

Functional Series 600: Budget and Finance
ADS Chapter 627 - Local Currency Trust Fund Management

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ADS 627 - Local Currency Trust Fund Management

627.1 OVERVIEW

This chapter establishes accountability requirements that govern Local Currency Trust Funds (**TF**) management. It includes those accounts that are transferred from the cognizant United States Disbursing Officer (**USDO**) to the USAID mission controller as well as those initiated by the host country government directly with USAID after the USDO has transferred Foreign Transaction (**FT**) accounting/reporting responsibility.

627.2 PRIMARY RESPONSIBILITIES

a. Bureau Assistant Administrator (Bureau/AA)

When there is no Mission Director or acting Mission Director, the Bureau Assistant Administrator (**Bureau/AA**) is responsible for suspending the account balance reconciliation when it is politically appropriate, based on local conditions.

b. Mission Director

The Mission Director is the de facto Owner of the bank account and has the on-site authority to notify the bank of any changes in Authorized Certifying Officers (**ACOs**). The Mission Director is also responsible for suspending the account balance reconciliation when it is politically or functionally appropriate, based on local conditions.

c. Mission Controller

In countries where there are existing host government-owned/USAID-managed Local Currency Trust Funds, the USAID controller will assume full management responsibility for these trust funds. In countries where the Host Government decides to entrust local currency funds with USAID under a trust fund agreement, the Mission Controller establishes the bank account in the name of the Mission Director (**the de facto owner**) and assumes full management of the newly established trust fund in accordance with the trust fund agreement. (See **627.3.5** for appropriate account titling)

d. Chief, Bureau for Management, Office of Financial Management, Central Accounting and Reports Division (M/FM/CAR)

The Chief, M/FM/CAR, approves or disapproves waivers of policy and essential procedures when they conflict with USAID interests or with specific trust fund agreements.

627.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

***627.3.1 Financial Documentation Responsibilities**

*Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within Controllers' or FM operations but includes any source material causing or resulting in a financial transaction. Contracting Technical Officers (**CTOs**), Loans/Grants Officers, Strategic Objective teams (**SOs**),

etc., are responsible for retaining financial documentation and ensuring its availability for audit.

Basic financial documentation retention rules follow:

- If an action will result in a financial transaction, it must be documented;
- Source documentation must be readily available for audit (by either the Office of Inspector General or a responsible audit entity).

***Note: The general rule of thumb for retention of financial documents is seven years; however, retention times may vary, so please refer to retention by document type in [ADS 502](#), The USAID Records Management Program. The specific financial Records Disposition Schedules are located in the Mandatory Reference section of ADS 502, under Records Disposition Schedule, USAID/W, Chapter 15, Fiscal Management Records; and Records Disposition Schedule, USAID, Chapter 35, Financial Management Records. See also the National Archives and Records Administration (NARA) General Records Schedules, GRS 6, Accountable Officers' Account Records; and GRS 7, Expenditure Accounting Records.**

627.3.2 Fiduciary Responsibility

USAID Missions are required to fulfill their fiduciary responsibilities to their host governments as well as any reporting requirements imposed by USAID/Washington (USAID/W).

627.3.3 Mission Order - Management of Local Currency Trust Fund (TF)

Since banking laws and functions vary considerably from country to country, each managing Mission is required to establish a Mission Order governing Local Currency TF management. This will include the policies and required procedures contained in this chapter, required monthly bank and ledger reconciliation requirements, as well as addressing circumstances particular to the country of operation. The Mission Order must be established prior to the Mission's accepting responsibility for the TF management.

627.3.4 Local Currency Trust Fund - Transfer

Prior to the transfer of funds, the United States Disbursing Officer (USDO) must reconcile existing TF accounts to USAID records, establish cut-offs dates, and close existing accounts. The actual transfer of funds from the USDO's accounts to USAID-managed accounts will be worked out on a mission-by-mission basis.

If there are unresolved differences between USAID records and those of Treasury, the mission must report the unreconciled differences to Bureau for Management, Office of Financial Management, Central Accounting and Reports Division (**M/FM/CAR**), and continue working with the USDO to resolve the differences.

627.3.5 Bank Selection and Authority to Establish Accounts

Where necessary, Controllers are authorized to establish an account or accounts with the banking institution used by the USDO for local currency check issuance. Checking and/or savings accounts are established as necessary for prudent management of the trust funds.

The accounts must be Corporate Accounts established in the name of the US Government (**USG**), acting through USAID, and must not be in the name of any individual. Care must be taken in the name given the account, lest a creditor attempt to attach it. Having the "**US Government**" appear in the name is a prima facie indicator to any such person or court that the account is immune to attachment. A suggested name formulation is, "**the USG acting through its USAID**".

Using a banking institution other than the one which holds the USDO local currency account must be justified and approved in writing by M/FM/CAR. This process may require competitive procurement proceedings.

The Mission Director (**position**) is the de facto owner of the account. This provides the Mission Director (**or the Mission Director's U.S. direct-hire, delegated agent**) the on-site authority to notify the bank of any changes in ACOs. While M/FM/CAR can designate a new ACO, they are not "**account owners**". Therefore, M/FM/CAR is not able to notify the bank of the ACO changes because they are not the **Account holder** and banks usually require the "**account holder**" to provide any notification of change in ACOs.

- When there is a change in "account owner" (i.e., **transfer of Mission Director**), the bank **must** be notified.

Account disbursement approval authority is limited to Agency-designated ACOs at post. Good internal control procedures dictate the exclusion of the Mission Director when designating new ACOs. Except where it is absolutely necessary, the Mission Director should not be designated as an ACO for Trust Fund disbursements.

627.3.6 Trust Fund Account Deposits

Processing of host government contributions and other TF deposits must basically comply with existing procedures followed under USDO management of the TF accounts.

627.3.7 Investment Management

Missions must maintain an investment account ledger. All investment actions must be approved by the Mission Controller or designee.

Missions must manage funds so that interest earned is maximized. Investments must be maintained with the approved bank, and must be held in bank-backed instruments providing a fixed rate of return, e.g. certificates of deposit. Equity investments, even when offered by the approved bank, are not authorized.

627.3.8 Change of Authorized Certifying Officer

Missions with multiple ACOs must designate one person to be responsible for the TF account(s) and to approve all disbursement transactions. However, if possible an alternate should also be identified in writing to function as the ACO when the primary ACO is not available do to short term absences. The alternative must only be used when the primary is not available, not just because it is convenient.

When a change of an ACO is necessary, the change in responsibility must be appropriately documented to show the transfer of accountability for the TF account.

Where no overlap of ACOs is possible, both the departing and incoming ACOs must certify separate Status of Cash Report - Foreign Currency Trust Fund (**MACS, U-111 Reports**) to document and confirm transfer of accountability.

In the event of a difference between the reports, the incoming ACO determines how the discrepancy occurred, and completes a reconciliation of the amounts. An irreconcilable difference identified as a result of a periodic reconciliation must be reported to M/FM/CAR and to the ACO who has already departed when it is found.

At a minimum, the status and amount of the individual components of any cumulative irreconcilable differences will be reported annually as of the end of the fiscal year to M/FM/CAR. The report is due at M/FM/CAR not more than 45 days later.

627.3.9 Trust Fund Disbursements

Since banking facilities vary considerably from one country to another, USAID policy is designed to ensure adequate internal control, yet allow controllers to establish procedures appropriate for their country of operation.

Individual controllers are authorized to make minor modifications to the disbursement procedures as necessary to meet the specific situation in their country of operation, provided that the basic internal control procedures are maintained and documented in the required Mission Order.

Missions must create a new disbursing office code in the Mission Accounting and Control System (**MACS**) under which TF transactions are posted.

To standardize the procedures among USAID Missions, code 9XXX is used, where the Xs represent the three digit USAID Country Code. Posts with more than one type of TF need to adopt a separate code for each fund by changing the first digit and using the USAID Country Code for the last three digits.

627.3.10 Reverse Accommodation Exchange

Where the host country foreign exchange environment permits, Missions must obtain US dollar or third country currency necessary for payments against TF obligations through standard commercial practices.

Where standard commercial practices do not allow, or do not offer an economically feasible option for obtaining US dollar or third country currencies, Missions may be able to obtain the needed currency using reverse accommodation exchange procedures available to foreign diplomatic missions.

If neither standard commercial practices nor reverse accommodation exchange through official channels is a viable option, Missions must establish dollar appropriation obligations to cover anticipated dollar payments for otherwise trust funded obligations.

***627.3.11 USDO Payroll Processing**

*Where Missions subscribe to the USDO payroll service, the appropriation to be charged for trust funded personnel is the Suspense Deposit Abroad - USAID, 72X6809. TF deposits corresponding to payroll charges must be promptly deposited to the suspense account. When USDO Payroll processing occurs during the last week of the fiscal year, Mission Controllers must ensure that the corresponding deposit is made in the same fiscal year as the USDO payroll charge. If the exact amount cannot be obtained prior to the end of the fiscal year, September 30, an estimated amount of the charge must be deposited.

The suspense account must be reconciled with the USDO payroll report postings of employee contracts taking into account any exchange rate differences between the rate applied by the USDO and the mission deposit to the suspense account.

627.3.12 Trust Fund Reporting

Mission TF activity must be reported to USAID/W through the **Status of Cash Report - Foreign Currency Trust Fund (MACS, U-111 or U-109 Reports)** and **Summary of Allotment Ledger Transactions Reconciliations With Disbursing Officer's Accounts (MACS, U-106 Reports)**.

M/FM/CAR will consolidate information from these reports to transmit in a simplified reporting format through State to Treasury.

627.3.13 Local Currency Trust Fund Verification

The Mission Controllers must ensure accountability of TF accounts by means of:

- a. Biannual non-Federal audits of the mission's TF management when total disbursements from the TF accounts are \$300,000 or more in any one year since the last audit. A Financial Review is accomplished on the TF management in the interim years when the audit is not performed, unless otherwise specified in the TF agreement.
- b. The basis of \$300,000 or over is used when determining whether to perform an audit or review on the TF when it is fully disbursed or will be closed.

Audits must review the mission's TF management for conformity to the TF agreement and the applicable Mission Order, which incorporates this policy. Any audit conducted must include all mission TF accounts.

A Financial Review may be conducted by a mission financial analyst. It may also be done by staff from another mission or by contract.

The final audit/review report must be addressed to the Mission Director, with copies sent to the Mission Controller and FM/CAR. When appropriate, the cognizant Host Country organization or official may also be included as a recipient.

The audits must be conducted in accordance with ADS 591.3.5.e (See [ADS 591.3.5 para e](#)).

Fund audits in accordance with ADS 591.3.5 (See [ADS 591.3.5](#)). The source funds must be agreed upon between the mission and the host government and stated in the program agreement. The preferred source of funding is the TF itself. However, the missions may determine to charge the TF or the program operating expense dollar appropriation.

627.3.13.1 Local Currency Trust Fund Verification Audit

Regardless of the results, documentation confirming completion of the audit/review must be filed with the TF documentation. There are two conditions that can result in suspension of the requirement to resolve issues with the Host Government.

- a. The Mission Director, or if there is no Mission Director, the Regional Bureau Assistant Administrator (**Bureau/AA**), can determine that it is politically inappropriate or impossible to resolve the issues, or

b. The Mission Director can determine, based on the Mission Controller's request and justification, that the resolution is not functionally feasible (**e.g., lost, destroyed or unrecoverable records make it impossible to provide independent comparison**).

In each case, the determination and the justification for not resolving the issues must be filed with the TF documentation for reference and review.

Those cases where there appears to be an irreconcilable difference should not preclude on-going efforts to research the cause and eventually resolve any differences.

However, if it is determined that there is an irreconcilable difference, then report the amount to M/FM/CAR and carry it forward as a reconciling factor in future comparisons. Each new comparison **must** re-address the condition(s) to determine if changes have occurred which would result in resolution of previously irreconcilable differences.

627.3.14 Host Government Notification

Missions must notify the appropriate Host Government organization or official of changes in TF management. The notification must include the name of the bank which will service the account(s) and advise of the requirement to conduct an audit of the account(s).

Missions must also review and, if necessary, amend the TF agreement with the host government.

627.3.15 Deviation

When Missions determine policies and required procedures in this document conflict with USAID interests or with specific trust fund agreements, the Mission prepares a request for waiver to the Chief, M/FM/CAR, citing conflicts and requesting waiver of the specific conditions in conflict. The requestor will be notified of the waiver acceptance or rejection.

M/FM/CAR will provide a copy of the approved waiver to The Bureau for Management, Office of Management Planning and Innovation Division (**M/MPI**).

Waiver granting documents must be filed with the Trust Fund documentation at the Mission to support necessary deviations.

627.4 MANDATORY REFERENCES

627.4.1 External Mandatory References

a. [Foreign Assistance Act \(FAA\) of 1961](#), as amended, Section 625(h) (authority)

b. Department of State (State)/Treasury Department (Treasury) joint letter, dated May 21, 1997, Subject: Elimination of Foreign Transaction (FT) Accounting/Reporting System (FS 488 - Foreign Currency Statement of Transactions)

c. [NARA General Records Schedule 6](#)

***627.4.2 Internal Mandatory References**

*a. [ADS 502](#)

b. [ADS 591](#)

627.4.3 Mandatory Forms

627.5 ADDITIONAL HELP

627.5.1 Optional Forms

627.6 DEFINITIONS

MACS Mission Accounting and Control System (MACS)

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