

Your Award

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2.1 Overview

This chapter covers the key steps in finalizing your award. You should review it in conjunction with chapter 3, which covers the start-up phase of your program.

Upon receiving notice that your organization is a finalist for an award from the U.S. Agency for International Development (USAID), you must finalize the award details and prepare to start your program. There are numerous concepts to grasp. Many may be unfamiliar, especially if you are new to working with USAID.

Objectives

- Understand important award-related concepts and the basics of your agreement.
- Learn the key tasks necessary to finalize your award.
- Learn what you need to have in place before starting your program.

Skip Ahead

- ▶ Award Phase: Tasks
- ▶ Pre-Award Survey
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Key Terms and Acronyms

- **Accrual Accounting System**—An accounting method that records financial events based on economic activity rather than financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received.
- **ADS**—The Automated Directives System (ADS, <http://www.usaid.gov/policy/ads/>) encompasses the totality of USAID's regulatory body. Additionally, it includes suggested but not mandatory procedures and links to examples of best practices.
- **Allocable Cost**—A cost incurred specifically to support or advance an award.
- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **AO**—Agreement Officer, the USAID official with the authority to enter into, administer, terminate, and/or close out assistance agreements and make determinations and findings on behalf of USAID.
- **AOTR**—Agreement Officer's Technical Representative (formerly referred to as the Cognizant Technical Officer. Under a **contract**, this position is referred to as the Contracting Officer's Technical Representative), the USAID official responsible for monitoring a grantee's progress toward achieving the agreement's purpose and for serving as technical liaison between the grantee and the Agreement Officer (AO). The AO will name and delegate authority for specific responsibilities to the AOTR named in a Cooperative Agreement.
- **Award Amount (or Award)**—The total amount that is anticipated to be spent over the life of the project.
- **Cash-Basis Accounting System**—A method of bookkeeping that records financial events based on cash flow and cash position. Income is recorded when cash is received, and expense is recognized when cash is paid out. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, or pre-paid or accrued expenses. This system is simpler for individuals and organizations that do not have significant numbers of these transactions, or when the time lag between initiation of the transaction and the cash flow is very short.
- **Cost Objective**—The cost limit of an activity within budget limits. A project cannot exceed the cost objective that has been set for it.
- **Cost Share**—The portion of project or program costs the USG does not cover. This may be in the form of cash or in-kind contributions.
- **Direct Costs**—Goods and services specifically purchased for the exclusive benefit of one project that are charged to that project.
- **EIN**—Employer Identification Number (also known as a U.S. Federal identification number that identifies a business or nonprofit entity); USAID uses it to facilitate payment for an award.
- **Finding**—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.

- **Generally Accepted Accounting Principles (GAAP)**—A standard framework of guidelines for accounting and financial reporting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. Many countries use the International Financial Reporting Standards (IFRS, http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards), established and maintained by the International Accounting Standards Board (http://en.wikipedia.org/wiki/International_Accounting_Standards_Board), which also provides a framework of accounting standards and financial reporting.
- **Indirect Costs**—Costs that are required to carry out a project but are not attributable to a specific project, such as electricity or administrative support staff.
- **In-Kind Contribution**—Noncash resources contributed to a project, which may include volunteer services, equipment, or property. They may also count as any cost-share obligation.
- **Key Personnel**—Refers to project positions and to the individuals who fill the particular slots. Typically, positions identified in a Cooperative Agreement as Key Personnel are those leadership slots considered essential to successful implementation of the overall project.
- **Mandatory Standard Provisions**—The set of rules and regulations that must be followed by recipients of USAID funds. (For more information, go to <http://www.usaid.gov/policy/ads/300/303mab.pdf>.)
- **MOU**—Memorandum of Understanding, a document that may be used as a confirmation of agreed-upon terms when an oral agreement has not been captured in a formal contract. It may also set forth the basic principles and guidelines under which parties will work together to accomplish their goals. This should not be used if a transfer of funds is involved.
- **NICRA**—Negotiated Indirect Cost Rate Agreement, a rate negotiated individually between an organization and USAID to cover indirect cost. (For more information on indirect costs and NICRA, see USAID's *Best Practices Guide for Indirect Costing* at <http://www.usaid.gov/business/regulations/BestPractices.pdf>.)
- **Obligated Amount or Obligation**—The amount USAID has committed to the program. There is no guarantee that USAID will reimburse the recipient for any spending above the obligated amount.
- **Program Income**—Funds earned by the program for the benefit of the program itself. For example, program income comes from charging fees for services or from the sale of commodities. It is also earned by selling equipment purchased with program funds that is no longer needed. **Note:** Program income is different from income-generating activities in which the program's beneficiaries keep any income earned.
- **Substantial Involvement**—The right that the USG retains to provide input into an assistance project funded through a Cooperative Agreement. This right usually includes the ability to approve workplans, budgets, Key Personnel, monitoring and evaluation plans, and subrecipients. The Cooperative Agreement specifies the areas of substantial involvement.
- **Unallowable Costs**—Costs that cannot be reimbursed either because of regulations or because they are not reasonable or appropriate.

2.2 Getting Started



The award phase begins when USAID notifies you that your organization has been selected as a finalist to receive an award. Generally, the notification comes to the individual designated on your application from a person in USAID's acquisitions office. This begins a series of events that may include a pre-award survey (2.3.1), negotiations (2.4), and finalizing your award. Some tasks initiated during this phase must be completed before the award is signed. Other tasks may continue into the start-up phase, such as addressing pre-award survey findings/conditions (2.4.2), but all award-phase tasks typically must be completed before implementation can begin.

Keep in mind that this notification from USAID regarding your application for funding is preliminary in nature and not a guarantee that you will receive funding. Rather, it means that the review of all the application materials is complete and your application was selected as a finalist. USAID may then further assess whether your organization has the capacity (i.e., systems, procedures, internal controls, and policies) to achieve the objectives of the program you proposed in your application and to satisfactorily meet USAID compliance requirements. This assessment is called the pre-award survey (2.3.1).

Further, USAID may be interested in funding your organization only if you commit to making certain changes to your proposal. This is an opportunity to negotiate the specific terms of your agreement with USAID.

If your organization has completed a pre-award survey and you have reached agreement regarding the program, budget, and targets, USAID will make a final award decision based on funding availability and its priorities. If your program addresses a USAID priority and funding is available, USAID will offer you the award. USAID can decide not to fund your program at any point during this process, however. Reasons for rejecting an award at this stage may include one or more of the following:

- Results of the pre-award survey lead USAID to conclude that your organization does not have systems, procedures, internal controls, or policies in place to properly manage USAID resources or to achieve the objectives of the proposed program.
- Your organization and USAID cannot reach agreement on specific aspects of the award, such as budget, geographic area to be served, program design, or targets.
- Other proposal(s) were deemed to be a higher priority or better value to USAID.
- Available USAID funding was reduced or reallocated.
- Your organization's name appears on the [Excluded Parties](#) list maintained by the Department of Treasury's Office of Foreign Assets Control, the [U.S. Department of Treasury's Designated Nationals List](#), or the [UN Consolidated List](#).

It is important to approach the pre-award phase carefully and fully address each of the tasks (2.2.2) required to finalize your award. This phase can be quick or can involve long delays. Your organization stands a reasonable chance of receiving an award if you make it this far, but beware of allowing expectations to run too high. Note that you may also choose to withdraw from the negotiations at any time. Though nothing is yet signed, your partnership with USAID begins at this stage. You will want to work diligently to provide the information needed so that USAID can make a final decision in your favor. At the same time, you must ensure your organization is not promising something it cannot deliver. If USAID asks you to take on additional work or modify your program, it is your responsibility to evaluate that request and determine whether you are capable of fulfilling it. If you feel the request requires more funding or affects targets, be sure to discuss this with your USAID counterparts. An organization that meets its commitments gains credibility and improves its prospects for obtaining additional funding in the future.

2.2.1 Preparing for the Award Phase

1. *Be Aware of the Differences between Award and Obligation.*

An award has two significant numbers: the award amount and the obligated amount. The award amount is the estimated total amount that is intended to be spent over the life of the project. The obligated amount is the amount of money USAID has committed to the project which may be the full amount of the award or a portion of the award amount. In other words, it is the amount available to your organization to spend on the project at any particular time. USAID will provide (obligate) additional funds as needed and as funds become available to it, assuming your program is progressing satisfactorily. It is important to note that USAID may not obligate the total award amount.

Figure 1—Sample Obligation Timeline

The following is an example of a schedule of when an organization might receive obligations over a three-year period based on a US\$1 million award.

	Date	Amount
Initial Obligation	1-Dec-06	US\$100,000
Obligation after Workplan Approval	1-Jun-07	US\$400,000
Year 2 Obligation	1-Jun-08	US\$300,000
Year 3 Obligation	1-Jun-09	US\$200,000
Total Award Amount		US\$1,000,000

Throughout the period of performance, it is important to track actual expenditures against your obligated amount to make sure you do not exceed that amount. It is recommended that you notify USAID when you have spent approximately 75% of your obligated amount so that USAID can obligate additional funds. Any spending your organization does above the obligated amount is at your own risk! USAID will not reimburse amounts spent in excess of the obligated amount under any circumstances.

Another reason why it is important to track funds is because USAID obligates funds using a “forward funding system.” This is defined as the availability of funds to support future expenditures for a specified period. USAID typically will not forward fund obligations for more than 12 months beyond the end of the fiscal year in which the obligation takes place. Therefore, spending an annual obligation in less than 12 months means your organization would need to stop program activities or spend above the obligated amount at its own risk. (For more information, visit <http://www.usaid.gov/policy/ads/600/602.pdf>.)

2. Take Note of *Substantial Involvement*.

USAID has various methods through which it funds organizations to carry out their strategic objectives. One mechanism is a Cooperative Agreement, which gives USAID the right to be substantially involved in overseeing implementation of certain aspects of your program. The purpose of the Substantial Involvement clause in CAs is to assist you to achieve the objectives of the agreement. ADS 303.3.11 describes substantial involvement as limited to: a) Approval of the Recipient’s Implementation Plan, b) Approval of Specified Key

Personnel, monitoring and evaluation (M&E) plans, and any subrecipients, c) Agency and Recipient Collaboration or Joint Participation, and d) Agency authority to immediately halt a construction activity. The intention is to allow USAID the ability to ensure that award activities remain consistent with its overall strategic objectives while, at the same time, providing your organization sufficient flexibility to implement and innovate within the boundaries of those strategic objectives. During the early stages of the award phase, you must be clear regarding the amount of flexibility provided by the Cooperative Agreement and what specific items require USAID review and approval. (For more information on substantial involvement, visit <http://www.usaid.gov/policy/ads/300/303.pdf>.)

3. Address Pre-Award Survey Conditions.

During the pre-award phase, if the USG uncovers any deficiencies, these have to be corrected in accordance with the terms of the award. Some findings may be simple to correct, such as the need to introduce time sheets for staff. Others may be much more complex and time-consuming, such as the need to install a better financial management system. Consult with your AOTR if you have questions about what is expected.

4. Carefully Review the Cooperative Agreement.

There is always a push to have a signed agreement—both from people in your organization who want to have the agreement finalized and sometimes from USAID personnel. USAID may request changes to certain aspects of your program, which may affect targets, budget, or other key aspects. Think through these changes and document them. These should be incorporated into the program description of your Cooperative Agreement before signing.

5. Do Not Start Implementing Yet!

A signed award does not mean “Go!” Several key planning tasks and approvals may still need to take place, and costs incurred before the start date will not be reimbursed. [Chapter 3](#) covers the start-up phase in detail. Review that chapter, and be sure to manage the expectations of your partners and potential beneficiaries during the award and start-up phases.

2.2.2 Award Phase Timeline and Task List

Figure 2—Award Phase Timeline and Task List

Event/Task	Description	Timeline	Reference
◇USAID informs you that your organization has been selected as a finalist via a notification of consideration for funding	The USAID acquisitions office will contact you about your application for funding and inform you that your organization is selected as a finalist. However, USAID has made no funding commitment at this time.	Will begin sometime after the final application deadline	Section 2.3
Pre-award survey	An auditor or other USAID-approved official will review your organization's systems, policies, and capabilities to determine whether you meet the minimum standards to successfully administer USAID funding.	Immediately, must complete prior to award	Section 2.3.1
Pre-award assurances	Pre-award assurances are various promises your organization must make to be eligible for USAID funding. These are forms that are usually included in your application process. USAID will make sure these are completed prior to award.	Must complete prior to award	Section 2.3.2
Negotiate program details	USAID may request geographic, technical, target, budget, or other changes to your proposal to better align it with USAID priorities and strategic objectives. You are expected to review these proposed changes and make sure your organization can still complete the project within the budget, targets, and time frame.	Must complete prior to award	Section 2.4
Begin addressing pre-award conditions	If your pre-award survey resulted in any findings, USAID will ask you to address these.	Immediately or within time frame specified by USAID	Section 2.4.2
Designate Key Personnel	Key personnel are individuals specifically listed in your agreement. Key Personnel require AO approval.	Individuals critical to the start-up phase should be designated by the time the award is signed if possible	Section 2.5.1
Final USG review and award decision	USAID will take one last look at its budget, priorities, and the other finalists for the award and then make final decisions.	Timeline will depend on USAID workload and priorities	Chapter 2
◇Sign and announce award	Successful organizations are notified, and a final version of the agreement is sent for signature. Read it carefully and make sure you understand and are in full agreement with all terms and conditions before signing.	Following the steps above	Section 2.6
Start-up phase begins	Upon receipt of the finalized agreement, you are expected to begin the planning tasks for the start-up of your award. These tasks are outlined in chapter 3 .	Upon signature of the final agreement document	Chapter 3
Establish agreements with partners	Agreements with partners should be established using the appropriate mechanism, such as a contract, an MOU, etc.	Must begin prior to implementation of a joint activity	Section 2.5.3

2.3 Pre-Award Phase

When your organization is notified that it is a finalist for an award, it must still complete several tasks before USAID makes a final decision on whether to fund the program. Being selected as a finalist is a very good sign, but as mentioned above, it does not mean your organization has actually won an award.

Before the specifics of an award are discussed, USAID will likely conduct a pre-award survey and ask you to sign pre-award assurances, steps USAID takes to make sure your organization is capable of managing the resources for the program you have designed in your application, and it helps to ensure USAID that your organization is willing and able to comply with USAID regulations.

2.3.1 Pre-Award Survey

A pre-award survey assesses your organization's policies, systems, procedures, and capabilities to manage USAID resources. Although such a survey may cover a variety of issues, including your organization's structure, management, and governance, the focus is typically on internal financial procedures, policies, and controls. The reason for this emphasis is simple: regardless of the strengths your organization may have, USAID will not execute an award with an organization that cannot demonstrate the capacity to administer funds in full compliance with USAID rules and regulations.

If the Agreement Officer (AO) determines that a pre-award survey is called for, the AO will assemble a team with appropriate expertise to conduct it. A team might consist of:

- an Assistance Objective Team (AOT) member;
- the AO or designate;
- the Financial Officer (Bureau for Management, Office of the Chief Financial Officer [M/CFO], or Mission or Regional Controller's Office) or designate; and
- one or more representatives of the Bureau for Management, Office of Acquisition and Assistance, Contract Audit and Support Division, Contract Audit Management Branch (OAA/CAM), or the cognizant Regional Inspector General for Audit, if appropriate.

The survey team will review the applicant's systems against standards (<http://www.usaid.gov/policy/ads/300/303.pdf>) contained in the ADS and submit its findings to the AO for review and consideration. The AO makes the final determination of the applicant's suitability for receipt of an award.

Pre-Award Survey of Accounting System Adequacy

The Pre-Award Survey for Nonprofit Organizations form is used as the basis for assessing financial management capacity. This form contains a list of criteria for determining whether your accounting system meets the minimum standards to be eligible for USG funding.

These standards include appropriate accounting software and written financial management policies and accounting procedures. The pre-awarded survey will involve assessing the extent to which these are in place within your organization and being actively implemented. Refer to Standard Form 1408, "Pre-award Survey of Prospective Contractor Accounting System" (often referred to as SF-1408) online at <http://www.acquisition.gov/far/current/html/FormsStandard41.html>.

Following are the 15 questions on the form. In evaluating each item, the surveyor will answer "Yes" or "No." If your system only partially meets the criteria for a particular question, the answer will most likely be "No," and the surveyor may further indicate in a report the need for accounting personnel, procurement, internal controls, or other policies and procedures essential for demonstrating the existence of good financial/administrative practices.

1. *Is the accounting system in accordance with generally accepted accounting principles applicable in the circumstances?*

Generally Accepted Accounting Principles (GAAP) are a framework of guidelines for accounting and financial reporting. They include the standards, conventions, and rules accountants follow in recording and summarizing transactions and in preparing financial statements. The surveyor will determine whether your overall system "passes" or "fails" when compared to these accepted practices.

2. Does the accounting system provide for:

- 2a—Proper segregation of direct costs from indirect costs.

Your accounting system and procedures must identify and record direct and indirect costs separately. When a cost is directly attributable to a specific project, it is considered a “direct cost.” If you have multiple projects and have costs that are not specifically attributable to a single project, these are considered “indirect costs.” Your accounting system must have the ability to categorize costs in this way, and your organization must clearly define which costs are considered direct and indirect. (For tips on how to allocate shared project or indirect costs, see [section 4.3.1.6.](#))

- 2b—Identification and accumulation of direct costs by contract.

For those direct costs that are attributable to a specific program, your system should be able to report on what those costs are and the total expenditures to date.

- 2c—A logical and consistent method for allocation of indirect costs to intermediate and final cost objectives. (A contract is a final cost objective.)

- 2d—Accumulation of costs under general ledger control.

Your system should be able to report on all costs incurred across your organization. These include non-project costs and indirect costs as well as direct costs.

- 2e—A timekeeping system that identifies employees’ labor by intermediate or final cost objectives.

Your system must include a timekeeping component that connects an employee’s hours to a specific project or activity under a project. This is not just an attribute of your accounting system. Your organization must have a process for employees to complete time sheets and note which hours are attributed to different activities or projects. Even if your accounting system can do this, the surveyor may not give you a passing grade unless your organization has a written policy and is actively using this process to track employee time.

- 2f—A labor distribution system that charges direct and indirect labor to the appropriate cost objectives.

Similar to 2e, above, but in addition to recording the time, your system must be able to charge these costs to different projects. This also includes indirect costs. For example, if you have a secretary who provides administrative support to staff working on multiple projects, but his or her time is not easily attributable to one project, this individual’s time may be part of your indirect costs.

- 2g—Interim (at least monthly) determination of costs charged to a contract through routine posting of books of account.

The surveyor will assess your policies, procedures, and historical records to determine whether you are reconciling your books of accounts on at least a monthly basis.

- 2h—Exclusion from costs charged to government contracts of amounts which are not allowable in OMB A-122, Attachment B, or other contract provisions.

The surveyor will examine your procurement policies to determine how unallowable costs —those items USAID will not cover—are defined and identified. The reporting system must exclude these costs from being charged to USAID; policies should be developed to prevent those items from being purchased in the first place. (For more on allowable costs, see [section 4.3.2.2.](#))

- 2i—Identification of costs by contract line item and by units (as if each unit or line item were a separate contract) if required by the proposed contract/grant.

Your accounting system should be able to link the original budget (the budget in your Cooperative Agreement) with individual transactions. For example, if your budget includes the purchase of 300 units at US\$2 each, the accounting system needs to be able to show the actual cost and quantity purchased as part of the process of recording the transaction.

3. *Does the accounting system provide financial information:*

- 3a—Required by OMB A-110, *Standards of Financial Management Systems*.

This question seeks to determine whether your system will yield reports in compliance with the terms of your agreement—especially in terms of reporting on costs and managing the process for disbursing funds properly. (For more on the reporting requirements of your award, see [chapter 5](#).)

- 3b—Required to support requests for reimbursement payments.
- 3c—Required to support requests for advance payments.

When you request advances or reimbursements for your program, you must report the status of your spending of funds received to date and the projected funding needs for the upcoming period (one to three months or more, depending on the amount of advanced funds USAID authorizes). This criterion evaluates whether your systems are able to report accurately on recent spending and forecast upcoming costs.

4. *Is the accounting system designed, and are the records maintained, in such a manner that adequate, reliable data are developed for use in pricing follow-on acquisitions?*

Your system should be more than a system for tracking your current accounts. The history of cost data your system stores can be an excellent resource for you to estimate costs for taking on additional work. For example, if your project provides health services in a certain district, and USAID is interested in having your organization expand its work into an additional district, you may extract historical data from your system that can help provide reliable cost estimates for that additional work.

5. *Is the accounting system currently in full operation? If not, describe in Section I Narrative which portions are (1) in operation, (2) set up, but not yet in operation, (3) anticipated, or (4) nonexistent.*

If you are in the process of upgrading your system when the survey occurs, this is the opportunity for the surveyor to note the progress you are making and the estimated timeline for completing the upgrade.

Pre-Award Survey Results

The surveyor will provide USAID with a report of the pre-award survey results, based on which USAID will write a letter to the applicant regarding any deficiencies or weaknesses. The applicant will then have an opportunity to respond and clarify any issues. USAID will take the audit into account as one aspect of its final funding decision. A more detailed explanation of how you may want to respond to the pre-award survey results is included in the section on addressing pre-award survey findings/conditions ([2.4.2](#)).

2.3.2 Pre-Award Assurances

Pre-award certifications, assurances, and other statements are promises your organization makes prior to receiving a USAID award.

Find It Online

SF-424B Assurance of Compliance
<http://apply07.grants.gov/apply/forms/sample/SF424B-V1.1.pdf>

These statements are usually included as part of a form, Standard Form-424B, that is signed by your executive director or responsible senior officer at your organization and states that your organization:

- will comply with the necessary USAID regulations and requirements;
- has the capacity to successfully complete the program; and
- is willing to comply with USAID requirements to monitor your program.

In many cases, you must submit this form when you apply for the award. If it was not completed with your application, USAID may ask that it be signed during the award phase.

Specifically, these assurances include statements that your organization:

- has the funds or resources necessary to meet any cost-share or matching commitment you agreed to meet;
- authorizes USAID to access and examine all records, books, papers, or documents related to the award;

- has or will establish a proper accounting system;
- has or will establish safeguards to prohibit employees from using their positions for purposes that constitute or present the appearance of personal or organizational conflict of interest or personal gain;
- will comply with U.S. laws relating to nondiscrimination on the basis of sex, race, religion, color, or national origin, among others;
- will comply with USAID audit requirements; and
- will open a separate bank account for the project (no comingling of funds).

USAID requires that certain standard provisions be included in subagreements but does not require assurance forms from your subrecipients. However, good business practice dictates that these assurances should flow down to subagreements despite the fact forms may not be required by USAID.

2.4 Negotiation Phase

Prior to finalizing the award, your organization will have the chance to negotiate with USAID the terms and conditions of the award agreement, including how your organization will receive funding and what administrative issues your organization must address to be eligible to receive the award.

This section discusses these issues and gives you some sense of what to expect. Each negotiation is different, so be prepared to be flexible. Also, keep in mind that successfully coming to an agreement with USAID does not necessarily mean you will receive funding. As mentioned, USAID reserves the right of final selection based on USAID priorities and availability of resources.

2.4.1 Negotiating Changes to Your Program

The application submitted by your organization will be thoroughly reviewed and evaluated by USAID technical experts. USAID may also invite host-country officials and other outside experts to participate in the review process in order to ensure consistency with host-country development priorities and a wider and more

relevant perspective. These experts may provide suggestions and recommendations to improve your proposed program. During the negotiation phase, USAID may ask you to change certain aspects of your program based on these reviews.

Examples of changes USAID might request include:

- Modify performance targets.
- Add, reduce, or change targeted geographic areas.
- Reconsider subrecipient selection (reasons for this could include past performance record with the proposed subrecipient on other USAID-funded grants).
- Change proposed key personnel (for example, if a proposed individual does not have the necessary qualifications).
- Remove budget items that are unallowable under USAID regulations or reduce others deemed excessive.
- Change targeted beneficiary group(s).
- Select a specific program design or training/education curriculum (for example, if there is one the host government prefers).
- Add, remove, or otherwise modify specific activities.
- Redesign activities and/or strategies in a manner more closely reflecting approved or accepted in-country practices.
- Reduce your budget or specific budget line items to lower costs.
- Add strategies that take into account specific cross-cutting considerations such as gender, environment, etc.

During this negotiation phase, you must carefully review changes you have been asked to make and consider the following:

- Does the proposed change affect targets?
- Does it affect the budget?
- Does it affect operations?
- Does it affect the implementation time frame?
- Will it require different subrecipients?
- Will it require personnel changes?
- Is your organization able to implement the requested changes?

For example, let us assume you propose to implement your program in a specific village where you are already carrying out similar activities, but on a smaller scale. In the

feedback on your proposal, USAID states that it already has an existing partner in the area you proposed, but has identified a gap in another district and asks that you implement your program there instead.

Before agreeing to any changes and signing an award, your organization should research the new area to determine whether it has similar demographics. A larger population, for example, or other factors might provide the opportunity to reach higher targets, whereas a smaller population may mean it will be a struggle to reach the originally proposed targets. Also, your organization may need to find a subrecipient in the new area. Depending on the location, when compared to the one originally proposed, you may need to increase or decrease transportation or other costs of operation.

In some cases, there may be a number of unknowns that make it difficult to respond in the time frame USAID requested. If this is the case, talk to your USAID contact. She or he may have data that can help, or, if you must meet a deadline to finalize the award that does not provide sufficient time to gather the necessary information, your USAID contact may be willing to allow you to address your concerns through a modification to the program description after the award is made.

USAID's goal is simple—to reach agreement on a program that both meets USAID's priorities and is something that can realistically be achieved given the budget and time frame of the award. Your role is to incorporate the requested changes into your program description, ensuring they are appropriate and achievable.

2.4.2 Addressing Pre-Award Survey Findings

Your organization typically will receive the results of the pre-award survey in a letter that details any “findings” or “deficiencies” with its systems. **Your agreement states under the “Special Award Conditions” section that you must address these deficiencies within a certain time after the agreement start date to continue to receive funding, and sometime the findings are specified in the agreement. It is possible, however, for the AO or AOTR to grant you additional time to address these deficiencies.** As mentioned earlier, some findings may be simple to address, but more expensive and time-consuming to complete. This is an

important consideration during the negotiation phase. If USAID lists a particular finding that will require your organization to incur additional expenses, you may ask that the award be adjusted to cover part or all of the cost. For example, if USAID requires a major upgrade to your accounting system, you may be able to include part of that expense as an indirect cost and have the award cover a share of that cost.

Keep in mind that until you and USAID actually sign the award, there is always a chance the award may not happen. Therefore, if you take on major expenses prior to signing the award, such as overhauling your accounting system or hiring consultants to implement new systems, you do so at your own risk.

Once the award is finalized and signed, your organization must address the findings as quickly as possible. Not properly addressing pre-award survey findings in the allotted time can result in termination of your award.

At that time, USAID may 1) conduct a follow-up, project-specific review or 2) ask that you include a review of your corrections in your next annual report. To do this, you must furnish the pre-award survey report and details of your corrections to the auditor before she or he conducts the regular annual audit. Your auditor can then include a statement in the final audit report explaining whether the pre-award findings were resolved. (For more information on conducting an annual audit, see [chapter 5](#).)

2.5 Other Pre-Award-Related Activities

Under a Cooperative Agreement, USAID has clearly defined responsibilities for review and approval of certain aspects of your program. Referred to as “substantial involvement,” these may include:

- approval of Implementation Plan;
- approval of Specified Key Personnel;
- approval of the Monitoring and Evaluation (M&E) Plan;
- agency and Recipient Collaboration or Joint Participation; and
- agency authority to immediately halt a construction activity.

Each of these areas is discussed in detail in this chapter.

2.5.1 Designating Key Personnel and Requesting Changes

In a solicitation, USAID may designate certain positions on the project team as “Key Personnel.” These positions, identified as leadership roles, are considered essential to successful implementation of the overall project. It is important to note that the term Key Personnel often is used to refer both to project positions as well as the individuals who fill the particular slots.

In Your Agreement

The Key Personnel clause typically is found under the Substantial Involvement section of Schedule A. The clause contains both the terms of the requirement and the list of Key Personnel named in your agreement.

Typically, an organization will identify and propose individuals to fill these Key Personnel positions in its application for funding. If no one is identified at the time of application, you may designate this unfilled slot as “to be determined” (TBD). In this case, you can continue to recruit for the position. Once you identify the individual, you must request approval. If an individual named in your proposal is no longer available when the award phase begins, an alternative candidate will need to be recruited and submitted to the AO for approval. Similarly, any proposed changes to Key Personnel named in your Cooperative Agreement must be approved by the AO.

Note: The AO approves all Key Personnel changes, unless authority has been delegated to the AOTR in writing.

When a change in Key Personnel occurs (for example, when an individual identified as Key Personnel in the Cooperative Agreement resigns, is terminated, or is otherwise unavailable), notify your AOTR immediately. In the case of termination, be sure you have followed your organization’s human resources (HR) procedures.

The next step is to conduct a fair and open competition to recruit a replacement. Be sure to follow your HR policies and document the process thoroughly. When you have selected a candidate, you may extend a conditional job offer that states the AO must approve the

selection. Your AOTR may want to meet the candidate and may even want to participate in final interviews. Submit a request for approval in writing to your AO and copy your AOTR; be sure to include the CV of the individual you wish to hire as well as an explanation of why he or she is suited for the position. You may choose to use Standard Form-1420 to summarize the information, but it is not required.

Find It Online

Form 1420-17—Contractor employee Biographical Data Sheet
<http://www.usaid.gov/forms/AID142017.doc>
 (opens as a WORD document with macros)

Your AOTR will review your selection and forward it to the AO with a recommendation to approve or deny the change. If your AOTR has concerns, he or she may want to discuss them with you before seeking final approval from the AO. Your AOTR is not questioning why you recommend one person and not another, but rather ensuring the new candidate meets the established qualifications criteria for the particular Key Personnel position. Your AOTR may also want to make sure that the hiring process was fair and in line with in-country standards and practices.

Finally, the AOTR must submit a request to the AO to modify your agreement to formally document the change in Key Personnel. This formal modification may come at a later date.

2.5.2 Recovering Indirect Costs

An organization with more than one project incurs three categories of expenses:

- **Direct project costs**—Costs that can be clearly attributed to a specific project, such as a dedicated staff person, office space used by project staff, or specific equipment and supplies used only by a single project.
- **Indirect or shared project costs**—Costs that are required to carry out a project, but are difficult to attribute to a specific project, such as utilities or administrative support staff shared with other projects.
- **Non-project costs**—Legitimate organizational expenses, but costs not related to any specific project or costs that are not “allowable.”

Many project costs easily fall into the direct cost category, while non-project costs are usually self-evident. Allocating indirect project costs, however, requires a method for apportioning them fairly.

One approach to allocating indirect or shared project costs is to use a percentage based on the number of employees on one project versus the total number of employees. Another way to do this is by allocating dedicated office space. To do this, first figure out what parts of your office are dedicated to a specific project, such as space for dedicated project staff, and what parts are shared, such as meeting rooms or the reception area. Of the areas that are dedicated to specific projects, calculate the area allocated to each project. You can even divide the office space of an individual who splits time based on the percentage she or he allocates to each project. Calculate the area dedicated to each project as well as the percentage of overall area dedicated to each project.

For example, let's say an office of 1,000 square meters houses two projects; eight hundred sq. meters of office space are dedicated to the individual projects, while the rest is shared. Of the dedicated space, 600 sq. meters are for one project, while 200 are for the other project. This means 75% of the overall space is charged to the first project (750 square meters), and 25% for the second (250 square meters). These percentages may also be used as the basis for allocating costs for other shared expenses.

There is no single correct method for allocating shared costs, but how your organization calculates these costs should be clearly documented. This helps to ensure that project resources are used wisely and that costs are distributed in a reasonable manner. Of course, as projects and funding streams change, these formulas need to be adjusted accordingly. [Chapter 4](#) addresses this point in more detail.

Set—and Keep Up to Date—Policies for Calculating Shared or Indirect Costs
With these guidelines in mind, establish policies that define the following:

- what specific costs and resources are considered “shared”;
- how your organization will divide shared costs among different projects; and
- under what circumstances these policies will be revised.

Establishing a NICRA

Another way some organizations address indirect costs is by establishing a Negotiated Indirect Cost Rate Agreement (NICRA) with USAID. A NICRA lays out a formula that establishes how your organization can recover the shared or indirect project costs it accrues in carrying out its USAID-funded agreements.

USAID will allow organizations to establish a NICRA based on a number of considerations, including the nature and purpose of the award and the justification for the need to establish a NICRA. If USAID is willing to support your request for a NICRA, you must have the supporting data available on which to establish a NICRA formula. Your accounting system must also be capable of separating and identifying indirect and direct project costs.

In some cases, USAID will allow an organization to set up a provisional NICRA that will be revisited after a year to establish a final rate. Once a final rate is established, it can be used as your indirect cost rate for other USAID awards. In other words, you would not need to establish a new NICRA for each award. NICRAs are then reviewed and adjusted annually.

Your AO can advise you on whether or how to pursue establishing a NICRA. USAID-funded non-U.S.-based organizations may need to consult individual missions to establish a NICRA. If an organization does not establish a NICRA during the negotiation phase, it can request one at a later date.

Note: A NICRA can simplify how you are reimbursed for your overhead costs in certain USAID-funded projects. However, if your organization has projects funded by other donors, or if your NICRA only covers headquarters' expenses, or if you want to verify that your NICRA is accurately covering your shared expenses, you will still need to allocate your shared costs. Thus, regardless of whether you have a NICRA, it is a good management practice to establish a policy for allocating shared project expenses.

2.5.3 Subagreements and Subrecipients

During the award phase, you will want to begin the process of establishing and/or formalizing your relationships with subrecipients. Similar to Key Personnel, USAID approval is required prior to entering into subagreements with subrecipients. If your subrecipients are named in your approved proposal and budget, then you can proceed with executing subagreements. If they are not named, then you will need to specifically request approval from the AO for each subrecipient.

A subrecipient is any organization to which you provide financial assistance in the form of money or property under your USAID-funded award. A subgrantee would be a subrecipient, as would an organization you bring on to help you implement your project.

However, the following examples would not be considered subrecipients and would not require USAID approval:

- a company from which you buy office supplies;
- payments for school fees for orphans and vulnerable children; or
- a beneficiary organization/community NGO to which you will be providing capacity-building support.

While only subrecipients need USAID approval, terrorism searches must be conducted on both potential subrecipients and potential vendors. To document that you have checked that none is ineligible, you must check several different sources:

- 1) U.S. Department of Treasury List of Specially Designated Nationals and Blocked Persons—<http://www.ustreas.gov/offices/enforcement/ofac/sdn/>;
- 2) United Nations Al-Qaida and Taliban Consolidated List—<http://www.un.org/sc/committees/1267/consolist.shtml>;
- 3) Excluded Parties List—<http://www.epls.gov>; and
- 4) any supplemental information concerning prohibited individuals or entities that USAID may provide to the grantee.

Remember

For vendors, whether supplying a good or service, a purchase order or agreement is necessary, and vendors must be selected through a competitive process according to the process and procedures established by your organization and detailed in your procurement manual.

2.5.4 Subrecipient Requirements

There are special requirements with which you must comply when part of your USAID award goes to a subrecipient.

USAID has a contractual relationship with the prime recipient. Under the agreement, the prime must abide by various requirements and provisions that are specified or referenced in the agreement.

Items Required in Agreements with Subrecipients on USAID-Funded Projects

USAID publishes two important documents that are helpful in putting together subagreements:

- ▶ Mandatory Standard Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)
- ▶ Mandatory Standard Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)

1. Choose the relevant document based on whether your subrecipient is U.S.-based or non-U.S. based. Whether your organization is U.S.-based does not matter; it is possible that your subs have a different set of requirements from yours.
2. Include all of the “mandatory” provisions in the first section of the document.
3. Include all those sections listed under “Required as Applicable” that are relevant to your sub. Each provision explains when the provision is applicable.

The subrecipient has a similar relationship with a prime as the prime has with USAID. As USAID does not have a direct relationship with the sub, the prime is responsible for

ensuring that all mandatory provisions and important clauses in the award flow down to the sub. The easiest way to do this is through a subagreement that specifies and/or references the requirements and practices by which the subrecipient must abide.

The following are major areas a prime partner must address when selecting and managing a subrecipient.

Subrecipient Selection Process

- **Selection Process**—A prime will need to use an established selection process and properly document all selection decisions. Suggested practices for selecting subrecipients include issuing a Request for Applications (RFA) or soliciting bids directly from organizations that have the skills you are looking for.
- **Pre-Award Assessment**—Prior to making a final selection, evaluate a prospective subrecipient's financial and management systems and its ability to implement activities and deliver desired results. If possible, visit the finalists to further verify their suitability.
- **USAID Approval**—USAID must approve a subrecipient before it can receive funding. If you named a sub in your original proposal and budget, then it typically is approved in your agreement; AO approval is required if the subrecipient is not included in the Cooperative Agreement.
- **Agreement**—When making a subaward, a Standard Grant Agreement, Fixed-Obligation Grant Agreement, or subcontract is appropriate when a legally binding mechanism is needed. An MOU or other less formal agreement is not an appropriate means of engaging a subrecipient because it is not legally binding. Prior to entering into a contractual relationship, ensure that all parties understand the legal obligations involved.

Planning and Implementation

- **Requirements and Regulations**—Check your award to see what provisions also apply to subs, and review with them the requirements and USAID regulations related to the type of subagreement you use with them. Examples:
 - **Procurement**—Ensure that subs are aware of cost principles for allowable costs and that there are mechanisms for properly documenting procurement actions.

- **Marking and Branding**—Ensure that subs understand marking and branding requirements.
- **Cost Share**—Any cost share a subrecipient contributes may be aggregated and applied toward your cost-share contribution, if any. Therefore, you should work with your subs to record items such as volunteer hours and other in-kind contributions.

Reporting

- **Timelines**—Develop a calendar for submission of all required reports. Give your subs deadlines that allow you to receive reports early enough so you can review and consolidate your own reports for submission to USAID.
- **Audits**—Determine whether subs will need to have an outside audit. The expenditure threshold for which audits are required for foreign NGOs is spending US\$300,000 or more in a given year. The threshold for U.S.-based NGOs is spending US\$500,000. This threshold amount includes total funding from the USG—not just the funding subs receive from your organization under your award.

Post-Award

- **Close Out**—Subs must close out financially, complete all required deliverables, and clarify disposition plans for any equipment or inventory purchased with USAID funds. Therefore, you will want to end subrecipient activities early.
- **Records**—Ensure that subs are aware of the documentation they must maintain and for how long (typically three years after submission of the final report).

2.6 Understanding Your Cooperative Agreement

The award phase ends when an agreement is formally executed (signed) by both USAID and your organization. This document contains the expectations and regulations that govern your award.

This section of the *Guide* focuses on Cooperative Agreements, the kind of agreement USAID typically uses. Some Missions routinely require a post-award conference to go over

your Cooperative Agreement with you. If that is not the case, you may request one.

Take the time to review your agreement as soon as you receive it and keep a copy on hand, so you can refer to the terms regularly. In fact, everyone on your project management team should read it thoroughly.

2.6.1 Cooperative Agreement Basics

When you enter into a Cooperative Agreement with USAID, your organization becomes legally obligated to follow its rules and regulations. Some of these are clearly spelled out, whereas others may be incorporated by reference. You must comply with both kinds and may be penalized if you do not—even if noncompliance was unintentional.

At the same time, the Cooperative Agreement protects you, too. For example, some clauses prohibit USAID from putting unreasonable reporting burdens on your organization; others state that your organization cannot be compelled to implement programs against its will. Thus, knowing your rights under your Cooperative Agreement is as important as knowing your obligations.

What is in a Cooperative Agreement?

Your agreement delineates the relationship between your organization and USAID and outlines the following:

1. how much funding USAID plans to provide to your organization;
2. what you are expected to accomplish with the funding, and how you plan to do it;
3. the time frame in which USAID plans to provide support to your program;
4. who in your organization is primarily responsible for the program's success;
5. who at USAID is responsible for assisting and overseeing your program;
6. what you must do to request and receive funds;
7. what role USAID may play in executing your program;
8. what obligations you have to USAID during the life of the program;

9. what obligations you have to USAID after the program is completed;
10. specific protections and rights your organization retains;
11. procedures for various interactions between your organization and USAID; and
12. consequences and contingencies if your organization fails to meet its obligations, or if your organization wishes to withdraw from the agreement, or if USAID terminates the program.

Each Cooperative Agreement will be slightly different. The following sections of the Cooperative Agreement are intended for general reference. However, note that what is specifically stated in your Cooperative Agreement is the organization's legal obligation to USAID.

2.6.2 USAID Cooperative Agreement

The USAID Cooperative Agreement has four primary sections:

1. [Award Letter](#)
2. [Attachment A](#)—Schedule
3. [Attachment B](#)—Program Description
4. [Attachment C](#)—Standard Provisions

While Cooperative Agreements vary with each award, the following outline describes the general contents of each of the above sections. Important differences between agreements with U.S.- and non-U.S.-based organizations are contained in the Standard Provisions section. These differences are discussed here briefly, and Common USAID Standard Provisions are included in [Annex 2](#).

Find It Online

- ▶ USAID ADS Chapter 303—Grants and Cooperative Agreements to NGOs (<http://www.usaid.gov/policy/ads/300/303.pdf>)
- ▶ Standard Mandatory Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)
- ▶ Standard Mandatory Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)

Award Letter

The award letter contains the following information about your award:

- **Cooperative Agreement Number**—This number should be referenced in key documents, correspondence, and reports.
 - **Award Amount**—This figure represents the total amount USAID estimates it will provide for the life of your Cooperative Agreement.
 - **Obligated Amount**—This is the amount of funding made readily available for an awardee. The initial obligated amount is stated in this letter. The award letter often contains a statement such as, “USAID will not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.” The letter will then list the obligated amount under “Amount Obligated to This Action.” Each future obligation increase will be documented in a modification from your AO specifying the new total obligated amount. You will receive copies of these modifications, which can help you track your current obligated amount. Modifications to a Cooperative Agreement reflecting an increase in the obligated amount do not require counter-signature by your organization. USAID is only authorized to reimburse your organization up to the obligated amount and is not responsible for any expenses you incur over that amount.
 - **Agreement Dates**—The effective date, or start date, of the Cooperative Agreement is the date the letter is transmitted, unless stated otherwise. The end date is usually stated in the body of the letter.
 - **Cost Share**—The letter also lists “Cost-Sharing Amount (Non-Federal).” This amount is the cost-share contribution the recipient organization has agreed to provide for this program, if any. Whether the cost share is an in-kind or cash contribution, or other funding, your organization will be held responsible for meeting its cost-share obligation. Therefore, cost-share accumulations must be tracked accurately throughout the period of performance.
 - **Agreement Officer**—The AO, the legal representative of the USG, signs the letter to make the award.
 - **Payment Office**—The payment office is your key contact for financial status reporting.
- **A.1: The Purpose of Cooperative Agreement**—This explicitly ties funding to the program described in your Program Description (Attachment B).
 - **A.2: Period of Cooperative Agreement**—Contains two sets of dates: the start and end dates for the entire award and the date of the initial obligation of funds.
 - **A.3: Amount of Cooperative Agreement and Payment**—Presents the total award amount, the obligation amount, and how payments are to be made. This section also contains an important caveat to your program’s continued funding:
 - Incremental funds up to the total amount of the agreement may be obligated by USAID subject to the availability of funds, satisfactory progress of the program and continued relevance of the program objectives.
 - **A.4: Cooperative Agreement Budget**—A summary of the total project budget, including the cost-share amount, if any.
 - **A.5: Reporting and Evaluation**—A list of the various reporting requirements for which you are responsible during the life of the Cooperative Agreement.
 - **Financial**—quarterly financial status reports (SF-425)
 - **Program reporting**—quarterly performance reports and annual workplans
 - **Final report**—the final report to be submitted at the end of the project
 - **A.6: Indirect Cost Rate (if applicable)**—Details on the Negotiated Indirect Cost Rate (or NICRA) for your agreement, including how it is to be calculated and whether it is a provisional or final rate (this clause may not be included if no NICRA has been established).
 - **A.7: Title to Property**—Property purchased under your agreement, such as vehicles, computer equipment, etc., that may remain with your organization or elsewhere.
 - **A.8: Authorized Geographic Code**—USAID’s procurement regulations differ based on the specific geographic area where the project will be implemented. The geographic code in the Cooperative Agreement defines which set of procurement rules will apply to this project, that is, source requirements (the purchase point of items to be procured) and origin requirements (the country of manufacture of the items to be procured).

Attachment A—Schedule

Attachment A is the Schedule. Each element is explained below with links provided to additional details elsewhere in this document.

- **A.9: Cost Share**—This is the amount your organization has committed to contribute from non-USG sources. If your organization has committed to a cost-share contribution toward implementation of your project, you are required to report accumulated cost-share contributions in the quarterly financial status reports.

Find It Online

- ▶ 22 CFR 228—Rules on Source, Origin and Nationality for Commodities and Services Financed by USAID
(<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=f410ee9353f69d2edc3205ce8572be2b;rgn=div5;view=text;node=22%3A1.0.2.22.27;idno=22;cc=ecfr>)
- ▶ ADS Chapter 310—Source, Origin and Nationality
(<http://www.usaid.gov/policy/ads/300/310.pdf>)

- **A.10: Substantial Involvement**—USAID has a clearly defined role in reviewing and approving certain aspects of your program, which may include the following:
 - **Approval of Your Implementation Plan**—The implementation or workplan describes how your organization will implement its program to reach the objectives contained in the Cooperative Agreement. Upon submission, USAID will review the workplan and provide you with feedback. You cannot begin implementing your program until you receive official approval of your workplan. Typically, workplans are required annually for awards covering multiple years; the submission dates will be stated in your agreement.
 - **Approval of Specified Key Personnel**—Several positions on your project may be listed in this section as Key Personnel (2.5.1), along with the names of the individuals who currently hold each position. USAID may designate as Key Personnel only those positions that are essential to the successful implementation of an award. USAID’s policy limits this to a reasonable number of positions, generally no more than five positions or 5% of recipient employees working under the award, whichever is greater.
 - **Approval of Grantee Collaboration or Joint Participation**—If your project would benefit from USAID’s technical knowledge, the AO may authorize the

collaboration or joint participation of USAID and the grantee on the program. There should be sufficient reason for Agency involvement, and the involvement should be specifically tailored to support identified elements in the program description. When these conditions are met, the AO may include appropriate levels of substantial involvement such as the following:

1. Collaborative involvement in the selection of advisory committee members, if the program establishes such a committee to deal with programmatic or technical issues and not routine administrative matters.
2. Approval of and concurrence on subawards. Grantees must get the AO’s prior approval for the subaward, transfer, or contracting out of any work under their award. If all subrecipients were identified at the outset, and they are listed in the agreement, additional approvals are needed only if these subrecipients are changed or new ones added. While this involvement is generally limited to approving work by a third party, USAID reserves any further approval rights for subawards or contracts and must clearly spell out such Agency involvement in the substantial involvement provision of the agreement.
3. Approval of the recipient’s monitoring and evaluation plans. The AO (unless otherwise delegated to the AOTR) must approve any change to your proposed targets or other aspects of your M&E plan. For example, if the in-country team suggests you work in a different geographic area, and, as a result, you understand that your targets will change, be sure to get written approval before moving forward.
4. Authorization of specified kinds of direction or redirection because of interrelationships with other projects. All such activities must be included in the program description, negotiated in the budget, and made part of the award.

Note: Some Missions may also include the following substantial involvement provision when appropriate:

Agency Authority to Immediately Halt a Construction Activity—The AO may immediately halt a construction activity if identified specifications are not met. In such cases, the AO must also attach the identified specifications to the award when it is being executed. Any material changes to the specifications must be treated as an amendment to the award.

- **A.11: Program Income**—This is the gross income earned by your organization that is directly generated by a supported activity or earned as a result of the award. Program income includes fees for trainings or other services, funds earned from selling equipment purchased with USAID funds, interest earned on micro-loans, etc. Funds raised by selling equipment even after the agreement has ended are still subject to these regulations. Please refer to the language on equipment in [chapter 4](#) (Procurement) of this *Guide* to review regulations related to the sale of items purchased with USAID funds. Income-generating activities are not program income if the income generated goes directly to the beneficiaries, not the project.
- **A.12: Special Provisions**—These include:
 - **A.12.1: Disability**—USAID requires that your organization take steps to ensure that people with disabilities are not discriminated against.
 - **A.12.2: Terrorism Financing**—Your organization must comply with U.S. laws against providing resources to organizations associated with terrorism. This provision also applies to subagreements made under your agreement.
 - **A.12.3: Special Award Condition**—If the pre-award survey resulted in any findings or deficiencies, your agreement will state how long you have to resolve those issues. If you do not resolve these issues satisfactorily, it could jeopardize your agreement.

Attachment B—Program Description

The Program Description is the heart and soul of the Cooperative Agreement. Its contents might include some or all of the following information: the purpose of the award, expected project results and outcomes, target populations, geographic focus, strategic emphasis, specific activities, and monitoring and evaluation approach. The Program Description is based on the technical application submitted during the funding competition. If any concerns were raised during the technical review, and you were asked to address them during negotiations, these issues will be included in your revised Program Description. You should clearly document any significant changes arising from the results of the technical review, including changes to targets, budgets, or technical

approach, and have the AO approve them in writing before you act on these changes.

Attachment C—Standard Provisions

Standard provisions are a variety of laws, regulations, and requirements that apply to entities receiving USAID funding. Though they are “standard,” the actual provisions you find in your Cooperative Agreement vary based on two things:

- U.S.- versus non-U.S.-based recipients have different standard provisions, with some overlap.
- Some standard provisions must be included in all Cooperative Agreements (“mandatory standard provisions”); others are only involved if they pertain to your specific program (“required as applicable standard provisions”).

2.7 Summary and References

During the award phase, you will begin to build a relationship with USAID and finalize the critical agreement details that will govern the rest of your award.

This chapter introduced important award-related concepts and the basics of your agreement, described the key tasks necessary to finalize your award, and outlined what you need to have in place before getting started with your program.

The following chapter proceeds with the start-up phase of your program, to begin as soon as USAID and your organization sign the Cooperative Agreement.

References

- USAID ADS Chapter 303—Grants and Cooperative Agreements to NGOs (<http://www.usaid.gov/policy/ads/300/303.pdf>)
- USAID Standard Mandatory Provisions for non-U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303mab.pdf>)
- USAID Standard Mandatory Provisions for U.S. NGOs (<http://www.usaid.gov/policy/ads/300/303maa.pdf>)