Financial Reporting

howtoworkwithusaid@usaid.gov

Welcome to the e-module on Financial Reporting. The "How to Work with USAID" online training series is designed to answer some of the most frequently voiced questions and concerns from organizations interested in partnering with USAID. We hope you find these e-modules helpful and appreciate feedback, which you may send to howtoworkwithusaid@usaid.gov.

The objective of this e-module is to assist partners to understand the purpose, format, and timing of key financial reports.
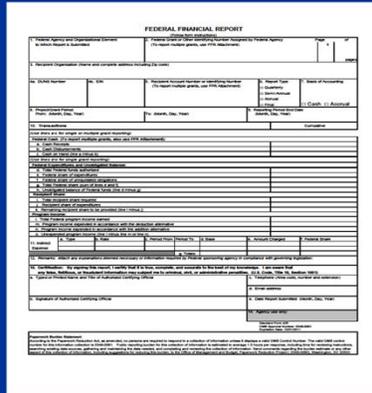
In this e-module,

1. First, we will go through the process of filling out the quarterly federal financial report, the SF-425.

2. Second, we will describe how to request an advance or reimbursement.

3. Thirdly, we will provide a brief overview of the Annual Foreign Tax Report.

4. At the end, we'll also provide some tips on how to prepare outstanding financial reports and avoid common problems.

Which reports are required are covered in your award. So you should carefully read these sections of your award, and at the post-award orientation conference (or any time during the management of your award), you should ask the financial analyst about what reports and formats are required.

All awards contain both programmatic and financial requirements. In this module, we will only review the typical financial reports. For information on programmatic reporting, please see our e-module on "Programmatic Reports."

•First, let's understand the Federal Financial Report, or SF-425, which is a cumulative report that captures the financial status of an agreement at a specific point in time.

Federal Financial Report - Purpose

- Ensure funds are expended in line with the project's implementation budget

- Reconciled with USAID records to ensure accuracy in financial reporting and oversight

- Demonstrates the organization's understanding of their financial management responsibilities

4

•The federal financial report, coupled with your budget, helps determine whether the expenditures are aligned with the implementation of the project. Submitted on a quarterly basis, the SF-425 provides an opportunity to re-assess assumptions made earlier in the budgeting and planning process.

•USAID staff use information from the SF-425 to reconcile its records to ensure accuracy in financial reporting and oversight. Analysis of this information permits both USAID and the organization to identify how quickly funds are being used (known as the burn rate) and how much money remains for future use (known as the pipeline).

•From the partner side, accurately completing the SF-425 demonstrates an organization's understanding of their financial management responsibilities. A firm understanding and execution of financial management responsibilities is necessary for a successful activity.

Federal Financial Report – Format of SF-425

- Form available from: https://www.whitehouse.gov/omb/grants_forms
- Forms shows:
  1. How much money is drawn down against the award
  2. What the money was used for
  3. What the balance of unused money is at the end of the reporting period
- Supporting documents should be available if requested.
- Remember, separate SF-425s must be used for each USAID award.
- USAID SF-425 Federal Financial Report Process Guide

5

•The SF-425 is available from the link shown here.

• A completed form shows:

1. how much money has been drawn down against the award,

2. what the money was used for, and

3. what the balance of unused money is at the end of the reporting period.

• Supporting documents should be available if requested and sufficient to confirm the allocation of funds to the agreement's budget line items.

• Remember, a separate SF-425 must be used for each USAID award. If an organization has two USAID awards, they will submit two SF-425s. In the next slides, we will go step-by-step through completing a Federal Financial Report.

• The following slides will explain how to complete each section of the SF-425. You also can access an additional resource – the USAID SF-425 Federal Financial Report Process Guide – through this link.

Top Portion of the SF-425

• The top portion of the Federal Financial Report, or SF-425, requires you to enter basic information about your organization and award.

• In Box 1, enter USAID followed by the name of the Mission or Bureau from which you received the award. E.g. USAID Southern Africa. This information also is available in the award document.

• In Box 2, enter the USAID-assigned award number found on the first page of your award.

• Enter your organization's address in Box 3.

• Box 4(a) asks for the organization's Data Universal Numbering System, or DUNS, number. Every organization that receives an award from USAID must have a DUNS number. For more information about how to obtain a DUNS number or to make updates to your information, see our e-module on DUNS.

• Box 4(b) is the Employer Identification Number (EIN) and only applies to U.S. organizations.

• Box 5 is for the "Recipient Account Number or Identifying Number." You may leave this blank, as it is not required by USAID but simply provides space to accommodate organization-specific tracking. Please do not enter bank account information here.

• Box 6 is for the frequency of report you are submitting. This will be specified in the agreement. Most of the time you will check quarterly. The last report for the

agreement (not individual projects/tasks) should be marked Final and is required within 90 days of the agreement expiration.

• Box 7 identifies the accounting basis for your organization. Check with your accountant and check either cash or accrual.

• Box 8 indicates your award's start and end date.

• And finally, Box 9, is for the end date of the reporting period. Since the SF-425 is typically due quarterly, this date is likely December 31st, March 31st, June 30th, or September 30th. However, for the last report of the award, or the "final" report, the end date will be the actual end date of the award.

• Much of this information in the top portion will remain the same for each quarterly SF-425 that you submit.

Section 10(a-c) of SF-425: Federal Cash

- Let's continue on to Section 10 of the SF-425 which we'll discuss over the next three slides. This section details your award's transactions.

- The first section, A through C is used to track the federal cash received from the award.

- Box 10(a), cash receipts, is the cumulative amount of cash received from this USAID award either through advances or reimbursements through the end date of the reporting period specified in line 9.

- 10(b), cash disbursements, is the total cash the organization has used in the implementation of the project, including cash advances and payments made to sub-recipients and contractors.

- 10(c) is a simple mathematical calculation to determine the organization's cash on hand for this award. Simply subtract 10(b) from 10(a).

- Please note some agreements are not denominated in U.S. dollars. In this case, 10(a) through 10(c) should be in the currency indicated in the award documents.

Section 10(d-h) of SF-425:
Federal Expenditures & Unobligated Balance
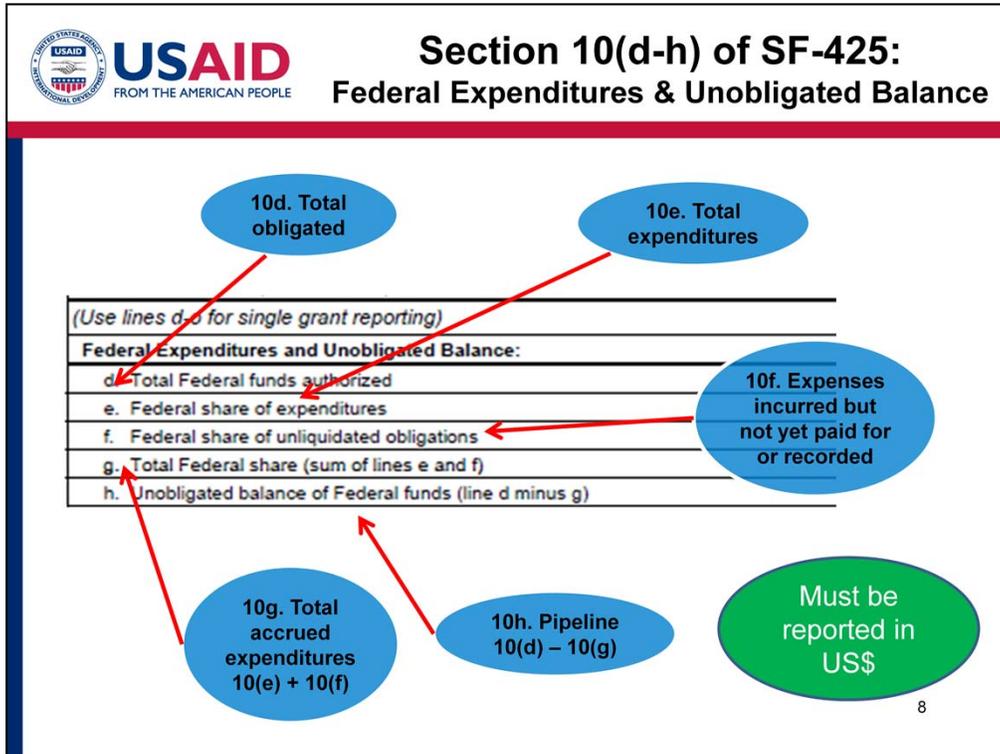
- Continuing with section 10, we'll now look at your award's federal expenditures and unobligated balance.

- Line 10(d) is for the total amount of USAID funds obligated to the award. This amount is cumulative and should include the original obligation plus all additional modifications (if any). This should not be confused for the Total Estimated Cost.

- 10(e) is for the total funds expended. It should include any disbursements or expenses directly billed to and paid by USAID. It will typically be equal to the cash disbursements reported in 10(b).

- 10(f) represents unliquidated obligations, or expenses incurred but not yet paid for or recorded, otherwise known as accruals. This contains all outstanding amounts owed to contractors, sub-recipients, or vendors but not yet invoiced to USAID.

- 10(g) is the total accrued expenditures, which is calculated by adding the values in line 10(e) and 10(f).

- 10(h) calculates the pipeline, which identifies all obligated funds remaining for future use. It is calculated by subtracting 10(g) from 10(d).

- Unlike lines 10(a) through 10(c), the currency for lines 10(d) through 10(h) <u>must</u> be reported in U.S. dollars regardless of the currency indicated in the

award documents.

Section 10(i-o) of SF–425:
Recipient Share and Program Income
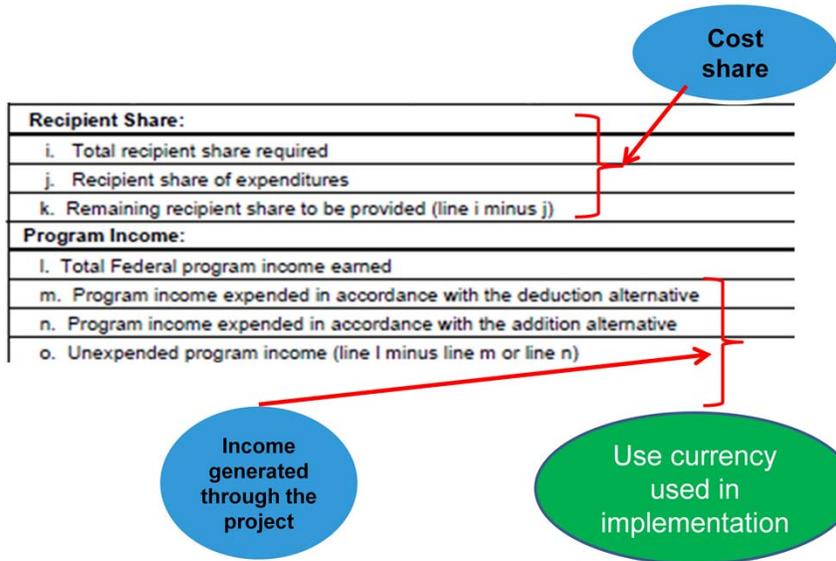
•Lines 10(i) through 10(k) – "Recipient Share" represents the awardee organization's cost share. This section is only completed if cost sharing is required by the award. Otherwise, these lines should be marked "N" slash "A" for not applicable.

• Lines 10(l) through 10(o) – "Program Income" reports the cumulative income generated by the project as a result of work performed under the award. If your award allows for program income, please refer to the detailed instructions on the OMB Line Item document included under the resources tab. If your award does not allow for program income or no income has been generated, these lines should be marked "N/A".

• Note that lines 10(i) through 10(o) must be denominated in the currency your organization uses in project implementation.

• Section 11 is completed only if charging an indirect cost rate is required by the award. Otherwise, these lines should be marked "N/A". Note that some contractors have multiple rates. You should use the one applicable to the specific award for which you're reporting.

• If charging an indirect cost rate is required, the type of rate must be identified in 11(a) such as "Provisional", "Predetermined", "Final" or "Fixed."

• 11(b) is the indirect cost rate in effect during the reporting period.

• 11(c) is the beginning and ending dates for the rate.

• 11(d) is the base amount against which the rate is applied. For example, if the award provides an indirect cost rate and was negotiated using salaries and wages, then application of the rate must be applied to a base that contains only salaries and wages.

• Finally, in 11(e), multiply 11(b) x 11(d) to calculate the amount of indirect costs charged during the time period specified.

• The Federal Share in 11(f) will equal the amount in 11(e), unless you are charging the government less than the indirect costs incurred.

• Line 12 provides an opportunity to include explanations or narrative important to the overall report. Examples may include an excess of cash on hand, pipeline anomalies, changes in the indirect cost rate, or clarification on prior report adjustments or corrections.

• Once you have finished, double-check to make sure all calculations are correct. Fill in the information of the authorized certifying official in Section 13, sign, scan, and send the form to the person indicated in your award, copying your Contracting or Agreement Officer Representative (CAOR).

SF–425: Timing

Period	Due	Covers
Quarter 1	Jan 31	Oct 1 – Dec 31 (of the previous calendar year)
Quarter 2	Apr 30	Jan 1 – Mar 31
Quarter 3	July 31	Apr 1- June 30
Quarter 4	Oct 31	July 1 – Sept 30
Final Financial Status Report	90 days after the end of the award	Entire life of award

- The ability to send a correct SF-425 on time is considered indicative of a good financial management system.

Organizations must notify USAID when they have spent 75% of obligations.

• Federal Financial Reports must be submitted in the frequency specified by the award. Typically, USAID requires quarterly submission of the SF-425.

• This Report is due to USAID no more than 30 days after the end of each of USAID's financial quarter. USAID's fiscal year begins October 1 and ends on September 30th. Therefore the typical deadlines for submission is the last day of January, April, July, and October, as shown in this chart.

•Delays in submitting a correct SF-425 may interrupt program activities due to postponed funding and invites increased oversight by USAID staff and auditors. Sending a correct SF-425 on time is considered indicative of a good financial management system.

•Note that organizations are required to notify USAID once they have spent 75% of the award's obligation.

2. Advance and Reimbursement Requests

The U.S. Government disburses funds in two ways, either by advancing funds or by reimbursing partners for expenses. The format required for making requests for advances or reimbursements is specified by your award and can be further explained by your USAID's financial management office in the country in which you work.

Advance and Reimbursement Requests - Purpose

- Facilitates compliance with strict cash management requirements

- Reconciled with USAID records to ensure accuracy in financial reporting and oversight

- Demonstrates the effectiveness of the organization's internal control system

13

• USAID is subject to strict cash management regulations and policies. Advance and reimbursement requests facilitates compliance with these requirements. These regulations and policies strengthen USAID's ability to efficiently and effectively account for the use of funds.

• Accurate and timely cash management requires a robust internal control system. Advance and reimbursement requests are reconciled with USAID records to ensure accuracy in financial reporting and oversight.

• USAID monitor's an organization's cash management ability, which indicates the quality and strength of an organization's internal control system.

- Read your award and follow guidance on which forms should be used.

COMPLETE
ACCURATE
TIMELY

- For advances, limit request to "immediate disbursing needs." ADS 636
  - Amount expected to spend in the coming month
  - Include all funding anticipated for sub-recipients
  - Reflect actual cash-flow needs and not simply annual budget divide by 12
  - Consult with sub-recipients for estimates.

14

• Awardees can submit advance or reimbursement requests on one of two forms, the SF-270 or the SF-1034. Generally, USAID prefers organizations to use the SF-1034. Please read your award and follow the instructions provided and discuss with your financial office which forms should be used.

• To ensure the continuity and success of the program, requests must be complete, accurate, and timely. For organizations requesting a reimbursement, the amount requested should reflect the exact amount spent over the period. For organizations submitting requests for an advance, the amount must be an estimate of "immediate needs" supported with a cash-flow budget.

• You should limit your requests to "immediate disbursing needs." Immediate needs typically means what the organization expects to spend in the coming month. This amount should include all funding anticipated for sub-recipient organizations during that period. Advance requests should reflect the actual cash-flow needs for the period and not simply be the annual budget divided by 12.

• Partners with sub-recipients should work together to ensure funding requests and spending are managed smoothly. Ask sub-recipients to provide monthly funding estimates. See ADS 636 on program funded advances for more information.

- This is what an SF-1034 looks like. The complete form can be accessed under the Resources tab in the top right corner of this e-module. Only those portions indicated in red must be completed. As you can see, the details are relatively basic, which is why it is important to ensure the SF-1034 is accompanied by the supporting cash-flow budget as well as a certification.

- USAID tracks and reports funding by purpose and location. An organization can help expedite processing by itemizing funding and liquidation requests using programmatic and geographical information. For example, a health award may use funding for prevention programs related to HIV, TB, Malaria, and gender-based violence – all of which may be occurring in multiple countries, provinces, or cities. Please note that the SF-1034 can each be adjusted to accommodate multiple lines.

- As previously mentioned, organizations are required to notify USAID once they have spent 75% of the award's obligation.

Cash-Flow Budget

- Support advance requests with a cash-flow budget.
- **Pipeline** – amount of funds obligated and not yet spent
- **Burn rate** – rate of how fast the previously obligated funds are being spent under the award

• For advance requests, you also need to submit a supporting cash-flow budget. This is also referred to as a pipeline analysis or burn rate. This helps USAID ensure that there is enough money available to cover your upcoming expenses and to make sure your project does not end up over budget.

•Pipeline funds are the funds that have been obligated to your project but have yet to be spent.

•The burn rate is an estimate for how fast your award's obligated funds are currently being spent and is used to estimate how long your remaining funds will last.

• In the next two slides we'll provide examples of how to do a pipeline analysis and burn rate calculation to submit with advance requests.

Pipeline Analysis

A	B	C	D	E=C+D	F=B-E	G	H=A-(B+G)
Total Estimated Cost (TEC)	Obligated Amt. to Date	Costs Incurred to Date	Outstanding Commitments	Total Expenditures	Unexpended Balance	Funding Request	Additional Funding Required to Expend TEC
$30,500.00	$20,800.00	$12,000.00	$7,800.00	$19,800.00	$1,000.00	$3,000.00	$6,700.00

- **Note**: your funding request cannot be greater than the additional funding required to expend the TEC (Column H).

17

- Here is a simplified example of a pipeline analysis, which is typically used as a reference for incremental funding for the award.
- Column A shows the Total Estimated Cost (or TEC), either original or revised, to implement the project.
- Column B shows the amount of money that has been obligated, or disbursed, to the project to date, and column C shows the costs that have been incurred by the project to date.
- Column D shows outstanding commitments that have been assumed by the project but not have not been paid for yet.
- Column E is the sum of the costs incurred and outstanding project commitments.
- Subtracting the total expenditures from the obligated amount gives you the unexpended balance in Column F. In this particular case, the organization is requesting an additional $3,000 for the next month's expenses.
- After receiving these $3,000 dollars, the organization can still request an additional $6,700 before exceeding the project's Total Estimated Cost (or TEC).
- Note, when requesting incremental funding and no-cost (or unfunded) extensions, your organization must provide rationale for the amount selected. Column H is particularly important, as your **funding request cannot be greater than the additional funding required to expend the TEC**; if it is, then the award may require a TEC increase which would

require approval by a Contracting or Agreement Officer.

Timeline and Burn Rate Calculation

Contract Term (months)	60	
Number of months (to date)	35	
Number of months (remaining)	25	
Total Estimated Cost	$2,500,000	
Total Expenditures	$1,500,000	
Average Monthly Burn Rate	$42,857	← Calculated by dividing total expenditures to date by number of months to date
Money for Future Expenditures (new funding request plus unexpended balance)	$1,000,000	← Calculated by adding unexpended balance and new funding request
Estimated # of months current money will last	23.3333	← Calculated by dividing money for future expenditures by average burn rate

- Here, 23.33 months indicates a forward funding issue. ADS 602
- If estimated # of months is < 5, then more funds may need to be obligated to the award…

- The complement to the pipeline analysis is the project burn rate, for which we have provided a simplified example here.

- In this example, the term of the contract is 60 months, and 35 months of the contract have already passed, leaving 25 months remaining.

- Up until this point, the average burn-rate, or amount spent per month, is $42,857.14. which is calculated by dividing the total expenditures to date by the number of months to date.

- Because the total estimated cost of the project is $2.5 million, we still have $1 million for future expenditures.

- By dividing this amount by our average burn-rate, we can estimate that this money will last us approximately 23.33 months.

- At any time, this number should not exceed 12-18 months of funding. Larger numbers suggest a forward funding issue, or that not the project has not requested funds fast enough to meet its needs, over the total estimated cost was too high from the start. If this number is too low, then more funds may need to obligated to the award depending upon the period of performance and other factors. For more information and guidelines on forward funding, see ADS 602.

Certification

- Authorized representative must certify accuracy. (AIDAR 752.7003)

FISCAL REPORT CERTIFICATION
"Name"
Award # AID-514-XXXX

Liquidation No. _____1_____

According to Award # AID-514-XXXXX "Name", dated XXX, 2014, I hereby request and certify that:

(2) The fiscal report shall include the following certification signed by an authorized representative of the contractor:

The undersigned hereby certifies to the best of my knowledge and belief that (i) the fiscal report and any attachments have been prepared from the books and records of the Contractor in accordance with the terms of this contract and are correct; (ii) the sum claimed under this contract is proper and due, and all the costs of contract performance except as herewith reported in writing have been paid, or to the extent allowed under the applicable payment clause, will be paid currently by the Contractor when due in the ordinary course of business; (iii) the work reflected by these costs has been performed, and the quantities and amounts involved are consistent witch the requirements of this Contract; (iv) all required Contracting Officer approvals have been obtained; and (5) appropriate refund to USAID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of this contract.

19

• Requests for payments based on reimbursements must be accompanied by a statement by an authorized representative certifying that the report and attachments are correct and that the sums claimed are proper. This requirements is based on AIDAR 752.7003. This certification statement may be included at the end of the form or spreadsheet or be prepared separately.

• Here is an a sample certification statement. We've also included it as an attachment under the Resources tab.

• A certification statement is not needed for requests for advances.

• Some missions also require a supplemental advance request form to accompany the SF-1034. Here, we've shown an example of a supplemental form often used by USAID Southern Africa. This supplemental form includes:

- • total expenses submitted to USAID prior to the request,

- • remaining advances at the date of the request,

- • period covered in which the organization intends to use the funds,

- • the amount of the advance request that should reflect the immediate case needs for the period,

- • and the period that this request covers.

• Advance requests should be received at least three weeks prior to when the cash is needed.

Liquidation/Expenditure Form

USAID FROM THE AMERICAN PEOPLE

REPORT OF EXPENDITURES
(For Liquidation Vouchers)

Total expenses submitted to USAID prior to this liquidation voucher

Grantee Name:
Project Name:
Agreement Number:
Date of Report:

Award (AID-xxx-xx-xxxxxxx)

Date you make this request

*Total of Liquidation Vouchers and Reimbursements Before New Liquidation Voucher	*Amount of New Liquidation Voucher	Period Covered by New Liquidation Voucher — The 30 or 90 day period this liquidation covers (e.g. Jan-Mar 2017)	*Unliquidated Advance Balance After New Liquidation Voucher
R 1.00	R 1.00		R 1.00

USAID cash on hand on the last day of the above liquidation

Amount of this period's liquidation

* If you are required to report by funding stream, this report will have to be adjusted accordingly.

By submitting this form to USAID, I certify that to the best of my knowledge and belief the data on this form is correct and that the all outlays were made in accordance with the award conditions.

21

Submitted with SF 1034

• Some missions also require a supplemental liquidation and expenditure form to accompany the SF-1034. Here, in this example from USAID Southern Africa, the supplemental report of expenditures form facilitates your organization's accounting for the use of USAID-provided funds. The format is very similar to an advance request form and includes:

- • total expenses submitted to USAID prior to this liquidation voucher,

- • amount of this period's liquidation,

- • the 30 or 90 day period covered by this liquidation (for example, January-March 2017), and

- • the amount of USAID cash on hand on the last day of the above liquidation.

• These reports should be submitted according to the schedule provided in your award and generally are submitted within 30-days after the conclusion of the reporting period.

Advance/Liquidation Timeline
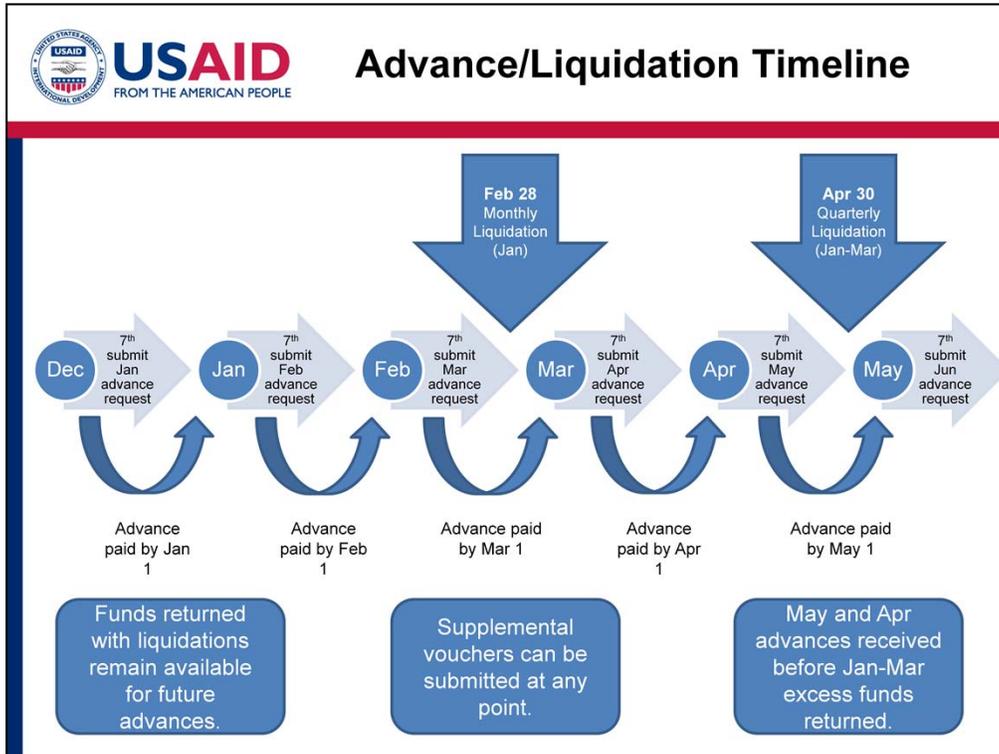
Earlier in this e-module, we mentioned that advances and reimbursements must be filed either monthly or quarterly, depending on your organization's cash needs. Liquidations for those advances or reimbursements, on the other hand, are filed quarterly. Let's look in more detail at an example advance/liquidation timeline for a project beginning in January. To receive an advance payment for January 1st, your organization must submit an advance request by December 7th. The same goes for each subsequent month – in order to receive payment on time, your request must be submitted by the 7th of the preceding month.

In the case that you overestimate the amount of funds you need for an advance, you will need to return those funds with the next liquidation. These funds remain available for future advances. Also note that supplemental vouchers can be submitted at any point.

3. Foreign Tax Report

• Let's now discuss the annual Foreign Tax Report.

• Each country negotiates its own bilateral framework agreement with the United States, which generally includes provisions regarding not taxing U.S. foreign assistance, including U.S. funds to organizations implementing projects with USAID. Tax exemptions typically include Value-Added Tax or VAT on commodities purchased in-country as well as custom duties for commodities used in USAID-funded projects.

Foreign Tax Report – Purpose

- Annual submission to monitor federal funds spent on taxes
- Informs diplomatic discussions with the host country government
- Reporting only required on commodity transactions.
- USAID requires reports even if no transactions to report.
- Sub-recipients also must track.

24

• The Foreign Tax Report helps ensure that you are using U.S. government funds for their intended purpose. USAID requires all organizations to submit an annual foreign tax report, which is consolidated with those from other U.S. government organizations in the country and used to monitor the amount of federal funds spent on taxes.

• These reports allow the U.S. government to track whether foreign governments are complying with the terms of their bilateral agreement and inform diplomatic discussions between the United States and the host country government.

• Please note that reporting is only required on commodity transactions, not services. This includes value-added tax levied on commodities and services purchased in-country and customs duties levied on commodities imported into the country for use in USAID-funded projects. VAT or sales tax levied on items purchased outside of the host country where you are implementing your USAID-funded program are not exempt. For example, if an organization purchases commodities in South Africa for use in its USAID-funded project being implemented in Mozambique, it would not be exempt from paying VAT in South Africa.

• Also note that USAID requires foreign tax reports even if you did not pay any taxes on commodities during the reporting period.

•Sub-recipients under your award with in-country purchases of US$500 or more must also track taxes paid and reimbursements received. Prime recipients must incorporate sub-recipient data directly into their reports.

- No prescribed format, but should include:
  - Name of organization reporting
  - USAID award number
  - Itemized list of transactions ($500 or more)
  - Reimbursements received during the fiscal year
  - Data from sub-recipients
- Report period: October 1 through September 30
  - Submit to USAID by April 16
- Taxes that are reimbursed should not be reported.

25

- There is not a prescribed format for the Foreign Tax Report, but should comply with the requirements established by the U.S. Embassy in the country in which you are working.
- Specific items must be included, such as:
  - the name of the organization,
  - the USAID award number,
  - itemized list of commodity transactions above $500 for which tax was paid,
  - amount of reimbursements received during the fiscal year
  - and data from sub-recipients. If an organization has multiple USAID awards, the Foreign Tax Report should itemize each USAID award number.
- The Foreign Tax reporting period is Oct. 1 through September 30 – which is the US Government's fiscal year. You should submit the report by April 16th each year.
- Some countries require taxes to be paid initially and then reimburse those taxes later. Transactions where the tax was reimbursed should not be included on the report.

Foreign Tax Tracking Log – Sample

- Sample foreign tax tracking log; two sample spreadsheets attached.

Acct. Sys. Ref. #	Date	Vendor	Description	Transaction Value (pre-VAT)*	VAT*	Project	Date Reimb. Requested	Date Reimb. Received
210	23-Oct-07	ABC Supplies	Office furniture	$1,200	$120	NPI Ethiopia	31-Oct-07	15-Jan-08
223	15-Jan-08	DEF Imports	HBC Kits	$1,000	$100	NPI Ethiopia	31-Jan-08	
235	02-Feb-08	GHI Computers	Computers	$2,000	$200	OVC Project		
236	02-Feb-08	JKL Inc.	Printer	$500	$50	OVC Project		

* You may want to track your payments and reimbursements in local currency.

26

• Here, we've shown an example of a foreign tax tracking log from the Essential NGO Guide. We've also attached two sample foreign tax tracking guides as Excel spreadsheets to this module under the resources tab. You can create a log like this for each country in which you operate; it can include all requests related to that country, even from different projects.

Foreign Tax Report – Tips

- Develop a list of exemptions and required taxes.
- Create a special code in your accounting system to track:
  - all payments of exempt taxes
  - tax reimbursement payments from the hose country government
- Establish a log that tracks the tax payment and reimbursement process.
- Work with sub-recipients to submit reports well before deadlines.
- Essential NGO Guide – Chapter 5: Reporting Requirements & Benefits

27

• Here are some practical tips to gathering data for your foreign tax reports. First, develop a list of exemptions and required taxes so that everyone in your organization involved with procurements is aware of the policy. Share this with subrecipients as well. This is particularly important if your organization works in multiple countries or is implementing a regional program.

• Create a special code in your accounting system for tracking all payments of exempt taxes. Use this code only for exempt taxes, not for legitimate taxes paid. Also create a special code in your system for tracking incoming tax reimbursement payments from the host government. Make sure you can tie the reimbursements received back to the original accounting entry that recorded the taxes being paid. This will make it easy to identify which reimbursements have and have not been received.

• Establish a log that tracks the tax payment and reimbursement process. This should document each tax payment, reimbursement request, and payment received. You may also want to make sure you have a policy for keeping copies of receipts and reimbursement requests sent to the host government or USAID office, as applicable.

• Since your sub-recipients also may have purchases of commodities or other expenditures covered by these provisions, work with them to submit their reports to you well before prior to the April 16 deadline.

• For more information on foreign tax reporting, see Chapter 5 of the Essential NGO Guide, which you can access under the Resources tab on the

top right.

4. Tips for Outstanding Reporting

28

- Finally, we'd like to provide some tips on how to prepare outstanding financial reports and avoid common problems.

You should ensure that all reports are complete, accurate, and submitted on a timely basis.

- If USAID has to return an incomplete form, this could delay your organization receiving funds. So double check your reports to ensure all required information is included and all calculations are correct.

- Also, the information should be accurate. Make sure to include costs actually incurred and paid. You should not overestimate advances.

- SF-425s and requests for advanced funds and reimbursements must be submitted before USAID deadlines for us to process payments in a timely manner.

Tips for Outstanding Financial Reports

- Engage sub-recipients/contractors early.
- Inform AOR/CORs early of budget issues.
- Remember that you are required to notify USAID when you have spent 75% of your project's obligations.
- **Read your award!**

- We suggest that you engage sub-recipients and contractors early since many reports require that prime partners gather information from them. When creating your reporting calendar, allow enough time for your sub-recipients and contractors to give you meaningful input.

- If major challenges come up, inform your AOR/COR as soon as possible. You do not need to wait to file a report to alert them to budget issues.

- Also remember that you are required to notify USAID when you have spent 75% of your project's obligations. This is to let USAID know that you are nearing the end of your project.

- Lastly, be sure to read the relevant parts of your award that describe financial reporting requirements, including when and how often to submit reports, what forms to use, and how and to whom to submit reports. During the post-award orientation meeting and throughout the management of your award, speak up and ask questions about financial reporting as they arise. The financial management office and/or your Contracting/Agreement Officer Representative (COR/AOR) can provide further guidance as needed so that you avoid common errors.

Summary

Report	Frequency
Federal Financial Report (SF-425)	Quarterly
Request for Advances or Reimbursements (SF-1034)	Monthly or Quarterly
Foreign Tax Report	Annually by April 16

Additional Resources

- NGO Financial Management Manual – includes info on Fluctuating exchange rates, Cost share, Burn rates / Pipeline, Foreign Tax Reporting
- NPI Connect: Your Cooperative Agreement (Financial Reporting)
- SF-425 Form; USAID SF-425 Federal Financial Report Process Guide
- SF-1034 Form
- USAID Financial Audit Guidelines
- Office of Inspector General – Audits

Feedback: howtoworkwithusaid@usaid.gov

31

- In this e-module, we covered how to fill out a SF-425… and a request for advances or reimbursements…, as well as information about foreign tax reports…, and provided tips on how to complete outstanding financial reports.

- This concludes our e-module on financial reporting. Here are some additional resources including links to NGO reporting tools and financial forms…

- We hope you have found the information helpful and appreciate your feedback, which may be submitted to howtoworkwithusaid@usaid.gov. Thank you for your time.

Cumulative Knowledge Check

The following questions will check how well you understood the content in this E-Module.

Instructions: Read each question carefully and select your answer before clicking "submit" and moving to the next question.

Upon finishing all of the questions, click "finish" to proceed to your results. After reviewing your results, you may decide if you have an adequate understanding of the content of this e-module.

Cumulative knowledge check!

The following questions will check how well you understood the content in this e-module.

Read each question carefully and select your answer before clicking "submit" and moving to the next question.

Upon finishing all of the questions, click "finish" to proceed to your results. After reviewing your results, you may decide if you have an adequate understanding of the content of this e-module.

1. Check all boxes that apply to the federal financial report (SF-425). (Hint: 4 are correct):
a. Submitted on a quarterly basis
b. Helps determine whether the expenditures are aligned with the implementation of the project and how quickly funds are being used
c. Demonstrates a partner's understanding of their financial management responsibilities
d. Must include supporting documents
e. May be submitted on one form for multiple USAID awards

2. Match the following statements regarding the correct currency form to use in sections of the SF-425:
a.   Sections 10(a-c) (Federal Cash) … currency indicated in the award.
b.   Sections 10(d-h) (Federal Expenditures and Unobligated Balance) … US$.
c.   Sections 10(i-k) (Recipient Share and Program Income) … currency used in implementation.

3. When submitting financial requests, partners should do the following things except:
A) Submit reports on time
B) Submit complete and accurate forms
C) Calculate advance requests by dividing the annual budget by 12 (Answer: Advance requests should reflect the actual cash-flow needs for the period and not simply be the annual budget divided by 12.)
D) Accurately estimate advances

4. Fill in the blank. Organizations are required to notify USAID once they have spent ___(75%)___ of the award's obligation.

5. Check the boxes for the correct statements regarding foreign tax reports:
a.   Reporting only required on commodity transactions
b.   USAID does not require reports if no transactions to report
c.   Foreign tax reports should be submitted by April 16
d.   Report should include the organization name, USAID award number, and itemized list of commodity transactions above $500 for which taxes were paid
e.   Data from sub-recipients is not needed

33

This E-Module was produced by the United States Agency for International Development.

This project includes the past collected efforts by the New Partners Initiative, Capable Partners Program, and USAID Staff.

USAID is appreciative of all the individuals who contributed their time and ideas towards the development of this e-module series.