ADMINISTRATIVE MEMORANDUM No. 144

SUBJECT: POLICY STATEMENT AND PROCEDURES FOR WRITE-OFF OF SPECIFIC FUND PROJECT DEFICIT BALANCES

CONSIDERING,

That the General Secretariat of the Organization of American States (GS/OAS) is committed to transparency and to conducting activities in accordance with statutory requirements and the highest administrative standards;

That, currently, the GS/OAS does not have a written policy regarding the treatment of Specific Fund deficit balances that should be written-off the accounting records once they are deemed uncollectible;

That in accordance with best accounting practices, the GS/OAS should have in place a write-off policy for uncollectable Specific Fund project contributions or uncollectible expenditure reimbursements;

That although write-offs are uncommon and applied under exceptional circumstances, the GS/OAS should have a policy to address these situations, when all attempts to collect the funds have failed; and

That by not writing-off uncollectible Specific Fund project deficit balances, the GS/OAS audited financial statements present less reliable information.

THE DECISION:
To adopt the attached Policy Statement and Procedures for Write-Off of Specific Fund Project Deficit Balances.

Jay N. Anania
Secretary for Administration and Finance

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November 11, 2022
POLICY STATEMENT AND PROCEDURES FOR WRITE-OFF OF SPECIFIC FUND PROJECT DEFICIT BALANCES

Questions regarding the information presented in this document may be forwarded to the Department of Financial Services (DFS) (202)370-9723 / DFSDirector@oas.org
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**Background**

A project financial deficit occurs when at the closing of the project, the total expenditures incurred by the project exceed the total contributions received by the project. While unusual, some GS/OAS-managed Specific Fund projects conclude with a remaining fund balance deficit.

Generally, deficits may be caused due to the following reasons:

- The GS/OAS authorized an advance of funds to a project based on a funding commitment which was not fulfilled.
- The project over-executed on payroll costs.
- The results of an external audit found ineligible expenses, meaning that donor funds could not be used to pay these expenses.
- A donor failed to make interim or final reimbursement payments as per its commitments.
- The GS/OAS failed to comply with the terms of a donor agreement, resulting in the non-payment of a reimbursement the GS/OAS expected to receive.

**Responsibility for Managing Projects**

During project execution, the area managing the project is responsible for regularly reviewing execution reports to address any potential deficit and for maintaining regular communication with the corresponding donor(s). Project managers and Administrative Management Support personnel (AMS) must take the necessary measures to address ahead of time any potential project deficits with the donors and to collect unpaid balances. When project managers cannot collect the funds from the donor, the managers of the project, with assistance from their AMS personnel, must identify funding to cover over-executed funds.

Project managers and AMS personnel must take the following steps as soon as they identify a potential or actual deficit balance. These measures include, but are not limited to:

- Inform the donor about the negative balance and request reimbursement, if applicable.
- In the event a donor is unable or unwilling to reimburse the GS/OAS due to its determination that expenses are non-allowable according to the terms of the donor agreement or other reasons, the organizational area managing the project is responsible for identifying alternate resources for covering the negative balance (e.g., transfer of expenditures to a different source of financing or transfer of funds from a different source of financing).
- Contact the Department of Legal Services (DLS) and the Department of Financial Services (DFS) to explain the reason why the project has a deficit balance and why the balance is uncollectible. Provide copies of the applicable donor agreement and all supporting documentation for review. DFS and DLS will review the documentation to establish next steps: pursue further action to collect the funds or proceed with a write-off of the balance.
The Secretariat for Administration and Finance, as advised by DFS, after making reasonable collection efforts based on a full investigation, may authorize the write-off of uncollectable balances using the control account or other available mechanism, such as identifying other internal resources within the area managing the project.

**Write-off procedure**

After the executing area, in coordination with DFS and DLS, has made reasonable and documented unsuccessful efforts to collect the funds from the donor or to secure funds from other accounts from the technical area managing the project, DFS may authorize the write-off of uncollectable balances using the control account, in accordance with the following criteria:

- **Deficit amount of $0 – $1,000:** after analysis, the Director DFS is authorized to immediately write-off these balances.
- **Deficit amount of > $1,000 = < $20,000:** the Director of the area responsible for the project’s execution (with copy to the applicable Secretary or Executive Secretary in charge) must send a request to the Director of DFS to request the write-off of the deficit balance using the control account. Documentation of collection efforts with the donor must accompany the request. The Director of DFS is authorized to write-off the deficit balance. DFS will notify the Office of the Inspector General (OIG) of these cases.
- **Deficit amount of > $20,000:** the Director of the area responsible for the project’s execution (with copy to the applicable Secretary or Executive Secretary in charge) must send a request to the Director of DFS to request the write-off of the deficit balance using the control account. The approval of this request will be evaluated by the Secretary of SAF, who may consult with the Chief of Staff of the Secretary General for a decision on how to proceed. Documentation of collection efforts with the donor must accompany the request. If approved by the Secretary of SAF, DFS will proceed with the write-off. In these cases, the organizational area may assume an internal debt to be paid from savings in other accounts. DFS will notify the OIG of these cases.