Is Your Organization Ready for USAID Funding?

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Since launching the New Partnership Initiative, USAID has awarded:

34 | awards

with

60 | organizations

providing

$400m+
in funding

What's changing in terms of funding at USAID?

In 2017, 80% of the United States Agency for International Development's (USAID's) funding went to 75 mostly large US international organizations. In 2019, USAID started the **New Partnerships Initiative (NPI)** to help diversify the recipient organizations it works with to implement its program activities. This includes working with US-based organizations that previously have either never received US government funding or have only received relatively small awards. The new initiative aims to positively impact local leadership to foster a more creative, innovative process of implementing programs, and increase the number of locally-led organizations. NPI currently supports 34 awards around the world, representing more than $400 million, to approximately 60 partners.

Which US government agency funding is your organization pursuing?

The US government provides funding for programs through many agencies. USAID gives out its own awards, but falls under the Department of State (DOS). DOS also gives out its own awards and it's possible to receive funding from both USAID and DOS. Other common US government funding agencies for international development programs include Centers for Disease Control (CDC), the Department of Education, Department of Defense and Department of Agriculture.

In addition to USAID, these agencies are making similar efforts to diversify the organizations they work with and offer funding opportunities targeted at local organizations. To set your award process up for success, your organization's strategy must align with those of the US government agencies.

How do you prepare to receive US government funding?

Deciding to pursue USAID funding is the first step. Your organization will then need to complete additional steps to receive the funding and subsequent awards. Ensuring you have the basic operating policies and procedures in place, and adapting the policies and procedures to meet the US regulatory requirements as needed are key. You will also need to implement monitoring and internal control standards to assure compliance with the regulations. Once your organization wins its first US government funding, you must successfully implement the project, while

satisfying the US government's compliance requirements. This requires specialized knowledge and skills that form the foundational building blocks of this pursuit.

USAID provides funding to partners who can comply with local laws, the rules and regulations, and the terms and conditions of the award. Such organizations are referred to as "presently responsible." This is determined through USAID evaluations which establishes if organizations have internal controls to safeguard the funds and can maintain compliance within the rules and regulations. Partners must fulfill requirements in operational areas such as financial management, human resources, procurement, travel, and subaward management. Standard operating procedures ensure that you have standardized systems to receive funds and implement your program. If your organization does not have these in place, you can build them. To receive funding, your organization must identify the priority areas to be addressed.

How do you prepare to be evaluated?

Knowing which regulations apply to your organization helps you prepare for pre-award assessments. This includes strengthening compliance standards and readying for audits when implementing your program. While some requirements reflect common best business practices, your organization will not know those until you explore those regulations.

Organizations need to be prepared for the scrutiny that comes with pursuing and managing funding. The US government conducts a risk evaluation to determine whether the organization has the technical skills to implement the project and adequate internal systems to support the implementation of the project/program. If the award is granted, the US government will monitor the project/program on an ongoing basis. For example, the US government may review the reports submitted by your organization, ask clarifying questions, and/or conduct site visits.

In addition, your organization must be prepared for a potential audit as you will be under intense scrutiny. Adverse outcomes in audits do not necessarily indicate a loss of funding. For example, if current conditions show the issue was successfully addressed and is no longer a concern, or if the organization immediately implemented actions to correct the issue. The Agreement Officer (AO) will work with your organization to assess the corrective actions required and establish the best way forward.

What are the key regulations and provisions?

Your organization must be familiar with the US government's terminology, which differs from other funders.

A Code of Federal Regulations (CFR) called 2 CFR 200 consists of six

sections, A to F. Sections A to D are the administrative requirements. These include key definitions, pre- post-award requirements, including financial management, payments, reporting, cost share, property management, procurement, sub-award management, non-compliance, close out, and post close out requirements. 2 CFR 200 are requirements of all US government funding agencies. Other agencies may also have rules specific rules; USAID has the most extensive set of additional regulations.

For USAID-funded awards, **2 CFR 200** applies directly to US organizations and indirectly to non-US organizations (indirectly because definitions apply to all recipients). The contents of sections A – D are mostly reflected in the Standard Provisions, as noted below. For all other funding agencies, **2 CFR 200 sections A – D** applies to both US and non-US organizations.[1]

Section E of 2 CFR 200 is the cost principles. This section provides guidance on the costs that are chargeable to the award. The section also includes guidance on allowability and non-allowability of costs, standards for determining reasonableness and allocability (the determination of the benefits of incurring a cost and the proportion to be charged to an award), prior approvals, and specific guidance on 55 items of cost.

Section F of 2 CFR 200 is the audit regulations. This section provides information on when an audit is required, the scope of the audit, selection of an auditor, the audit report, and audit findings.

USAID has a set of standard provisions for all recipients. This includes a set of mandatory standard provisions and a set of required as applicable standard provisions. The Standard Provisions contain administrative requirements, some of which are duplicative of **2 CFR 200** and others specific to USAID programs.

Administrative requirements for US organizations are in the Mandatory Standard Provisions for US Nongovernmental Organizations and the Required as Applicable Provisions for US Nongovernmental Organizations. The same applies for Non-US Nongovernmental Organizations. For non-US organizations, the Standard Provisions are the primary administrative requirements. USAID also has a supplement to **2 CFR 200** called **2 CFR 700.** Similar to the Standard Provisions, this supplement includes requirements specific to USAID programs, such as marking and branding and includes information duplicative of **2 CFR 200** and the Standard Provisions.

22 CFR 228 covers source and nationality requirements on restricted items, nationality of your vendors/suppliers, geographic codes, and the regions or the countries within which you are allowed to do your procurements.

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[1] The Department of Health and Human Services and Centers for Disease Control use a set of regulations called 45 CFR 75. These regulations are applicable to both US and non-US organizations. The contents of 45 CFR 75 is mostly the same as 2 CFR 200 with some notable differences that apply to HHS/CDC programs.

What key systems must be in place?

There are five key operating procedures that the US government requires in place to demonstrate your organization's ability to implement the project/program and safeguard resources. These are procurement and property and inventory management standards, accounting and financial management standards, travel standards, and human resources standards. Should you plan to work with partner entities you should also have sub-award management standards. Each first letter of those five systems spells out the word PATHS. Humentum views strong systems in these five areas as the key to keeping organizations on the path to compliance.

A few examples of what the US government expects in each of these five areas:

Procurement and Property. When buying goods and services, your organization needs to have policies and procedures in place. The 2 CFR 200 and parts of the standard provisions provide guidance on competitive procurement, addressing conflicts of interest and gift acceptance, the types of contracts you use for your procurement relationships, and the procurement methods. Guidance is also provided on how lost, damaged, or stolen property is replaced through your insurance. Inventory management includes managing the items while they are in your organization and ensuring their disposal once they are no longer required. The standards must also provide oversight of the contractors, and the procurement mechanisms must include standards that protect your organization from poor performance by contractors. The US government requires that your organization incorporates standard procurement methods in your procurement and property management standards. These are divided into three categories:

- **Informal methods** are micro-purchases and small purchase methods that are intended to reduce the administrative burden of such procurements

- **Formal methods** include sealed bids and proposals that require a more structured process

- **Non-competitive** does not require a competitive process but justification must be provided for using the method.

Accounting and financial management. Your organization must be equipped to prepare robust budgets, and safeguard and manage resources through a strong financial management system. The system should allow you to allocate costs such that your organization only charges a proportionate share of your organization's costs to the US government. Advances must be managed such that advances are used expeditiously. You must be able to do budget vs actual analysis and complete accurate financial reports. Your organization also needs to comply with the various audit requirements from the US government, including providing supporting documents for expenses.

Regulations covering this section provide guidance on aspects, including financial reporting and allocating costs to different programs. If you have cost share—what constitutes cost share, how is it documented and reported? How do you manage your cash and petty cash? What standards are used to determine if to request advances or reimbursements? What is acceptable documentation for expenses? What are the bank account requirements? The regulations provide guidance on accounting and financial management processes.

Travel. Your organization should have a good travel system, including established per diem rates, accommodations, and class of travel. Additionally, policies and procedures around air travel and ground transportation that comply with the US government's requirements must be established. You can use State Department rates or determine your own rates reasonably. Air travel requirements specify that you use US flag carriers for international travel. Your organization is also expected to document reasons in the cases where a US flag carrier is not used. There are also requirements for ground transportation when visiting programs and conducting program monitoring. Clear policies and procedures for staff travel help to ensure safety and security.

Human Resources. The biggest project/program budget lines are often staff-related costs. To implement your project/program you are required to have a qualified, knowledgeable, and experienced team. Your policies and procedures should cover staff recruitment to ensure it is fair and transparent, including compensation and benefits to attract and retain staff. Performance management must also be included.

Subaward Management. This system is important if your organization will be issuing sub-awards under your US government awards. Policies and procedures cover:

- Selecting your sub-recipient in a transparent manner
- Conducting proactive risk evaluations of your sub recipients
- Types of sub awards that you will issue
- Monitoring your sub-recipients.

Humentum Support

How can Humentum help your organization prepare for USAID funding?

USAID Readiness Assessment

Humentum can help your organization prepare for USAID funding by identifying strengths, risks, and gaps in your operating procedures, and helping build the knowledge and skills to address those risks and gaps. We also assist in replicating your program strengths to better implement your potential award. Humentum conducts a USAID Readiness Assessment, covering 14 relevant areas. In the first phase, Humentum conducts a desk review of your organization's current policies and procedures to determine whether they meet the regulation's requirements. In the second phase of the readiness review, Humentum conducts interviews with relevant operations and program teams to build an understanding of whether current policies and procedures are truly meeting your organization's needs.

The information is then compiled into a report, outlining strengths and gaps. Humentum provides your organization with recommended actions to reduce the identified risks. Humentum also gives your organization 10 hours of support through a Humentum subject matter expert allowing you to ask questions and request assistance as needed.

If you have more questions or would like more information about the related costs, please email **client@humentum.org**. You can also visit **Humentum.org/solutions** to learn more about Humentum and our offerings.

Humentum Core Training

Humentum's **USAID Rules & Regulations: Grants & Cooperative Agreements** workshop takes you step-by-step through the regulations, identifies which rules apply to your organization, why they apply to you, and how you can ensure you are complying with the administrative requirements, cost principles, and standard provisions. For more information, **read the full description**.

Humentum also provides a workshop that is specifically structured to **address the regulations for non-US organizations**.

Other Humentum courses on relevant topics include:

Proposal and budget management　　→

Cost proposal　　→

USAID contract management　　→

Procurement planning and execution　　→

Subaward management　　→