Running an Effective and Compliant Program

4.1 Overview

Running an effective USAID-funded program requires:

- meeting or exceeding your targets;
- providing quality services that have a quantifiable, measurable, positive impact;
- providing quality service to USAID;
- being part of the wider response to a problem in the country, through service delivery, referrals and sharing experiences, networking and collaborating with others on the ground, and establishing wrap-around services when appropriate;
- creating innovative programs that adapt to changing needs;
- establishing sustainable responses that build the capacity of communities and local implementers;
- spending funds wisely;
- maintaining appropriate programmatic and financial documentation;
- reporting in a timely manner;
- complying with regulations in your Cooperative Agreement; and
- building a credible and functional organization and strong staff and project team.

In this chapter, we break down these management tasks into two broad categories: administrative management (4.3) and technical program management (4.4).

Administrative management includes requesting, disbursing, and managing funds (4.3.1.1); complying with procurement (4.3.2) as well as other award regulations; and complying with your agreement terms (4.3.5).

Technical program management includes monitoring and evaluating (4.4.1) and learning and sharing (4.4.2) within your organization and among partners.

This chapter refers to the terms of your Cooperative Agreement several times. For detailed information on standard provisions in USAID Cooperative Agreements, please refer to Annex II of this *Guide*.

Objectives

- Learn the administrative management requirements of USAID-funded agreements, especially regarding finance, procurement, property management, and travel.

Skip Ahead

▶ Financial Management
▶ Procurement
▶ Travel
▶ Use of USAID-Funded Property
▶ Requesting Modifications to Your Agreement
▶ Monitoring and Evaluating Progress
▶ Learning and Sharing

- Examine the basics of managing your award funding and documentation, including modifications to your agreement and changes to your budget.
- Understand requirements and best practices related to technical program management.

Key Terms and Acronyms

- **Allocable Cost**—A cost incurred specifically to support or advance an award.
- **Allowable Cost**—An incurred cost determined to be an acceptable charge.
- **Authorized Class of Service**—Unless travel falls under certain exceptions, air travel purchased with USG funds requires the customary standard commercial airfare (economy class or equivalent).
- **Burn Rate**—The rate at which you spend your award funds on a periodic basis, typically monthly.
- **Cooperative Agreement**—One of two methods the USG uses to provide assistance. The USG uses this method when it wishes to retain substantial involvement in a project.
- **Cost Share**—The portion of project or program costs not covered by the USG. 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.
- **Excluded Parties List**—A database of individuals and organizations that are not eligible to receive funding from USAID or any USG agency. Recipients are responsible for using this online database to check vendors, consultants, and applicants prior to making any purchases or hiring decisions (http://www.epls.gov). Other online sources for verifying eligibility include the UN Consolidated List (http://www.un.org/sc/committees/1267/consolist.shtml) and the

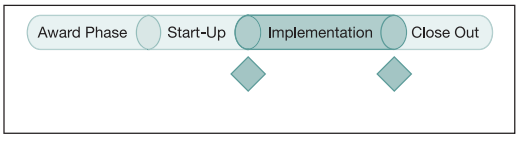
U.S. Department of Treasury's Designated Nationals List (http://www.ustreas.gov/offices/enforcement/ofac/sdn/).

- **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, which 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.
- **Fly America Act**—A regulation that applies to all USG-funded travel and requires the use of U.S. flag air carriers, with a few exceptions.
- **FMO**—USAID's Financial Management Office.
- **Incidental Expenses**—Expenses incurred during travel, such as gratuities and tips for services, laundry, toiletries, etc.
- **Indicator**—A specific data point an organization tracks to monitor program progress.
- **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.
- **International Travel**—Any travel between two countries.
- **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 the successful implementation of the overall project.
- **M&IE**—Meals and Incidental Expenses, costs incurred during travel, such as breakfast, lunch, dinner, gratuities and tips for services, laundry, toiletries, etc.
- **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.
- **Origin**—Where an item was originally grown or manufactured.
- **Per Diem**—The maximum amount of money that the USG allows an individual to be reimbursed for per day to cover lodging and meals and incidental expenses when traveling on behalf of a project.
- **Pipeline**—The amount of funds obligated but not yet spent, which is calculated by adding up all of the funds spent to date and subtracting that amount from the total obligation to date.
- **Program Income**—Funds earned by the program for the benefit of the program itself. 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.
- **Prohibited Items**—Goods or services that cannot be purchased with USG funds under any circumstances.
- **Reasonable Cost**—A cost that is generally recognized as ordinary and necessary and that a prudent person would incur in the conduct of normal business.
- **Restricted Items (or Restricted Commodities)**—Goods or services that may not be purchased without specific written permission in advance.
- **SF-270**—Standard Form-270, Request for Advance, used to request funds for a grant or Cooperative Agreement.
- **SF-425**—Standard Form-425, Federal Financial Report, used to prepare financial reports for a grant or Cooperative Agreement.
- **SF-1034**—Standard Form-1034, Public Voucher for Purchases and Services Other Than Personal, used to request funds and liquidate advances for a grant or Cooperative Agreement.
- **Shared Costs**—Goods and services benefiting multiple projects and for which a vendor cannot invoice each project separately; therefore, the costs are charged to each benefiting project based on a pre-determined formula.
- **Significant Rebudgeting**—Moving funds between budget categories above a certain threshold set by USAID.
- **Source**—Where one procures an item or a service, regardless of its origin (where it was

originally grown or manufactured). This is generally the physical location of the vendor.

- **Standard Budget Categories**—Standard categories the USG suggests all awardees use, including Personnel, Fringe Benefits, Consultants, Travel/Transportation, Equipment, Supplies, Contractual Services (subcontractors), Program Costs (sometimes replaced with "construction costs"), Other Expenses, and Indirect Costs.
- **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.
- **Total Estimated Cost**—The total projected cost of a project included in an organization's Cooperative Agreement.

4.2 Getting Started



One of the unique aspects of USAID's approach to working with partners has been to allow organizations the freedom to design and manage their programs and subrecipients while maintaining a cohesive, coordinated response to an issue. This is why USAID commonly uses a Cooperative Agreement to award funding, as opposed to a contract (where USAID specifically directs a project) or a grant (where USAID takes a more hands-off approach).

Cooperative Agreements allow USAID to retain substantial involvement (http://www.usaid.gov/policy/ads/300/303.pdf) in your project. This means USAID has the right to approve implementation plans (workplans), budgets, Key Personnel, M&E plans, and subrecipients. By retaining this right, USAID seeks to ensure that your program is tied to USAID and host-government strategic objectives. At the same time, Cooperative Agreements allow your organization to innovate. By enabling your organization to design its own implementation model, form its own partnerships, and adopt strategies that fit the culture and context, a Cooperative Agreement allows you the autonomy to carry out effective projects and deliver quality services to your beneficiaries.

Accountability is essential to the health of your organization and to implementing an effective program. That means everyone should act in accordance with the organization's values to accomplish its mission and avoid taking shortcuts that could compromise the organization's goals.

In addition, managing an effective USAID-funded program comes down to balancing program implementation that creatively responds to local challenges, meets the needs of your beneficiaries and community, and simultaneously complies with and fulfills donor and host-government expectations, while establishing links with other implementers, constituents, and stakeholders.

This chapter discusses how to find that balance and successfully operate your program under a Cooperative Agreement. By knowing and understanding what your organization can and cannot do with your award, you can maximize your program's effectiveness and positively influence the lives of your beneficiaries.

4.2.1 Five Tips for Ensuring Compliance

1. Know your agreement and get help if needed.

Your agreement is full of details. Read it and make sure you understand it. Make sure your Board of Directors and management team members are familiar with the specific sections relevant to them.

If you need help understanding or meeting the demands of your agreement, seek help. Your Agreement Officer's Technical Representative (AOTR) or Agreement Officer (AO) can help answer questions. If necessary, you can request technical assistance or hire a consultant to help set up management processes and systems that meet your award requirements. (For explanations of some common agreement terms, see Annex II.)

2. *Keep your agreement documentation up to date.*

   Over the life of your award, changes may occur that affect the terms of your original agreement, including changes in funding, targets, geographic coverage, and Key Personnel. Be sure to get the appropriate prior approvals, document changes in writing, and keep all documentation readily available. Even if you have a good relationship with your AOTR, there will probably be changes in personnel over the life of your award (both within your organization and on the USAID side), making it vital that you keep well-organized documentation on all decisions and changes affecting your award. Save all written communications with the AO and AOTR in carefully organized files, by date and/or topic, so that there is an institutional record of agreements and decisions to which staff can refer over the life of the award. It is a good idea to keep backup copies of documentation offsite.

3. *Understand which boundaries are flexible.*

   To promote innovation and give you the authority to respond to changes in your implementation area(s), you have a certain amount of flexibility to manage your award. However, there are limits to this flexibility, including limits on programmatic, budget, personnel, and partnership changes. Sometimes you will have to get permission from your AOTR or AO prior to implementing changes, and sometimes there will be boundaries you simply cannot cross. This chapter will help you learn those boundaries, so you can adapt while remaining in compliance with your award provisions.

4. *Compliance is for subrecipients, too.*

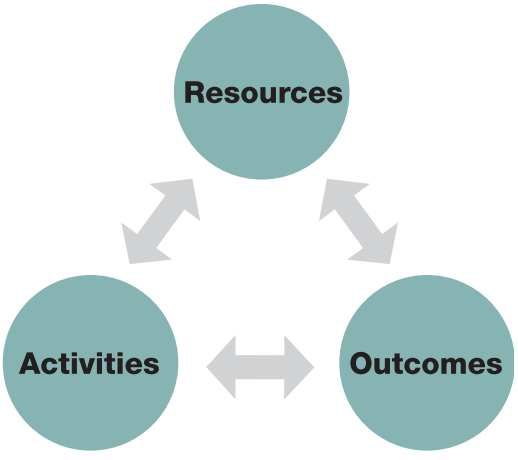
   In addition to being responsible for keeping your own organization in compliance, prime partners are responsible for making sure subrecipients are in compliance. Work with your subrecipients to ensure they understand what is required of them, and use this as an opportunity to build their capacity as well.

5. *Do not lose sight of the beneficiaries.*

   In trying to comply with all of your award's requirements, don't lose sight of the ultimate purpose of your award: helping beneficiaries.

4.2.2 Your Implementation Model

Figure 15—Key Elements of an Implementation Model



The model you use to implement your program should combine both administrative and technical program management to achieve the expected outcomes. Keeping your organization's implementation model running efficiently is the essence of a program manager's day-to-day job.

Although every organization's model is different, your model should include three key elements (pictured in Figure 15):

- what you are doing directly or through subrecipients (specific *activities* in certain geographic areas);
- what it takes to make it happen (*resources* and other inputs); and
- expected *outcomes* (results and targets).

These three elements are directly linked to your workplan activities, resources, and outcomes. Changes to your budget, for example, may affect your ability to achieve outcomes or require you to modify your activities.

Over the life of your program, you and your team should be constantly improving your model. As you learn from both formal evaluations and day-to-day experiences, you will adjust your activities and perhaps discover better and less expensive ways to reach more people with your services.

4.3 Administrative Management

Administrative management functions enable a program to run smoothly and comply with the terms and conditions of your agreement. These include several routine functions, such as:

- Financial Management (4.3.1)
- Budget Adjustments (4.3.1.5)
- Procurement (4.3.2)
- Travel (4.3.3)
- Property Management (4.3.4)
- Agreement Modifications (4.3.5)

4.3.1 Financial Management

4.3.1.1 Requesting and Disbursing USAID Funds

USAID disburses funds to grantees by advancing funds or reimbursing grantees for expenses already paid. Many grantees are permitted to request funding advances and may request reimbursements as well, if they use their own funds to cover project-related expenses.

Initially, you may be limited to requesting funding advances one month at a time. Each request must be for the amount you estimate you will spend in the upcoming 30-day period. You are not allowed to request or hold on to any extra "contingency funds." However, if a particular planned procurement is delayed, you can carry those funds until the following month. If an activity is cancelled, you can spend the funds on another activity in your approved workplan.

You request funds by filling out the form specified in your Cooperative Agreement, either the Standard Form (SF)-270—Request for Advance or Reimbursement or the Standard Form (SF)-1034—Public Voucher for Purchases and Services Other than Personal, and submitting it to USAID's FMO. If you have multiple awards from USAID, you must fill out a separate form for each award. In general,

In This Section

you should complete the form and submit it no earlier than a week before the month in which you need the funds. Usually, you can expect to receive the funds within one to two weeks of submitting the form.

When you have demonstrated over time that you are spending the funds you request efficiently and that you are neither spending too quickly nor too slowly, you may be able to request funds quarterly. Your AOTR and FMO will determine this by reviewing the data from your quarterly SF-425 Federal Financial Reports and your SF-270 or SF-1034 requests to calculate your pipeline and burn rates.

Estimating Advances

When estimating your request, do not merely divide your annual budget by 12 months; instead, calculate specifically what you think you will spend in the upcoming month based on your approved workplan and detailed implementation schedule. You may divide some elements of your budget evenly among months (for example, salaries), but some expenditures, such as purchases of non-expendable equipment, may occur all in one month (for example, at the beginning of a project). Consider the funds that you have currently and confirm the remaining amounts that subrecipients may have before you make any requests.

If you are implementing with subrecipients (for the purposes of advances, we are referring to subgrantees), work together to manage funding requests and spending so no one runs out of money. To do this, ask subrecipients to provide monthly or (when approved) quarterly funding estimates based on their approved workplans and detailed implementation schedules. You also may wish to institute a process with subrecipients for advances and reimbursements similar to the one you follow for USAID.

4.3.1.2 How to Fill Out the SF-270

The process of filling out the SF-270 to request advances or reimbursements from USAID is outlined in the following pages. These tips are not meant to substitute for the USAID instructions found online or for guidance provided by your FMO. Instead, they aim to address some questions first-time users may have when filling out this form.

Begin by downloading a PDF version of the SF-270 at http://www.whitehouse.gov/omb/grants/sf270.pdf.

To take advantage of some of the form's 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.

The form consists of two pages. The first contains three primary sections—the top portion for information about your grant and your request; the middle section, where you can calculate your advance or reimbursement; and the bottom section, used only for requesting advances. The second page contains instructions and a place for you to sign.

Top Portion

While most of the top portion is relatively straightforward, here a few tips that will help you fill out the key boxes (refer to Figure 16).

After completing the top portion, you must determine whether you need to fill out the full calculation area in the middle of the form or the simplified calculation area for advances at the bottom.

Fill out the full calculation area for an advance and reimbursement or if you have any program income (see Figure 17).

If you are not requesting a reimbursement and do not have program income, skip down to the Advances Only portion of the form, described below.

Figure 16—Top Portion of the SF-270

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)	OMB APPROVAL NO. 0348-0004	PAGE OF PAGES
	1a 1. TYPE OF PAYMENT REQUESTED — a. "X" one or both boxes: ☐ ADVANCE ☐ REIMBURSEMENT; b. "X" the applicable box: ☐ FINAL ☐ PARTIAL 1b	2. BASIS OF REQUEST: ☐ CASH 2 ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY	5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
6. EMPLOYER IDENTIFICATION NUMBER / 7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST — FROM (month, day, year) 8	TO (month, day, year)

- **Box 1(a)**—The type of payment requested will be an advance or a reimbursement. Generally, you will be requesting an advance for your monthly installments. Reimbursements are requested only when you spend your own funds on items within your approved workplan budget and are asking to recoup those funds.
- **Box 1(b)**—For all requests other than the final request at the end of your grant, always select partial payment.
- **Box 2**—The basis of the request depends on the type of accounting system you are using.
- **Box 8**—The "PERIOD COVERED BY THIS REQUEST" should be one calendar month (for example, FROM January 1, 2010, TO January 31, 2010), unless the FMO directs otherwise.

Calculation Area

The primary calculation area (rows labeled a - j, shown in Figure 17) includes three columns across the top (a–c) and a total column. Fill out your funding request across these columns only if you have separated out headquarters (HQ), subrecipient, or country costs in your approved annual budget in this way. Doing this helps your AOTR track your requests and spending against your budget, though this is generally not something the FMO requires. If your budget is organized into more than three categories, ask your AOTR what categorization would be most helpful.

Program Income—Program income is money the program earns for itself. It comes from charging fees for services or the sale of commodities. Program income is also earned by selling no-longer-needed equipment purchased with program funds.

Note: *Program Income is different from income-generating activities, in which the program's beneficiaries keep any income earned.*

Figure 17—Calculation Area of the SF-270

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED				
PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a) a HQ	(b) b Subrecipient	(c) c	TOTAL
a. Total program outlays to date (As of date) May 31, 2009	$ 10,000.00	$ 7,500.00	$	$ 17,500.00
b. Less: Cumulative program income	0.00	0.00		0.00
c. Net program outlays (Line a minus line b)	10,000.00	7,500.00	0.00	17,500.00
d. Estimated net cash outlays for advance period	3,000.00	5,250.00		8,250.00
e. Total (Sum of lines c & c)	13,000.00	12,750.00	0.00	25,750.00
f. Non-Federal share of amount on line e	2,300.00	0.00		2,300.00
g. Federal share of amount on line e	10,700.00	12,750.00		23,450.00
h. Federal payments previously requested	9,100.00	7,500.00		16,600.00
i. Federal share now requested (Line g minus line h)	1,600.00	5,250.00	0.00	6,850.00
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month				0.00
2nd month				0.00
3rd month				0.00

a. **Total program outlays to date (row a):** All expenditures for your program, including cost share, as of the beginning of the request period. In other words, if your request is for January 1–31, 2009, give the total outlays as of December 31, 2008.

b. **Less: Cumulative program income (row b):** If your program has earned any program income, enter it here.

c. **Net program outlays** (line a minus line b).

d. **Estimated cash outlays for advance period:** How much you will need for the advance period (in our example, January 1—31, 2009) all funding needed (including cost share), regardless of any carryover cash on hand.

e. **Total (sum of lines c & d)**: This is all the money your organization has spent to date, plus what you expect to spend through the end of this advance period.

f. **Non-Federal share of amount on line e**: All past cost-share contributions, plus all cost-share contributions you plan to make during the advance period. (If you are not sure what cost share you may be able to commit to during the advance period, it is fine to put US$0 in your SF-270, as long as you properly account for the actual cost share generated in your next SF-425.)

g. **Federal share of amount on line e**: This is the total amount you have requested from USAID toward this project to date, including funds requested for the advance period. The FMO checks this number to ensure that it matches the amount from the last SF-270. It can be checked by adding lines h and i.

h. **Federal payments previously requested**: Sum of all of the money you have requested to date from USAID.

i. **Federal share now requested (line g minus line h):** The result will be the total amount of USAID funds you need for the upcoming month (request period), less any unspent USAID funds you have on hand.

j. **Advances required by month:** Use the final row only when you request funds quarterly, but receive the funds in monthly installments.

Advances Only

To fill out the alternate computation for advances only, calculate how much funding you will need for the next month and subtract the amount of any unspent USAID funds you have remaining from your previous advance to come up with the amount you are requesting for the period. During the previous period, if you spent more than your previous advance, the unspent funds remaining block may show a negative amount.

Reimbursements

When filling out the SF-270 for a reimbursement of purchases within your approved workplan budget, there are a few things you will do differently.

Figure 18—Requesting Reimbursement Using the SF-270

REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. 0348-0004

PAGE OF PAGES

1. TYPE OF PAYMENT REQUESTED
a. "X" one or both boxes: ☐ ADVANCE ☐ REIMBURSEMENT
b. "X" the applicable box: ☐ FINAL ☐ PARTIAL

2. BASIS OF REQUEST: ☐ CASH ☐ ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST

6. EMPLOYER IDENTIFICATION NUMBER

7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER

8. PERIOD COVERED BY THIS REQUEST
FROM (month, day, year) 8
TO (month, day, year) 8

9. RECIPIENT ORGANIZATION
Name:
Number and Street:
City, State and ZIP Code:

10. PAYEE (Where check is to be sent if different than item 9)
Name:
Number and Street:
City, State and ZIP Code:

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a)	(b)	(c)	TOTAL
a. Total program outlays to date (As of date)	$	$	$	$ 0.00
b. Less: Cumulative program income				0.00
c. Net program outlays (Line a minus line b)	0.00	0.00	0.00	0.00
d. Estimated net cash outlays for advance period D				0.00
e. Total (Sum of lines c & d)	0.00	0.00	0.00	0.00
f. Non-Federal share of amount on line e				0.00
g. Federal share of amount on line e				0.00
h. Federal payments previously requested				0.00
i. Federal share now requested (Line g minus line h)	0.00	0.00	0.00	0.00
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances — 1st month				0.00
2nd month				0.00
3rd month				0.00

- **Box 8**—Period covered by this request: this should cover the period in which the funds you are requesting reimbursement were expended.
- **Row D**—Estimated cash outlays for advance period: this should be US$0, since you are not requesting an advance. If you need both an advance and a reimbursement, fill out separate forms.

Submitting the SF-270

Once you complete the first page, have the Project Director or other designated certifying authority within your organization sign and date the second page. 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.

4.3.1.3 How to Fill Out the SF-1034

If your organization uses the SF-1034 to request funds and liquidate advances from USAID, follow the steps outlined below. As with the guidelines for filling out the SF-270, these tips are not meant to substitute for the USG instructions found online or guidance from your FMO, but seek to address the questions of first-time users of the SF-1034.

To apply for an advance, you will fill out three SF-1034s requesting three separate advance payments for the upcoming quarter (one SF-1034 for each month—three-month rolling advance). All 3 should be submitted 10 business days before the beginning of every quarter. This is designed for your organization to maintain a uniform cash flow. To begin the request, mark the top the SF-1034 with "Request for Advance."

Within 15 days of the end of every month, you will submit another SF-1034 for liquidation of the advance, marked at the top with "Liquidation of Advances." This reports the amount of funding (if any) that your organization spent from the advance you received for that month. As no new advances can be made until the recipient submits this liquidation form, it is imperative that this form be submitted on a timely basis every month.

The SF-1034 is a single page, of which you should only fill out the top portion (see Figure 19). The rest of the form, along with the spaces you leave blank, will be filled out by your funding agency.

Figure 19—Top Half of the SF-1034

Standard Form 1034 Revised October 1987 Department of the Treasury 1 TFM 4-2000	PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL		VOUCHER NO.
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION	DATE VOUCHER PREPARED		SCHEDULE NO.
	CONTRACT NUMBER AND DATE		PAID BY
	REQUISITION NUMBER AND DATE		
PAYEE'S NAME AND ADDRESS			DATE INVOICE RECEIVED
			DISCOUNT TERMS
			PAYEE'S ACCOUNT NUMBER
SHIPPED FROM	TO	WEIGHT	GOVERNMENT B/L NUMBER

NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)	QUAN-TITY	UNIT PRICE		AMOUNT
				COST	PER	(1)

- **Voucher No.**—Start with "1" and number consecutively, so that the number changes every time you fill out the form. ***Note:*** Insert the word "FINAL" if this is the last voucher.
- **U.S. Department, Bureau, or Establishment and Location**—Insert the names and addresses of the relevant finance office. Details can found in your Agreement.
- **Date Voucher Prepared**—Always remember to include the date you prepared the form.
- **Contract Number and Date**—Insert the contract number and date as shown on your Agreement.
- **Requisition Number and Date**, **Schedule No.**, **Paid By**, **Date Invoice Received**, **Discount Terms**, **Payee's Account Number**, **Shipped from/to Weight**, **Government B/L**—Leave all of these blank.
- **Payee's Name and Address**—Include your organization's name and mailing address as it is written in your Cooperative Agreement.
- **Number and Date of Order**—Leave blank.
- **Date of Delivery or Service**—Insert the month, day, and year, for the beginning and ending dates of the incurrence of costs claimed for reimbursement.
- **Articles or Services**—Enter a summary description of the activities that are expected to take place (for the advance) or already did take place (for the liquidation). ***Note:*** Your funding agency may ask for a more detailed description of the activities.
- **Amount**—Enter the amount you are requesting (for the advance) or the amount you spent from the advance you received that month (for the liquidation).
- **Payee must NOT use the space below**—Do not type or write below this line.

Submitting the SF-1034

Check your Cooperative Agreement for detailed instructions on how to submit your SF-1034. In general, an organization must submit an original and three copies of the SF-1034 to the payment office indicated in your Agreement.

Keep an Eye on Your Obligation Ceiling!

The time it takes to process your SF-270 or SF-1034 is usually only one to two weeks, as long as you have sufficient funds obligated toward your award. If you request funds above your obligation ceiling, it can take as long as one month to modify your agreement to obligate additional funds before the FMO can process your SF-270 or SF-1034.

It is in your best interest to monitor your obligation amount closely. As soon as you have expended 75% of your obligation, be sure to notify your AO and ask that additional funds be obligated.

4.3.1.4 Monitoring Pipeline and Burn Rates

One of the responsibilities of your organization's financial manager is to monitor how much you are spending under your award and to make sure there is enough money obligated to cover your upcoming expenses. Two important calculations your organization must track related to this are your pipeline and burn rate. Your AOTR also monitors these figures. Regular communication with your AOTR will prevent the need to slow down operations while you wait for additional funds to be obligated.

Your pipeline is the amount of funds obligated but not yet spent, that is, the amount of money that is still available to you. You can calculate your pipeline by adding up all the funds you have spent and subtracting that amount from the total obligation.

Calculation:
Pipeline = Obligation – Total Amount Spent

The burn rate calculates the rate at which you are spending the funds you have received. The basic calculation for your burn rate is the amount you have spent divided by the number of months you have been spending.

Calculation: Burn Rate = Total Amount Spent / Number of Months of Operation to Date

Your AOTR typically will use your SF-425 quarterly financial reports to figure out your burn rate, but you may want to use your own financial systems to generate a report that helps you keep track of your actual monthly expenses.

In calculating your burn rate, you may also separate out special one-time expenses, such as vehicles. This will give you a better sense of how much your project will be spending in upcoming months.

Example (see Figure 20):

- NGO X was awarded a Cooperative Agreement for a total of US$1,000. We received an initial obligation of US$10. When the workplan was approved, we received an additional obligation of US$300, bringing our total obligation to US$310.
- NGO X has been operating now for four months and has spent a total of US$145.
- Subtracting our total obligation (US$310) from our total expenditures (US$145) gives us a pipeline of US$165.
- Dividing the amount spent (US$145) by the number of months we have been spending (four) gives us a monthly burn rate of US$36.25.

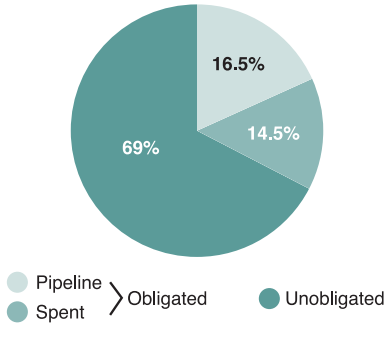
Figure 20—NGO X Award Amount Breakdown

NGO X's USG Award

NGO X's USG Award	
Award Amount	US$1,000
Original Obligation	US$10
Additional Obligation	US$300
Total Obligation to Date	US$310

	Jan	Feb	Mar	Apr	Total
Spending	US$25	US$55	US$35	US$30	US$145

	Calculations	Result
Pipeline	US$310-US$145	US$165
Burn Rate	US$145 / 4	US$36.25
Months Remaining	US$165 / US$36.25	4.5 months



Using your pipeline and burn rate, you can also calculate approximately how many months you have left before you will need an additional obligation. Divide your pipeline by your burn rate. This will give you the number of months left before the obligation runs out, assuming your rate of spending stays the same. In the above example, NGO X estimates it will spend the remaining obligation in four and a half months. Note, however, that the actual burn rate likely will vary each month depending on the programmatic activities undertaken.

Keeping these figures in mind, you will want to monitor your spending to make sure you are not spending too quickly or too slowly. For example, if you have a three-year award, you will want to pace your funding so you can achieve your goals in that time frame.

4.3.1.5 Rebudgeting

Your approved budget is divided among nine standard budget categories. USAID gives you the flexibility to make adjustments to your budget within those categories (for example, if you budgeted for a photocopier but decided to use the funds to buy a computer printer instead). However, you may only move a limited amount of funds between direct cost categories before you must seek approval from USAID. Adjusting your budget above this threshold is referred to as significant rebudgeting.

USAID Rebudgeting Rules

Each USAID award is different; while some define significant rebudgeting as cumulative changes between budget categories that exceed 10% of the total budget over the lifetime of the award, others specify a much lower threshold. To find out the rebudgeting rules that apply to your award, check your Cooperative Agreement.

If, for example, a US$2 million award has a significant rebudgeting threshold of 10%, the grantee can rebudget up to a total of US$200,000 between categories over the lifetime of the award without seeking approval. Above that amount, you will have to seek approval for all budget changes.

These changes are cumulative. In this scenario, if you rebudget US$50,000 in the first year, then US$150,000 in the second year, any additional changes between budget categories in the third year—no matter how small—have to be

pre-approved. The AO has the option to restrict rebudgeting if the changes are not necessary or reasonable.

Seeking Approval

If you are planning budget changes that exceed your award's significant rebudgeting threshold, or that will significantly alter the activities being undertaken, write a memo to your AOTR and AO requesting the approval and include the following:

- Explain why rebudgeting is necessary (for example, explain unforeseen costs or circumstances).
- Outline all previous rebudgeting under this award.
- Detail where the money is coming from (that is, what costs you will not be expending to free up funds).
- Detail how the rebudgeted funds will be used.
- Explain any effects you anticipate as a result of the rebudgeting, such as changes in targets.
- If applicable, discuss other sources of funds you will be using to make up any deficits.

Once you have reached that threshold, your AO must approve all rebudgeting, regardless of the amount. Therefore, if you need to request approval to rebudget further, try to estimate all the changes needed to complete your project and request the approvals all at once.

4.3.1.6 Allocating Shared Project Costs

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

- **Direct project costs**—Costs clearly attributed to a specific project, such as a staff person who works exclusively on that project, office space used by project staff, or specific equipment and supplies used only by a single project.
- **Shared project costs**—Costs required to carry out a project but difficult to attribute to a specific project, such as electricity or administrative support staff.
- **Non-project costs**—Legitimate organizational costs that are not related to any specific project or costs that are not "allowable" under USG-funded projects, such as fundraising and entertainment.

Most of your expenses will fall into the direct project cost category, while non-project costs are usually self-evident. Shared expenses, however, may be the biggest challenge to address.

Sharing Resources versus Shared or Indirect Costs

There is an important difference between a resource that may be shared by more than one project and something that is a shared or indirect cost.

A resource that more than one project may share typically falls into the direct cost category. For example, let's think of a professional staff member as a resource who may devote time to more than one project. Since the individual's time is tracked on a time sheet, you will know exactly how many hours were spent working on Project A versus Project B. Therefore, you can allocate the exact number of hours to each project as direct costs.

Another example: If your organization has a vehicle, more than one project may use it for trips. However, every trip should be noted in the vehicle usage log book, so the expenses for each trip can be allocated as direct costs to each project.

A shared or indirect cost, on the other hand, is one that is has been incurred for common or joint project need. Examples of common shared office costs are utilities, Internet service charges, and expendable office supplies like paper and paper clips. Unlike the examples above, it is not obvious how much should be charged directly to any one project.

Some organizations have gone through a process with USAID to establish a NICRA and use that to address these kinds of costs. But most organizations do not have a NICRA (or only have a NICRA for headquarters expenses), so they need a method for figuring out how to allocate these kinds of costs.

Sample Formula for Calculating Shared Expenses

Costs that cannot be attributed to one project or another as a direct cost will need to be addressed by establishing a formula. One approach is to use a percentage based on the number of employees on one project versus the total number of employees or the allocation of dedicated office space.

To do this, first figure out what parts of your office are dedicated to a specific project, such as space for staff working exclusively on the specific project, and what parts are shared, such as meeting rooms or the reception area. Of the areas that are dedicated to specific projects, calculate the square meters allocated to each project. You can even divide the office space of an individual who splits time based on the percentage he or she allocates to each project. Add up the area dedicated to each project and calculate the percentage dedicated to each project.

For example, let's say a 1,000-square-meter office houses two projects 800 square meters of office space is dedicated to the projects, while the rest is shared. Of the dedicated space, 600 square meters is for one project, while 200 is for the other project. This means 75% of the overall space is charged to the first project (750 square meters), and 25% to the second (250 square meters). These percentages may be used as the basis for allocating costs for other shared expenses.

There is no single correct method for allocating shared costs, but it should be clear how your organization handles these costs. This helps to ensure that you are using your project funds wisely and that you are distributing costs fairly. And do not forget, as projects and funding streams change, you should adjust your policy for allocating shared costs accordingly.

Set (and Keep Up to Date) a Shared Expense Policy

With these guidelines in mind, set a policy that defines the following:

- what specific costs and resources are considered "shared";
- how your organization will divide shared costs among different projects; and
- when the policy will be revised.

Common Shared Office Expenses

- Office rent and utilities;
- telephone service charges (exception: long-distance calls may be itemized and paid by the project that incurred the expense;
- expendable and routine office supplies (pens, paper clips, etc.); and
- office support staff (office assistants, accountants, receptionists, etc.) whose time is spent in support of all projects.

USAID is willing to pay its "fair share" of the organizational costs associated with implementing its project. By establishing a shared expense policy, your organization ensures that it is consistent in allocating costs between/among different projects and/or donors every month in a way that does not discriminate between sources of funding. Improper allocation of share costs is often a common audit finding, so it is important to do it accurately.

Multiple Offices

If your organization has offices in several different locations, you may want to set some general guidelines and have each office set its own specific policy based on the projects and expenses at that location. The policies should be in writing because during your annual audit, the auditors will review and compare your policy with your practice. Some projects that share offices establish a formal Memorandum of Understanding (MOU) that includes detailed agreements on additional topics, such as shared assets, payroll, and human resources issues. This is common when the separate "project teams" come from different operational units or are from completely different organizations.

Q: Do we need a NICRA?

A: While an organization needs a method for figuring out how to allocate indirect or shared costs, it need not be a NICRA. Some organizations go through the process to establish a NICRA, but most will find that process time-consuming and that another method is more efficient.

4.3.2 Procurement

USAID procurement regulations ensure that recipients use USG money to advance the purpose of the award, spend it wisely, and do not use it to purchase items or services in conflict with the public's interest. Therefore, you are required to carefully review your organization's procurement policies and ensure consistency with USAID requirements.

Procurement

The process of acquiring goods, supplies, and services including:

- goods, spare parts, and supplies for program activities;
- equipment, office furniture, and supplies for project offices; and
- consulting services by individuals and/or organizations.

Figure 21—Phases of Procurement

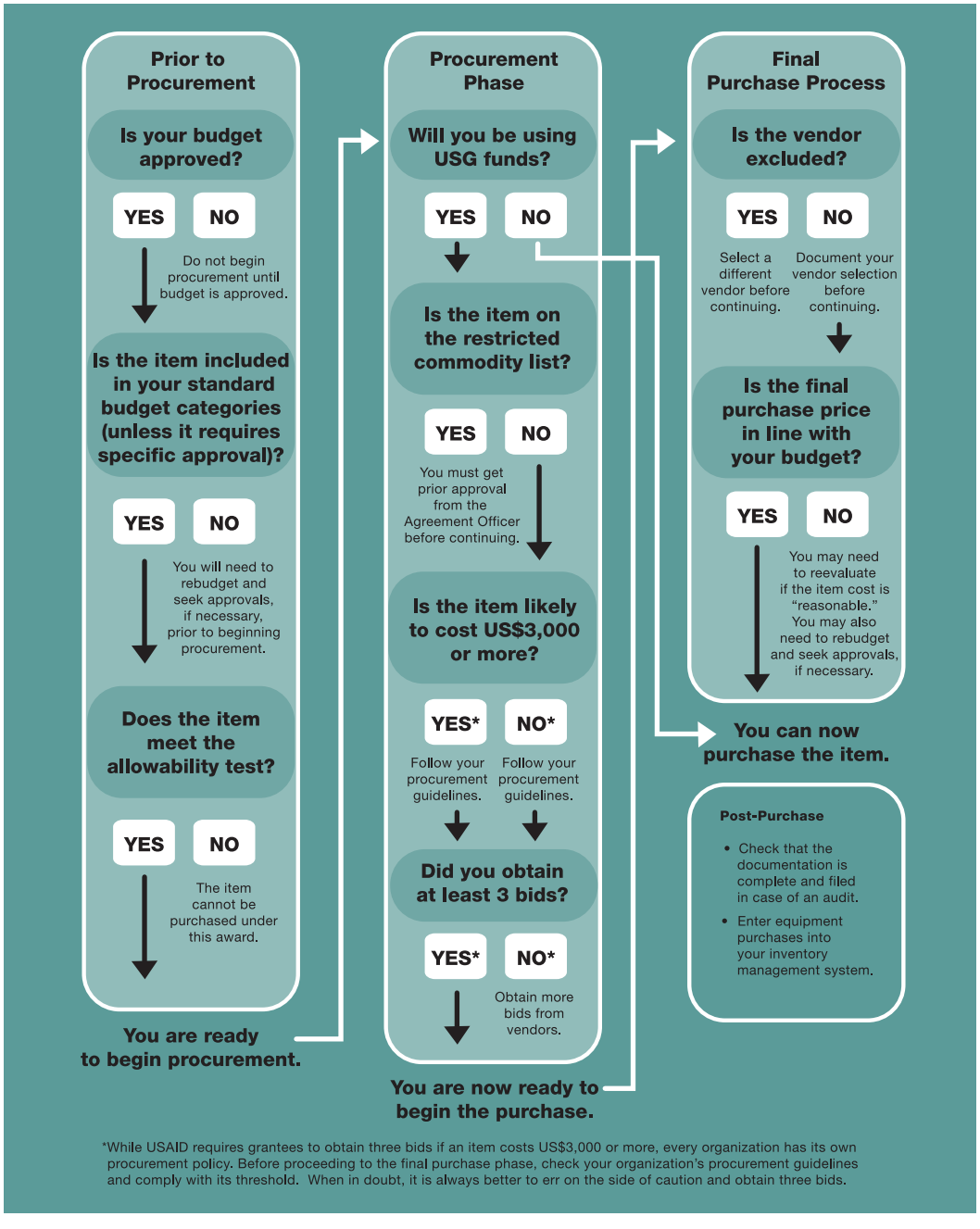


Figure 21 is a simplified procurement process map, which is broken down into three phases:

- **Pre-procurement**—Before you begin to procure an item, you must have an approved budget, and it must be included in standard budget categories, unless it requires specific approval. If it is not, you may need to rebudget. If your rebudgeting amounts to significant changes (4.3.1.5), you will need to request approval. If the specific item is in the budget, you must first check that the item passes the allowability test (4.3.2.1) before you begin the procurement.
- **Procurement Phase**—This is the process just before purchasing when you have the funding and begin planning for the specific purchase by soliciting bids, acquiring pricing information, and reviewing different vendors. Your own internal procurement policies guide much of this process.
- **Purchasing Process**—Once you have selected a vendor and settled on a price, you must do a final review, and then you can make the purchase. After the purchase is complete, you need to ensure that your documentation is in place and that you have entered the relevant information into your inventory tracking system, if applicable.

There are even more detailed steps within each of these major steps, however. For example, most organizations have a special process for soliciting and evaluating bids on large items costing US$3,000 or more—a USAID-suggested cost threshold for obtaining three quotes. Your organization may want to set up a more restrictive threshold, for example, $500, to assure fairness, best value, and accountability.

If an item costs more than US$5,000 per unit, be sure it is approved as non-expendable equipment in your approved budget. Items over $5,000 with a useful life of more than one year are regarded as "Equipment" according to the USG (2 CFR 230) and require prior approval from USAID. If the item is not included in your approved budget, you will need written AO authorization before procuring it. Note that even though non-expendable equipment over $5,000 appeared in an approved budget (for example, a computer server), purchasing that item may still require specific USAID authorization. When in doubt, it is a good idea to check with your AO.

Throughout the entire procurement process, several checks and balances are required to make sure the purchase is allowable. If you do not have a procurement policy, it is critical that your organization adopt one that incorporates these processes to ensure that all goods and services it procures will be allowable under the award.

Important Procurement Links

ADS Chapter 260—Geographic Codes
http://www.usaid.gov/policy/ads/200/260.pdf

ADS Chapter 310—Source, Origin and Nationality
http://www.usaid.gov/policy/ads/300/310.pdf

USAID Acquisition Regulation (AIDAR)
http://www.usaid.gov/policy/ads/300/aidar.pdf

Buy America Act
http://www.acquisition.gov/far/html/subpart%2025_1.html

2 CFR 226
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl

2 CFR 230 (A-122)
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title02/2cfr230_main_02.tpl

Excluded Parties List
http://www.epls.gov

UN Consolidated List
http://www.un.org/sc/committees/1267/consolist.shtml

U.S. Department of Treasury's Designated Nationals List http://www.ustreas.gov/offices/enforcement/ofac/sdn

Requirements for Subrecipients

Almost all procurement rules apply to both prime and subrecipients on an award. USAID requires that subagreements, between the prime partner and subrecipients with procurements of goods or services over your organization's designated amount, include certain procurement-related standard provisions, including the standard provision, entitled "USAID Eligibility Rules for Goods and Services," which outlines policies on restricted goods, ineligible goods and suppliers, and source/origin requirements.

Review your procurement-related clauses closely and make sure that your staff and sub-recipients understand the process and regulations. Remember to monitor implementation.

Procurement Good Practice

- Establish and follow written procurement policies and procedures.
- Conduct annual procurement planning that includes office and program equipment, supplies, and services.
- Link procurement planning to budget and workplanning processes.
- Provide for open competition to the extent possible.
- Obtain quotations, review quotations against established criteria, use evaluation committees, and justify vendor selection.
- Document the procurement process.
- Keep an inventory of all equipment purchased and update it regularly, noting condition and location of items.

Overview of Procurement Regulations

USAID's many stipulations about how USG funds may and may not be spent are presented in 2 CFR 226 and include limitations on:

- particular goods and services;
- where the item was manufactured or procured;
- from whom you can purchase goods and services; and
- how you ship them to your project site.

This section covers restricted and prohibited items (4.3.2.2), source and origin restrictions (4.3.2.3), and vendor restrictions (4.3.2.4).

4.3.2.1 Allowability Test

The most important concept in procurement under USAID-funded awards is to understand what costs are and are not allowable. Even though your budget has been approved, it does not mean that all of the line items in that budget are allowable. Before procuring any goods or services under the award, it is important to make sure each item passes the allowability test.

In Your Agreement

USAID Cooperative Agreements contain procurement-related requirements under the Standard Provisions. In particular, review the standard provisions, entitled "Ineligible Goods and Services" and "Restricted Commodities."

The allowability test poses four questions that are key to determining whether you can purchase an item. These questions apply to all costs associated with the award, including direct and indirect costs.

1. *Is the cost reasonable?*
   Is the cost comparable to what other organizations are paying for the same item or service? Have you followed your organization's procurement policies with regard to getting bids and reaching a fair price?

2. *Can you allocate the cost to this specific award?*
   Is the cost required to advance the work under the award?

3. *Is the cost consistent?*
   Have you been consistent in assigning costs across all the work your organization does, regardless of the source of funding? For example, do you pay the same consultants the same rates for similar activities under your USAID-funded awards as you do in projects funded by other donors?

4. *Does the cost conform to the rules and regulations of the program?*
   Is the cost in compliance with limitations and exclusions contained in the terms and conditions of your award? Have the individuals responsible for the expenditure acted ethically in carrying out the procurement?

For major purchases, document your review of these questions during the procurement. Put the questions on a form, along with a place to fill in the item, budgeted amount, date, and who in your organization filled out the form. Record the answers, making any necessary notes, and then file the forms for future reference in case of an audit.

4.3.2.2 Allowable Costs

Allowable costs are things you are allowed to purchase or spend money on under your agreement. What is allowed and what is not allowed may be defined by U.S. law, the policies of the agency funding your award, the regulations governing the program under which you are being funded, and certain additional restrictions that may be included in your award.

Depending on circumstance, a cost may be determined allowable or unallowable based on whether the cost is necessary to meet activity goals, is reasonable, and is allocable. In addition, allowable costs are governed by specific categories, including U.S. laws and USAID regulations. One way for recipients to keep track of these restrictions is to develop lists of unallowable items, similar to the document in Figure 22 only includes unallowables. You can customize this list with specifics from USAID and your Cooperative Agreement. You will notice that some items are restricted, meaning they are only allowable with specific written permission (for example, vehicles), while other items are prohibited and you cannot purchase them under any circumstance (for example, abortion equipment).

This list is only the first step in determining whether a cost is allowable, however. If an item you plan on purchasing is not on the unallowable list, you must still determine whether the specific purchase passes the allowability test (4.3.2.1) by examining the specific circumstances of the purchase and your program to make sure the cost is reasonable and relevant to your program.

Restricted Commodities

Restricted commodities are items you may purchase with USAID funds, but for which you need prior written approval from the AO. The most common restricted commodities include:

- agricultural commodities;
- motor vehicles;
- pharmaceuticals;
- pesticides;
- used equipment;
- USAID-owned excess property; and
- fertilizer.

A waiver may be granted if all three of the following conditions are met (***Note:*** Even if you meet all three criteria, approval is not automatic; you still need to request approval from the AO):

- Item is of U.S. source/origin.
- You have identified the item and incorporated it into the program description or amendments to the award.
- You have incorporated the costs related to the item into the approved budget of the award.

If the AO approves, he or she will provide written authorization. If you procure the item prior to receiving written authorization, you risk paying for it yourself.

Figure 22—Examples of Unallowable Costs

Category	Regulating Document	Examples of Limitations	Applies To
U.S. Law	OMB Circular A-122	PROHIBITED: Abortion, military, surveillance, weather modification, and gambling equipment	All USAID agreements
USAID Regulations	USAID ADS	RESTRICTED: Pharmaceuticals, vehicles, and agricultural commodities	All USAID agreements
Agreement Restrictions	Your Cooperative Agreement	RESTRICTED: Items not included in your budget	Varies by agreement

Procurement Documentation:

- ✓ Statement of work (SOW) or specifications
- ✓ Approved/signed purchase request (as applicable)
- ✓ Market research of sources; Request for Quotations (RFQ) or Request for Proposals (RFP), including Internet postings/ newspaper adverts
- ✓ Quotations or proposals received (minimum of three)
- ✓ Verification of search of Excluded Parties List, U.S. Department of Treasury's Designated Nationals List and UN Consolidated List.
- ✓ Analysis of quotations/bids (should show quantitative/qualitative analysis of cost reasonableness of quotations or proposals and advantage(s) of winning vendor)
- ✓ Memo to the file (in conjunction with analysis should explain in written form background, competitive process, and justification for vendor selection)
- ✓ Approval and/or waiver from USAID (if applicable)
- ✓ Authorized signature by organization (as applicable)
- ✓ Signed purchase order (PO) or contract
- ✓ Confirmation of receipt of item
- ✓ Signed property management letter (if recipient other than organization)
- ✓ Copy of vendor's invoice (stamped paid)
- ✓ Relevant documentation—correspondence, memos, faxes, e-mails, records of conversations—collected throughout the procurement process
- ✓ Condition and location of items

Prohibited Items

The following may not purchased with USAID funds under any circumstances:

- military equipment—goods or equipment to meet the cooperating country's military requirements;
- surveillance equipment—such as microphones, transmitters, and recording devices (this does not include general-use audiovisual equipment, as long as there is a clear purpose and need for such equipment in your program);
- commodities and services for support of police or other law enforcement activities;
- abortion equipment and services;
- luxury goods and gambling equipment, including alcoholic beverages, jewelry, or expensive textiles; and
- weather modification equipment.

Other Types of Restrictions

Other restrictions and prohibitions that are applicable to most USG funding are in "Cost Principles for Non-Profit Organizations" (2 CFR 230, sometimes referred to as A-122), which details rules for 56 specific goods and services, and when they may and may not be paid for with USG funds. Review this list and become familiar with the rules that may be relevant to your program.

The best way to keep track of all restricted and prohibited items is to create a table and fill it out based on the agreements and guidance documents applicable to your program. If you receive funding through multiple grants, you may find different limitations on different funding streams. Be sure to note to which agreement each restriction applies.

Use of Private Funds

When you use private funds to procure goods and services as part of a cost-share requirement, some restrictions are no longer applicable. When your organization commits to cost share as part of the application budget, it must be appropriate for the program. You cannot count private funds used to purchase prohibited items toward your cost-share commitment. For example, alcoholic beverages purchased with private funds cannot be counted as cost share.

However, in some circumstances, you can use cost share creatively to use your funds more efficiently. For example, you may purchase a used vehicle with private funds and shift your USAID funds into other program costs. If this results in significant rebudgeting, you may need to get prior approval.

Consequences of Misuse of USAID Funds

USAID reserves the right to require you to refund any amount that is not spent in accordance with the terms and conditions of the award (that is, costs not allowable under the regulations). Be sure to keep records for at least three years after you submit your final report, in case of an audit.

4.3.2.3 Source/ Origin Restrictions

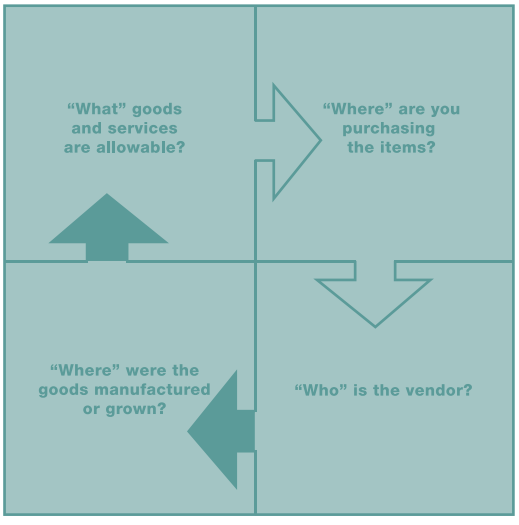
Two additional procurement restrictions deal with where an item is purchased—referred to as its source, and where it was originally grown or manufactured—known as its origin.

General Source/Origin Restrictions

Different source and origin restrictions apply to different USAID agreements.

Organizations working within the United States are subject to the Buy American Act, which gives priority to U.S.-manufactured goods and services. This may apply to procurements made by a headquarters office located in the U.S. that is purchasing goods to be used domestically.

Different regulations govern purchases made overseas. USAID grantees should refer to the USAID Acquisition Regulation (AIDAR).



USAID grantees are assigned a "geographic code" that designates specific countries from which they are authorized to purchase goods and services. There are four geographic codes typically used: 000, 899, 935, and 941. Your agreement will state which code is applicable to your project.

Geographic Code 000

Geographic code 000 authorizes grantees to purchase goods and services only from the United States, including any U.S. state(s), the District of Columbia and areas of U.S.-associated sovereignty (commonwealths, territories, and possessions).

Geographic Code 899

Geographic code 899 authorizes grantees to purchase goods and service from any country, except the cooperating country itself and the following foreign-policy-restricted countries as of May 2010:

- Cuba
- Iraq
- Iran
- Laos
- Libya
- North Korea
- Syria

Geographic Code 935

Geographic code 935 authorizes grantees to purchase goods and services from any country, except the foreign-policy-restricted countries listed above as of May 2010.

Geographic Code 941

Geographic code 941 authorizes grantees to purchase goods and services from any country, except foreign-policy-restricted countries, the cooperating country itself, and as of May 2010, the following:

Albania
Andorra
Angola
Armenia
Austria
Australia
Azerbaijan
Bahamas
Bahrain
Belgium
Bosnia and Herzegovina
Bulgaria
Belarus
Canada
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Gabon
Georgia
Germany
Greece
Hong Kong
Hungary
Iceland
Ireland
Italy
Japan
Kazakhstan
Kuwait
Kyrgyzstan
Latvia
Liechtenstein
Lithuania
Luxembourg
Macedonia
Malta
Moldova
Monaco
Mongolia
Montenegro
Netherlands
New Zealand
Norway
People's Republic of China
Poland
Portugal
Qatar
Romania
Russia
San Marino
Saudi Arabia
Serbia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
Taiwan
Tajikistan
Turkmenistan
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan
Vatican City

If any component of the item you are purchasing was produced in one of the restricted countries, the item is ineligible for USAID funding. Periodically, changes are made to the countries listed under these codes; for the most up-to-date information on foreign-policy-restricted countries, see section 22 CFR 228.03 at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&rgn=div6&view=text&node=22:1.0.2.22.27.1&idno=22.

Regulations that apply to your organization are included in Schedule (Attachment A) of your Cooperative Agreement.

Rules and Waivers for Specific Restricted Commodities

Under geographic code 935, you may purchase almost all of the goods and services in your budget from almost any country in the world, with the following three exceptions, which must be of U.S. origin:

- agriculture commodities
- motor vehicles
- pharmaceuticals

As stated, this restriction only applies to the origin, meaning you can purchase these goods from any eligible source. In other words, you could purchase a U.S.-manufactured vehicle from a local dealer.

It is possible to request a waiver from your AO to purchase these commodities that have been manufactured or grown outside of the United States; however, you will need to justify the reason for selecting a non-U.S. product.

For example, one reason your AO might consider granting a waiver is if a U.S.-manufactured product is not available on the local market, while an equivalent non-U.S. product is. In this case, perhaps the additional shipping costs would dramatically increase the cost to purchase U.S.-manufactured products. Gather and document the estimated costs before contacting your AO.

In some circumstances, your AO may still require you to purchase U.S.-manufactured items despite any additional costs. This may be the case with certain pharmaceuticals, especially when there could be a concern about the quality or safety of specific pharmaceuticals manufactured outside of the United States.

Subawards, Other Geographic Codes, and Local Procurement

Implementation of the source/origin and local procurement regulations may be different for subawards under your current award when, for example, the prime recipient is U.S.-based and the subrecipient is based in a different country.

Also, in future awards, you may find different rules pertaining to source and origin, and you may be assigned a different geographic code. For a complete explanation of USAID source/origin rules, including other geographic codes, local procurement rules, and restrictions applicable to subawards, review the ADS Chapter 310—Source, Origin and Nationality (http://www.usaid.gov/policy/ads/300/310.pdf).

4.3.2.4 Ineligible Suppliers/ Excluded Parties List

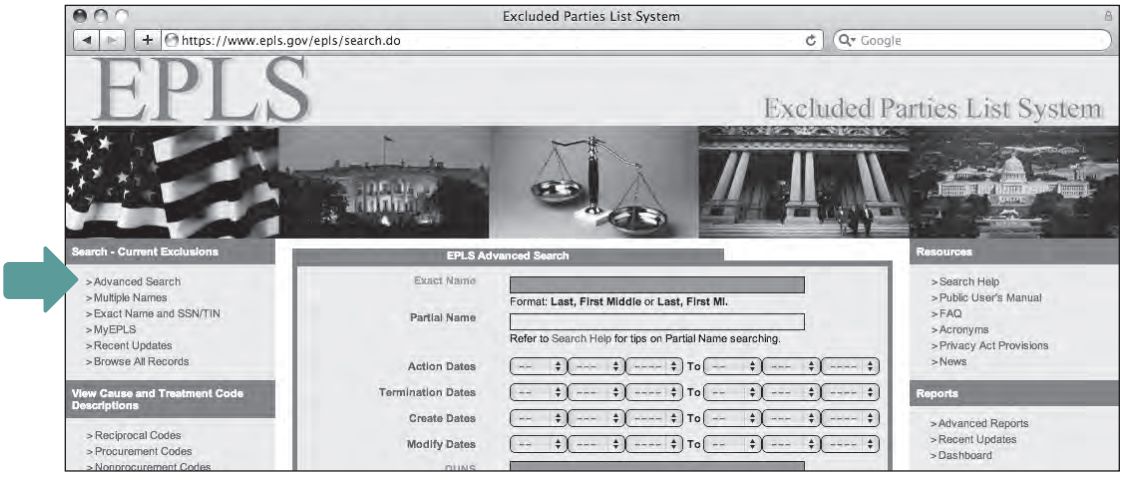
In addition to rules on what items you can buy and from where you can buy them, USAID regulates from whom you can buy them. This is to ensure that recipients of USAID funding do not provide material support or resources to any persons or organizations that commit, threaten to commit, or support terrorism.

To comply with this obligation, you should check the following three sources and document your results before purchasing from a vendor:

1. Excluded Parties List, a searchable database of individuals, firms, and organizations that are not eligible to receive USG funds. Using this system to check vendors is part of your responsibility under the Terrorism Financing clause in the Special Provisions section (listed under Attachment A—Schedule) of your Cooperative Agreement—www.epls.gov;
2. U.S. Department of Treasury List of Specially Designated Nationals and Blocked Persons—http://www.ustreas.gov/offices/enforcement/ofac/sdn/; and
3. United Nations Al-Qaida and Taliban Consolidated List—http://www.un.org/sc/committees/1267/consolist.shtml.

While the search function on each site is slightly different, it is easy to check whether your prospective consultant, staff, vendor, or subcontrator is ineligible. For example, to begin a search on www.epls.gov, click on "Advanced Search" in the upper left section of the homepage. After reading the information in the "Important EPLS Advanced Search Information" page and checking the box at the bottom, you will be able to search by *firm*, *entity* or *vessel* or *individual* under the *Name Search Type* drop down menu.

Figure 23—Excluded Party List Web Site Advanced Search

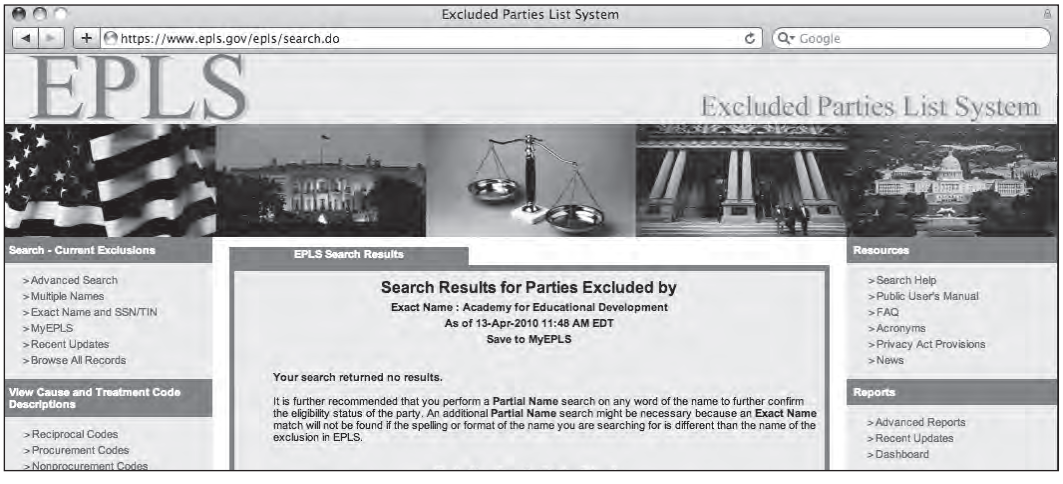


If you get an exact match, you must find a new vendor. If you choose to continue with the procurement, the costs will be *unallowable* and you will not be reimbursed by the USG.

If you receive a partial match, and it is clearly *not* the supplier you are considering, you may want to search again using quotation marks around the name to get an exact match. For example, when searching for *So and So Supplier*, the database returns a match of John Tse-So Ning in Louisiana. By putting quotation marks around part of the name, such as "So and So," the database returns no results. If you receive results that you are unsure of, call 1-866-472-3757 or e-mail support@epls.gov for additional help.

If you receive no matches, then print the page and keep it in your files in order to document your search. This page shows the date and time of your search and the term you searched under, as shown in Figure 24.

Figure 24—Excluded Party List Web Site Results Page



4.3.2.5 Non-Expendable Equipment

Equipment is defined as tangible items with a useful life of at least one year and an individual unit cost of an amount determined by your organization's policies and procedures. The USG lists a unit cost of $5,000 to categorize items as equipment. Your organization may set a lower value but cannot exceed $5,000. So if you categorize equipment (which has special procurement rules procedures) as items over $1,000, you would list all items separately under the equipment section of your budget and apply the equipment rules for the procurement and use of these items. This will involve gathering multiple bids as part of the procurement process and including these items in your inventory management system.

It is good practice to manage the procurement of items you think of as "equipment" but cost less than US$5,000 (such as computers or motorbikes) in the same way as you manage items costing US$5,000 or more, for example, gathering multiple bids on these items and including them in your inventory management system.

4.3.3 Travel

Travel in country or across borders—whether for a conference, field visit, workshop, or other purpose—is often necessary to implement your USG-funded award. Your Cooperative Agreement contains travel-related rules, which you are required to follow when traveling internationally for your project and, therefore, should be checked before making any arrangements.

4.3.3.1 Travel Requirements

Prior Approval for International Travel

You must get prior approval in writing from the AO (unless delegated to the AOTR) before every trip. Any specific international travel in your Cooperative Agreement's approved budget is considered to be approved; otherwise, you must submit a written request. When requesting approval for international travel, provide the following information:

- dates of travel and return;
- destination country or countries; and
- purpose and objectives of trip.

Written approval, which can be a simple e-mail from your AO, should be saved for future reference and included in your documentation. Alternately, your AO may allow you to submit a list of trips to be taken in the annual workplan and approve them all at once. Note that business class travel always must be approved individually by USAID.

Travel Notification

Neither the USAID Mission nor the U.S. Embassy requires country clearance for employees or subawardees of USAID recipients. However, if the primary purpose of the trip is to work with in-country USAID personnel, or you expect significant administrative or programmatic support from USAID, you must notify the Mission prior to your travel—at least two weeks in advance.

This notice must include your award number, the AOTR's name, the traveler's name, the date of arrival, and the purpose of the trip. You may send the notice by e-mail, but be sure to save a copy of the notification in your records. The in-country USAID Mission will respond, within five days, only if travel is denied. If the recipient does not receive a response within five working days, the recipient will be considered to have met these standards for notification and may travel.

Where security is a concern in a specific country, it is a good idea to notify the U.S. Embassy of the traveler's presence when he or she has entered the country. This may be especially important for long-term postings.

The Fly America Act

The Fly America Act states that you must fly on U.S. flag air carriers or U.S. airline code share on foreign flag air carriers, as long as they travel to your destination, except as follows:

- If no U.S. flag air carrier provides service on a particular leg of the route, you may use a foreign air carrier service, but only to or from the nearest interchange point to connect with U.S. flag air carrier service.

Fly America Note:

Foreign air carrier service may not be used/justified solely on the basis of cost savings.

- If the service on a foreign air carrier would be three hours or less, and using the U.S. flag air carrier would at least double your travel time, you may fly a foreign carrier.
- If a U.S. flag air carrier offers nonstop or direct service (no aircraft change) from your origin to your destination, you must use the U.S. flag air carrier service unless such use would extend your travel time, including delay at origin, by 24 hours or more.
- If a U.S. flag air carrier does not offer nonstop or direct service (no aircraft change) between your origin and your destination, you must use a U.S. flag air carrier on every portion of the route where it provides service unless, when compared to using a foreign air carrier, such use would do at least one of the following:
  - increase the number of aircraft changes you must make outside of the United States by two or more;
  - extend your travel time by at least six hours or more; or
  - require a connecting time of four hours or more at an overseas interchange point.

Economy Seating Required for All Travel

For official travel, both domestic and international, you must use economy (coach) class (unless paid for personally or through frequent flyer benefits).

Exceptions that allow you to fly business class include circumstances when:

- Regularly scheduled flights between origin/destination points (including connecting points) provide only first-class and business-class accommodations.
- No space is available in economy-class accommodations in time to accomplish the mission, which is urgent and cannot be postponed (be sure to include documentation of urgency and importance).
- When use of business-class accommodations is necessary to accommodate your disability or other special need as substantiated in writing by a competent medical authority.
- Security purposes or exceptional circumstances as determined by your agency make the use of business-class accommodations essential to the successful performance of the agency's mission.
- Economy-class accommodations on an authorized/approved foreign air carrier do not provide adequate sanitation or health standards.

While these exceptions exist, they in no way promote the use of business-class travel, which should be used only when such exceptional circumstances are met.

Travel Procurement Documentation

As when procuring any other item or service using USG funds, you must follow USG procurement regulations and carefully document the process you used to purchase airline tickets. This means providing proof that the procurement of tickets was a competitive process and verifying that you traveled to the specified destination by submitting airline boarding passes or ticket stubs.

In addition, if your travel qualifies as an exception to the Fly America Act and you do not fly a U.S. flag air carrier, you must provide a certification and any other documents USAID requires. Without these, your funding agency will not reimburse your organization for any transportation costs for that service. The certification must include:

- traveler's name;
- travel dates;
- origin and the destination of the travel;
- detailed itinerary of your travel, name of the air carrier, and flight number for each leg of the trip; and
- statement explaining why you met one of the exceptions outlined above or a copy of your agency's written approval deeming that foreign air carrier service was a necessity.

File a Trip Report

Following travel—domestic as well as international—it is good practice to write a short report to capture what you have learned and enable you to share it with others easily. There is no set format or protocol for writing a trip report; however, it usually describes where you went, when you went, why you went, who was with you, and what you did and learned.

As you are writing your report, imagine how it will be used by the people who will read it. Here are some simple guidelines:

- Begin with a short paragraph stating the purpose of the trip (why).
- Summarize your activities while on the trip. Be concise and factual. Remember, the reader is usually not interested in a detailed, minute-by-minute account of what happened. Instead, write a clear and concise outline of your trip (where, when, who, and how).
- Point out important information you feel should be highlighted or stressed (what you learned).
- If appropriate, end by stating any recommendations and any follow-up that should occur.

4.3.3.2 Developing a Written Travel Policy

In addition to complying with USAID policies, if your NGO has its own written travel policy, you should review it when making any travel arrangements. If your NGO does not have a written travel policy, it is good practice to put one in place. Such policies will allow employees traveling on official business domestically as well as internationally to be reimbursed for transport, lodging, M&IE, and other allowances.

Travel Policy Checklist*

An organization's Travel Policy must, at a minimum:

- Establish procedures for how travel costs will be determined (for example, per diem, actuals, etc.).
- Establish internal travel approval requirements.
- Cover both domestic and foreign travel by all employees, whether or not it is financed by the USG.
- Specify which class of air carriage is allowable in particular circumstances.
- Conform to the requirements of the Fly America Act.
- Provide for any travel notification or approvals required of a USAID award.
- Define allowable costs under the policy in accordance with the applicable cost principles established by the U.S. Office of Management and Budget (OMB).

* http://www.usaid.gov/policy/ads/300/30359s1.pdf

A well-thought-out travel policy defines procedures for authorizing official travel, helps control business travel costs, and provides clear guidelines about the types and amounts of expenses that may be reimbursed. A written travel policy also helps ensure that all employees are treated fairly and equitably.

A travel policy should address:

- Approval
  - The process for an employee to request your organization's approval to travel, including the appropriate form to be completed by the traveler, the amount of time in advance that the form should be submitted, and to whom the form should be submitted.
- Advances
  - How advances of funds to be used for travel will be calculated. For example, some policies state that advances cannot be issued for more than a specific percentage of the total estimated travel costs.
  - When outstanding advances will be reconciled. It is good practice to allow for only one outstanding advance at a time and to establish a deadline (for example, within two weeks to one month) by which employees must reconcile their advance upon returning from their trip.
- Reimbursement
  - The types of costs that will be reimbursed (for example, transportation costs, visas, lodging, currency conversion, telephone calls, Internet, etc.).
  - Whether expenses will be reimbursed on the basis of actual receipts or per diem or a combination of the two. If a per diem basis is selected, then a per diem policy needs to be clearly defined for both domestic and international travel.
  - How employees will account for their travel expenses upon returning from their trip. Many NGOs create an expense report template using Microsoft Excel®, which employees fill out after every trip.
- Exchanging Money
  - What rate to use for changing foreign currency to local currency. For example, some NGOs use the in-country exchange rate using official exchange documents as supporting documentation, while others use the exchange rate of a trusted online source, such as www.oanda.com.

Note: Once travel rules have been adopted, your organization's policy must be uniformly applied to both USG-funded and other activities, unless the specific contractual agreement under which the travel is being conducted calls for different procedures/requirements.

What if my organization does not have a written travel policy?

If you do not have a written policy regarding travel costs, the standard for determining the reasonableness of reimbursement for overseas allowances is the regulations published by the U.S. Department of State. Rates are published monthly by country (and cities within a country) and are available at http://aoprals.state.gov/web920/per_diem.asp. If you do not have a travel policy, the following overview of USG practices can provide a framework for developing one.

Does a traveler need approval/authorization?

Your travel policy should require that travelers complete and submit a travel request form specifying reasons for the travel, dates, estimated cost, etc., to the supervisor.

May a traveler request a travel advance?

A traveler may wish to request funds in advance of a trip to cover the per diem (or actual expenses, depending on organization policy) and any other business-related expenses. The amount of the advance and the format for the request are based on the organization's policy. *Note:* auditors commonly find that travel advances are not issued according to the organization's policy.

Advances should be accounted for shortly after completing the related trip. Failure to reconcile travel advances may result in the travel advance being deducted from the pay of the traveler. (While this is good business practice, it is important that this be according to the organization's policy.)

Good Practice

Allow only one travel advance at a time; do not issue any new travel advances until the outstanding travel expenses/reimbursement request and trip report have been submitted.

What is per diem?

A per diem allowance is a daily maximum amount for which a traveler may be reimbursed for each day away from his or her regular workplace on official business. The per diem allowance is usually composed of two parts:

1. Lodging: a ceiling or maximum rate that may be reimbursed for lodging. Lodging is almost always reimbursed based on actual cost incurred up to the maximum allowable USG rate. Remember: original receipts must be submitted when requesting reimbursement for all lodging costs.
2. M&IE: a fixed daily rate for meals (breakfast, lunch, dinner, and related tips and taxes) and incidental expenses (for example, gratuities and tips, laundry, toiletries). Figure 25 is an example of the U.S. Department of State per diem rates for Francistown, Botswana, accessed from http://aoprals.state.gov/web920/per_diem.asp.

If the city you are going to is not listed under the Post Name, use the "Other" rate (see column 2 of Figure 25) published for that country.

Travel costs may be charged on an actual cost basis, on a per diem basis, or on a combination of the two (for example, using the actual cost for lodging and a per diem basis for meals and incidental expenses), provided the method is applied to an entire trip and not only to selected days of a trip.

Meals & Incidental Expense Allowance

Generally, travelers are entitled to the M&IE allowance the day travel begins. On the day of departure and on the last day of travel, travelers are entitled only to a percentage (based on your organization's policy, the USG default policy is 75%) of the applicable M&IE rate of the authorized travel location. Employees on local day trips are only eligible to receive an M&IE allowance if the time away exceeds 12 hours. *What if meals (for example, lunch) are provided free of charge (for example, by another organization) during the trip?*

The M&IE allowances will be adjusted if meals are provided free of charge during one's travel for business purposes. The Web site for

Documenting M&IE

To get reimbursed for lodging and other travel-related costs of US$25 or more, the traveler must save and submit all original receipts and invoices to document the expenses. For meals and personal expenses that fall under M&IE, receipts are not required by the

USG, but your organization's per diem policy may require them.

Figure 25—Sample Botswana Per Diem Rates

Country Name	Post Name	Season Begin	Season End	Max. Lodging Rate	M&IE Rate	Max. Per Diem Rate	Footnote	Effective Date
Botswana	Francistown	01/01	12/31	US$172	US$54	US$226	N/A	12/01/2009
Botswana	Other	01/01	12/31	US$103	US$44	US$147	N/A	12/01/2009

calculating reductions to the M&IE for the U.S. State Department per diem rates is http://www.state.gov/www/perdiems/breakdown.html. If you develop your own organizational per diem policy, it should include how the M&IE will be reduced should breakfast, lunch, and/or dinner be provided free of charge. The amount generally will not be adjusted if complimentary meals are provided by common carriers (such as airlines or trains) or hotels (such as when the hotel price includes bed and breakfast).

What happens if working meals were had during the trip?

Working meals should be reimbursed when accompanied by a written explanation of the following:

- purpose of meeting;
- why meeting was held during a mealtime;
- who was in attendance—names, titles (if applicable); and
- outcome of meeting.

A traveler can only claim either a per diem or the actual expense, and in this case, as the traveler may be requesting reimbursement for the working meal (provided there is adequate documentation), the traveler's M&IE allowance would have to be adjusted accordingly, just as when meals are provided free of charge.

What if someone travels to a number of different countries (or posts within a country) on the same trip and each has a different per diem rate?

The maximum per diem reimbursement rate is determined based on where lodging is obtained. If lodging is not required, the applicable M&IE rate to be used is the rate for the location, or if numerous locations are visited in one day, the location with the highest M&IE rate should be used. If a traveler visits more than one country on a trip, then the rate for each country should be used for the days in each country.

What happens if a traveler's actual lodging cost or M&IE costs are above the maximum allowable lodging rate?

While your organization's policy regarding the maximum amount for which a traveler may be reimbursed may differ from USG policy, it is important to note that if the total of the lodging exceeds the per diem rate established for the location, the traveler will have to pay the excess charges. The one exception to this is if you specifically request and receive approval in advance for "actual subsistence" at a higher rate, but this is granted only for special or unusual circumstances. Original receipts must be submitted when requesting reimbursement for all lodging costs.

What if a traveler stays in the home of a friend or a relative?

A traveler who stays in the home of a friend or relative while on official travel may not claim lodging expenses for reimbursement. Hence, where lodging is not required, the applicable M&IE rate to be used is the rate for the location.

How does a traveler calculate expenses incurred in a foreign currency?

In the case of international travel, a significant portion of the expenses will be in foreign currency. To calculate the expenses, the traveler must provide appropriate receipts, with the currency rate(s) of exchange applicable for the period in country. To obtain the appropriate conversion rate, either use the rate provided at the time of exchange as documented in the exchange receipts or go to a reliable currency exchange Web site, such as http://www.oanda.com/converter/classic. Be sure to document the exchange rate you use by printing out the Web page and submitting it with your expense report.

4.3.4 Use of USAID-Funded Property

When your organization acquires equipment using USAID funds, there are certain limitations on how you may use the equipment.

Use of Equipment Outside of Award Activities

In most cases, the title for all property purchased under your award is vested in your organization. Check your Cooperative Agreement to be sure, or for more information see 22 CFR 226, http://edocket.access.gpo.gov/cfr_2007/aprqtr/22cfr226.34.htm.

You can use the equipment in the program for which it was acquired as long as needed, whether or not USAID funds continue to support the program. For example, if you purchased a vehicle to be used as a mobile testing unit funded by USAID, you can still use that vehicle for that purpose even after the USAID award has ended, as long as you continue your mobile testing program, and as long as you have written approval for the continued use of the equipment.

Additionally, throughout your program, you may make USAID-funded equipment available for use in other programs if such use will not interfere with work on the program for which you originally acquired the equipment. You must treat rent or other fees charged as program income.

When equipment is no longer needed for the original program, but the program continues, you may use the equipment in connection with other USG-sponsored activities in the following order of priority:

- activities sponsored by the original funding agency (USAID), then
- activities sponsored by other USG agencies.

Under these circumstances, you do not have to inform USAID about the equipment's use until you have to dispose of it. When acquiring replacement equipment, you may use the equipment to be replaced as trade-in or you may sell it and use the proceeds to offset the costs of replacement equipment subject to the approval of the AO.

You may not use equipment acquired with USAID funds to provide services to non-USG organizations for a fee that is less than private companies charge for equivalent services. In other words, if you purchase a vehicle, you may not let another organization borrow or rent it for less than what it would normally cost that organization to rent a similar vehicle.

Even though the title to the equipment is vested in your organization, you are also not allowed to use the property as collateral for a loan without approval of USAID.

When closing out an award, you need to submit a final disposition plan and inventory that accounts for any equipment and property acquired with USAID funds or received from USAID. The decision regarding the right to the property rests with USAID.

Property Management Standards

Your organization should have a written policy for managing property and a system for cataloging and tracking inventory. You are required to track items costing US$5,000 or more purchased with USAID funds using this type of system. However, it is good practice to use this system for tracking additional items as well, such as computer equipment and other fixed assets. Note, too, that some Missions may set lower thresholds for tracking items with a lesser value that is determined by your organization.

Property management standards for USAID-funded and -owned equipment must include all of the following:

- Accurately maintained equipment records that contain:
  - description of the equipment;
  - manufacturer's serial number, model number, USAID stock number, national stock number, or other identification number;
  - source of the equipment, including the award number;
  - owner of the title—your organization, USAID, or other specified entity, such as the host government;
  - acquisition date or date received;
  - percentage of USAID funds used to purchase the equipment—for example, if you used 25% funding from a non-USG source, then USAID furnished 75% of the cost;
  - location and condition of the equipment and the date the information was reported;
  - unit acquisition cost; and
  - ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensated the USAID for its share.
- A physical inventory of equipment containing results reconciled with the equipment records at least once every two years. Any differences between quantities determined by physical inspection and those shown in the accounting records must be investigated to determine the causes of the discrepancy. Furthermore, the inventory must include information verifying the existence of, current use of, and continued need for the equipment. While USAID requires an organization to undertake a physical inventory every two years, your organization may decide to have tighter controls over your equipment and may undertake a physical inventory every six months or every year just prior to your audit (if you have one).
- A control system to ensure adequate safeguards to prevent the loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated and documented fully, and your AO promptly notified.

- Adequate maintenance procedures to keep the equipment in good condition.
- If you are authorized or required to sell the equipment, you must use proper sales procedures that provide for competition to the extent practicable and result in the highest possible return.

Fixed-asset management software exists, but it can be expensive and complicated to administer. As long as you keep your records organized, updated, and backed up, these data can be maintained in a simple spreadsheet.

4.3.5 Requesting Modifications to Your Agreement

Over the life of your award, your Cooperative Agreement will be modified with routine updates, such as additional obligations (or incremental funding), and other program alterations, such as changes in Key Personnel.

Changes Requiring Modification of the Cooperative Agreement

Certain changes to your program or budget require prior approval as well as a formal modification to your agreement. Though you may move forward with the change once you receive written approval, it is also important to ensure that these changes are eventually documented in the terms of your agreement through a modification (see "Requesting Changes"). The following list includes changes that must be documented in a modification to your Cooperative Agreement:

- **Major Scope Changes**—A change in scope or project objectives that will require revising the funding allocated among project objectives.
- **Key Personnel Changes**—Changes in Key Personnel specified in the award, including a 25% reduction in time devoted to the project.
- **Additional Funding**—When additional or incremental funding is added to your total obligation.
- **Changes to Indirect Costs**—Where indirect costs have been authorized, any plans to transfer funds budgeted for indirect costs to absorb increases in direct costs or vice versa.
- **Adding Restricted Commodities**—The addition of costs to the budget that require prior approval, such as restricted commodities.
- **Reduction in Training Allowances**—The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
- **Adding/Changing Subrecipients**—The recipient intends to enter into a subagreement with another organization to help implement the award, and the partnership was not incorporated into the approved program description and budget.

There are other circumstances when USAID may modify your Cooperative Agreement at its discretion.

Requesting Changes

The first step in modifying your agreement is to discuss the change with your AOTR. If the change makes sense to the AOTR, then make a formal request in writing to your AO, copying your AOTR.

> Be sure to have at least e-mail approval in hand before acting. If you implement a change that is not approved, you may be required to pay back or cover any costs with private funds.

Modifications to your agreement require extensive paperwork for USAID staff. Therefore, the AO may grant approval by e-mail, but wait to execute a formal modification until a later date. To expedite matters for your AO, if possible, try to assemble multiple modification requests and submit them all at one time. For example, if there is a major change in the scope of work of your program, assemble the requests for a change in budget, a change in the program description, a change in personnel, and a change in targets and send them all together.

If you request a modification and receive e-mail approval, but not a formal modification to your agreement, keep track of these items and occasionally remind your AOTR of the outstanding modifications. A good time to send a reminder is right before the annual date when your agreement is modified and additional funds are obligated.

4.4 Technical Program Management

Technical program management focuses on ensuring that your team is delivering quality services that meet the needs of the beneficiaries and fulfill the overall goals of your program. One of the most important tools you have to help manage your activities is your M&E system (4.4.1).

The responses to many problems around the world continuously evolve, and your organization needs to learn and share (4.4.2) on an ongoing basis. Learning best practices and new approaches may help you address challenges your program faces and improve the quality of services you provide. It is also important for you to share your experiences so other organizations and individuals may benefit from the valuable lessons you have learned.

4.4.1 Monitoring and Evaluating Progress

It is simply not possible to manage the technical side of your program effectively without a good M&E system that gathers the right data in an accurate and timely manner. Having timely, good-quality data alone is not enough, however. The data are also an important management tool that must be interpreted and used effectively in order to make evidence-based decisions to improve your program on an ongoing basis. Data also will be used in the development of your program reports.

Chapter 3 discussed setting up your M&E system. During the planning process, program designers often build in formal program evaluations every couple of years, conducted by external, independent evaluators. These evaluations will help you demonstrate that your program is getting results, but they should not be the only time you are using the M&E data to analyze program performance.

At the very least, you should analyze your data quarterly, ideally working directly with subrecipients, implementers, and a wide range of staff. This is your best opportunity to take a hard look at the data to examine your program performance and consider making adjustments, a process that allows you to use M&E as a tool for decisionmaking.

Interpreting Data and Using M&E as a Decisionmaking Tool

As you track progress and report on beneficiaries your program has reached, you may uncover significant discrepancies between the targets set in your workplan and the actual numbers you are reaching. Do not panic; this is a normal part of program management, especially for programs implementing newly designed interventions or expanding to a new geographic area with new subrecipients.

Gaining a better understanding of the underlying reasons for target shortfalls and developing a plan to adjust your program and/or reset its targets is an important part of bringing a program to maturity. It is also important to track progress made in implementation and targets against the amount of funds spent, so take steps to implement strategies to offset budgetary variances. Changes (shortfalls or gains) in both targets and budgets should be explained in relevant reports, along with an explanation of measures that will be taken so that implementation remains on track.

Significance of Discrepancies between Targets and Actual Performance

Discrepancies between targets and actual performance are to be expected from time to time. In such cases, the project manager must decide whether a particular discrepancy is “significant” enough to warrant further investigation. Possible action depends on:

- How dramatic is the difference: 10% more or less than expected? 50%? More than 50%?
- How close are you to the situation? Are you managing the program directly, or through a subrecipient? Is the program in the same country or is it remote?
- How central is the specific program activity involving the discrepancy to your overall program? Is it intricately linked to several other activities, or is it a small, stand-alone piece?

Reviewing Targets

If you determine that actual results are deviating significantly from the targets set, you will want to discover why. While there are numerous possible causes, most fall into these areas:

- problems with faulty or mistaken intervention design assumptions;

- poor program implementation;
- late start-up;
- poor data collection tools; and/or
- data-quality errors.

Different staff members may manage each of these areas: a technical lead for intervention design, a subrecipient for implementation, and an M&E specialist for data quality. The process for reviewing target discrepancies should include all of these people, perhaps led by the program director.

Adjusting Targets Upward

While discrepancies generally refer to shortfalls between targets and actuals, your program may require adjustments if your actuals are significantly higher than your targets. For example, higher-than-expected results could affect budgets or other related activities. Higher actuals also may be an indication that double-counting is occurring. Therefore, pay close attention to unusually high actuals and be prepared to investigate and adjust if necessary.

Adjusting Targets Downward

In some cases, your findings will leave you little choice but to adjust your targets. Because you are contractually obligated to reach those targets, you will have to work with your AOTR to make these changes. In doing so, consider the following:

- Will you be reducing your targets for the current year or reducing your overall targets? Whenever possible, propose solutions to make up current shortfalls in future years.
- Do you have a good reason for reducing your overall targets? A shortage of time is not sufficient. Could an extension to the period of performance without additional funding help you meet your original goals? If the answer is still no, you will want to develop a well-documented, evidence-based reason to support your request to reduce your targets.

  When adjusting your targets, try to pinpoint the corresponding assumption(s). For example, let's say your Trafficking in Persons (TIP) program is underperforming, and you believe, in part, that there are fewer TIP victims in the catchment area than you assumed is the case. Gather the data that show this and use them as the basis for the modification request.

In your workplan, you probably tied the proposed targets to your budget. Therefore, when you propose lowering your targets, address the impact on your budget. If you cannot reach the proposed targets in one area, try to see if you can rebudget to increase your targets in another program area. If you have to reduce the total number of targets, the cost per beneficiary inevitably rises and your program looks less cost-effective. If that happens, be prepared for your funding agency to decide to reduce funding in line with your reduced targets.

Reviewing targets, making program adjustments, and assessing data quality are natural and necessary parts of the program management process. Each time you refine your program model, applying lessons learned, you strengthen your program. As a result, the next time you implement in a new area or work with a new subrecipient, your assumptions will be better and your targets will be more accurate.

Data Quality Problems

What if your intervention design was sound and its implementation is going smoothly, but there are still gaps between targets and actual performance data? The problem could be with the data themselves, such as:

- undercounting results (for example, if volunteers do not record everyone reached);
- double-counting results (higher-than-expected results can come from counting program beneficiaries multiple times);
- poor data collection tools; and
- data entry problems (perhaps the data are being gathered properly, but they somehow are not entered accurately into your system).

Addressing Data Quality Issues

Address any data quality issues you discover immediately. For example, if the problem is undercounting, start by ensuring that everyone involved understands the definition of exactly what/who to count for each indicator.

Ensure that your team understands the indicator(s). Sometimes, funders define indicators clearly. However, in other cases, your organization is expected to set its own minimum standard for when to count an individual as having been "reached." If everyone on your team is not using the same definitions for who meets the threshold to be counted, miscounting the number of beneficiaries may result.

Review the indicators to ensure your definitions are accurate. If you have reported results to USAID that may have errors, contact your AOTR to discuss the issue and find ways to correct past reports.

Intervention Design Assumptions

When you designed your program, you made a number of assumptions. You used these, in turn, to develop your targets and select indicators. Factors taken into account probably included:

- demographic data (including population size, age distribution, and prevalence rates);
- social and cultural factors (such as language, cultural appropriateness, and acceptance); and/or
- program effectiveness estimates (such as estimates of the number of people who will change their behavior or will be open to accepting your services).

In general, the more reliable the initial data used to design the program, the more accurate your targets should be. However, for new programs, or programs expanding into new areas, the underlying demographic data and the social and cultural assumptions may not be as reliable as those for established programs. Therefore, expect discrepancies to arise between targets and actual results.

Implementation Challenges

Sometimes the source of the discrepancies is program implementation rather than design. This could include:

- slower-than-expected program start-up;
- budget problems (such as higher-than-expected costs or delays in securing matching funds);
- human resource problems (such as the inability to find qualified personnel or challenges in recruiting and retaining volunteers);
- unforeseen events (such as civil unrest);
- environmental challenges (such as heavy rains that render fieldwork impossible due to inaccessible roads for an extended period of time); and/or
- training problems (such as ineffective trainers or ineffective training materials).

Developing Solutions

Once you have identified discrepancies, you will want to look for the cause(s) and develop solutions to address them.

If you find multiple reasons for a discrepancy, do not try to address all of them at once. Focus on the one or two whose resolution will have the greatest impact; in other words, generate the best return on your investment of time, personnel, and resources. If possible, test your changes on a small scale before implementing them program-wide.

If you must adjust your intervention, be sure to put processes in place to test and validate the adjustments. Monitor progress closely and document the changes you make. If you are using an intervention other subrecipients or partners use elsewhere, share your experience so everyone benefits from the lessons learned.

Looking at Program Design

Target shortfalls due to intervention design problems are often the most difficult to pinpoint and can be the most challenging to respond to. Try to rule out all other problems first.

Making Implementation Adjustments

Sometimes, adjusting your implementation strategies can get your program back on track. Consider these tips:

- Test your changes on a small scale first before applying the change to your entire program whenever possible. Give changes a few months to work before trying to speed things up to compensate for discrepancies in meeting targets. You can always request additional time later, but remember that approval of additional time is not automatic.
- Document any adjustments, so you will not repeat mistakes.

4.4.2 Learning and Sharing

Throughout the project cycle, your staff and collaborators have countless opportunities to learn and improve their ability to manage and implement effective projects, whether it is from observation, data and research, mistakes made, challenges overcome, new ideas learned at a conference, or formal or informal evaluations. While it is not efficient

or practical for everyone to be present at every moment, there are ways to maximize the gains, contribute to staff development, improve project effectiveness, and enhance project sustainability. Actively promoting conscious learning and deliberately creating opportunities for sharing should take place at numerous levels within your program, within your organization, and among programs and partner organizations.

Sometimes, USAID or others in-country facilitate forums in which you can participate. Work with your AOTR to ensure that your organization is included on Mission mailing lists and is aware of these forums. Whether or not USAID initiates such forums, organizations that actively promote learning and sharing within the organization and with others are able to quickly respond to changes, improve program effectiveness, and promote innovation.

Benefits of Learning and Sharing

The drive to learn and share within your organization's culture should come from the management team. If you are not actively promoting learning and sharing within your organization, program, and the wider NGO community, then such activity probably does not happen. Sometimes, managers do not promote learning and sharing, because they do not know the benefits. They may think it benefits individual employees and other organizations, rather than understanding how it helps their organization. They may fear that if employees learn too much, they will demand higher wages or leave for better opportunities, and that other organizations may use their program designs to be more competitive when seeking future funding.

Your organization will benefit greatly from a robust learning and sharing program that promotes knowledge sharing within your organization, between you and your partners and with other outside organizations. Here are just a few examples:

- Organizations that have a strong learning and sharing program find it easier to recruit and retain talented personnel. Professionals know which organizations are good to work for, including which ones will help them grow in their careers.
- Organizations that share and document the knowledge of individual employees avoid experiencing a knowledge vacuum when key staff leave and avoid a repetition of avoidable mistakes.
- Organizations that share knowledge with subrecipients and implementing community organizations help to create ownership of the project and a sustainable response.
- Organizations that are willing to share experiences and learn from other organizations benefit exponentially from the experiences of all of the organizations involved. This enables your organization to be on the leading edge, build a reputation as a collaborative partner, and, possibly, help to better position your organization for future awards.

Tips for Promoting Learning and Sharing

- Learning can be free. Even if you currently do not have any budget for training, you can promote learning and sharing through informal sharing forums over tea or meals.
- Everyone has something to share. For example, the office computer expert can show everyone how to do more with spreadsheets. The accountant can demonstrate how to develop a good budget. The local volunteer can teach everyone a few phrases in the local language. Your staff have a lot of knowledge and would love to share it. The key is to tap into that knowledge and create an open, receptive environment. However, often people have to be invited/asked to share what they know. It is up to you as a leader to create a space where this is possible.
- Do not wait for someone else to set up a learning forum. Take the lead with your partners and other area NGOs to encourage staff exchange visits and other learning opportunities.
- Build in time for reflection. Take the time after major activities or evaluations or at regular intervals during implementation to capture, share, and consolidate lessons learned. These should provide the opportunity for everyone to share what they have learned and would like to contribute, not just top managers. Very often, the people most directly involved in the implementation have the most practical ideas for improving the project and process.

- Include everyone. Sometimes, more learning is taking place at the upper management levels within an organization, with less taking place at the staff level. However, everyone in your organization can benefit from learning, and most staff are interested in learning new skills, even if they have nothing to do with their current positions. You never know: your organization's administrative assistant may be your future M&E expert.

- Capture the knowledge. Whenever possible, capture the sharing experience in electronic format, so you can share it again. This may mean asking the presenter to put together a PowerPoint® presentation that is posted on a shared drive, or it may mean helping staff document processes in simple training manuals. Larger organizations may wish to explore knowledge management software options.

- Evaluate your current learning and sharing. Do you have a training budget? Do other activities you already have promote sharing? What external forums could you participate in? Ask your staff for suggestions about what training they feel they need for or are interested in.

- Make a plan and set goals. Learning and sharing is something that your organization might forget about in the future if you do not integrate them into your organization's management plan. Create a simple plan and set goals for the organization. Review your progress at least once a year and make learning and sharing a part of each employee's individual job description and annual performance reviews. Track how many trainings your employees have attended and what training they have provided to others.

- Explore opportunities online. The availability of information online and increased access to the Internet are opening up tremendous opportunities for learning through online communities of practice, even for organizations located in the most remote areas. Encourage your staff to search for Web-based communities and share what they find with others.

4.5 Summary

Running an effective and compliant program covers an array of management areas, both administrative and technical. A good program manager will tie all of these together by working with the project team to constantly refine the organization's implementation model and by keeping everyone focused on providing quality services to beneficiaries.

This chapter provided details on the administrative management requirements of USAID-funded agreements, especially with regard to finance, procurement, property management, and travel. It also discussed the basics of managing your award funding and documentation, including modifying your agreement and changing your budget. Finally, this chapter outlined requirements and good practices related to technical program management.

A key aspect of managing USAID-funded programs this chapter did not cover is reporting. Because of the number and complexity of USAID reporting requirements, this topic is covered separately in chapter 5.