Reporting: Requirements and Benefits

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5.1 Overview

Reporting is the primary way you demonstrate that you are meeting the expectations of your award and complying with USAID requirements. Timely and accurate reporting contributes to building a strong relationship with the donor and providing evidence of the impact of your program.

Often the day-to-day demands of running a program consume significant time and energy, and writing reports feels like a distraction from attending to program needs. However, in addition to being an important responsibility under the Cooperative Agreement, reporting can enhance the daily operations of your programs by helping you examine the financial health, programmatic strength, and performance of your organization and activities. It also gives you the opportunity to bolster ties with your partners. It is advisable to develop a reporting culture within your program by ensuring that all staff have the right tools and training to contribute appropriately. By viewing reporting as a management tool and process that can improve your ability to serve your beneficiaries and meet donor needs and expectations, you will come to experience its benefits.

This chapter covers general reporting tips and details about the specific reports you are likely to encounter as a USAID recipient. The first part, "Getting Started" (5.2), gives program managers new to USAID reporting several tips to get the most out of the reporting process. This chapter also outlines key reporting due dates (5.2.2) and tips to prepare for special or unanticipated reporting requests.

The second part, "Your Reporting Requirements" (5.3), details four of the reports typically required under your Cooperative Agreement. While each agreement may vary slightly, many USAID partners must prepare and submit these reports. Double-check your agreement for specific requirements.

Objectives

- Learn best practices for assembling effective reports.
- Understand the specific reporting requirements and due dates that are common to most USAID-funded partners.
- Gain an appreciation of how reporting enhances your ability to serve beneficiaries.

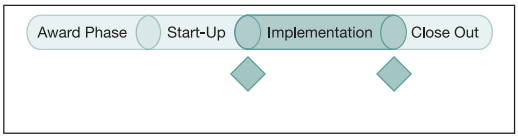
Skip Ahead

- Reporting Due Dates
- SF-425 Federal Financial Report
- Performance Reporting
- Annual Audit
- Foreign Tax Report

Key Terms and Acronyms

- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **Audit**—An independent review and examination of system records and activities.
- **Burn Rate**—The rate at which an organization spends its award funds on a periodic basis, typically monthly.
- **Finding**—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.
- **Fiscal Year**—Sometimes called a financial year or budget year, a period used for calculating annual ("yearly") financial statements in businesses and other organizations. It may or may not correspond to the calendar year, that is, January 1 through December 31. The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.
- **FMO**—USAID's Financial Management Office.
- **Foreign Tax Report**—The report that all USG recipients must fill out annually to report the Value-Added Tax (VAT) that was paid to the host government. The reports are used to ensure that U.S. foreign assistance is not being taxed.
- **Management Decision**—The evaluation of a recommendation by management and a decision on an appropriate course of action.
- **Pipeline**—The amount of funds obligated but not yet spent, which is calculated by adding all funds spent to date and subtracting that amount from the total obligation to date.
- **QPR**—Quarterly Performance Report.

5.2 Getting Started



Program managers new to USAID reporting may find the forms, due dates, and reporting requirements challenging. The requirements are not that complex once you understand what is requested. The key is to give yourself plenty of time to complete each report and, as mentioned above, engage your staff in preparing the reports on a routine basis.

This section includes five tips for producing excellent reports as well as a list of key reporting due dates (see Figure 26). In addition, the section provides some general guidelines for maintaining your data systems to help you prepare for unplanned reporting that USAID grantees often must do. Together, these tips will help you lay the foundation for successful reporting.

5.2.1 Five Tips for Outstanding Reporting

1. *Do not be afraid to tell the truth.*

   It is exciting and rewarding to report on your program's successes, but sometimes your reports will have some bad news, too. Do not try to hide the challenges you are facing. Your Agreement Officer's Technical Representative (AOTR) is on your side and wants to help, but he or she can only do so if you provide an honest assessment. Program managers who demonstrate they can overcome unforeseen challenges make positive impressions on donors.

The USG fiscal year

The USG fiscal year covers a 12-month period that begins October 1 and ends the following September 30.

1st Quarter: October 1–December 31

2nd Quarter: January 1–March 31

3rd Quarter: April 1–June 30

4th Quarter: July 1–September 30

2. *Develop a reporting calendar and timeline.*

   To ensure you have plenty of time to assemble good reports, list all of the requirements on a calendar and plan ahead so you will not be rushed. Make sure all staff and subrecipients who contribute to each report are aware of the timeline and due date.

3. *Engage subrecipients early.*

   Most reports require prime partners to gather information from subrecipients. When creating your reporting calendar, allow enough time for your subrecipients to give you meaningful input. This not only leads to a better report, but it also builds subrecipients' capacity by involving them in the self-evaluation aspects of reporting and holding them accountable for data gathering and deadlines. Be sure to close the loop with subrecipients by sending them copies of the reports you submit to USAID.

4. *Tell a consistent story in all of your reports.*

   There is a negative disconnect if your performance reports describe a financially healthy program, but your Federal Financial Reports show you are going through your funding more quickly than expected. All of your reports should be linked together, so that when your AOTR reviews your program documentation, he or she gets an accurate picture. Quantify all of your conclusions with data, and show how your program is meeting targets and staying on budget. This allows your AOTR to conclude that your program is doing well.

5. *Do not surprise your AOTR or AO.*

   Reports document various aspects of your program—they are not the primary means of communicating with your funding agency. You should discuss major challenges with budget, staff, partnerships, or implementation strategies with your AOTR first, and document them later in your reports.

5.2.2 Reporting Due Dates

Figure 26—Reports, Frequency, and Submission Dates

Report	Frequency	Due date to be submitted
Federal Financial Report	Quarterly	Thirty days after the end of each calendar quarter: January 30, April 30, July 30, October 30
Performance Report	Quarterly	January 30, April 30, July 30, October 30
Annual Audit	Annually	Thirty days after you receive it from your auditor. The audit and report must be submitted within nine months after the end of your fiscal year
Foreign Tax Report	Annually	April 16
Final Report*	Award	Ninety days after the end of the award

* The Final Report is covered in chapter 6—Award Close Out.

5.2.3 Preparing for Other Reporting Requests

USAID grantees are sometimes asked to respond to a number of special, unplanned or "ad hoc" report requests. These requests can demand a quick response and generally include target or budget status or estimates. Your AOTR may provide a spreadsheet template or other guidance on how to submit the needed data. If you are unable to meet the deadline or are unsure about what exactly is called for, contact your AOTR immediately for additional guidance on how to respond.

If your M&E and financial systems are up to date, it probably will not take you long to pull the numbers together. Always make sure your financial and programmatic reports "match." However, if you do not have a disciplined process for data entry, you may have to scramble to compile these numbers on short notice.

5.3 Your Reporting Requirements

This section outlines the four reports required of USAID-funded programs:

- Federal Financial Report (5.3.1)
- Performance Report (5.3.2)
- Annual Audit (5.3.3)
- Foreign Tax (VAT) Report (5.3.4)

These reports must be submitted to USAID as outlined in your Cooperative Agreement. Reporting related to award close out is covered in chapter 6 of this *Guide*.

Figure 27—Reporting Questions

Federal Financial Report

How is the program's financial health?

Performance Report

Are your activities achieving their goals?

Annual Audit

Is your organization functioning properly?

Foreign Tax Reporting

Is the host country complying with USG agreements?

5.3.1 Federal Financial Report (SF-425)

The Federal Financial Report, also referred to as SF-425, is a snapshot of where you stand on spending on your award and tracks how much cost share your organization has contributed. These reports are due quarterly to the FMO.

SF-425 Key Points

Due: Quarterly

Form: SF-425 (pdf) — download at http://www.whitehouse.gov/omb/grants/standard_forms/ff_report.pdf

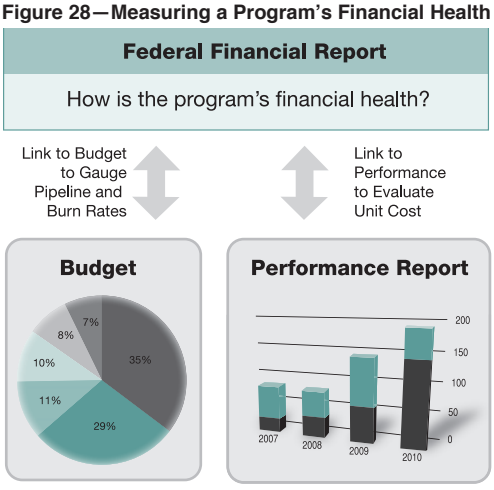
Instructions: download at http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf

Submit to: FMO
(cc: AOTR and AO)

How Does This Help My Program?

You can use the information in SF-425, coupled with your budget, to determine whether you are spending too quickly or too slowly by examining pipeline and burn rates. When combined with performance data, you can ascertain whether you are spending efficiently to meet your targets by analyzing unit costs. (For more information on pipelines, burn rates, and unit costs, see section 4.3.1.4.)

Figure 28—Measuring a Program's Financial Health



Report Specifics

Your Cooperative Agreement describes financial reporting requirements, including:

- when (and how often) to submit reports;
- what form to use; and
- how (and to whom) to submit reports.

Figure 29—Financial Forms and Uses

Form	Use
SF-270 (for more information, see 4.3.1.2)	To request advances and reimbursements
SF-425	To report on financial status, cost share and program income
SF-1034 (for more information, see 4.3.1.3)	To request funds and liquidate advances

When Is My Federal Financial Report Due?
Federal Financial Reports are due 30 days after the end of a quarter, based on USAID's fiscal year (October 1–September 30). You are required to report every quarter through the end of your award's period of performance. At the end of your award, you will submit a final Federal Financial Report within 90 calendar days. Figure 30 lists the due dates for each quarter and what period each report covers.

How to Fill Out the SF-425

What follows are tips to help you complete the new form. These tips are not meant to substitute for the USG instructions found online or for guidance provided by your FMO. Instead, they address some questions first-time users may have when filling out this form.

Figure 30—Federal Financial Report Submission Dates

Period	Due	Covers
Quarter 1	Jan. 31	Oct. 1–Dec. 31 (of the previous calendar year)
Quarter 2	Apr. 30	Jan. 1–Mar. 31
Quarter 3	July 31	Apr. 1–June 30
Quarter 4	Oct. 31	July 1–Sept. 30
Final Federal Financial Report	90 days after the end of the award	Entire life of award

Use a separate SF-425 for quarterly reporting for each Cooperative Agreement. Begin by downloading a PDF version of the SF-425. To take advantage of some of the features, including auto-calculations, be sure you have the latest version of Adobe Reader®, which you can download for free at http://www.adobe.com/products/acrobat/readstep2.html. Start by filling out the top portion, shown in Figure 31. It asks for basic information about your organization, grant, and the period covered in this report.

Figure 31—Top Portion of the SF-425

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted (1)	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) (2)		Page 1 of pages	
3. Recipient Organization (Name and complete address including Zip code)				
4a. DUNS Number	4b. EIN (4b)	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment) (5)	6. Report Type ☐ Quarterly ☐ Semi-Annual ☐ Annual ☐ Final	7. Basis of Accounting (7) ☐ Cash ☐ Accrual
8. Project/Grant Period From: (Month, Day, Year) (8)	To: (Month, Day, Year)		9. Reporting Period End Date (Month, Day, Year) (9)	
10. **Transactions**			Cumulative	

The numbers in the following list correspond to the numbered blanks on the SF-425.

1. **Federal Agency and Organizational Element to Which Report is Submitted**—USAID or other USG funder.

2. **Federal Grant or Other Identifying Number Assigned by Federal Agency**—Insert your Cooperative Agreement identification number, which may look something like XXX-A-00-09-00XXX-00 and can be found on the first page of your agreement.

4b. **EIN**—For U.S. grantees only.

5. **Recipient Account Number or Identifying Number**—This number is for your use only; the USG does not require it.

7. **Basis of Accounting**—Your accountant or financial manager will know whether you are reporting on a cash or an accrual basis.

8. **Project/Grant Period**—The start and end dates of your award.

9. **Reporting Period End Date**—The date for each report depends on which quarter you are covering:

- 1st Quarter: December 31
- 2nd Quarter: March 31
- 3rd Quarter: June 30
- 4th Quarter: September 30.

Next, fill out the middle portion, which contains the main calculations as outlined in Figure 32.

Figure 32—Middle Portion of the SF-425

10. **Transactions**	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts (a)	
b. Cash Disbursements (b)	
c. Cash on Hand (line a minus b) (c)	
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized (d)	
e. Federal share of expenditures (e)	
f. Federal share of unliquidated obligations (f)	
g. Total Federal share (sum of lines e and f) (g)	
h. Unobligated balance of Federal funds (line d minus g) (h)	
Recipient Share:	
i. Total recipient share required (i)	
j. Recipient share of expenditures (j)	
k. Remaining recipient share to be provided (line i minus j) (k)	
Program Income:	
l. Total Federal program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

Some numbers will be calculated automatically if you are using Adobe Reader®. Once you have finished, double-check to make sure all the calculations are correct.

Section 10: Transactions

Federal Cash

(a) **Cash Receipts**—Enter the total amount of actual cash received from the USG (before deduction of bank fees and other miscellaneous fees) through the end date of the reporting period specified in box 9.

(b) **Cash Disbursements**—Enter the cumulative amount of cash and check payments as of the reporting period end date. This total includes the sum of cash expended for goods and services, cash advances, and payments made to subrecipients and contractors as well as the amount of indirect expenses charged to the award.

(c) **Cash on Hand**—Enter the amount of line 10a minus line 10b.

Federal Expenditures and Unobligated Balance

(d) **Total Federal funds authorized**—Enter the total award amount. This refers to the "Total Estimated USAID Amount" listed in your Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.

(e) **Federal share of expenditures**—Enter the total amount of USAID-obligated funds expended as of the reporting period end date. For grantees working on a cash basis, this amount should equal 10b, Cash Disbursements. For grantees working on an accrual basis, please enter the total USAID-obligated funds disbursed plus funds committed.

(f) **Federal share of unliquidated obligations**—Enter the total amount of unexpended USAID-obligated funds as of the reporting period end date. This amount should be calculated by subtracting the USG share of expenditures, 10e, from the current obligation amount as listed in the most recent modification.

(g) **Total Federal share**—Enter the amount by adding line 10e plus line 10f. This will equal the total federal funds obligated as of the reporting period date.

(h) **Unobligated balance of Federal funds**—Subtract line 10g from line 10d.

Recipient Share

(i) **Total recipient share required**—Enter the total required recipient cost share as listed in the Cooperative Agreement. If this amount has been revised through a modification, please use the amount listed in the modification.

(j) **Recipient share of expenditures**—Enter the amount of cost share expended through the reporting period.

(k) **Remaining recipient share to be provided**—Enter the amount by subtracting line 10i minus line 10j.

Program Income

If your agreement allows for program income, please refer to the detailed instructions on how to fill out lines 10l through 10o at http://www.whitehouse.gov/omb/grants/standard_forms/ffr_instructions.pdf.

Next, fill out the bottom portion, which contains the main calculations as outlined below. Some figures will be calculated automatically if you are using Adobe Reader®. Once you have finished, double-check to make sure all the calculations are correct.

Figure 33—Bottom Portion of the SF-425

	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
11. Indirect Expense		b			d	e	
				g. Totals:			

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:*

13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalities. (U.S. Code, Title 18, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official	c. Telephone (Area code, number and extension)
	d. Email address
b. Signature of Authorized Certifying Official	e. Date Report Submitted (Month, Day, Year)
	14. Agency use only:

Finally, the bottom portion contains information on indirect expenses and a place for the signature. All documents must be signed by the authorized certifying officer.

Section 11: Indirect Expense

Complete this information only if the USG and in accordance with your Cooperative Agreement.

(b) **Rate**—Enter the indirect cost rate(s) in effect during the reporting period.

(d) **Base**—Enter the total amount against which the indirect rate is applied.

(e) **Amount Charged**—Enter the amount of indirect costs charged during the period specified.

Section 13: Certification and Submission

Once you have finished, double-check to make sure all calculations are correct. Type in the name of the authorized certifying official (13a), have this person sign the form (13b), provide his or her contact information (13c/13d), and date the form (13e). Then scan and e-mail the form to your FMO at ei@usaid.gov, copying your AOTR. Always make a copy for your file, and then mail the original to your FMO. If you have not heard from your FMO within 10 days, follow up to make sure your submission was received.

5.3.2 Performance Reports (Quarterly)

Key Points

Due: Typically quarterly

Form: No fixed form, but USAID may provide a template

Submit to: AOTR or as directed by your Cooperative Agreement

Performance reports document how the project is progressing and compare actual results with the targets in the workplan. You typically will be required to compile and submit these reports every three months.

How Does This Help My Program?

Performance reports are arguably the most important reports of your program. Each performance report synthesizes results from all the work you and your subrecipients are doing and compares it to your budget and workplan. This gives you the opportunity to evaluate your progress and tweak your activities to maximize your success. A robust performance reporting exercise strengthens ties with subrecipients and ensures that you are meeting beneficiary needs. Though not as comprehensive as a formal program evaluation, comprehensive performance reports are an important management tool to ensure that all aspects of your program are being implemented as planned. In addition, they will serve as a key source of information for formal, external evaluations of your program.

Report Specifics

Separate performance reports are required for each award. In addition, if you have a multi-country award, you need to consolidate your separate reports for each country into one report. USAID generally sets the due date at 30 days after the end of the calendar quarter, but be sure to consult your Cooperative Agreement for specific requirements.

Performance reports contain a narrative and data as directed by your AOTR. The following tips will help you develop the best performance report possible.

1. *Start by involving subrecipients and staff.*

   The process of preparing performance reports provides opportunities to communicate with your staff and subrecipients about your program. To aid this process, provide subrecipients with a simplified reporting template and a deadline for submitting their contributions to the report. Develop a culture of reporting and a system for maintaining these reports so they can serve as the basis for your required reports. You may want to facilitate training sessions with staff and subrecipients to ensure that they fully understand the kind of information you are requesting and the level of detail required. Gather your staff to discuss progress over a particular period. In addition, allow sufficient time between the subrecipient's deadline and the submission date to consolidate and finalize your report.

2. *Do not surprise your AOTR.*

   When your AOTR reads your report, there should be no surprises. Ensure that your AOTR is aware of major changes that affect your budget or targets (such as changes in subrecipients, geographic location, or Key Personnel) before they happen, since many require approval. Do not wait to notify your AOTR via the performance report. This report should document these changes and update your progress since putting these changes into place.

3. *Take the time to do an honest evaluation.*

   With many day-to-day demands, it is tempting to reduce the effort you put into the report. However, the performance report is one of the most important reports of your program. When evaluating your progress over the past year, there will be successes and challenges. A good performance report provides a balanced look at the program's progress and setbacks.

4. *Quantify your conclusions with data.*

   While the bulk of your performance report may be a narrative discussion of progress and setbacks, the core of your report is the data generated by your M&E system. You should be able to demonstrate your successes and challenges by reviewing and analyzing your data, including both financial performance and the unit cost of a service.

5. *Use your workplan and budget as baseline data sources.*

   The "data" that are driving your report come from your M&E system and your accounting system (to show actual costs). However, to measure performance, you must compare these actual data to your workplan and workplan budget. This comparison shows whether your program exceeded, met, or fell short of your expectations.

6. *Preview your next workplan.*

   Use the performance report as a baseline for future activities. You must address challenges you faced in the past year in the next workplan. Preview various options your organization is planning in the next year to address these challenges.

7. *Show how your program contributes to related efforts in your country.*

   Your report should not just look at the performance of your program; it should also show how your activity is linking with and contributing to related efforts in your country. If relevant, tell how your program links to other programs and works with the government and/or other local NGOs by participating in technical working groups to build capacity and demonstrate and share lessons learned and successes.

8. *Keep documentation for your final performance report.*

   Performance reports and workplans can focus too much of our attention on the yearly segments of our programs as opposed to the longer-term picture. However, your program is an ongoing effort. Above and beyond meeting targets and staying within budget, your staff are constantly refining a program model to address the challenges in the communities where you work to be more effective, sustainable, and efficient. As you refine your model, document your activities. This will help you write your final performance report, and it will provide guidance should you want to expand your model in the future or try to replicate it elsewhere. It will also allow you to avoid making the same mistakes you may have made in the past.

9. *Share with subrecipients and staff.*

   You began the performance report process by gathering input from subrecipients and your staff. Close the loop at the end of the process by sharing the final document with them. Performance reports are public documents that can be accessed by anyone, so it is fine to share them with staff and subrecipients. Often, partners and staff become focused on their piece of the puzzle. Sharing the program performance reports with everyone is an opportunity to keep your team engaged and focused on the bigger picture. Consider taking time to give an overview of the report and (as with tip #7) to present a preview of upcoming adjustments in the coming year.

10. *Be prepared and flexible to respond to unexpected USAID requests.*

One of your unwritten opportunities is to assist USAID by complying with unexpected requests, such as data for a Portfolio Review, a success story about your project, etc. While these are not deliverables or requirements in a contractual sense, the requests should be taken seriously. Timely and quality submissions will reflect well on your organization and support the overall aims of the project and USAID.

Your AOTR may provide you with a template for your Performance Reports, but, if not, the outline in Figure 34 may help you get started.

Figure 34—Sample Performance Report Outline

Sample Performance Report Outline	
I	**Title Page** ▶ Organization/program name ▶ Agreement number ▶ Reporting timeline ▶ Date of submission ▶ Agreement start and end date
II	**Table of Contents**
III	**Acronyms**
IV	**Executive Summary/Overview**—General program information
V	**Summary Table of Indicators**—Targets and results
VI	**Project Implementation by Strategic Objective**—Project activities summarized by strategic objectives
VII	**Monitoring and Evaluation** ▶ Overview ▶ Results of surveys, studies, or evaluations ▶ Descriptions of new tools or methods ▶ M&E table of indicators
VIII	**Program Management**—Major management-related activities
IX	**Budget**—Overview of expenditures
X	**Other Issues**—Sustainability and coordination with other groups
XI	**Success Stories**

No matter how you format the report, it is important to include the following information:

- A comparison of actual accomplishments with the targets you set for that period. These targets should correspond to the targets laid out in the Workplan Logic Matrix of your workplan.
- When possible, try to relate the targets achieved to cost data to compute the unit cost for each activity. For example, if you are reporting that your prevention activity reached 1,000 people for the period, and you spent US$25,000 on this activity, you can report that it cost approximately US$25 to reach each person.
- If you fell short of reaching your targets, explain why.
- If you had high unit costs or unforeseen expenses, explain why.

5.3.3 Annual Audit

An audit is an independent review and examination of system, records, and activities. It is required annually for both prime recipients and subrecipients that receive a certain threshold of funds from the USG. The purpose of the audit is to evaluate your organization's spending of USAID funds to ensure that you are in compliance with the regulations set forth in your agreement. The audit also examines your internal controls to ensure that appropriate policies and procedures are in place and being followed. To ensure objectivity, an independent auditor whom you hire and pay for with USAID funds conducts the annual audit. (For more detailed information on audits, see Circular A-133, http://www.whitehouse.gov/omb/rewrite/circulars/a133/a133.html.)

Audit Key Points

Due: Nine months after the end of your fiscal year or within 30 days of receiving the report from your auditor, whichever comes first

Form: SF-SAC (http://harvester. census.gov/fac/collect/formoptions.html) plus attachments (see Audit Package box)

Submit to: U.S.-based organizations submit to the Federal Audit Clearinghouse; non-U.S.-based organizations submit to USAID

The annual audit is rather straightforward. Its purpose is to answer four questions:

1. Were the financial reports you submitted during the year accurate?

2. Did you follow the rules, regulations, and policies governing the award?

3. What is the status of any previous audit findings?

4. Are there any questionable costs?

How Does This Help My Program?

The annual audit gives you a chance to have an independent expert double-check that your organization is operating successfully in support of your programs. It is like having an organizational health exam every year to check whether everything is running the way it is supposed to and to catch any problems early.

Key Audit Terms

- Allowable Cost—An incurred cost determined to be an acceptable charge to the USAID.
- Audit—An independent review and examination of system records and activities.
- Finding—The answer to an audit objective that is supported by sufficient, competent, and relevant evidence.
- Management Decision—The evaluation of a recommendation by management and a decision on an appropriate course of action.

Report Specifics

The annual audit looks at the management of all funding you receive from the USG, whether you are a subrecipient or a prime recipient. In other words, if an organization has a Cooperative Agreement and direct funding from USAID, and it also receives funding from the U.S. Centers for Disease Control and Prevention as a subrecipient to another NGO, the auditor will conduct one audit that covers both awards. Not every organization that receives funding from USAID (either directly or as a sub) is required to conduct an annual audit.

The following list summarizes the different scenarios when various types of organizations meet the threshold that requires an A-133 audit:

- U.S.-based nonprofit organizations that expend US$500,000 or more in total funding from the USG (either directly or as a subrecipient) during their fiscal year.
- Foreign nonprofit organizations where the principal USG donor is USAID must have an audit conducted if they expend at least US$300,000 USG funds during their fiscal year.
- For-profit organizations where the principal USG donor is USAID will be reviewed annually to determine whether an audit is required (ask your AOTR and AO if an audit is required).

If your organization does not meet any of these requirements, it is exempt from annual audit requirements, and audit costs are not allowable unless the AO requests a project-specific audit. However, you must still make records available for review or audit upon USAID's request. Remember, you also must comply with any host-country audit requirements.

Scope of an Audit

The audit covers your organization's fiscal year. In addition, it may look at previous audit findings to determine whether corrective actions taken were sufficient to address previous findings.

An audit typically covers your entire organization. However, if you have just one program that receives USAID funding, you may choose to have a single-program audit. Additionally, if you have a large, complex organization with many different operational units, it is possible to have an audit focus on the organizational unit that receives USAID funds.

What Are Primes and Subs Responsible For if a Subrecipient Is Audited?

Prime recipients must ensure that subrecipients that meet the audit threshold are audited as well.

Subrecipients submit their audits directly to USAID. U.S. law only requires subs to submit their audit to the prime if there are findings related to the funding from that award. Some prime recipients prefer to require their subs to provide copies of audits regardless of whether there are any findings by including this stipulation in the contractual agreements. If you, as the prime, want the audit reports from your subrecipients, please remember to insert this stipulation in your subagreement.

When subs have findings, primes issue management decisions on the corrective actions. Management decisions must be issued within six months of receiving the audit.

Who May Conduct an Audit?

You are required to contract with an independent, non-government auditor to perform these audits. USAID retains the right to conduct or arrange for additional audits, reviews, and evaluations.

USAID-funded, foreign-based organizations should contact their in-country or regional Mission to request a list of organizations authorized to conduct audits of USG programs. U.S.-based nonprofit organizations must follow the procurement process and regulations stated in their Cooperative Agreements.

If an audit is determined necessary for a USAID-funded, for-profit organization, a USG official may conduct it, rather than a private auditor. If a USG auditor is not available, USAID will direct the for-profit organization to hire an independent auditor from a list of USG-approved local audit firms. All costs for properly conducted audits are allowable and may be charged to the award.

The Audit Process

Figure 35 gives is an overview of the audit process, then several of the key steps you are responsible for are outlined in more detail.

The audit process comprises six phases:

1. **Pre-Audit**—What you must prepare before the auditor can begin the formal audit. Identify all USAID funds received and the programs under which you received them. Gather financial reports covering the fiscal year being audited. Prepare a schedule of expenditures made under your USAID awards and prepare a schedule (summary) of prior audit findings (if any).

2. **Audit**—Information gathering and report writing conducted by the auditor.

3. **Organization's Response**—Replying to any findings. Once your audit is complete, your organization must prepare a corrective action plan to address each audit finding in the auditor's report. For each item, provide the following:

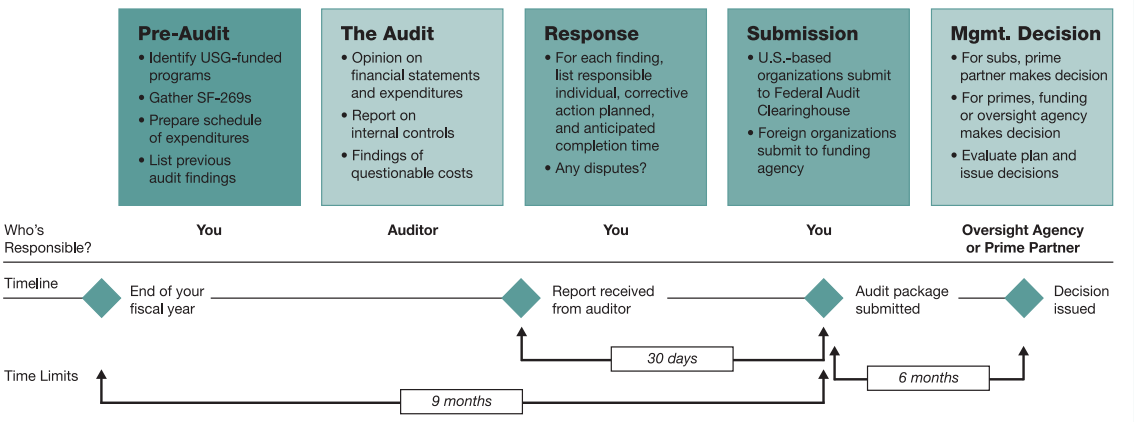
- responsible individual;
- corrective action planned; and
- anticipated completion date.

If you do not agree with an audit finding or believe corrective action is not required, then include an explanation and specific reasons.

4. **Submission**—Assembling the required documentation and submitting it to USAID. U.S.-based nonprofit organizations must submit their audit packages to the Federal Audit Clearinghouse (FAC) within 30 days of receiving the report from your auditor or nine months after the end of your fiscal year (the audit period). You are not required to submit your audit package directly to USAID. Instead, you will submit one copy to the FAC, plus one for each USG agency that had audit findings in your report. The FAC will then distribute the copies to USAID and other relevant funding agencies as necessary.

Foreign and for-profit organizations may have different submission rules set by USAID. Please contact USAID or the in-country or regional Mission office for guidance.

Figure 35—Key Steps in the Audit Process



Federal Audit Clearinghouse (FAC)

Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132
USA

After completing your corrective action plan, compile the rest of your audit package (see Audit Package box).

5. **Management Decision**—Reviewing proposed corrective actions and issuing a decision. Within six months of receiving the audit package, the agency or the prime (in the case of a finding for a subrecipient) will issue a corresponding management decision for each finding.

   If you receive funding from multiple USG agencies, the oversight agency (the USG agency that provides the predominant amount of funding in a given year) takes the lead on management decisions for any audit findings that relate to multiple USG agencies.

   The management decision must clearly state whether the audit finding is sustained, the reasons for the decision, and the expected action(s) of the audited organization, such as repaying disallowed costs, making financial adjustments, or taking other action.

   If the audited organization has not completed corrective action, a timetable for follow-up will be given. The management decision should describe any appeal process available to the auditee.

The Audit Package

- SF-SAC Form (Data Collection Form for Reporting on Audits (http://www.whitehouse.gov/omb/grants/form_sf-sac/sfsac.pdf)
- Financial Statements
- Schedule of Expenditures under USG Awards
- Summary Schedule of Previous Audit Findings
- The Auditor's Report
  - Opinion on the Financial Statements
  - Opinion on the Schedule of Expenditures
  - Report on Internal Controls for Financial Statements
  - Report on Internal Controls for Compliance
  - Schedule of Findings of Questionable Costs
- Corrective Action Plan

6. **Post-Audit**—Follow up on and implement any required corrective action. After the USG oversight agency or prime issues a management decision, you will be responsible for implementing any necessary corrective action. Be sure to maintain documentation showing progress on each item.

   Even if there were no findings relevant to USAID, it still may request a copy of your audit directly from you. Further, USAID reserves the right to conduct its own audits, regardless of the outcomes of your audits.

   Finally, you must maintain records and a copy of the audit package for a minimum of three years following submission or three years after you resolved a finding from that year. USAID retains the right to conduct or arrange for additional audits, reviews, and evaluations.

5.3.4 Foreign Tax (VAT) Reporting

Organizations implementing some development projects are exempt from certain taxes and duties imposed by the government of the country in which they are implementing. Exemptions cover both prime recipients and subrecipients.

Bilateral agreements between the USG and host governments outline separately for each country the specific exemptions and the process for requesting reimbursements of taxes paid. Below are several common exemptions as well as taxes you may be required to pay. You will need to find out what exemptions and requirements are relevant in each of the countries in which your organization is working.

Foreign Tax (VAT) Reporting Key Points

Who must report: Any organization that purchased US$500 or more with USAID funds

Due: Annually on April 16

Form: No standard form; see below for outline

Submit to: If not specified, submit to FMO and AOTR

How Does This Report Help My Program?

The Foreign Tax Report helps ensure that you are using the USG funds for their intended

purposes. USAID uses these reports to track whether foreign governments are complying with the terms of their bilateral agreement.

All organizations receiving USAID funding must submit a Foreign Tax Report by April 16 each year. All organizations receiving USAID funds must comply with the foreign tax reporting requirements established by the U.S. Embassy in that country.

Taxes Exempt in Most Countries

- Value-Added Tax (VAT) levied on commodities and services purchased in-country, and
- customs duties levied on commodities imported into the country for use in USAID-funded projects.

Taxes Not Exempt

- VAT or sales tax levied on items purchased outside of the host country where you are implementing your USAID-funded program. For example, if an organization purchases commodities in South Africa for use in its USAID-funded project being implemented in Mozambique, it would not be exempt from paying VAT in South Africa.
- Organizations with headquarters outside the host country, including those in the United States or Europe, are not exempt from VAT or sales taxes in their home country, whether the items purchased are used in the HQ office or in the field.

Other Taxes Levied by Host Governments

Though USAID seeks exemptions on all taxes host governments levy against foreign assistance projects, there are several categories of taxes that you may be required to pay, for example:

- taxes levied on services, including lodging and rental of conference facilities;
- payroll taxes; and
- VAT on projects with no USG funding.

Be sure to check with the in-country Mission and other donors for details about what taxes your organization may be required to pay.

USAID recipients will find the "Reporting Foreign Tax" clause in the standard provisions in their agreement.

Country Specifics

Each country negotiates its own bilateral agreement with the United States, which includes provisions regarding the taxation of U.S. foreign assistance. These provisions typically address what taxes are exempt and how organizations implementing USAID-funded programs can receive reimbursements for any taxes paid. Exemptions and reimbursement procedures can vary widely from country to country, but it is your responsibility to check with the Mission regarding the rules in the country where you are working.

Work with the in-country USAID team to answer the following questions:

- What taxes, if any, am I exempt from paying?
- What taxes, if any, am I required to pay?
- What is the process for obtaining an exemption or reimbursement?

The process for obtaining an exemption or reimbursement varies by country. Some countries provide VAT exemption letters to show vendors at the time of the purchase. Others require you to pay the VAT and later request reimbursement, through either the Revenue Authority or the local Mission or Embassy.

Who Must Report?

Any organization that purchased US$500 or more worth of commodities with USAID funds, or paid any customs duties in the country where it was operating during the prior fiscal year, is required to submit an annual report on foreign taxes. This report is required even if you did not pay any taxes on those items during the reporting period.

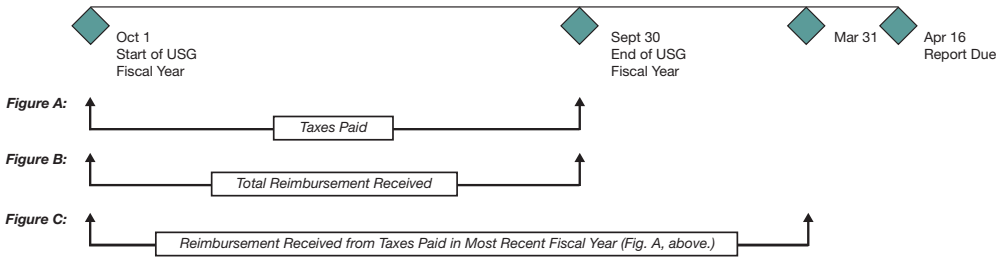
All subrecipients under your award with in-country purchases of US$500 or more must also track taxes paid and reimbursements received. You must incorporate subrecipient data directly into your report.

What Taxes Do I Report?

Only include taxes paid in the Foreign Tax Report if the following conditions all are true:

- You paid the tax to the government in the country where you are implementing.
- The transaction was US$500 or more (not including the VAT).
- The tax you are paying is one your organization is exempt from paying (for example, if you are not exempt from lodging taxes in a particular country, then do not report that).

Figure 36—Period Covered in Foreign Tax Reporting



- The purchase is related to your USAID-funded project. (Report the purchase regardless of whether the specific purchase is made with USAID funds or is part of cost share, as long as it is a legitimate part of the project.)

When Is the Report Due? What Time Frame Should It Cover?

The report is due annually on or before April 16 and must cover the period October 1 of the previous fiscal year through September 30 of the previous year. You are required to report the following three figures:

- Figure A. Taxes paid to the host government during the previous fiscal year. This includes VAT and customs duties.
- Figure B. All reimbursements received during the previous fiscal year, regardless of when the original tax was paid.
- Figure C. Reimbursements received from the taxes paid through March 31 of the current fiscal year you are reporting on.

Submitting the Report

Submit the report to the office listed in your Cooperative Agreement under the Reporting of Foreign Taxes standard clause or as directed by the U.S. Embassy or USAID's in-country Financial Management Office. Also send a copy to your AOTR.

There is no standard form for the report; however, it must contain the following:

- name of your organization;
- contact name with phone, fax, and e-mail;
- agreement number(s);
- amount of foreign taxes assessed by a foreign government on purchases valued at US$500 or more financed with USAID funds under this agreement during the prior fiscal year. If you work in multiple countries, list each country separately. However, if you work on multiple projects within one country, report on the total for each country. You should only report foreign taxes assessed by the foreign government in the country where you are working; do not report foreign taxes by a third-party foreign government. For example, if your program is in Mozambique, and you purchase something in South Africa using foreign assistance funds, any taxes imposed by South Africa would not be included in the report; and
- all reimbursements you have received during the fiscal year, regardless of when the foreign tax was assessed. In addition, provide a separate figure giving the total of any reimbursements of taxes assessed during the fiscal year you are reporting on that you received through March 31. This second number should be a subset of the first number. See Figure 37 for an example.

Foreign Tax Reporting Example

Organization: MyNGO
Contact: Jane Smith
Phone: +255-555-5555
Fax: +255-555-5556
E-mail: jane@myngo.org
Agreement Number: XYZ-123

Figure 37—Example of Foreign Tax Reporting

Country	Taxes Assessed during FY08	Total Reimbursements Received during FY08	Reimbursements Received on FY08 Taxes through March 31
Mozambique	US$0	US$500	US$0
Tanzania	US$1,000	US$1,000	US$1,000

In this example, the organization is operating in two countries: Mozambique and Tanzania. The amounts in this table are summaries by country and are not broken down by project or subrecipient. During FY08, the Mozambican Government did not assess any taxes on the prime recipient (or subrecipients, if any). However, it did reimburse the organization US$500 for taxes assessed prior to FY08. During FY08, the Tanzanian Government assessed the organization US$1,000 in taxes, but reimbursed the organization in full by March 31, 2009. You must submit a separate Foreign Tax Report for each country (Tanzania and Mozambique), as directed by the funding agency.

Tracking VAT and Duty Payments and Reimbursements

Your organization must develop a process for tracking VAT and customs duties paid and for requesting and receiving reimbursements from the host government. Establishing such a process greatly simplifies your annual reporting and helps ensure that your funds help provide services to beneficiaries.

Consider the following strategies for tracking your VAT payments and reimbursements:

- Develop a list of exemptions and required taxes, so everyone in your organization involved with procurements is aware of the policy. Share this with subrecipients as well.
- Create a special code in your accounting system for tracking all payments of exempt taxes. Use this code only for exempt taxes, not for legitimate taxes paid.
- Create a special code in your system for tracking incoming tax reimbursement payments from the host government. Make sure you can tie the reimbursements received back to the original accounting entry that recorded the taxes being paid. This will make it easy to identify which reimbursements have and have not been received.
- Establish a log that tracks the tax payment and reimbursement process. This should document each tax payment, reimbursement request, and payment received. You may also want to make sure you have a policy for keeping copies of receipts and reimbursement requests sent to the host government or USAID office, as applicable (see Figure 38). You will want to customize your process so it fits in with the host-government and USAID in-country requirements regarding submitting requests and expected turnaround time for tax reimbursements.
- Since your subrecipients also may have purchases of commodities or other expenditures covered by these provisions, work with them to submit their reports to you prior to the April 16 deadline, so you will have sufficient time to incorporate their data into your report. Note that their reports also must include reimbursements through March 31, so their deadline would need to be sometime between April 1 and April 15.

VAT Tracking Log Example

Figure 38 is an example of a log for tracking your VAT payments, reimbursement requests, and payments received. You can create a log like this for each country in which you operate; it can include all requests related to that country, even from different projects. You also may want to use this log to track VAT payments for transactions of less than US$500 for auditing purposes, though you will not include these in your USAID-required Foreign Tax Report.

Figure 38—Sample Foreign Tax Tracking Log

Acct. Sys. Ref. #	Date	Vendor	Description	Transaction Value (pre-VAT)*	VAT*	Project	Date Reimb. Requested	Date Reimb. Received
210	23-Oct-07	ABC Supplies	Office furniture	$1,200	$120	NPI Ethiopia	31-Oct-07	15-Jan-08
223	15-Jan-08	DEF Imports	HBC Kits	$1,000	$100	NPI Ethiopia	31-Jan-08	
235	02-Feb-08	GHI Computers	Computers	$2,000	$200	OVC Project		
236	02-Feb-08	JKL Inc.	Printer	$500	$50	OVC Project		

* You may want to track your payments and reimbursements in local currency.

5.4 Summary and References

The keys to successful reporting are simply knowing the requirements and giving yourself enough time to meet the deadlines. This chapter provided a clear outline of what USAID expects in terms of specific reporting requirements and common due dates and shared best practices for completing effective reports. Beyond that, this chapter also explained how the reporting process can be a key management tool and enhance your organization's ability to better serve beneficiaries.

Now it is up to you to get started early and submit your reports on time.

References

Financial Reporting

- 22 CFR 226—Administration of Assistance Awards to U.S. Non-Governmental Organizations (See subsections 51 for monitoring and reporting program performance, 52 for financial reporting, and 71 for close-out procedures.) http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl

Audits

- Guidelines for Financial Audits Contracted by Foreign Recipients http://www.usaid.gov/policy/ads/500/591maa.pdf
- OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations http://www.whitehouse.gov/omb/circulars/a133/a133.html
- USAID ADS Chapter 591: Financial Audits of USAID Contractors, Recipients, and Host Government Entities http://www.usaid.gov/policy/ads/500/591.pdf
- FAR (48 CFR part 42) http://www.access.gpo.gov/nara/cfr/waisidx_08/48cfr42_08.html

Foreign Tax Reporting

- Guidance on Section 579 Implementation (Taxation of U.S. Foreign Assistance) http://www.usaid.gov/policy/ads/300/302mac.pdf