

# Disbursements and Procurement

---

## Objectives

- Partner has a clear understanding of how a disbursement request should be prepared and what documentation is needed
- More grantees submit complete requests for disbursement or can identify missing support and ask for partner assistance
- Partner will be more informed on procurement policies and processes and better able to help grantee through the procurement process

## Course Content

### 1. When does procurement start?

Good procurement practices start during project development. When creating the grant budget, the initial procurement decisions are made: what items will be needed, when items will be needed, and how much the items will cost. The next step is to make sure that the actual item purchased is the best value for the money spent

### 2. What to consider when purchasing an item?

A. What do we need to purchase now? Look at the Grant work plan and decide what items will be needed in the coming quarter to stay on schedule. For most items, the grantee should start looking for vendors about a month before they intend to submit a disbursement request. For items purchased internationally or requiring precise technical specifications, it may take more time to find appropriate vendors.

- (1) Find out what vendors sell the goods/services you're looking for.
- Ask fellow business owners/grantees if they know of good vendors who sell what you need
  - Ask business or trade groups if they know of reliable vendors
  - Look for ads in the paper or other publications

B. How can we get the most for our money? Should the grantee always go with the lowest price vendor?

- (1) **Getting the lowest price:** Spending efficiently allows the grantee to do more with their grant funds. Savings in one line item gives the Grantee flexibility to

use those funds for additional grant activities or to cover items that may have been under budgeted.

- Contact the vendors you've found and ask them to quote you a price for the items you need
  - Ask other business owners/grantees what prices they've paid for similar equipment
  - Ask for discounts or bargain with the vendor
  - Stay focused on what you really need and don't buy equipment with capacity beyond what you need.
  - Make purchasing decisions without bias towards family or friends
- (2) **Getting good quality:** Starting with high quality goods saves money on repairs and replacement costs in the long run. Just because a vendor quotes the lowest price doesn't mean that they are offering the best value.
- Does the purchase come with a warranty?
  - Can I get parts and repair services locally?
  - Does the vendor have a reputation for being honest?
  - How long will the product last?
  - How often does it need repairs?
  - Does this option require more costly inputs or specialty materials to run?
  - Will this item be more expensive to use than other options (requires

# Disbursements and Procurement

---

more inputs, more costly materials to use it, or more electricity to use it)?

- (3) **Efficient Use of Funds:** Efficient grant spending also helps ADF fulfill its promise to protect against the fraud, waste, or abuse of U.S. tax payer dollars.

## C. Purchasing Items above USD 3, 000

Because the consequences of buying the wrong equipment are higher for large purchases, ADF requires three pro forma invoices for items over USD 3,000.

- A pro forma invoice is a quotation from a vendor stating what they are charging for the specific item the Grantee wants to purchase. The pro forma invoices should be for comparable products (ex: for computers-all the invoices should be for the same model, size, speed, etc.)

## 3. Disbursements Basics

- A. ADF disburses funds to the grantee as needed. Grantees should plan ahead and request funds to cover grant costs for one quarter at a time. The partner should discuss with the grantee what they need to procure to follow the work plan. In the first years of the grant, the partner should discuss the work plan with the grantee each quarter and agree whether a disbursement is needed to accomplish the quarter's activities.
- B. The grantee should not purchase any goods/services for the grant until the disbursement is received. They should not use their own funds to cover items in the budget and then reimburse themselves when ADF funds are received. This commingling of funds creates problems in financial record keeping and introduces accountability issues. It is a common problem! If there is an urgent need contact ADFW and see what arrangements can be made.
- C. It is the grantee's responsibility to ensure they are getting a fair and reasonable price for the

item(s) they are purchasing. Each disbursement should be backed up by a sound procurement process. It is the Partner's responsibility to coach the Grantee on how to obtain pro forma quotes and make good purchasing decisions for their organization.

- D. The grantee organization must establish a non interest bearing bank account for the receipt of ADF funds prior to the submission of the first disbursement request.

- ADF must receive a bank letter stating the account name, account number, that the account is non-interest bearing, as well as the full bank information including the bank name, branch location and address, phone number, and who to contact about the account.

First disbursement requests should be processed 40 days after the obligation date which means the first disbursement should be prepared as soon as the bank account has been set up; second disbursement requests should be processed 115 days after the obligation date.

*Note: allows 5 days for processing at ADFW to reach agency goal of 45 days to 1<sup>st</sup> DR and 120 to 2<sup>nd</sup> DR*

- E. For large purchases, ADF sends the money on behalf of the grantee directly to the vendor. This is called a 3<sup>rd</sup> party disbursement. A bank letter is required for the 3<sup>rd</sup> party bank account including the account name, number and full bank information.
- F. It is a liability for ADF and for the grantee if too much cash is disbursed without being expensed timely. For this reason ADF limits any single disbursement request to \$50,000, will not disburse funds if the grantee has not accounted for previous disbursements in their QR, and will not disburse if the grantee has a significant amount of cash on hand in their ADF bank account. Exceptions are made to the \$50,000 disbursement limit if the grantee justifies the need for receiving the funds all at

# Disbursements and Procurement

---

once (such as in the purchase of equipment from an overseas vendor).

- G. Total amount disbursed cannot exceed the grant budget.
- H. Amount requested on any one line item must be less than or equal to the line item budget minus reported expenses (from the QR) against that line item.

*line item amount available = line item budget – line item expenses to date*

- I. Funds will be sent within five to ten business days from the date the Finance Department receives the DR. (This presumes that all quarterly reports have been received.)

#### 4. Preparing the Disbursement Request (DR)

- A. **Grantee:** After the bank account has been established, the grantee should start preparing the first DR. A complete disbursement request includes:
  - (1) Two page Disbursement Request Form filled out and signed. (The DR Form is provided by ADFW along with the Quarterly Report after the grant has been signed)
  - (2) Memo stating:
    - (a) the total funds requested,
    - (b) what the funds will be used for,
    - (c) what documents are attached,
    - (d) explain any quotations or discrepancies that may raise questions, and
    - (e) if the request is for more than \$50,000, a justification for why the bulk payment is needed
  - (3) 3 Proforma Quotes must be included for any purchase above \$3,000. If three quotes are not available then include in the memo a justification for why all three quotes could not be obtained and why the purchase should be approved without them.
  - (4) 3<sup>rd</sup> party banking information and the signed second sheet of the DR must

be included for all 3<sup>rd</sup> party disbursements.

- o The grantee should request funds for the line items based on the invoice prices and actual expenses to be incurred, not necessarily the total amount available in that line item
  - o Besides the first, DR's should be prepared to reflect the projected costs for the quarter minus any cash on hand at the time of the request.
- B. **Partner:** The Partner reviews the DR and submits the Grantee request to ADFW along with a review memo concurring with the request. The review memo should provide any additional background information on the procurement processes or grant that is necessary to make an informed decision on whether to approve the DR. When required information such as quotes is missing, the partner should work with the grantee to help them get the documentation. In making a recommendation, the Partner should consider the following:
    - (1) Ensure the funds requested are reasonable given: the grantee's work plan, the knowledge of the grantee's activities, the local price levels and the ability of the grantee to carry out the planned activities
    - (2) Use the Disbursement Checklist as a guide for reviewing disbursements before submitting to ADFW, particularly check that:
      - (a) The grant is in good standing (not expired, suspended or in the process of being terminated)
      - (b) All reports are up to date and all funds are accounted for
      - (c) Conditions precedent in the grant agreement have been satisfied
      - (d) If any item on the checklist cannot be checked off, the DR should not be sent to ADF

# Disbursements and Procurement

---

Washington until the problems are corrected

- C. **ADF:** ADF program staff will review the full request against the project plan, budget, and disbursement policies, before sending it to the Finance department to be paid.

## 5. After the Disbursement is Sent

- A. ADFW: ADFW will alert the partner when funds will reach the grantee's bank.
- B. Partner: The partner should tell the grantee when to expect the money and follow-up after funds are received to confirm project activities are moving forward.
- C. Grantee: The grantee is responsible for spending the funds as requested, and recording/ reporting on the use of funds.

## 6. Common Disbursement Request Delays to Avoid

- A. If all quarterly reports are not up to date and previously disbursed funds cannot be fully accounted for, the disbursement cannot be processed.
- B. If any subtotals or calculations explaining the funds requested is incorrect, the DR may be sent back.
- C. Pro Forma invoices are not included for line items over \$3,000.
- D. The PA cannot tell which pro forma corresponds to which line items and therefore cannot verify that the DR is fully supported.
- E. Conditions Precedent are not cleared.
- F. Funds are not available in the requested line items.

## 7. Advice from the Experts

- A useful way to summarize attachments and address the procurement process results is to

include a chart with the request that lists the line items, quotes obtained for each, and why each vendor was selected or not.

- If the grantee is requesting a disbursement and it is not submitted to ADFW within two weeks, alert the ADFW program staff that the request was received and why it is being held. One of the most common complaints from grantees is that they don't receive timely disbursements, so communicating clearly with ADFW can help resolve the problem or support the partner in their decision to hold the request.
- For services, such as technical assistance or training, the quotes often come in the form of proposals with a training plan or statement of work, expected time commitment, and price.
- DR memos from the grantee and the partner can be brief as long as they are comprehensive.
- Disbursements will often run into bank delays. Be prepared to help the grantee work with their bank to make sure the money reaches their account. If the bank is not cooperative contact ADFW for supporting documentation.
- Quotes for items above \$3,000 do not need to be extensive as long as they provide enough technical information to describe the item being purchased, the company providing the item, pricing, and any particular terms for service. If the quote is more than 5-10 pages, the grantee should keep the full quote for their records, but submit only the relevant portions with the DR.

## Handouts

ADF Representative Disbursement Checklist

Sample Disbursement Partner Memo

Sample Disbursement Grantee Memo

Sample Disbursement Request Form

Disbursement and Procurement Course Notes