

CHAPTER 2

LETTER OF CREDIT

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020101. Department of Health and Human Services' (DHHS) Payment Management System (PMS). NASA uses the DHHS/PMS method of payment in administering letters of credit. Recipient requests for funds are submitted through the PMS system. Cash requests are processed directly from the recipient's personal computer into PMS where, after successful negotiation of the System's edits, the transaction is written to tape and forwarded to the Richmond Federal Reserve where it is electronically transmitted to the recipient organization's financial institution the next business day.

020102. The Department of Health and Human Services will contact recipient organizations and provide instructions on requesting funds through the Payment Management System. If a recipient organization reports that it has not been contacted by DHHS, a determination shall be made as to whether or not the recipient should have been contacted, i.e., whether or not the DHHS has had enough time to process the recipient organization's forms. If the recipient's concern is valid, Unit 2 of the Recipient Financing and Cash Management Branch (DHHS), should be contacted in order to inquire about the status of the recipient's account.

020103. Payment Management System Coordinator. The PMS Coordinator, located in NASA Headquarters, Office of the CFO (OCFO), is the point of contact for resolution of operational problems. The PMS Coordinator is responsible for:

- A. Ensuring that each Center is properly charged for its recipients' drawdowns. Centers are billed by the OCFO through the Intragovernmental Payment and Collection System (IPAC) each month.
- B. Reconciling Centers' and Department of Health and Human Services' data.
- C. Distributing PMS reports.
- D. Assisting Centers with recipient registration.
- E. Acquiring and maintaining registered initials.
- F. Coordinating activity between Centers and DHHS.

020104. Consolidation of Funding to the Same Recipient Organization Under One Letter of Credit. All advance financing to the same recipient organization shall be combined into one letter of credit by the Center. The letter of credit shall include all advance payment grants and contracts awarded to a recipient.

020105. Assigning Letter of Credit Number. Letter of credit numbers are 10-digit identifiers composed of three sections: (1) four zeros; (2) Accounting Installation Number (AIN); and (3) 4-digit sequential letter of credit number. Letter of credit numbers should not be duplicated.

020106. Letter of Advance. Recipients are notified of award authorization actions by a letter of advice. A cognizant authorized certifying officer shall sign the letter. The letter of advice should contain, at a minimum, the following information:

- A. The recipient organization's name and address.
- B. The recipient organization's Entity Identification Number and the NASA-assigned letter of credit number.
- C. The amount and effective date of the initial or amended authorization.
- D. For initial authorizations, the recipient shall be informed that payments will be made under DHHS/PMS.
- E. Certification that the authorized amount will be available as of the effective date of the initial authorization or amendment.

020107. Service Charges. NASA Headquarters compensates DHHS Division of Federal Assistance Financing on a monthly basis via the Treasury's Intragovernmental Payment and Collection System (IPAC), for maintaining NASA recipients on PMS. Charges are based on the number of active NASA award authorizations. Each Center shall develop policies and procedures that ensure the most efficient use of these systems in order to minimize Agency expenditures.

020108. Transactions. Centers will be billed monthly through the IPAC under Agency Location Code 80-00-0087 for recipients' drawdowns. Centers with letter of credit drawdowns will report such activity on their monthly Statement of Transactions (SF 224) submission.

020109. General Ledger. To properly account for advance financing and related transactions, Centers will maintain appropriate general ledger accounts. Subsidiary accounts will be established and maintained by Centers in sufficient detail to support the general ledger control accounts.

020110. Closing Letters of Credit. A recipient's letter of credit account shall be closed if the Center has no plans for awarding additional grants or contracts to the recipient organization. Centers shall forward a letter to the PMS Coordinator to indicate:

- A. A notification that the recipient's award authorization has been closed.
- B. A request for closure of the recipient's account.
- C. Signed by the cognizant certifying officer.

020111. Reopening Recipient Accounts. Closed accounts shall be reopened by requesting, in writing, that the PMS Coordinator have the account reopened (the letter should be signed by a certifying officer).

020112. Final Report/Closeout. A final Federal Cash Transactions Report (SF 272) shall be submitted in paper form within 90 calendar days after the expiration date of a grant or contract. The final SF 272 pertains only to the completed grant or contract. The report shall be marked "Final" and shall include total disbursements from inception through completion. Upon receipt of a final grant or contract expenditure report, the OCFO shall request that the appropriate Grant or Contracting Officer initiate closeout procedures. NPR 5800.1 requires that recipients promptly refund any balances of undisbursed cash that NAS has advanced to them that are not authorized to be retained by the recipient for use in other projects. When outstanding advances exist and are to be collected from recipients on completed grants, the amounts should be reclassified as accounts receivable and the collection procedures set forth in FMR Volume 14 040105 should be followed.