



**THE GOVERNMENT OF HONDURAS
FISCAL ACCOUNTABILITY PLAN (FAP)**

PREPARED BY

THE HONDURAS THRESHOLD PROGRAM

MCA H –THRESHOLD PROGRAM and the Assistance of the FISCAL AGENT UNIT

June 2015, Official Version

August 2017, First Approved Amendment

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I. ACRONYMS

ATEC	Acronym in Spanish for Funds Transfers between Accounts Counter-Code.
BIP	Acronym in Spanish for Integrated Project Portfolio.
CBH	Central Bank of Honduras.
CPS	Common Payment System.
EUIL	Executive Unit for International Loans.
FA	Fiscal Agent.
FAP	Fiscal Accountability Plan.
FAU	Fiscal Agent Unit.
GAO	General Accounting Office of the Republic.
GDPC	General Directorate of Public Credit, SEFIN.
GDB	General Directorate of Public Budget, SEFIN.
GDR	General Directorate of Revenue.
GTR	General Treasury of the Republic.
F-01	Form for Expense Execution.
F-02	Form for Income Accounting.
F-07	Form for Expense Execution Modifications.
F-CUT-02	Form for Prioritize Payments.
F-PFC-01	Form for Request EU- Commitment Quota.
F-PFC-01	Form for Request - Commitment Quota.
F-TEC-01	Form for Funds Transfers between Accounts.
F-UAP-15	Form for Logic Framework.
F-UAP-11	Form for Disbursement Request.
ITS	International Treasury Services
MCC	Millennium Challenge Corporation.
MCA-H	Millennium Challenge Account - Honduras.
MCDR	Monthly Commitments Disbursements Report.
OABN	Acronym in Spanish for GAO National Assets Administration Office.
OBL	Organic Budget Law.
PMU	Project Management Unit.
PPP	Public Private Partnerships Project
SEFIN	Acronym in Spanish for Ministry of Finance.
SIAFI	Acronym in Spanish for Integrated Financial Administration System.
SIGADE	Acronym in Spanish for Foreign Debt Management Administration System
SPS	Secured Payment System.
STA	Single Treasury Account.
TSC	Acronym in Spanish for Tribunal Superior de Cuentas.
UDEM	Acronym in Spanish for Modernization Unit, SEFIN.
ULAB	Acronym in Spanish for Local Asset Administration Unit of each Ministry.

II. OVERVIEW.

The purpose of this Fiscal Accountability Plan is to establish general standards and procedures for executing the Grant Agreement signed between the Government of the Republic of Honduras and the Millennium Challenge Corporation (MCC), toward the transparent, appropriate, and efficient use of allocated funds. No financial or procurement transaction shall be made contrary to the requirements or proscriptions in the Grant Agreement, the law of MCA Honduras, Program Guidelines, or any other supplementary agreement or document including this Fiscal Accountability Plan.

The Fiscal Accountability Plan shall be annually or other as agreed revised and expanded. Any such revisions shall be made by mutual agreement between MCA-H (with assistance of the Fiscal Agent), and MCC, and subject to prior no-objection from MCC.

This document establishes and defines the necessary processes to manage the funds, including rules for the reception of funds, protection and custody of funds, disbursement, budgetary controls, currency conversion, management of assets, information exchange, travel regulations, employees' compensation policies, reporting and monitoring of relevant activities. A Grant Agreement disk is attached to this Plan with SIAFI manuals and procedures, and detailed and complementary information on each process and procedure identified in this Plan.

The Ministry of Finance (SEFIN), as Fiscal Agent, has the responsibility of assuring that functions are performed in accordance with the agreements reached in this Fiscal Accountability Plan. A MOU between MCA-H and The Ministry of Finance (SEFIN) defining the FAU duties has been agreed and is in force. The MOU is attached to this FAP for reference.

SEFIN will use the Integrated Financial Administration System (SIAFI) for executing MCA-H financial and accounting transactions in a timely and cost-effective manner and in conformity with solid and professional technical, financial and administrative practices required for the successful provision of its services and in accordance with internationally accepted financial management and accounting principles and practices.

The financial administration implemented through SIAFI, including budget, execution and reports will be based on the Organic Budget Law and its Regulations (where applicable in accordance with the Grant Agreement) technical standards, processes and procedures and SIAFI operational manuals.

SIAFI comprises the budget, public credit, human resources, treasury, and accounting systems and the Project Management Unit systems. The objective is that SIAFI will constitute a management system, that will use computerized information flows to replace documents, and will operate through the Single Treasury Account to pay suppliers and beneficiaries of State contracts, directly into their banks accounts, thus achieving greater efficiency in payments, in terms of times and procedures.

MCA-H will have direct access to SIAFI in order to record operations. The access will allow MCA-H to perform modifications between budgetary lines, as well as to receive records and approval of commitments, and payment orders.

III. AUTHORIZED PARTIES.

MCA-H:

The individuals authorized to act on behalf of MCA-H in all aspects related to bidding processes, procurement and financial administration of MCC Funds are the individuals designated to occupy the following positions:

- The General Director of MCA Honduras Program Management Unit.
- The Director of Finance and Administration of MCA Honduras.
- The Threshold Director of MCA Honduras.
- The MCA-H Procurement Director or Specialist manages the procurement process for the, for the Threshold Program (Public Financial Management Project, Public-Private Partnerships Project, Program Administration and Control, and Monitoring and Evaluation).

FISCAL AGENT:

The individuals authorized to act in representation of The Fiscal Agent are described in ANNEX A

IV. SIAFI (INTEGRATED FINANCIAL ADMINISTRATION SYSTEM).

SIAFI comprises the budget, public credit, human resources, treasury, and accounting systems and the Project Management Unit systems. The objective is that SIAFI will constitute a management system, that will use computerized information flows to replace documents, and will operate through the Single Treasury Account to pay suppliers and beneficiaries of State contracts, directly into their banks accounts, thus achieving greater effectiveness in payments, in terms of times and procedures.

Financial administration, including budget, execution and reports will be based on the Organic Budget Law, its Regulation, Technical standards, processes and procedures and SIAFI operational manuals. SIAFI will produce opportune and pertinent financial and budgetary reports that MCA-H will be able to use for decision making processes concerning resources management.

The system enables control over the use of resources on the part of the internal and external audit entities. MCA-H will have direct access to SIAFI to record operations. The access will permit MCA-H to apply modifications between budgetary lines, as well as to register and approve commitments and payment orders.

SIAFI is backed-up on a daily basis. Daily back-ups are consolidated and stored on magnetic tapes on a weekly basis, and weekly back-ups are consolidated and stored on magnetic tapes on a monthly basis. The monthly back-up magnetic tapes remain under security storage as historical documentation for information recovery in case of disaster. Weekly back-up magnetic tapes are reused after a period of two months.

V. MCA-HONDURAS FINANCIAL EXECUTION STRUCTURE.

5.1 BUDGET STRUCTURE.

In the structure established by SIAFI for financial execution, MCA-H will be identified as a **Decentralized Entity acting through the Ministry of the Presidency with Code “31”, named Millennium Challenge Account-Honduras, by its acronym MCA-H**, the funding source will be identified with Code 28“**Millennium Account**”, and will be related to Financing Entity 127 named “**United States of America**”, allowing also the creation of other structures needed to implement the activities of MCA-H, such as counterparts of municipal funds, contributions from other external sources of financing, etc.

The budgetary classification will be registered by Program, (equivalent to Component) sub-program (equivalent to Sub-component), Project (equivalent to activity), and Activity/Works (equivalent to task).The budget shall have the classification as detailed in Annex B.

5.2 ADMINISTRATIVE STRUCTURE.

Several MCA-H staff members will have a user account that will grant those levels of access and authorities as follows:

- The General Director, or on his/her absence, the Director for Administration and Finance or the Chairman of the Board will have an “Institutional Head Profile” and as such will be responsible for setting objectives and strategic results for the institutional efforts, on an annual and multi-annual basis.
- The Director of Finance and Administration will have a “*Administrative Manager Profile(Program Administrative Unit, PAU)*”and is responsible for the overall administration of the budget, identification of budget categories (subprograms, projects, and works), and management of human resources, materials and general services including procurements, in coordination with Threshold Director.

VI. BUDGET.

6.1 BUDGET INCORPORATION - BUDGET FORMULATION.

The budget formulation process is divided into two parts:

- a) Estimation of Revenues, and
- b) Programming Expenses.

Both procedures will be carried out by MCA-H with the assistance of the Fiscal Agent to ensure compliance with the Grant Agreement¹and with National Legislation when applicable. The Multi-year Financial Plan will be adjusted according to advances in the implementation of the work plans and to the results of the Monitoring and Evaluation Plan. The Director of Finance and Administration of MCA-H with the assistance of the Fiscal Agent shall prepare a detailed financial plan on a rolling quarterly basis. For the purpose of financial plans and disbursement requests the quarter shall begin on the first day of January, April, July and October. The Project Directors shall be responsible for the development and submission of information requested by the Director of Finance and Administration for the detailed financial plan.

¹ See Budget Modifications Manual Page 43

MCA-H Program Management Unit is responsible for the budget formulation in SIAFI:

- a) It will register the strategic and operational objectives defined in the logical framework of the project.
- b) It will allocate resources according to institutional budget caps, and
- c) It will identify the necessary inputs for the achievement of prioritized objectives, with the assistance of technical personnel assigned by the Fiscal Agent to expedite internal procedures within SEFIN and SIAFI.

Activities to be Completed Prior to Budget Incorporation:

6.1.1 Budget Formulation at the MCA-H PMU:

The Detail Financial Plan presents the Annual Expense Plan of the Program which is approved by MCC through the Disbursement Request approval. Pursuant to the guidelines established by the MCA-H Board, the Director of Finance and Administration shall allocate resources according to the budget caps established in the annual expense plan; he/she will identify the “Millennium Challenge Account” as the funding source (Code 28) and, will request approval from the General Director of MCA-H PMU. Once approved by the General Director, the First Draft of the Annual Budget is entered by the Director of Finance and Administration.

6.1.2 Budget Approval:

Once MCA-H has formulated the budget in the SIAFI System, the Fiscal Agent (through the GDB) will incorporate it into the First Draft of the Annual General Budget of Revenues and Expenses of the Republic, verifying the budgetary balance. Subsequently it goes through the different steps of budget approval which are:

- (i) Budget recommended by the Minister of Finance,
- (ii) Budget recommended by the Council of Ministers, and
- (iii) Approval by National Congress.

It is important to mention that, by law, budget modifications may be proposed to the budget by each one of the aforementioned entities (i, ii, iii). For these changes to become valid, they must be compliant with the Grant Agreement and its Supplementary Agreements.

6.2 BUDGET MODIFICATIONS

Budget adjustments shall be made in accordance with terms of the Procurement Plan, Detail Financial Plan, Work Plan and others related of the Grant Agreement. A request for adjustments to budgets at the Project Activity level shall be part of the quarterly MCC Disbursement Requests, subject to approval of the MCA-H Board and MCC. Adjustments to budgets at the Activity/Task level require approval only from the Director of Finance and Administration and the General Director, unless the Board otherwise requests from time to time the right to have a prior approval.

Adjustments to Program Project/Activity budgets shall be authorized according to the following procedures:

- Adjustments among Project Activities shall be initiated by the relevant Threshold Director or the Director of Finance and Administration, approved by the General Director, MCA-H Board and MCC through the quarterly Disbursement Request.

- Adjustments among Project Tasks shall be initiated by the Threshold Director and approved by the Director of Finance and Administration, and the General Director, (and, if so requested by the MCA-H Board; provided that such approval by the Board is not requested, such changes shall in any event be communicated to the Board on a periodic basis).

Management indicators shall always be reviewed when performing budget modifications.

Each modification of the budget shall be documented and signed by the appropriate staff and shall be communicated to the Board in writing on a periodic basis if such communication is required by applicable regulations. The original of the modification document shall be kept by the Director of Finance and Administration. Upon obtaining required approvals, the Director of Finance and Administration shall make corresponding changes to the Detailed Financial Plans and Multi-Year Financial Plan. Adjustments to the detailed financial plans shall be performed in the SIAFI by the Director of Finance and Administration.

In addition, budget modifications in SIAFI are normally initiated by MCA-H or by an EU according to the type of modification.²

6.3 REGISTERING THE GRANT AGREEMENT IN SIAFI.

The Monitoring and Evaluation Unit will be responsible for recording the “Log Frame” (F-UAP-15). The Log Frame sets forth the general and disaggregated objectives that shall be accomplished, according to the Grant Agreement Structure, and determines verifiable indicators, means of verification, assumptions and intermediate indicators, for each structure.

The Administration and Financial Office will be responsible for recording the “Agreement Structure” documents (F-UAP-10) as well as the “Financial Plan, in order to identify the components, subcomponents, activities and tasks and in addition record their relationship with the budget structure of the program that will be financed with MCC Funds into the system.

The Director of Finance and Administration will be responsible for providing information for the Financial Plan and approving all records entered by the Analyst and the Director of M&E into SIAFI.

6.4 INCOME EXECUTION – DISBURSEMENTS.

6.4.1 Opening and Management of MCA-H Bank Accounts

Two **Permitted Accounts** in the name of SEFIN-Millennium Challenge Account THRESHOLD PROGRAM (SEFIN-Programa Umbral Cuenta del Desafio del Milenio in Spanish) shall be opened at the Central Bank of Honduras (CBH), one in U.S. Dollar (USD) and will be designated **Special Account/USD**. This will be the account to which MCC shall transfer disbursements according to the payment requests approved by the Common Payments System (CPS). Bank accounts at CBH do not generate interest nor does CBH charge bank fees.

Funds provided by MCC must not be co-mingled with any other funds from any source whatsoever, except as prescribed by MCC.

²See Budget Modifications Manual

Two MCA-H sub-accounts shall be established in the Single Treasury Account to execute MCA-H program payments. One sub-account shall be a U.S. Dollar (USD) denominated account and the other sub-account shall be a Lempira denominated account. These two sub-accounts shall be preferably zero balance accounts (funds are only transferred for payments of the day) to which funds shall only be transferred to support valid payment requests. When balances in these accounts are required, it will be in minimum amounts to prevent rejection of payments due to insufficient funds because of fluctuations in currency exchange rates. However, a small balance may be kept in the form of Working Capital. Working Capital are subject to MCC's approval; this subject is treated fully in another section of this FAP.

The Fiscal Agent officials with signatory authority on and primary responsibility for the Permitted Account and the Collecting Account are:

- The Minister of Finance
- The General Treasurer of the Republic
- The Deputy General Treasurer of the Republic, when delegated by the Treasurer

6.4.2 MCA-H Disbursement Requests to MCC.

No Disbursement Request shall be executed unless in accordance with the Grant Agreement, including Section 3.2 sub section thereof, any other Supplemental Agreements, the Program, and the required authorizations as defined in this Fiscal Accountability Plan.

- Disbursement Requests shall be made in accordance with the Disbursement Agreement on a quarterly basis but special requests may be submitted if Program requirements support such special requests. Disbursement Requests shall outline the cash needs over the next quarter and include an estimated breakdown of cash requirements in total on a monthly basis for the next quarter.
- Once the Disbursement Request is approved by MCC, MCA-H will request cash transfers as needed according to payment requests.

6.4.3 Preparing Disbursement Requests.

6.4.3.1 MCA-H, with the assistance of the Fiscal Agent, shall estimate the amount of cash needed for the next quarter. In preparing the Disbursement Request, MCA-H shall consider:

- Cash estimates of the next quarter of the detailed budgets as submitted by the Executing Units and the relevant Directors.
- Other revenues/Incomes.

6.4.3.2 SEFIN certifies the Disbursement Request as established in the Disbursement Agreement and returns it to MCA-H.

6.4.3.3 The MCA-H Board shall approve the Disbursement Request

6.4.3.4 MCA-H sends the Disbursement Request to MCC.

6.4.3.5 MCC analyzes the Disbursement Request and, if in agreement, will issue spending authority for the quarter.

6.4.3.6 In accordance with the Common Payments System (CPS) procedures MCC will transfer funds to the corresponding **Special Account** at the Central Bank of Honduras through a SWIFT. This credit will appear in the bank extract of the Central Bank of Honduras on the day the funds transfer is received.

6.4.3.7 MCC notifies MCA-H of the disbursement by e-mail to the following addresses:

- Marco A. Bográn – General Director of MCA Honduras, mbográn@mcahonduras.hn
- Roberto Meléndez - The Director of Finance and Administration of MCA Honduras, rmelendez@mcahonduras.hn
- Evelyn Bautista - The Threshold Director of MCA Honduras, ebaustista@mcahonduras.hn

6.4.3.8 The Central Bank of Honduras must send, directly to SIAFI, a daily electronic file with the Balances and Movements of MCA-H accounts to the Fiscal Agent, in the form defined in the system for Automated Bank Reconciliation.

6.4.3.9 The Director of Finance and Administration verifies in SIAFI that the credit records has an approved F-02 Form (Income Execution), generated automatically by the Automated Bank Reconciliation Process. If there are any expenses for bank commissions, he will prepare the F-01 form “Expense Record”. From that moment, funds will be available for payment of expenses.

6.5 FINANCIAL PROGRAMMING³.

Once the Procurement Plan is approved by MCA-H Board of Directors and MCC and MCA-H, the executing units will be responsible for its execution.

6.5.1 Requesting a Commitment Quota – Executing Units.

When applicable, the executing unit (EU) under MCA-H shall request Quarterly Commitment Quotas, which will be consolidated by the MCA-HPMU and submitted to SEFIN, considering their projected spending requirements and the corresponding Procurement Plan for the relevant quarter. Therefore the request of commitment quotas remain centralized under the PMU.

6.5.1.1 The EU Commitment Quota will be requested electronically by the MCA-H Accountant/Budget Analyst through SIAFI using an F-PFC-01 form.

6.5.1.2 SIAFI will verify if the total amount of the Requested Commitment Quota exceeds the budget credit balance assigned, if it does, the request will be rejected by the system and the user must then modify the data.

6.5.1.3 At the end of the quarter, the balance of the commitment quota that was not used is zeroed out. Nevertheless any outstanding balance can be reprogrammed to next quarter.

Each EU should submit their Quarterly Commitment Quotas requests to MCA-H Accountant/Budget Analyst before the 15th of the month prior to the beginning of each quarter, in order for the requests to be processed by MCA-H PMU. The amount requested should be modified according to MCC approval of the disbursement request for the period.

³Treasury Manual – Financial Programming.-PROCEDURES: Requesting a Commitment Quota.

6.5.2 Requesting a Commitment Quota at the MCA-H PMU.

Based on the requests of the Executing Units, MCA-H PMU will prepare the final request for the General Treasury of the Republic ten days (10) prior to the beginning of each quarter. The amount requested should be modified according to MCC approval of the disbursement request for the period.

6.5.2.1 The MCA-H Accountant/Budget Analyst will request through SIAFI the EU Commitment Quota on the screen with the F-PFC-02 form.

He/she may modify the amounts requested by the EU, for the parts corresponding to the MCA-H PMU and if in agreement he/she verifies them.

6.5.2.2 The system will verify that the total amount of the Requested Commitment Quota does not exceed the balance of the budget credit assignable to MCA-H, if it does, the system will reject the request and the user must then modify the data.

From that moment the commitment quota requests will be available for approval of the MCA-H Director of Finance and Administration.

6.5.3 Commitment Quota Request– MCA-H PMU Approval.

The Director of Finance and Administration of MCA-H PMU is responsible for approving the Commitment Quota Requests for MCA-H PMU. Upon approval of the Director of Finance and Administration, the document is ready for the Financial Programming process at the General Treasury of the Republic.

If the Director of Finance and Administration does not agree, then the process goes back to the previous step for review and adjustments.

MCA-H will notify the FAU once the quota request is finished.

6.5.4 Financial Programming (Programming Commitment Quotas).

6.5.4.1 The FAU analyst will review the commitment request against the last updating of the Expenditure Plan, verifying that both coincide. In the event the request is not consistent with the Expenditure Plan, the Analyst will contact the MCA-H PMU to clarify the reason for the discrepancy.

6.5.4.2 Prior to processing the Commitment Quota Request, the Head of the Financial Programming, acting under the GTR, will confirm with the FAU personnel the consistency between the commitment quota and MCA-H Expenditure Plan. In case of a positive answer, he will enter the system through the screen with the FPFC-03 form.

6.5.4.3 The Head of Financial Programming can manually modify the amounts requested. If the requested quota exceeds the annual appropriation in the budget, the amounts should be modified, if not, the system will mark it as rejected. If he agrees with the request, he will verify the commitment quota in the system.

6.5.4.4 The Head of the Financial Programming will also be able to see on the screen the amounts corresponding to Available Credit, Assignable Credit, Commitment Quota of the Previous Quarter, and Balance of the Previous Commitment Quota that was not used for each funding

source and type of expense that is programmed. He may also consult the Commitment Record report for which he shall check the respective buttons and write down the information search parameters.

6.5.4.5 After the Head of Financial Programming has concluded the analysis process of Commitment Quota requests, the system will enable the approval of the quota programming by the General Treasury of the Republic.

6.5.5 Allocating Commitment Quotas.

The General Treasurer of the Republic is responsible for approving Commitment Quota Programming for Central and Decentralized Institutions. For this purpose he will enter the SIAFI system on the screen displaying the F-PFC-03 forms, pending assignment and ordered by Institution and Administrative Department.

The General Treasurer shall analyze the information included in each request. If he agrees, he will check the "ALLOCATE" button, which approves the commitment quotas for the corresponding quarter. By checking the allocation the quotas will be available at the Administrative Departments to be distributed among the corresponding Executing Units by the MCA-H accountant/budget analyst.

If at that time the amount of the quota exceeds the credit amount that can be allocated, the system will not allow the allocation and will go back to the initial step of this procedure to analyze and modify data

6.6 EXECUTION OF EXPENSES – BUDGET RECORDS⁴.

The MCA-H PMU will periodically prepare the Procurement Plan, based on the provisions of the Procurement Agreement and the Grant Agreement. The Procurement Plan will be analyzed, adjusted and approved by the MCA-H Board. Upon approval of the Board, the Procurement Plan shall be sent to MCC for approval.

The MCA-H PMU will be responsible for implementing the Procurement Plan approved by MCC.

Support documentation required for each step of process for execution of expenses is listed in Annex C.

6.6.1 Pre-Commitment (Requisition).

The Executing Unit or relevant MCA-H staff will prepare a Requisition Note that specifies the description and the quantity of the works, goods and services to be procured and the method of procurement based on the approved Procurement Plan. The Executing Unit or relevant MCA-H staff shall submit the Requisition Note with a cost estimate and brief description of the basis for the requested works, goods or services to the Procurement Director or Specialist. For Project procurements, the Procurement Director or Specialist in consultation with the relevant Project Director or Specialist shall review the Requisition Note to ensure it complies with the Procurement Plan and the Work Plan. If it does not comply, the Procurement or Specialist shall notify the relevant Executing Unit.

The Director of Finance and Administration or the designated staff shall record the amount of the procurement request as a Pre-commitment in SIAFI. If the request exceeds the budgeted amount, the

⁴Accounting Manual Procedures: Expense Execution (F-01).

Director of Finance and Administration shall notify the initiator of the Requisition Note and the Procurement Director or Specialist.

Once the Requisition Note has been authorized by the competent party in MCA-H, the following recording processes for the Pre-commitment stage in SIAFI, is necessary:

Prepare and Verify (Auxiliary Accountant).

6.6.1.1 MCA-H PMU Auxiliary Accountant (Accounting Office user profile) receives the approved Requisition Note for which he/she shall record the corresponding fund reserve in the system.

With this data the system verifies if there is an available credit balance. If the answer is positive, it will allow the user to continue. The system will generate the F-01 "Expense Execution" and will record the budget execution at the pre-commitment stage.

6.6.1.2 The MCA-H PMU Accountant (Head of Accounting Profile) must enter the system and review and approve the F-01 form for, "Expense Execution" for pre-commitment.

Individuals defined to execute these roles may change according to what is defined in 6.6 Execution of Expenses – Budget Records.

See Section XVIII for the Procurement process.

6.6.2 Commitment (Award of Contract).

Once a procurement action is completed and a contract is awarded, the amount of the contract to be expended per year shall be recorded as a commitment for the corresponding quarter in SIAFI.

6.6.2.1 MCA-H PMU Auxiliary Accountant (Accounting Office user Profile) receives the requests from the Executing Units to commit resources according to agreements for purchase of or contract for goods, works and/or services already established and shall record the commitment stage in the system.

The system will verify the existence of a commitment quota and if the pre-commitment were a lower amount, it will verify the existence of a budget credit. If the commitment quota exists and there is credit available the system allows the user to continue. The system will generate the F-01 form "Expense Execution" Commitment and will record the commitment stage, thereby reserving the commitment quota.

6.6.2.2 The MCA-H PMU Accountant (Head of Accounting Profile) enters the system, reviews the Form and if in agreement approves it.

By checking approval the system will do the following:

- 1) Approve budget execution in the commitment stage
- 2) Substitute the pre-commitment if the original amount is less.
- 3) Reduce the Commitment Quota available balance.

MCA-H will record the F-01 Form in the commitment stage once it has a purchase order, contract, procurement award and a duly signed credit notice based on the application of the

Purchase and Contracting processes requested by the MCA-H Executing Unit, or the appropriate documentation or legal transaction of payment obligation.

6.6.3 Accrued (Invoice).

- The supplier/provider shall send the original Invoice to the relevant Executing Unit or relevant Project Director for payment with a copy to the Director of Finance and Administration.
- The Executing Unit or other appropriate MCA-H staff shall ensure and certify that the goods have been supplied and the works and services have been provided in accordance with the terms of the contract.
- The relevant individual in the EU of MCA-H shall record the Invoice in SIAFI, with a reception date. The Director of Finance and Administration shall notify the relevant Executing Unit and relevant Project Director indicating the date when the 30 day payment period starts. The relevant Executing Unit shall submit the Supporting Documents to the relevant Project Director or else a Rejection letter explaining the reasons for rejecting the Invoice.
- The Threshold Director shall check that the Invoice and the Supporting Documents comply with the Contract or else the reasons for rejecting the Invoice are justified. If there are any discrepancies or the Supporting Documents or Rejection letter have certain errors the Threshold Director shall notify the relevant Executing Unit and the Director of Finance and Administration. If the Threshold Director is satisfied, the Threshold Director clears the set of Invoice and Supporting Documents or Rejection letter and submits to the Director of Finance and Administration.
- The Director of Finance and Administration shall check that the Invoice and the Supporting Documents comply with the Contract and that the request complies with the financial plan, and notify the Project Director if any deviation or discrepancy is found. If the Director of Finance and Administration is satisfied, the FAU prepares and signs a Payment Request Form (PRF) and the Director of Finance and Administration records his approval in SIAFI (See 6.6.3.2 and 6.6.3.3). If applicable, and under normal circumstances, the submission to SIAFI shall be made at least five (5) days prior the end of the 30 days payment period.
- In cases of procurement of equipment's or software obtained by MCA-H to be transferred to other Government entities, MCA-H shall use the specific line item within the corresponding group

Once the purchase is already made, MCA-H must make an in-kind donation to the recipient government party. This in-kind donation must be carried out in the MCA-H system as an inventory exit and the goods shall be charged to government entity that corresponds.

- Once the Invoice is recorded in SIAFI and prior to accepting any approval of the payment, the Fiscal Agent shall compare the payee to the excluded parties' lists Guidance on Excluded Parties Verification Procedures in MCA-H Program Procurement Guidelines, to confirm that the payee has not been added to the lists since the date of contract award.

In the case of any deviations or discrepancies, the Fiscal Agent shall issue to the Director of Finance and Administration, Threshold Director an exceptions report describing such deviations or discrepancies, with a copy to the MCC Threshold Director, and cancel payment.

Recording invoices in SIAFI.

6.6.3.1 MCA-H PMU Auxiliary Accountant (Accounting Office User Profile) or the relevant individual of the Executing Unit receives the invoice from the vendor/supplier/contractor which he/she shall record as an expense execution. The system will generate an F-01 Form “Expense Execution Accrued” and will record the execution at the accrued status stage.

6.6.3.2 The MCA-H PMU Accountant (Head of Accounting Profile) is responsible for approving the F-01. Following approval SIAFI will:

- 1) Record the payment as accrued.
- 2) Update the accrued column of the accrued withholdings
- 3) Generate a double-entry line item in the General Ledger

6.6.3.3 The MCA-H Director of Finance and Administration, or in his absence the General Director (Administrative Manager Profile) enters the system, in the “F-01” and if in agreement, electronically signs the document. This will enable the F-01 for prioritization and payment at the GTR.

Consistent with OBL Article 87⁵, the MCA-H Finance and Administrative Director, or the person he delegates, will be responsible for authorizing payments.

MCA-H will record the F-01 Form at the accrued stage, when it obtains the report or certificate of delivery of goods in due form, issued by the Executing Units and the delivery of invoices, receipts, respective delivery notices of each one of the beneficiaries (suppliers, consultants, contractors, etc.) stating the beneficiary’s bank account registered in the SIAFI system.

6.6.3.4 For F01 “Expense Execution” using a Multi-Funding Source Form, (Ex. Agreed Compensation for the MCA-H Staff) will be processed according to the SIAFI Execution Manual, generating individual accounting registers for each source of funding.

6.6.3.5 For the implementation of the Common Payment System, the Fiscal Agent and MCA-H will abide where applicable, the current Policies and Procedures of the Common Payment System of MCC, allowing MCA-H and the Fiscal Agent to submit to MCC the payment request for deposit in the corresponding Special Account at the Central Bank of Honduras, wherefrom payments will be processed as established in Sections 6.6.4 Process of Transfer Between Accounts, and 6.6.5 Payments of this Fiscal Accountability Plan.

6.6.3.6 If applicable, once the F.01 has been entered in the accrued signed stage, the Fiscal Agent will identify from the SWIFT number (non USA banks) or an ABA number (USA Banks), as well as from the bank address, if the vendor’s bank is a bank of the United States of America, or not a bank of the United States of America.

6.6.3.7 Pursuant previous number 6.6.3.5, the Fiscal Agent will prepare either a US or non-US Bank Payment Request Form following the procedures established in Section 7.2 of the Policies and Procedures for the Common Payment System of MCC, and in both cases, the Office of the

⁵Annex-18 STA, Annex-19 STA)

Treasurer of the United States will make a transfer to the corresponding Special Account at the Central Bank of Honduras, from which payments will be performed according to what is set forth in Sections 6.6.4 Process of Transfers Between Accounts, and 6.6.5 Payments.

6.6.3.8 The Fiscal Agent will prepares the forms of Payment Request Form (PRF), enters the project and activity codes in to the payment request forms according to the MCC Project/Activity Code Structures provided by the MCC Division of Finance, and two MCA-H's members: the Threshold Director and Director of Finance and Administration will sign the Payment Request. In case of absence of the Threshold Director or Director of Finance and Administration, the PRF can be processed with the signatures of General Director or Deputy Director of MCA-H.

The Fiscal Agent converts the Payment Request Format already approved and signed by both parties (if applicable) into PDF, and upload it in the IBC Server by entering through the address <https://sftp.mcc.gov>. The staff member of the Fiscal Agent Unit will have a user and a password in order to load disbursement requests in this server.

6.6.4 Process of Transfers between Accounts. (F-TEC-01)

Once the disbursement has been credited in the corresponding Special Account at the Central Bank of Honduras and the Automated Bank Reconciliation has been processed, the MCA-H Special Account will have a balance available to generate transfers to the corresponding MCA-H Paying Account in the Single Treasury Account.

6.6.4.1 Once the invoice has been received, recorded in SIAFI and signed, and funds are available in the corresponding Special Account at the Central Bank of Honduras, the MCA-H PMU Financial Administration Director will enter SIAFI to prepare a "Funds Transfer between Accounts Request" for the exact amount required to execute prioritized payment orders, and will select:

- Origin Bank Account (MCA-H corresponding Special Account at the Central Bank of Honduras) where the withdrawal or debit will be recorded.
- Destination Bank Account (MCA-H Paying Account in the STA) in USD or Lempira according to the currency in which payments must be executed, where the credit will be recorded.

The transfer will be made only after approval from GDPC. If the approval is not given before the time agreed with Central Bank of Honduras for Transfers between Accounts the funds transfer will be automatically cancelled. The transfer between accounts would then have to be prepared again by Director of Finance and Administration of the MCA-H PMU.

6.6.4.2 .Before the approval in the document F-TEC01 must be:

6.6.4.2.1 Reviewed by the Fiscal Agent Unit (FAU) of a transfer of funds between accounts, the information, records and balances of bank accounts and sub-accounts. For this propose, the system can generate a **floating debt report** that shows the F-01 signed in accrued state, with the same due date as the transfer.

If is in agreement, the FAU Analyst will check the "REVIEW" button, if is not it will check the "REJECT" button. The "REVIEWED" mark enables the General Director of Public Credit to check the "APPROVED" button.

6.6.4.2.2 The General Director of Public Credit at SEFIN is responsible for approving the transfer of funds between the MCA-H accounts (F-TEC-01), and in his/her absence, the Deputy Director of Public Credit will assume this function

With the approval the system will do the following:

- a) Check as approved the record of debit in the origin bank account and in the record(s) of the corresponding sub accounts bankbooks.
- b) Check as approved the record of credit in the destination bank account and in the record or records of the corresponding sub accounts bankbooks.
- c) If the accounting account of the origin account and the accounting account of the destination account are different, the system will generate a double entry in the general ledger.

6.6.4.3 The process will continue by sending the files to the Central Bank of Honduras, the authorized user at the Payments Department of the General Treasury of the Republic, to process this function it will be necessary to enter the “Send Files” menu, and the system will request to place the operator’s fingerprint or digital signature on the corresponding device. The system will verify if the user has the required authorization and will allow the user to send the generated file, if the user is not validated; the system will deny the operation.

The user will push the Send Files key and the system will:

- a) Carry out the second Encrypting of the file and will check the delivery of files of funds transfers between accounts.
- b) Will record the date and time of transmission to the Central Bank.
- c) Will update the status of the F-TEC-01 and the bank accounts and sub-accounts records to “sent”.

6.6.4.4 The Central Bank of Honduras will receive the files contained in the F-TEC-01 Funds Transfers between Accounts and will automatically:

- a) Decrypt the file.
- b) Record the debit for each one of the transfers in the bank extracts of the origin bank account (Central Bank of Honduras - Special Account).
- c) Record the credit in the bank extract of each destination bank account for each funds transfer (STA).

The accounting book entry will record the transaction reference code, the same number of the corresponding F-TEC-01 voucher and the amount in currency of the account, and if the currency is not the national currency it will record both currencies, according to the purchase or exchange rate.

6.6.4.5 SIAFI will automatically receive the files with the results of the Funds Transfers between Accounts, and will automatically enter the “Receive Response of Funds Transfer” menu; the process of reception of information from the CBH will perform the following:

- a) If the Funds Transfers between Accounts were carried out, the CONFIRMED mark will be registered in each MCA-H bank account and sub account bankbooks, as well as in the related F-TEC-01.

- b) In the event the Funds Transfers between Accounts were rejected, the error code must be indicated and the following will occur:
- Mark the F-Tec-01 as rejected
 - For each F-TEC-01 that has been rejected a credit will be recorded in the respective origin bank account and sub account with the ATEC reference code, which represents a counter code
 - For each F-TEC-01 that has been rejected a debit will be recorded in the respective bank account and sub account of the destination account with the ATEC reference code, which represents a counter code.
 - If double entry line items have been carried out, the counter double entry line items will be carried out in the accounting.

6.6.5 Payment.

6.6.5.1 The FAU Analyst will deliver to the GTR Payment Analyst a print of the unpaid documents, indicating which payments must be prioritized and the form of payment. The authorized user (GTR Payment Analyst), in order to prioritize the Institution 31, must enter the menu “Payment Prioritization” and select the payments that the UAF has requested to prioritize.

The total import must be equal to or less than to the actual balance in the selected paying bankbook. Once the prioritization is verified, the system is restored so that the General Treasurer of the Republic shall grant the required approval.

6.6.5.2 The General Treasurer of the Republic of Honduras, as authorized Representative of the Fiscal Agent is responsible of approving the prioritizations carried out.

By checking the approval, previous validation of the existing payment quota and available balance in the bank account, the system will automatically and simultaneously generate the following:

6.6.5.2.1 The Payment method, in this case a bank transfer.

6.6.5.2.2 The budgetary execution at the time of the payment.

6.6.5.2.3 The double entry line item in the accounting for the payment carried out.

6.6.5.2.4 The debited amount in the Bank account of the STA in the corresponding bankbook.

6.6.5.2.5 If appropriate, it will update the column of payable amounts of the accrued withholdings.

6.6.5.2.6 The credited amount in the withholdings bankbook.

If the payment is partial, it will verify that the payable amount generated is not greater than the non-paid balance of the **F-01** or selected document.

If the payment method is generated in U.S. dollars and there is an exchange rate differential, the system will automatically generate a regulating F-01, with the same characteristics as the original and will distribute the differential proportionately among the document line items.

6.6.5.3 The system will automatically generate files, grouping bank transfers by paying bank. These files will be sent to the Central Bank of Honduras, authorizing it to debit the bank accounts or the STA.

During this process, the system will automatically assign a unique transaction number to each generated file and will carry out the first encrypting. Files will remain in a **“Generated”** and **“Encrypted”** status, so they cannot be viewed or modified. The process will continue by sending the files to the Central Bank of Honduras (CBH).

6.6.5.4 The authorized user (delegated by the General Treasurer of the Republic), will enter the “Send Payments” menu, where the system will request he/she place her fingerprint or digital signature on the corresponding device.

The user will push the **“Send Payment”** key and the system will carry out the second encrypting of the file and check the dispatch of the bank transfers files

The system will automatically update the status of bank transfers to be **“Sent”**.

6.6.5.5 The Central Bank of Honduras will receive the files with the bank transfers sent by the GTR, decrypt them, and will follow the instructions indicated in the GTR files, and it will send the corresponding file to each Paying Bank.

6.6.5.6 Each Paying Bank will receive a file with the details of the bank transfers and will remove the encrypting of the file and carry out the indicated operations. Will then encrypt the file with the transaction results and send the CBH the result of the transaction carried out.

6.6.5.7 The Central Bank of Honduras will receive the files of the Paying Banks with the results of the bank transfer process and will do the following:

- a) decrypt the file.
- b) If the files present errors in the transaction result, it will record a debit in the bank extracts of the reserve accounts of the Paying Bank and a credit for each File with an error in the bank extract or the GTR account(s).
- c) Encrypt and sent the files to the GTR.

6.6.5.8 SIAFI will automatically receive the files containing the results of the bank transfers, and will automatically and will perform the following:

- If the Bank Transfers were confirmed by the Paying Banks, the system will record them as confirmed payments and their status will change to “confirmed”.
- If the Bank transfers were rejected, the error code must be indicated and the corresponding reversions, counter entries and annulments must be carried out.

6.6.5.9 Payment beneficiaries (Suppliers) will have a direct access password to SIAFI through Internet. SIAFI will allow beneficiaries the possibility to access information, via Internet, related to:

6.6.5.9.1 Payments made, such as:

- Number of F-01 form or other documents
- Amount, number and date of invoices that are being paid;

- Date of Credit in their bank account

6.6.6 Procedures for International Payments.

Once the prioritization of payments has been concluded by the General Treasurer, the Payment Department of Treasury will print the Notice for Purchase of Foreign Currency (in the case of International Payments) which is automatically generated by the system with the approval of the prioritization, and will remit document to the Treasurer for signature and then to the CBH.

The International Department of the CBH is then responsible for the execution of the Bank Transfer. CBH will deduct the cost of the Bank Transfer from the Notice for Purchase of Foreign Currency.

6.6.7 Direct Payments and the Common Payment System (CPS).

During the opening and closing periods of the Fiscal Year (budget cycle), in which SIAFI is not enabled to perform payments, or in exceptional cases in which MCA-H and the Fiscal Agent define the need to perform a direct payment through the CPS, the procedure to be applied will be the following: MCA-H will provide the FAU Analyst with all necessary documentation and information to prepare the payment request.

The FAU Analyst will prepare the corresponding payment request form (either a Non-US Bank Payment or a US Bank Payment) incorporating all necessary details to deliver payment to the final beneficiary. The Payment Request Format will be prepared by the Fiscal Agent Unit and two MCA-H's members: the Threshold Director and Director of Finance and Administration will sign the Payment Request. In case of absence of the Threshold Director or Director of Finance and Administration, the PRF can be processed with the signatures of General Director or Deputy Director of MCA-Hand will be upload it into the IBC server using the site <https://sftp.mcc.gov>.

Upon payment confirmation and once the SIAFI data base is opened to the new fiscal year execution, MCA-H will proceed to record it and to execute the corresponding payment regularization.

6.6.8 Disbursement and Payment Regularization:

The disbursement made by MCC and paid direct to the payee's bank account will not reflect movement of funds in the special account bank book nor a previous register of an F.01 in SIAFI therefore a regularization of the income received and the expense paid will be required.

MCC (or the ITS, when applicable) shall send a Notification or Disbursement Notice to MCA-H, as well as a copy to the FAU Analyst in order to have it processed along with the Income and Expense Record generated by this payment.

The user at the Accounting Office shall enter the SIAFI screen "Income Record one single source" To prepare an F-02 form. The system will identify the Institution and Administrative Management Unit, and will request the following:

- **Type of Format:** With Budgetary Payments or Extra Budgetary Payments.
- **Type of Document:** Original.
- **Type de Execution:** Normal.
- **Type of Registry:** Press "In-kind"
- **Disbursement Modality:** The system will automatically register "in-kind".

The user will continue registering:

Support document:

- Type:
- Number
- Date: the one corresponding to the Notification or Disbursement Notice.

Financing:

- Source of Financing: Indicating the one that corresponds.
- Financial Organization: Indicating the one that corresponds.
- BIP: Integrated Project Portfolio
- SIGADE: Number of the Donation in the SIGADE system.
- Section: Indicating the one that corresponds.
- Number of Loan or Donation Agreement: Indicating the one that corresponds.

Amounts:

- Currency: the one that corresponds.
- Currency Amount: the one appearing in the check box.
- Exchange Rate: Purchase or Sale.
- Date: same as that one in which payment was performed by the Financial Organization.
- Amount: the system selects the one corresponding to the specific date

Budgetary Payments or Accounting Account:

- Line of Income or corresponding Accounting Account.
- Beneficiary of Transfer: equal zero.
- Amount: Indicating the one that corresponds.

Summary: Indicating the Beneficiary of the direct payment

Due to the absence of movement, the Origen Account shall not be registered. The F-02 In-kind Income Records will never be reconciled and it will present a Confirmed Status.

SIAFI will then automatically enable a loading screen for the regularization of the F-01 “Expenses Execution Record”, which, in order to establish the relation between the corresponding expense and the service or good provided, must be verified and shall have a Support Document backing the operations Without Movement of Funds.

Type of Record: Regularization.

Support Document: the user will select it from the corresponding table.

Type of Expense: if budgetary, the one corresponding to the element or service provided.

Source of Financing and Funding Organization: the one appearing in the F-02.

Currency: the one that corresponds.

Beneficiary: the one that corresponds.

Budgetary Allocation or Accounting Account: the one that corresponds.

Amount: the one that corresponds.

Total Affected: the one that corresponds.

Amount to be paid: Must be the same as the Total Affected.

Deductions: Equal zero.

Retentions: Equal zero.

Summary: The one that corresponds.

The F-01 generated must be equal to the amount appearing in the In-kind F-02.

Once the process has been completed, the user shall press the “Verify” button. The system will then:

- Generate the F-01 corresponding to the loaded data.
- Assign a unique Correlative Number to the F-02 form and register the user name and the verification date.

The moment the Head of the Accounting Department approves the F.02 “In-kind Income Record”, the associated F-01 will be simultaneously approved and will be marked as associated.

a) If the registry is Budgetary, the approval will generate:

- The income budgetary record at the Accrued and Received stage.
- The budgetary expense record at the pre-commitment, commitment accrued and paid stages.
- The double entry line item accounting operation.

b) If the registry is an Extra Budgetary Payment, only the double entry line item accounting operation will be generated.

The system will automatically register the name and last name of the Head of the Accounting Department, as well as the date of approval.

It is necessary to emphasize that in this type of record it will be possible to indistinctly use a Budgetary F-02 with an Extra Budgetary Allocation F-01 or vice versa, or both budgetary or Extra Budgetary Allocation, in all cases the type of registry will always be an “In-kind” F-02 , and for the associated Regularization F-01 a corresponding “In-Kind” F-02.

6.7 EXTRA BUDGETARY PAYMENTS.

6.7.1 Extra Budgetary Payments.

For F-01 “Extra Budgetary Payments” the same process used to generate F-01 “Payments with Budgetary Allocation” will be followed. The payment will be recorded to a transitory account, according to the type of payment to be done and will generate a receivable which will remain on the financial records until the change of status from “Extra Budgetary Payment” to “Payment with Budgetary Allocation” has been made.

The principal cases in which extra budgetary payments will be used are:

- Guaranty Deposits
- Justified and Approved Emergency payments with no available credit within the budget (budgetary modification in progress).

6.8 TAXES.

For the tax exoneration the Government will ensure that the Grant Agreement is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges as stated in Section 2.5 Taxes.

The Government and MCC may enter into one or more agreements setting forth the mechanisms that the Government will use to implement the tax exemption required by Section 2.5 of the Grant Agreement

Examples of taxes, duties, levies, contributions exemptions will be: through purchase order exemption for IVA taxes, customs exemption for equipment and exemption payment of interest generated in banking account when applies.

For such purpose, the Government will establish, maintain and update as necessary a system to track all Tax exemptions, Taxes assessed and paid, and reimbursements of VAT taxes (and any other Taxes) by the Government as required in order to monitor full compliance by the Government with Section 2.5(b) of the Agreement and any relevant Supplemental Agreement, and to determine whether such Tax exemptions are being fully and fairly implemented and administered, and whether any Tax assessed and paid contrary to the Agreement and any Supplemental Agreement is being promptly and fully refunded in accordance with the Agreement and any Supplemental Agreement.

SEFIN (the FAU Analyst), immediately notify MCA-Honduras, with a copy to MCC, of any failure by the Government to timely administer such Tax exemptions or promptly reimburse such Taxes. A Tax reimbursement shall not be deemed “promptly reimbursed” if such reimbursement is not paid within thirty (30) calendar days after the date of the reimbursement request by the Fiscal Agent.

SEFIN (the FAU Analyst) shall be entitled to utilize the Tax exemption certificate delivered to MCC pursuant to the Grant Agreement and any Supplemental Agreement in its efforts to monitor exemption, payment and reimbursement of Taxes.

In those instances where tax reimbursements must be refunded, the GTR will directly process payment transfers from the sub account in the STA to the applicable vendor or contractor.

In the case of Suppliers/Contractors requiring to process tax reimbursements, they shall present a request (dully justified and accompanied support documentation) for MCA-H authorization, and proceed to present the corresponding tax reimbursement request to the Executive Directorate of Revenue. In order to expedite resolution for the request submitted, MCA-H and the FAU Analyst shall provide assistance to the Supplier/Contractor during this process.

6.9 REFUNDING EXPENSES.

In the event of a cash refund for the total amount or a partial payment of this amount and when the operation recorded needs to be annulled, a Global or partial reversion of an F-01 form will be requested. To record a reversion the system will require the submission of an F-07 form and to check the type of reversion and the time of the “global” or “partial” payment. Expense refunding will always require the number of the deposit slip⁶.

The global reversion process will generate the following in the system:

- If it is an F-01 with budget charge (allocation), it will deduct the record of budgetary pre-commitment, commitment, accrued and paid, it will increase the budget balance and increase the balance of the commitment quota if the reversion is carried out in the same period of the original record and will generate a double entry counter line.
- If it is an F-01 with no budgetary charge (with no budget charge (allocation)), it will only generate the double entry line item.

⁶ Expense Execution Module \Expense Execution Manual, Reverting Payments.

- It will increase the balances available in the banks if there is a refund.

VII. BANK RECONCILIATION.

7.1 SIAFI SYSTEM RECONCILIATION.

Once the Central Bank of Honduras Bank Statements are received, in the format established by SEFIN, the Automated Bank Reconciliation will be performed. The objective is to obtain the available balances of the Special Account, the Collecting Account and the balances of the Paying sub Accounts in the corresponding Single Treasury Account, and reconcile the operations recording credits and debits.

The bank account statements should be reported in the e-format established by the Fiscal Agent for the daily Automated Bank Reconciliation.

The GTR Banking Reconciliation Department is responsible of this operation and for verifying and solving the operations that are not automatically reconciled.

7.2 MANUAL BANK RECONCILIATION (Bank Statement to Accounting Records in SIAFI).

In a daily basis, FAU reviews the bank transaction statements and if any transaction is not posted, requests to the General Treasure Office (Department of Bank Reconciliation) to reconcile it.

The Fiscal Agent shall designate a person, other than the bank signatories, to perform the reconciliation of Special Accounts at the Central Bank of Honduras and MCA-H sub-accounts in the STA to accounting records no later than ten (10) days after the end of month, or as otherwise agreed to upon the request of MCC. Discrepancies shall be followed up on a timely basis.

The FAU Analyst will send the bank reconciliation to MCA-H immediately upon completion and to MCC upon written request.

7.3 MONTHLY BANK RECONCILIATION.

Additional to the daily SIAFI system reconciliation (Section 7.2) and manual bank reconciliation, a monthly bank reconciliation is prepared 15 calendar days after month end, MCA-H reconciles the two Permitted Accounts: Special Account/USD and Special Account/Lempiras, according to the monthly Bank Statements and SIAFI reports: payments to vendors, bank cash balance, bank transactions. Bank reconciliation is carried on by the Auxiliary Accountant (Accounting User Profile), review by Accountant and approved by the Director of Finance and Administration.

VIII. CURRENCY CONVERSION.

All MCC funds will be held in the Special Accounts at the Central Bank of Honduras in U.S. Dollars or in Lempira until immediately prior to executing payments. The CBH will apply the purchase exchange rate for operations from an account in U.S. dollars to an account in Lempira and if it is applicable the sell exchange rate when the operation goes from a Lempira account to a U.S. dollar account (currency sales).

Currency conversions shall be tracked and managed consistent with the Grant Agreement and Supplemental Agreements, including the MOU and other written Agreements between MCC and MCA-H.

MCA-H will record and update any Exchange rate contract revaluation at the Monthly Commitments Disbursements Report (MCDR).

MCA-H will draw all funds from IBC on Payment Request Forms using the charge code “NA” (i.e., the activity is unspecified at the time of withdrawal). At this time the withdrawal is always in USD. Such funds will be routed only to the Permitted Account. MCA-H will then perform the necessary conversion into Lempira as stated in the paragraphs immediately above. As these funds are spent (and therefore moved out of the Permitted Account) their use must be reported to MCC, and the appropriate activity charged each month, on the monthly MCDR report in only column 2a of the report.

When the data in column 2a of the MCDR is recorded subsequently by IBC it causes a reduction of the “NA” balance (“NA” is a prepaid expense on MCC books) and an increase in the expenditures associated with the activity. IBC will then send a new CPS report to MCA-H (or MCA-H may request one) which should depict the changes in balances.

Because of this procedure MCA-H will no longer, or will seldom, use column 3a of the MCDR report, and there will no longer be any tiny classified (to an activity) amounts remaining in the Permitted Account. Any amounts remaining in the Permitted Account that were the result of currency conversions still maintain their characterization as “NA”. These amounts will be treated on the MCDR in the bottom section “Oracle-MCA NA/NA Balance Reconciliation Schedule” and reconciled accordingly. Ordinarily this will result in a small bank account balance showing at the bottom of the MCDR (in the Reconciliation Template, lower right side). Further, these amounts should be spent as soon as possible (by applying to the payment of a new invoice) and then reported on the MCDR. In effect, these amounts constitute Working Capital (see later section in this FAP on Working Capital).

IX. ACCOUNTING

9.1 ACCOUNTING POLICY

MCA-H is responsible for Program Implementation and is the sole authority for authorizing expenditures. MCA-H is also responsible for the submission of all documents required in connection with payment as outlined in this FAP. MCA-H shall file and archive the original documents that support expenditures, obligations and payments.

The Fiscal Agent will ensure that the SIAFI financial and accounting system possesses all the required and necessary functionality in order to properly account for and report on all MCA-H transactions. The Fiscal Agent will also be responsible for ensuring that the SIAFI complies with the all necessary internal controls have been established and are working.

For all accounting records, the Single Chart of Accounts, issued by the General Accounting Office of the Republic, will be used. If any accounts need to be added or revised, MCA-H shall submit a request to the General Accounting Office stating the rationale of the request.

The Fiscal Agent shall ensure that all accounting transactions are recorded on a gross basis, except error corrections.

9.2 WORKING CAPITAL

For the purposes of this FAP, Working Capital are defined as a limited amount of funds residing in the Permitted Account which will be held briefly for an eventual use as noted below. MCA-H may maintain a limited amount of for Working Capital the purpose of meeting specific defined needs, that is to say, needs that typically do not qualify for the customary 30 day payment time. Such immediate needs may include: travel advances, some utilities, compensation to the agreed positions included in Grant Agreement, payments to some small vendors and minor payments when IBC is closed.

The maximum balance necessary will be calculated by the fiscal agent/MCA-H from time to time and must be approved by MCC Fiscal Accountability Department and incorporated in this FAP. For the avoidance of doubt, Working Capital is a subset of spending authority. Working Capital is currently set at maximum \$25,000. Working Capital must be drawn from IBC using a standard Payment Request Form which is charged to the code "NA" (i.e., the activity is unspecified). The eventual use of any such funds must be reported to MCC, and the appropriate activity charged each month, on the monthly MCDR report (such entry is made only in column 2a of the report).

Payments to vendors who are subject to the customary 30 day payment rules, who have bank accounts, and/or typically accept payments by wire, are not to be paid from Working Capital.

Working Capital are not Petty Cash and may not be held in the form of cash at the MCA-H offices even if secured in a safe.

X STAFF MANAGEMENT:

10.1 GENERAL CONTRACTUAL ARRANGEMENTS

Implementing Entities

FAU- SEFIN

The Fiscal Agent Unit Analyst shall be engaged through Consultancy service contracts that shall be approved by MCA-H. Such contracts shall be in accordance with Honduran Public Contracts Law and regulations as long as this does not contravene any provisions of the Grant Agreement and Supplemental Agreements and this Fiscal Accountability Plan. For the avoidance of doubt, any labor of the FAU-SEFIN under such a Consultancy Service contract is paid from sources other than the Grant Agreement.

- The Consultancy service contracts shall identify the person engaged, the date, the terms, including duration, fees, scope of work, and any other responsibilities under the agreement and shall be signed by the appropriate persons.
- All personnel actions shall be approved by the General Director of MCA-H. Any action regarding the engagement or termination of the key staff and of any employee to be hired by the Fiscal Agent must be agreed to by MCA-H in advance.

MCA-H

- MCA-H staff shall be engaged through Consultancy service contracts. Such contracts shall be in accordance with Honduran Public Contracts Law and regulations as long as this does not contravene any provisions of the Grant Agreement and Supplemental Agreements and this Fiscal Accountability Plan. The Consultancy service contracts shall identify the person engaged, the date, and the terms, including duration, fees, scope of work, benefits and any other responsibilities under the agreement. Engagement of key personnel identified in the Grant Agreement shall be approved by MCC. All personnel actions shall

be approved by the General Director. Any action regarding the engagement or termination of the General Director and key personnel listed as Directors must be approved by MCC in advance.

Overtime and leave accumulation shall be established and authorized by a staff's direct supervisor, and reported to the General Director. There is no payment compensation for overtime work, but such hours of work can be reported so as to compensate temporary absences, which would otherwise be counted against annual leave. Overtime recognition and leave authorization shall be solicited through a written request, on annexed format called "Leave and Absence Request" (ANNEX D).

The staff for the accountable entity to implement the Grant Agreement it is classified as Contractors, in three categories (i) directors (ii) professionals/ technicians and (iii) support- will be subject to the regulations described above and to the internal directive issued by the General Direction through memoranda and notes addressed to the Administration and Finance Unit. The directors and professional/technical contractors will be categorized according to the classification adopted from the Classification System of the World Bank in Honduras (see Annex F) and will be incorporated to the Program through contracts for consultancy services. The support staff will be subject to regular work contracts

10.2 PAYROLL

The MCA-H Director of Finance and Administration shall receive from Executing Unit a monthly payroll sheet properly prepared and authorized, and invoices for all required payments of staff.

MCA-H Director of Finance and Administration will check the compliance of the payroll with the monthly budget and payroll tax requirements, and process for timely payment.

Implementing Entities:

The FAU in SEFIN

- The FAU Analyst, regardless of position, are required to use and complete when applicable a "Leave and Absence Request" in order to accurately record vacation or travel time. Requests appropriately authorized (signed) by the staff member's direct supervisor (i.e. Head of Department, Executing Unit Director of MCA-H) shall be submitted to the person executing duties of Executing Unit Human Resources Manager no later than the last working day of each month.

MCA-H:

- The Auxiliary Accountant or the Human Resources Office (when applicable) shall make a **Summary Payroll Sheet** for all of the members of the staff and their corresponding payroll in that month and present to the Director of Finance and Administration.
- Staff's payroll shall be presented by the General Accountant for approval of the Director of Finance and Administration.
- MCA-H based on the approved payroll the Auxiliary Accountant records the payroll in SIAFI for payment to each of the staff listed which will follow procedures outlined in 6.6.3 – 6.6.5 for executing payments in SIAFI.
- Payment shall be available to all staff before the end of the month.

10.3 PAYMENTS AND BENEFITS FOR THE PROFESSIONAL/TECHNICAL STAFF.

Develops the Grant Activities, require the coordination, technical, administrative and financial support and the Grant will support compensation for the following MCA-H positions (each an “Officer” and collectively, “Officers” at the Accountable Entity:

- General Director; (25%)
- Legal Counsel; (25%)
- Finance and Administrative Director (25%)
- Procurement Director;(25%) or Procurement Specialist; (100% for one year duration starting at the hiring date, and 25% thereafter)
- M&E Specialist (100%)
- Threshold Program Director; (100%).

The payment of such compensation, whether the whole (100%) or a part for any individual, is subject to the availability of budget in the Program Administration line of the approved Schedule A of the Quarterly Disbursement Request Package.

To register the percentage(in the cases of 25%) of support to be charged to the Grant for the approved staff, MCA-H will record the invoice in SIAFI (Section 6.6.3.4)using the F.01 Multi Funding source form, which will generate a F.01 for each funding source applied, meaning that one F.01 will be generated by SIAFI to register the percentage charged to the Grant, and other or others F.01 will be generated for SIAFI to register the remaining percentage of the other funding sources covering the expense, up to complete the 100% or the full payment.

For the Officers noted immediately above under section 10.3 whose salaries are either wholly or in part financed by the Grant, all matters related to the total amount to be paid in professional fees, or pertaining to licenses, schedules of working services, and disciplinary regime for all the professional and technical staff and the directors, will be regulated in the professional work contracts and through the directives issued by the General Director in memoranda and notes.

Increase of Professional Fees in the case of Contract Renewal:

The professional/technical personnel described in Section 10.3 could be awarded an increase in the amount being paid as professional fee, in case the General Director, with prior MCC approval, decides to renew the respective annual Consultancy service contracts. This increase will be calculated according to indications of the General Director, as of the evaluation date for professional/technical staff as well as directors, and it will be granted based on performance. The increases can be defined quarterly, bi-annual or annually by the General Director based on the reports provided by the direct contractor’s supervisor or, in the case of the directors, based on the evaluation of the General Director of each Director. The evaluation to award an increase to the Threshold Director and for all the positions financed in full by the Grant Agreement will be subject to MCC’s approval. Dispositions in this section will be applied proportionately to those contractors not having reached the end of a working year. The payment of such increases is subject to the availability of budget in the Program Administration line of the approved Schedule A of the Quarterly Disbursement Request Package.

XI. MANAGEMENT OF ASSETS.

Assets: are the holdings representing the wealth of the owner, whether an individual or society. Real assets include equipment, buildings, land and assets. Among financial assets are bonds, net worth, cash and bank deposits.

Use of Assets: National Use of Assets are all elements or set of elements that together can directly or indirectly support whether partially or totally a state public service, they have a relatively significant purchase value and are not deteriorated in their first year of use. In addition it must comply with the characteristics established under NO-CGRE-01 Standard for Asset Inventories.

All assets procured with Grant Agreement funds will be registered in the National Assets Administration System according to provisions set forth in the National Assets Manual. This system is managed by the General Accounting Office of the Republic and has the following functions:

- Produces the accounting registers and inventories of Public Property of the Central Administration.
- Establishes and supervises application of regulations and procedures related to use assets in all public agencies.
- Trains, advises and conducts the activities necessary for the correct administration of property by the different entities of the public sector.
- Addresses the administrative processes of movements with State property pursuant to the ascription delegated by law, especially related to high, low transfers, donations, discharges, losses, inventories, and the general verification of compliance and intervention in administrative actions with State property.

Assets acquired with Grant Agreement funds shall only be used in furtherance of the Grant objectives and shall not be made available for the personal benefit of an employee or consultant. This policy applies to employees and individual consultants hired directly by MCA-H who are paid with Grant Agreement funds.

MCA-H must assure compliance of the technical pre requirements established under NO-CGRE-01 Standard to take Inventories under paragraph 6.2, before initiating inventory activities.

1. The MCA-HPMU Financial Administrative Director, will undertake the necessary actions to take an initial physical inventory, according to the specifications of the GAO, for which the forms stated under PR-CGRE-02 Procedure to fill the Official Form for Taking Inventories must be filled out.
2. Once the forms are completed, the ULAB will make photocopies of each format file of the initial inventory (FCGR –01) and will distribute them as follows:
 - Original copy for the exclusive file of the respective ULAB.
 - Copy 1: For the security file of the respective ULAB.
 - Copy 2: To deliver to the OABN of the General Accounting Office of the Republic
 - Copy 3: to be delivered to the person responsible of using the asset or to the corresponding public servant, who shall sign the copy as received according to means available.

The ULABs must keep in different and reliable places the original copy and the support copy before described.

The ULAB personnel will carry out the digitalization process in the computer application.

Inspector staff of the OABN will review that the digital input corresponds exactly to the inventory cards that were signed and will order approval of the MCA-H Inventory Card.

Once the electronic files have been created, the computer system will create the corresponding bar codes for each asset.

The personnel will label all assets with the bar codes. For assets that due to their nature cannot be labeled with the rectangle label consult NO-CGRE-01 Standard for taking Inventories under paragraph 6.6.

Disposal of the Fixed Assets:

- When a Fixed Asset is damaged or becomes obsolete the employee responsible for the use of the asset shall fill out a **Fixed Asset Disposal Form**. This form shall contain the unique identification number, description of the asset, the physical condition and reasons for disposal of the asset.
- The Director of Finance and Administration and the relevant staff member shall inspect the asset together and sign the **Fixed Asset Disposal Form** if they believe an asset has no value or use.
- If the Fixed Asset is stolen a memo shall be written by the person to whom the fixed asset is assigned or the relevant staff member describing the circumstances under which an asset was stolen. An incident shall be reported to the police and the corresponding report shall be kept in file. The **Fixed Asset Disposal Form** shall be filled out, approved by The Director of Finance and Administration and submitted to the General Accounting Office in SEFIN.
- The corresponding individual in the GAO shall make a corresponding entry in the accounting system based on the approved form and remove an asset from the **Fixed Asset Register**.

XII TRAVEL, AND OTHER OPERATIONAL COST.

12.1 INDIVIDUAL TRAVEL.

All MCA Honduras staff must prepare an individual travel authorization (TA) and obtain the appropriate approvals prior to commencing travel on official business.

The travel authorization constitutes the official approval for performing official travel and incurring related expenses.

The employee, or designated administrative staff, is responsible for preparing the authorization in accordance with the procedures set forth below.

12.1.1 In almost all cases, MCA-H will furnish the authorized traveler with the cash money and/or in-kind contributions (transportation ticket, gas, vehicle, etc.) necessary to cover all authorized travel expenses, in accordance with the travel expenses set forth in the Per Diem Table. For this reason, traveler must prepare and submit a TA ten (10) working days before date of travel. If this is not possible because of the need to make a short notice trip, MCA-H will reimburse employees on a “lodging plus” per diem basis. Generally this means that a traveler receives a reimbursement covering actual lodging costs (up to a ceiling), and a fixed rate covering Meals and some Incidental Expenses (M&IE) each day, or parts of each day, that the traveler is in travel status for over 12 hours. In some cases, MCA Honduras may authorize a traveler to receive reimbursement for “actual expenses,” which must be expressly authorized in advance and is discussed below.

12.1.2 It is the traveler’s responsibility to keep travel expenses within the established rates for lodging and M&IE.

This means that all lodgings booked must be within the applicable rate, inclusive of taxes and other service charges or fees, unless traveler wants to pay over applicable rate and which case, those additional costs will be at the traveler’s expense.

12.2 PER DIEM.

12.2.1 The per diem rate consists of two parts: a maximum amount that can be used for lodging and a maximum amount that can be used for M&IE.

MCA-H follows the set “lodging plus” per diem rates for domestic travel and abroad. Under the “lodging plus” system, a traveler does not have to provide MCA-H a receipt for lodgings or M&IE.

12.2.2 For the day of departure and day of return, 2/3 of the per diem rate will be furnished to the traveler for each day.

No costs will be covered for traveling that does not include an overnight stay.

12.2.3 A Traveler will be furnished in advance or reimbursed for the actual cost of lodging up to the lodging maximum allowed for the travel destination.

A Traveler will also be automatically furnished in advance or reimbursed for the maximum amount for meals and incidental expenses up to the maximum allowed for the travel destination.

“Incidental expenses” includes taxi fares to and from hotel and other authorized destinations, official phone calls while on duty, any tips for baggage carriers, hotel maids, stewards, etc.

Traveler can be reimbursed for expenses related to internet services in hotel, for which the traveler must present the corresponding receipt.

Travelers will not be furnished in advance or reimbursed for these expenses beyond the “reimbursed amount” and they should **not** be claimed as “other expenses”.

12.2.4 In lieu of “lodging plus” per diem, a traveler can request to be reimbursed on this basis in advance of travel when lodging and/or meals are prearranged at a hotel where a meeting or conference is held, or where costs have temporarily spiked due to a special event or other cause (e.g., inauguration, international conference, festival, natural disaster).

In this case, the traveler must itemize all expenses, submit all receipts for lodging, and maintain copies of all invoices that exceed \$35.00 at the prevailing USG rate.

LOCALITY	LODGING (including taxes)	M&IE	TOTAL
Tegucigalpa	US\$ 171.00	US\$ 93.00	US\$264.00
S.P.S	US\$ 176.00	US\$ 86.00	US\$ 262.00
La Ceiba	US\$ 98.00	US\$ 81.00	US\$ 179.00
Tela	US\$ 109.00	US\$ 76.00	US\$ 185.00
Other domestic destinations	US\$ 78.00	US\$ 67.00	US\$ 145.00

Washington D.C. and other destinations in the U.S.	Rate will be checked upon initiating any trip under this destination US\$	Rate will be checked upon initiating any trip under this destination	
Other foreign destinations (within Central America)	US\$ 180.00	US\$ 90.00	US\$ 270.00
Other foreign destinations not listed above or	To be determined in consultation with MCC and/or the applicable per diem table of the Government of the United States of America.	To be determined in consultation with MCC and/or the applicable per diem table of the Government of the United States of America.	

** “lodging plus” per diem, can be updated in a year base or as required and approved

12.3 TRAVEL PROCEDURES

Without exceeding the assigned amount for the program administration lodging plus” per diem will be granted to the personnel described in Section 10.3 when developing activities related to the Grant Agreement.

- 12.3.1** Each travel authorization must specify the purpose of the travel, authorized points of departure and final destination, and expenses each traveler is authorized to incur. It is the traveler’s responsibility to ensure that the TA has been issued *prior* to the performance of travel.
- 12.3.2** The traveler is responsible for preparing a request for travel and submitting it to the supervisor.
- 12.3.3** The travel authorization can be approved by MCA-H’s Executive Director or by the Administrative and Financial Director, each of whom should notify the other of any such approval. The staff member who approves the travel authorization will ensure the compliance with MCA’s policy referring the need and purpose of the trip.
- 12.3.4** The Director of Finance and Administration ensures that fiscal data is correct and makes corrections to the TA as necessary.
- 12.3.5** In exceptional cases, where a TA is issued after travel has commenced, the approving official shall include a statement stating: “Administrative approval is granted for payment of allowable expenses incurred prior to the issuance of this authorization.”
- 12.3.6** If no travel is performed under an authorized TA, the traveler must prepare a TA amendment canceling the original TA to assure de-obligation of funds. Only the signature of the Approving/Authorizing Official is required.
- 12.3.7** All MCA-H staff is required to maintain emergency contact information with the MCA-H offices. This information should be on file with the Director of Finance and Administration or Human Resources Office. All travelers must identify telephone numbers of persons MCA-H should contact in the event of an emergency.

12.3.8 Reimbursement of transportation expenses to the MCA-H staff.

In cases when no vehicle is available for an official trip or official assignments, MCA-H will apply one of the following three options:

- a) Cost reimbursement following principles and formulas set forth by the World Bank, USAID, MCC or the U.S Embassy in Honduras.

- b) Car rental, following the procurement guidelines for these services.
- c) Stipend to the staff, in cases where their job description requires long terms in the field, for the use of their vehicle (more than two weeks per month), for an amount previously approved by MCC.

12.4 OTHER OPERATIONAL EXPENSES

The Threshold Agreement covers operational expenses for the MCA-H, subject to the availability of budget in the Program Administration line of the approved Schedule A of the Quarterly Disbursement Request Package

XIII. REPORTING

MCA-H, the Central Bank of Honduras and the Fiscal Agent shall produce monthly, quarterly and annual reports for the use of MCA-H and MCC.

13.1 MCA-H is responsible for producing and submitting the following report to MCC;

Periodic Reports in accordance with the “MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package” provided by MCC or posted on the MCC website (The “MCC Reporting Guidelines”) as applicable to the Threshold Program

13.2 The Central Bank of Honduras shall provide daily electronic bank extracts of the operations performed in the Permitted Accounts.

13.3 The Fiscal Agent shall provide the following monthly, quarterly and annual reports to MCA-H;

Monthly

- Fund Accountability Statement (Income and Expense Statement to include any Permitted Account interest income and cash for the completed month and year-to-date (“YTD”);
- Cash Flow Statement;
- Bank reconciliations between the accounting records and the bank statements for the Permitted Accounts in the Central Bank of Honduras and the sub-accounts in the STA (USD and Lempira);
- Project to date payments to a single vendor regardless of Contract, Program, activity or Implementing Entity.
- Tracking report on compliance with the requirement that that payments to suppliers/providers be made with 30 days.

Quarterly Reports

- Quarterly Financial Report.

Annual Reports

- Fund Accountability Statement for the twelvemonth period ending December 31st of each calendar year.
- Honduras Annual Budget approved by Congress

Termination Reports

Termination reports shall reflect compliance with all Agreements involving MCC and MCA-H at the termination of the Grant Agreement, or other prescribed termination. The reports reflect termination of all

contractual relationships (including vendors and employment), liquidating payment obligations, and meeting all other financial liabilities including return of funds to MCC(which will have to be carried out through a bank transfer to the bank account indicated by MCC).Termination reports shall include the Program Completion Report (PCR) that shall replace the Annual Performance Report for Quarter 20 and all standard reports, and any additional reports requested by Implementing Entities, MCA-H, MCC and the Office of Inspector General of MCC.

Special Reports

As necessary, other special reports requested by MCA-H and MCC.

13.4 Schedule, Destination and Publication of Reports

Report	Report Responsibility	Submission Due Date	Report Recipient		Publication
Monthly Reports					
Fund Accountability Statement	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Cash Flow Statement	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Bank Reconciliations	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Payment to Vendor	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Prompt Pay Tracking	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Bank Cash Balance	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Bank Transaction	Fiscal Agent	15 calendar days after month-end	MCA-H		No
Monthly Commitment Disbursement Report (MCDR)	MCA-H	10 calendar days after month-end	MCC	MCA-H	No
Quarterly Reports					
Quarterly Financial Report	MCA-H	20 calendar days prior to the beginning of the next quarter	MCA-Board MCC		Yes
Annual Reports					
Fund Accountability Statement	Fiscal Agent	15 calendar days after June 30 and Dec. 31 period-end	MCA		No

XIV. INTERNAL CONTROLS.

As established in Article 118 of the Organic Budget Law, the internal controls with their defined functions are incorporated into the SIAFI modules; in each activity there is an entry/verification stage and

approval stage, both carried out by different individuals (the person that enters/verifies a document cannot approve the same).⁷

The designation of recording and approval responsibility will be made by enabling one or more SIAFI profiles to staff of the MCA-H organizational structure and/or its Executing Units delegated by the MCA-H General Director for compliance with the administrative functions of the Program.

XV. SUPPORT DOCUMENTATION

As established in Article 125 of the Organic Budget Law, operations recorded in the Public Sector Financial Administration System, must have their support on the documents that gave origin to the transactions, therefore, those documents should be adequately protected by the MCA-H Project Management Unit, and remain available for verification effects by internal and external control bodies. The documents that support MCA-H financial transactions will remain in custody for five (5) years after finalizing the Grant Agreement, after which they may be destroyed, prior review”.

Upon program conclusion, MCA-H will deliver all support documentation referred in the preceding paragraph, to the Ministry of the Finance, who will be responsible of the same, in order to comply with the timeframes established for documentation by the Organic Budget Law and the Grant Agreement. To this effect, SEFIN will manage a single file and will be responsible of providing information about the Program to the institutions requiring it).

Each document's deliver that MCA carries out to SEFIN, will be documented with an Act of Delivery.

XVI. AUDITING

Annually, as of the Grant Agreement's date of enactment and pursuant to section 4.8A, MCA-H will contract auditing services to review all financial transactions made within that period.

The Fiscal Agent shall:

- Cooperate in providing access to all MCC Grant Agreement related files, documentation and systems to the auditors contracted by the MCA-H Board of Directors or to any other representative authorized by the same or by MCC, and in resolving any financial discrepancies and response to audit findings
- Cooperate with representatives authorized by MCA-H, MCC, the Inspector General, The U.S. Government Accountability Office of the United States of America or any other auditor identified in the MCC Grant Agreement to audit or inspect Program related files and documents, and financial activities using MCC funds.
- Assist MCA-H, if necessary, in preparing Terms of Reference, evaluations and adjudication of contract to the selected auditing firm.

Audit Plans

⁷Manual SIAFI-PMU .- Manual de SIAFI-Gastos .- Manual SIAFI-CUT

According to sub-section d) Section 4.1 of the Grant Agreement, MCA-H, with the assistance of the Fiscal Agent, shall prepare an Audit Plan according requirements set in the Grant Agreement. The Audit Plan shall designate the entities (MCA-H, Implementing Entities and Covered Providers) to be to be audited, as outlined in the *Millennium Challenge Corporation Audit Guidelines*, as well as the timing of an audit.

Audits shall be performed on an annual basis or on a more frequent basis if requested by MCC in writing, or otherwise stipulated in the Grant Agreement. The initial audit starting and ending times shall be agreed with MCC. Due to the fact that the Grant does not necessarily correspond to an even calendar or fiscal year, and the disbursement rate may be unpredictable, it is likely that at least one audit period will be irregular, i.e., not an annual period.

Procuring Auditors

Upon MCC's request, MCA-H shall use a competitive process to select an appropriate auditor, approved by the MCC and named on the list of local auditors approved by the Inspector General or a United States-based certified public account firm selected in accordance with the *Guidelines for Financial Audits Contracted by The Millennium Challenge Corporation's Accountable Entities (the "MCC Audit Guidelines")*, which are posted on the MCC Website.

The financial audit shall be to assure that the financial statements of the Threshold Program present fairly the financial position of the program and in accordance with IPSAS (cash basis).

The compliance audit shall be to assure that all financial management procedures and all accounting procedures are being followed by MCA-H, the Fiscal Agent, and all project managers implementing the Threshold Program. This includes compliance of the Fiscal Agent as appropriate.

MCA-H shall conduct, or cause to be conducted, such performance reviews, data quality reviews, or program evaluations during the Grant Agreement Term in accordance with the M&E Plan or as otherwise agreed in writing by the Parties.

Audit Reports and Findings

MCA-H shall furnish, or use its best efforts to cause to be furnished, to MCC an audit report in a form satisfactory to MCC for each audit required by Section 4.8(a) of the Grant Agreement, other than audits arranged for by MCC, no later than ninety (90) calendar days after the end of the period under audit, or such other time as may be agreed by the Parties.

MCA-H shall use its best efforts to ensure that Executing Units and Covered Providers take, where necessary, appropriate and timely corrective actions in response to audits; consider whether an Executing Units and Covered Provider's audit necessitates adjustment of its own records: and, require each such Executing Units and Covered Provider to permit independent auditors to have access to its records and financial statements as necessary.

XVII. PROCUREMENT.

The responsibility for the implementation of the Program, and therefore for the procurement of goods, works and services under the Program, rests with MCA-H as the accountable entity. Basic guidelines and approval procedures for the procurement of goods, works, and services by any supplier/provider are covered in the MCC Program Procurement Guidelines, agreed to between the Government of Honduras and the US Government through the MCC.

The Procurement Unit of MCA-H PMU shall carry out all the procurement on behalf of MCA-H and shall do so in accordance with the MCC Program Procurement Guidelines (PPG), MCA-H Procurement Manual and any other Procurement Documents, as relevant. The only exception shall be procurements for Program Administration, as listed in Annex E which will not require a formal procurement process governed by the PPG. However, MCA H shall make its best efforts that when applicable carry out a simplified process that takes into account the PPG principles.

Before awarding a contract/purchase order MCA H shall ensure that the prices quoted have been reviewed for reasonableness. For this, with the assistance of the Procurement Specialist the Director of Finance and Administration will provide a written response of reasonableness for record. The Director of Finance and Administration may determine reasonableness by comparing prices for similar goods purchased recently and/or with the estimation prior to the purchase. Price comparisons and the decision to award shall be documented.

MCA-H is expected to use its best judgment in determining which procurements are considered to be Program Administration as defined in Annex E. Any modification to Annex E requires MCC approval.

The General Director must approve in writing the execution of any agreement for the provision of goods, works and services or any amendments, modification, termination or suspension of any such agreement. In the absence of the General Director, may delegate responsibility for these approvals.

Procurement Process

The procurement processes will be described in the MCA-H Procurement Operations Manual. This FAP describes the necessary requirement for fiscal accountability purposes and the essential documents produced as part of the process.

Procurements for goods, works and services shall be outlined in the Procurement Plan prepared by the Procurement Director or Specialist every six months. Even though a procurement action is listed in the approved Procurement Plan, the Procurement Director or Specialist must receive a notification or authorization from the General Director of MCA-H to proceed with that procurement.

Initiation of Procurement

The relevant Project Director shall initiate a procurement request by e-mail which constitutes the Purchase Requisition that specifies the description and the quantity of the goods, works and services to be procured. The Project Director shall submit the Purchase Requisition with a cost estimate of the requested goods, works and services to the MCA Procurement Director or Specialist

The Purchase Requisition

The Procurement Director or Specialist shall review the Purchase Requisition to ensure it complies with the Procurement Plan. If it complies with the Procurement Plan, the Procurement Director or Specialist submits it to the Threshold Director. If it does not comply, the Procurement Director or Specialist shall notify the Project Director and the procurement is stopped.

Threshold Director or Director of Finance and Administration and Procurement Unit Review

The Threshold Director and the Director of Finance and Administration shall review the Purchase Requisition to ensure that funds have been planned for the procurement. If funds are planned for the procurement, certifies that the request complies with the DFP and authorizes the procurement. With the Threshold Director and Director of Finance and Administration clearance, at which time the procurement process is initiated. The original of the approved procurement requisition shall be kept with the Procurement Director or Specialist.

If funds are not planned or exceed the amounts planned, the initiator of the Purchase Requisition shall be notified by the Threshold Director and Director of Finance and Administration and the procurement is stopped.

The Procurement Director or Specialist shall undertake the procurement process in accordance with the MCC Program Procurement Guidelines.

If a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their printing and delivery to prospective bidders, and shall not be so high as to discourage qualified bidders. This fee should be paid into the MCA-H local bank account through an established procedure.

The Procurement Director or Specialist checks the potential supplier of goods, works or services against the excluded parties' list either before proposing a short-list, or at the time a supplier acquires the bidding documents, or at the beginning of the bid evaluation process, whichever event occurs first. The verification of the excluded party list should be carried out as per the MCC Guidance on Excluded Parties Verification Procedure.

The Procurement Director or Specialist carries out and documents the partial eligibility and full eligibility verification of the consultant or contractor including all the proposed personnel and sub-contractors as per the MCC guidelines. Before proposing an award recommendation, the Procurement Director or Specialist also performs the full eligibility verification as per the MCC guidelines.

The Procurement Director or Specialist and the Fiscal Agent shall fulfill the periodic Eligibility Verification as per requirements of the MCC Program Procurement Guidelines and shall notify the Project Director and the MCA-H General Director.

Vendors listed on any of the following websites shall be recognized as ineligible (**List URL's**):

1. World Bank Debarred List:

<http://web.worldbank.org/external/default/main?theSitePK=84266&contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984>

2. Excluded Parties List System:

[https://www.sam.gov/portal/public/SAM/?portal:componentId=1f834b82-3fed-4eb3-a1f8-
ea1f226a7955&portal:type=action&interactionstate=JBPNS_rO0ABXc0ABBfanNmQnJpZGdIVmllld0l
kAAAAAQATL2pzZi9uYXZpZ2F0aW9uLmpzcAAHX19FT0ZfXw**](https://www.sam.gov/portal/public/SAM/?portal:componentId=1f834b82-3fed-4eb3-a1f8-
ea1f226a7955&portal:type=action&interactionstate=JBPNS_rO0ABXc0ABBfanNmQnJpZGdIVmllld0l
kAAAAAQATL2pzZi9uYXZpZ2F0aW9uLmpzcAAHX19FT0ZfXw**)

3. US Treasury, SDN: <http://sdnsearch.ofac.treas.gov/>

4. US Commerce, Denied Persons List: <http://www.bis.doc.gov/dpl/default.shtm>

5. US Commerce, Entity List <http://www.bis.doc.gov/entities/default.htm>

6. US State Department, DTC: http://www.pmdtc.state.gov/embargoed_countries/index.html

7. US State Department, Terrorist Exclusion List (TEL):

<http://www.state.gov/j/ct/rls/other/des/123086.htm>

Eligibility Verification shall be done twice a year by checking whether all required persons or entities which are active as of January 1st and July 1st of each calendar year have valid contracts. Documentation of these checks should be produced and kept on record as per the requirements of the PPG, and filed no later than 15 days after the dates stated above.

Director of Finance and Administration produces the PO verifies the funds availability and records the obligation against the existing commitment. The amount of the commitment is recorded into SIAFI

according to section 6.6.2. With Director of Finance and Administration’s clearance, Procurement Director or Specialist can sign the final agreement.

The MCA-H General Director or the Deputy General Director has the prime authority to sign the contracts with the supplier/contractor/provider; and all amendments, modifications, terminations or suspension of any agreements. The Procurement Director or Specialist shall retain the original contract. A copy of the signed contract award shall also be provided to the Director of Finance and Administration, who records the obligation in MCA-H accounting records. The Director of Finance and Administration shall retain a copy of the signed contract. If the contract includes option periods or indefinite delivery, indefinite quantity arrangements, only the base period value should be entered on the DFP Commitments in the month the contract is signed. Each option period value should be entered into the DFP according to the time when the option may be exercised.

If the procurement results in an award that exceeds the amount of funds planned for it, the Procurement Director or Specialist shall inform the Project Director, and the Director of Finance and Administration, who shall review the cost estimates for any defects, and either re-do the procurement or increase its funding in accordance with Section 6.3 –Modifying Financial Plans of this FAP. Contract payment terms should be negotiated in a way that coincides with quarterly disbursement planning when possible.

If an advance payment (mobilization advance or irrevocable letter of credit for goods) is required to facilitate the procurement, the Procurement Director or Specialist should justify the reasons and the amount of the advance. The advance amount should be in line with MCC guidelines on contract payments. All the advance payment must be approved in writing by MCC prior to making any commitment.

ANNEX A- List of Contacts of MCA-H and the FISCAL AGENT.

a) MCA-H BOARD:
a.1. Minister Coordinator of the Government Of Honduras.
a.2 Minister Coordinator of Economic Regulation and Management or Minister of Finance.
a.3. Minister of Economic Development.
a.4. Two (2) Civil Society Representatives. By CNA, CCERP, FONAC and COHEP (Members by two alternate periods consisting of 15 months each one)
b) MCA-H PROGRAM MANAGEMENT UNIT:
b.1. General Director.
b.2. The Director of Finance and Administration.
b.3. Deputy Director.

b.4 Threshold Director.

b.7 Procurement Director or Specialist Procurement Unit.

ANNEX A- List of Contacts of MCA-H and the FISCAL AGENT.

c) FISCAL AGENT:	Responsibilities at SIAFI
c.1. Minister of Finance.	6.4, 6.4.1/ 6.4.3.2
c.2. Vice Minister of Public Credit and Investment	6.4, 6.4.1/ 6.4.3.2
c.3. General Directorate of Public Credit (DGCP)	6.6.4.2.2
c.3.1 Deputy Director of Public Credit	6.6.4.2.2/ 6.4.3.8
c.3.2 Department of Quality Control,	6.4.3.8
c.3.3 Department of Monitoring	6.4.3.8
c.4. General Treasury of the Republic(TGR)	6.4/ 6.5.5/ 6.6.5.2
c.4.1. Deputy General Treasurer of the Republic	6.4/ 6.5.5
c.4.1. Financial Programming Department	6.5.4.2 -6.5.4.5
c.4.2. Departamentof Bank Reconciliation	7.1/ 7.2
c.5. General Directorate of Budget (DGP)	6.1.2
c.5.1 Department of Expenditure Analysis	6.1.2/ 6.2
c.6. General Accounting Office of the Republic	9.1/ XIV
c.7. Internal Audit. Unit (IAU)	XVI
c.8. Deputy Director of Innovation and Technology Unit (UIT)	II/ IV / XVI
c.9. Deputy Director Modernization Unit (UDEM)	II/ IV/ XVI
c.10. Fiscal Agent Analyst (FAU)	6.6.3.5-6.6.38/ 6.6.4.2.1/ 6.6.5.1/ 6.6.7/ 6.8/ 7.2

ANNEX B- BUDGET CLASSIFICATION

18 MCA H –THRESHOLD PROGRAM

1300 05 Public Financial Management Project

- 13 00 05 01 Budget and Treasury Management.
- 13 00 05 02 Improving Procurement Capacity, Planning and Controls.
- 13 00 05 03 Improving Capacity of the Tribunal Superior de Cuentas. (TSC)
- 13 00 05 04 Grant Facility for Social Accountability.

13 00 06 Public-Private Partnerships Project

- 13 00 06 01 Develop Core PPP Capacity.
- 13 00 06 02 Design and Implementation of PPPs.

13 00 07 Program Administration and Monitoring and Evaluation.

- 13 00 07 01 Program Administration.
- 13 00 07 02 Monitoring and Evaluation.



ANNEX C: PAYMENTS SUPPORT DOCUMENTS CHECKLIST

PAYMENTS SUPPORT DOCUMENTS CHECKLIST (EXPENSE EXECUTION)

Documents required by Management

Type of Document	PC	C	A	PC y C	PC,C &A	Regularization	Advances
- Procurement Request	x			x	x	X	
- N.O. from MCC regarding contracts	x			x	x	X	
- Expense estimate or projection	x			x	x	X	X
-Signed Contract (with support documents)		x		x	x	X	X
- Purchase Order		x		x	x	X	X
- Awarding Note		x		x	x	X	X
- Signed Addendum's		x		x	x	X	X
- Invoice/Receipt/Collection			x		x		X
- Reception Act for Goods and Services			x		x		X
- Consultants Reports			x		x		X
- Payment Request DE& DAF			x		x		X
- Collection Notice for utilities and cellular phones					x		X

PC = PRE-COMMITMENT

C = COMMITMENT

D = ACCRUED

ANNEX D: LEAVE AND ABSENCE REQUEST FORMAT

MCA HONDURAS LEAVE OF ABSENCE OR ACCUMULATED ABSENCE REQUEST

1. NAME			2. IDENTIFICATION DOCUMENT			
3. POSITION						
4. TYPE OF ABSENCE (Check appropriate space)	DATE		HOUR		TOTAL HOURS	5. HEALTH OR FAMILY ABSENCE Please indicate motive: <input type="checkbox"/> Birth <input type="checkbox"/> Serious health problem (husband, wife, children, father, mother) <input type="checkbox"/> Personal health problem For information on MCA Honduras health insurance, contact immediate supervisor or Administrative Director .
<input type="checkbox"/> Accumulated Annual Leave (MCA staff has up to 12 days of paid absence per year)	From:	To:	From:	To:		
<input type="checkbox"/> Anticipated annual leave (Up to 30% of pending days during the year)						
<input type="checkbox"/> Sick Leave (up to three days without certification, more than three days requires medical certification)						
<input type="checkbox"/> Anticipated Sick Leave (idem)						
Purpose: <input type="checkbox"/> Medical/dental/optometrist (MCA-Honduras staff) <input type="checkbox"/> Attention to a family member <input type="checkbox"/> Other (Please specify details)						
<input type="checkbox"/> Compensatory Time (recuperation of hours in case of exceeding 40 hours per week)						
<input type="checkbox"/> Leave without pay						
6. DETAILS:						
<p>7. CERTIFICATION: I hereby request leave of absence for the above mentioned purposes. I understand that I must proceed according to MCA Honduras leave of absence requests regulations and, that in case of sick leave for more than three days, I shall present the pertinent medical certification. I accept that submitting forged information will imply disciplinary actions such as contract termination.</p>						
SIGNATURE OF EMPLOYEE				DATE		
8. OFFICIAL RESOLUTION FROM MCA-HONDURAS DIRECTOR						
<input type="checkbox"/> APPROVED		<input type="checkbox"/> NOT APPROVED				
Motives for disapproval:						
SIGNATURE				DATE		

ANNEX E: ADMINISTRATION EXPENSES

Administrative Expenses

Salaries
International & Local Travel
Advertising Expense (publications)
Vehicle Operating Expense (vehicle maintenance and repairs)
Fuel (Gasoline/Diesel)
Conference registrations
Security expense
Insurance Expense
Office Operating Expense (cleaning, kitchen supplies, etc.)
Postage, Delivery & Courier
Printing & Copying for internal MCA office use (office cards)
=Internal MCA meetings expense
Utilities (water, electricity)
Temporary help (not consultants)
Office emergency repairs & maintenance
Staff Development, Training and Workshop fees
Telecommunications (Internet, land lines, cell phone provider)
IT Support, Office Equipment repairs