

CHAPTER 3. ADMINISTERING LETTERS OF CREDIT

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CHAPTER 3. ADMINISTERING LETTERS OF CREDIT

3.1 OVERVIEW.

- 3.1.1 The purpose of this chapter is to define the administration of Letters of Credit by National Aeronautics and Space Administration (NASA) in terms of policy authorities and references, responsibilities, and requirements.

3.2 POLICY.

- 3.2.1 NASA policy is to use the Department of Health and Human Services' Payment Management System (DHHS/PMS) method of payment in administering letters of credit. This method ensures timely payments to the recipients. Recipient requests for funds are submitted through the PMS system from the recipient's personal computer into PMS. After successful negotiation of the system's edits, the transaction is written to tape and forwarded to the Richmond Federal Reserve. The Federal Reserve makes the electronic payment to the organization's financial institution the next business day.
- 3.2.2 Under NASA policy, the DHHS provides instructions to the recipients for requesting funds through the PMS.

3.3 AUTHORITIES AND REFERENCES.

- 3.3.1 Department of Treasury Circular No. 1075, (Fourth Revision, Appendix 1). This Circular is designed to improve the timing of cash advances.
- 3.3.2 Treasury Financial Manual, Volume I, Part 6, Chapter 2000, as revised. This manual requires that cash withdrawals occur only when essential to meet the actual disbursement needs of recipient organizations.
- 3.3.3 Office of Management and Budget (OMB) Circular No. A 110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations.* The purpose of the OMB circular is to achieve uniformity in recipients' financial reporting to Federal agencies.
- 3.3.4 DHHS/PMS, whose mission is to provide grant-type payments, cash management, and grant accounting support services to HHS and other Federal agencies.

3.4 ROLES AND RESPONSIBILITIES.

- 3.4.1 Agency Chief Financial Officer (CFO)/ Deputy CFO. Shall ensure that NASA and recipients meet NASA/DHHS/PMS Letters of Credit requirements.
- 3.4.2 Recipients Organizations. Shall comply with NASA/DHHS/PMS requirements when utilizing Letters of Credit for grants and agreements with NASA.

- 3.4.3 Center CFOs and the NASA Shared Services Center (NSSC) shall:
- A. Consolidate funding for the same recipient organizations.
 - B. Assign Letter of Credit Numbers.
 - C. Notify Recipients of award authorizations.
 - D. Determine NASA compensation to DHHS for processing service charges.
 - E. Process Monthly billings and transactions.
 - F. Handle General Ledger accounting for advances, letter of credit financing, and related transactions.
 - G. Prepare closing Letters of Credit in accordance with DHHS procedures.
 - H. Reopen Recipients accounts as required by DHHS.
 - I. Prepare Final reports and close outs.
 - J. Review Responsibilities and Requirements for Handling Letters of Credit, Appendix B of NASA Financial Management Requirements of this Volume 14, which provides additional details on roles and responsibilities.