, records of such balances are no longer maintained by GS/OAS (see section 9.1 of this handbook).

10.5 Use of GS/OAS control accounts

GS/OAS control accounts are under the purview of the GS/OAS Treasurer and are used to help the GS/OAS to cash manage various administrative situations.

These situations may include:

- Reimburse the GS/OAS outstanding cash advances previously provided to the programmatic area.
- Write-off negative donor balances deemed uncollectible.
- GS/OAS irrevocable commitments with no financing secured.
- Projects lacking immediate financing due to timing issues regarding the receipt of funds from donors.
- Others, as deemed necessary and in consultation with senior management.

11. Official travel

Official travel is subject to the directives established in Administrative Memorandum No. 122 “Travel Policy of the General Secretariat of the Organization of American States” found at:

Staff rules related to travel can be found at:

Please contact the Department of Procurement at (202) 370-9704 for further information regarding official travel.

12. Responsibility and accountability for execution of projects/agreements

Follow up of project execution is necessary to assess whether budget allocations match project objectives originally planned, and whether significant variances between the original budget and actual expenditures need to be adjusted for the remaining time period.

In this regard, the Primary Dependency is responsible and accountable for the revision and accuracy of the transactions recorded in the financial system as established under Chapter IV.2, IV.3 and IV.4 of the Budgetary and Financial Rules of the General Secretariat, as well as all other regulatory controls set by the General Secretariat.

Individuals responsible and with decision making authority for execution of projects/agreements must be qualified to properly fulfill all its requirements. This includes project managers, financial and administrative support personnel. The Dependency’s director is ultimately responsible for compliance with project/agreement requirements.

12.1 Code of Ethics

The GS/OAS has an established Code of Ethics that applies to “... all individuals performing services for GS/OAS, regardless of their form of contract, duration of employment, or Workplace. All Staff Members and Other Service Providers must comply with the Code.” Consequently, individuals responsible and with decision making authority for execution of projects/agreements must abide by the principles therein. These principles can be found at:
http://www.oas.org/legal/spanish/gensec/EXOR1203.htm
12.2 Procurement of goods or services

A purchase order (obligation) must be duly recorded in OASES prior to receiving goods or services that commit financial resources with a third party, be it a natural or legal person, and for which the General Secretariat would have to disburse funds. In the case of credit cards or petty cash, POs are duly recorded in OASES within the timeframes authorized by each procedure. Any staff member who procures goods or services on behalf of the General Secretariat must ensure that such purchases are in compliance with the following GS/OAS procurement rules and regulations:

Procurement Contract Rules
http://www.oas.org/legal/english/gensec/EXOR-00-1.htm
Performance Contract ("CPR") Rules
http://www.oas.org/legal/english/gensec/EXOR0504corr1.doc

Administrative Memorandum No. 110 Rev. 1 “Policy for Use of the Performance Contract ("CPR") Mechanism and Guidelines for Processing CPRS”

12.3 Recording and monitoring of unliquidated obligations

Obligations for personnel actions are recorded through the expiration date of the contract irrespective of the current fiscal year. Consequently, all unliquidated personnel obligations at year-end for Specific Fund Projects will be carried forward into the following year for execution. Program managers and Administrative Management Support (AMS) sections in each area are responsible and must ascertain that sufficient funding is allocated to cover staff appointments or contract extensions financed by Specific Fund Projects. At the same time, unused funding budgets will be carried forward to the next budgetary cycle.

It is strongly recommended for the Primary Dependency to periodically review obligations to assure that, after goods and services are received and completed, no outstanding balances remain for such obligations. Refer to Administrative Memorandum No. 86 Rev. 1 “Obligations Review Guidelines” for further information, found at: http://www.oas.org/legal/english/admmem/admmem86R1.htm.

13. Cost transfers between projects and awards (a.k.a. “transfer of expenditures”)

Cost transfer, or transfer of expenditures, between projects and awards are only permissible under certain circumstances, such as posting errors or specific authorization from the donor. Ultimately, DFAMS reserves the right to approve or deny requests for cost transfers based on its own professional judgment.

13.1 Criteria

Request for cost transfers shall meet the following criteria:

**Allowable:** The cost must be allowable under the terms and conditions of the award, including the award’s budget, covered period and applicable regulations.

**Allocable:** The cost of goods or services must benefit the project charged. Goods or services shared by more than one project are allocable in proportions that can be estimated through actual use. Example: If you are charging Project A for 50% of an item purchased, Project A must receive half the benefit or use of that item.

**Reasonableness:** A cost may be considered reasonable if the nature of the goods or services acquired and the amount paid, reflect the action that a prudent person would have taken at the time the decision was made to incur the cost.

**Consistency:** The application of costs must be given consistent treatment within established GS/OAS policies and procedures.

**Timeliness:** Transfers should be made within 90 calendar days from the accounting date on which the cost was originally recorded.
Reliability: Costs already reported to a donor cannot be modified unless otherwise disclosed to the donor and/or authorized by the donor. A cost that has been reported to a donor cannot be reported to another donor.

Regular and Indirect Cost Recovery (ICR) Funds: Costs must be within the current appropriation period.

13.2 Justification and supporting documentation

The justification for cost transfers requires a detailed explanation of why the transfer is necessary in order for a reviewer or auditor to conclude that it is appropriate. An explanation that merely states “to correct error” or “to transfer to correct account” is insufficient. The Primary Dependency must fill out and complete diligently the “Transfer of Expenditures” form provided by DFAMS.

13.3 Examples of unallowable cost transfers

- Costs already reported in a final financial statement to the donor, unless otherwise disclosed to the donor and/or authorized by the donor.
- Transfer of costs that were not incurred during the award period (incurred before the start date or after the award/project end date).
- Transfers solely to use up unexpended funds and do not appear to be of direct benefit to the project.
- Costs should not be transferred more than once. Since the transfer has already been justified, documented and accepted as appropriate, any additional transfer would not be allowed.

13.4 Accountability

Transfers that are frequent, tardy or inadequately explained, particularly on projects with unexpended balances, raise questions regarding the propriety of the transfers and the reliability of the organization’s accounting system and internal controls, specifically financial reporting.

Dependencies and their designees are responsible for reviewing charges on their awards in order to timely identify errors within 90 calendar days of the accounting date. Dependencies that delegate responsibilities and decision making authority for cost transfers must ensure that the employees responsible are qualified and are properly fulfilling their responsibilities.

14. Implementing projects with internal and/or external partners

Some Specific Fund projects may require that another partner be involved for the successful implementation of the project and this may require the corresponding OAS dependency to transfer a portion of donor funds to that partner. In these cases, it is important to establish proper accountability and compliance requirements with that partner with respect to the use of donor funds. Specific Funds are governed by the requirements stipulated in the corresponding donor agreements and these requirements will have to apply, by association, to funds transferred to any partner.

The corresponding OAS dependency must contact DFAMS and the Department of Legal Services (DLS) before committing GS/OAS funds with implementing partners.

14.1 Internal partners

- In most cases, a Memorandum of Understanding (MOU) or exchange of letters, as determined by the DLS, with internal partners such as other Secretariats or dependencies of the GS/OAS is required. The corresponding dependency must contact DFAMS and the DLS to define the scope of the MOU/Letters in terms of financial and legal compliance.
- It is strongly recommended that the project budget clearly delineates the budgetary lines to be executed by the implementing partner.
- The Trust for the Americas is considered an external partner for these purposes and therefore section 14.2 of this handbook shall apply.

14.2 External partners

- As per Executive Order 05-06, a MOU, letter, agreement or similar document reviewed by the DLS and DFAMS, is required to establish accountability with external partners such as other organizations or institutions. The MOU must
contain financial language to hold the partner accountable for the proper execution of funds based on the Specific Fund agreement signed between the GS/OAS and the donor providing the funds.

- Acknowledgement from the donor that an external implementing partner other than the GS/OAS will be executing some or all donor funds is required.
- Project budget clearly delineating the budgetary lines to be executed by the implementing partner.
- The Trust for the Americas is considered an external partner for these purposes.
ANNEX A
OAS Enterprise System (OASES) Grants Accounting

OASES Grants Accounting provides the OAS with the ability to track Specific Fund Agreements and funded projects from inception to final reporting in the ORACLE-based system. OASES Grants Accounting is an integrated system that supports multi-funded projects and required compliance terms and conditions by agreement.

A.1. Project structure

The Primary Dependency must give special attention to the setup of the project task structure (OASES tasks). DFAMS emphasizes that project structure must reflect the budget presented to the Project Evaluation Committee and/or included in the donor agreement. This will facilitate the preparation of customized financial statements and tracking budgetary execution of specific activities (as shown in the example below) within the project, and as provided in the donor agreement. An illustrative example of how a project budget should be presented by outputs is shown in Annex C of this handbook.

![Project Structure Example](image_url)

A.2. Required information to establish or amend Specific Fund Projects in OASES

All requests from Primary Dependencies to establish or amend (e.g. extension of end dates) agreements must include the corresponding authorization from the donor. DFAMS enters information pertaining to financial requirements into OASES, to ensure financial compliance of agreements. In the case of requests to establish new projects, DFAMS will request approval from the Department of Planning and Evaluation (DPE) to ensure that the project has been approved by the PEC as it deems necessary.

DFAMS implemented Form 100 to facilitate several administrative requests related to the establishment and management of Specific Fund Agreements in OASES, including the setup of projects, recording of contributions, transfer of expenditures and return to donors. Form 100 may be found in the OAS Finance Portal at: http://oasconnect/Default.aspx?tabid=746
ANNEX B
In-kind contributions to the GS/OAS and cost contingency

B.1. In-kind contributions

- In-kind contributions form an integral part of the project costing process and should be included in budgets.
- In-kind contributions are non-cash contributions to Specific Fund Projects which can be assigned an estimated monetary value.
- The monetary value of each in-kind contribution should be equivalent to the cost the OAS would have incurred in the project had it not received the benefit.
- In-kind contributions to a project are contributed by the OAS and/or the donor.
- In-kind contributions may be associated to a direct or indirect cost of a particular project.
- In-kind contributions from the OAS can only be associated to costs incurred in the OAS Regular Fund. No costs incurred over a contribution received as per a donor’s agreements can be considered as In-kind contribution from the OAS.

B.2. Cost contingency

Cost contingency addresses the risk of cost escalations and covers potential shortfalls of cost estimates prepared at the planning stage of the project. A risk allocated cost contingency should be included in project budgets for the mitigation of various risks. In large contributions, cost contingency should be a minimum of 3% of direct costs.
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<th>OUTPUT(S)</th>
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<th>RESOURCE(S)</th>
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<td>Indirect Cost Recovery (11% or 12% of the contribution) *</td>
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* Indirect Cost Recovery (ICR)

Pursuant to OAS General Standards approved by its Member States and in accordance to Executive Order 07-01, issued by the OAS Secretary General on May 29, 2007, the ICR rate for contributions is established at a minimum of 11% (Member States) or at a minimum of 12% (other donors) of the total contribution amount. ICR will partially defray costs incurred in the administration of this grant agreement including, among others, the following products and services: planning, monitoring, review and evaluation of projects; resource mobilization services; financial management framework (e.g., financial manuals, handbooks, guidelines, and training); staff recruitment; overall administrative functions of the General Secretariat; legal and financial review of agreements; banking operations (e.g., receipt of funds, check emission, bank reconciliations); financial reporting; external audit coordination and representation; internal audits; setup and management of accounts; procurement of goods and services; recording and processing of transactions; facilities and utilities; and general use office equipment and supplies (e.g., networks), etc.
### Sample of OAS Project Business Cycle

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<tr>
<th>Stage</th>
<th>Expected outcome(s)</th>
<th>Main document(s) for reference</th>
<th>Support Area(s)</th>
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<tr>
<td><strong>1</strong></td>
<td>a) Project aligned to a logical framework to promote institutional collaboration, learning, integration and ownership&lt;br&gt;b) Project identification and alignment to OAS mandates&lt;br&gt;c) Identification of potential funding sources&lt;br&gt;d) Properly costed budgets including ICR, cost contingency</td>
<td>a) DPE &quot;Guía de Proyectos&quot;&lt;br&gt;b) OAS Financial Handbook</td>
<td>DPE&lt;br&gt;DFAMS</td>
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<td><strong>2</strong></td>
<td>a) Uniform project proposal to donors&lt;br&gt;b) Present model of OAS grant agreement to donor&lt;br&gt;c) Gather donor feedback on budget proposal</td>
<td>a) OAS Financial Handbook&lt;br&gt;b) Executive Order 05-06&lt;br&gt;c) Model of OAS grant agreement</td>
<td>DFAMS</td>
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<td><strong>3</strong></td>
<td>a) Ensure compliance with OAS financial and legal regulations&lt;br&gt;b) Agreed-upon budget with final costing (e.g. ICR, in-kind, contingency)&lt;br&gt;c) Database of agreement reviews</td>
<td>a) General Standards&lt;br&gt;b) Executive Orders&lt;br&gt;c) OAS Financial Handbook&lt;br&gt;d) Other OAS legal/financial basis</td>
<td>DLS&lt;br&gt;DFAMS</td>
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<td><strong>4</strong></td>
<td>a) Grant/project structure in OASES reflects budget in donor agreement&lt;br&gt;b) Budget allocated&lt;br&gt;c) Streamlined setup process in OASES through the use of standard project budget template</td>
<td>a) OAS Financial Handbook</td>
<td>DFAMS</td>
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<td>a) Project in compliance with OAS procurement and financial regulations&lt;br&gt;b) Project in compliance with donor agreement&lt;br&gt;c) Well documented budget variances&lt;br&gt;d) Timely narrative/financial progress reports as scheduled in agreement&lt;br&gt;e) Project on track to reach objectives</td>
<td>a) OAS Financial Handbook</td>
<td>DFAMS</td>
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<td><strong>6</strong></td>
<td>a) Financial reports at the budgetary line item level&lt;br&gt;b) Compliance with donor agreement/budget&lt;br&gt;c) Evaluation of project results&lt;br&gt;d) Well documented process to facilitate internal and external auditing&lt;br&gt;e) Lessons learned</td>
<td>a) OAS Financial Handbook</td>
<td>DPE&lt;br&gt;DFAMS</td>
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