



# Managing US Government Awards

As the United States Agency for International Development (USAID) pushes further toward locally led development, it is essential that new awardees, interested in this funding, be prepared to receive funding from this donor agency. There is no replacement for experience and training, but this guide is meant to provide a simplified approach to key topics required to be successful at launching into US government (USG) awards.

This guide is predominately developed for non-profit registered entities at the recipient country level. However, all requirements and guidance are the same for anyone receiving USG funding, there are just different regulations for for-profit and non-profit organizations.

## Getting started

Before any organization can engage in any agreement involving USG funding, they will be required to **obtain certain registrations** in addition to providing **key organizational policy documents** to demonstrate their capacity to manage this type of agreement.

### Registrations

To receive any USG federal funding, your organization will be required to obtain the following three registrations in this order:

1. Commercial and Government Entity Code (CAGE) / NATO Commercial and Government Entity Code (NCAGE)
2. Data Universal Numbering System (DUNS)
3. System Award Management (SAM)

It is important to note that DUNS and SAM must be renewed annually and CAGE/NCAGE must be renewed every five years. Obtaining these registrations is free, but you must assign someone responsible for maintaining and updating the registrations annually to ensure you remain in compliance.

**Please note:** You may receive emails inviting you to engage in a paid renewal process for your DUNS and SAM.gov. If you do not wish to use this service, you can ignore them and want to ensure that your colleagues also named on the registration ignore them as well. All renewal information will be sent to you directly from the registration offices.

Additionally, it is important to understand that this can be a lengthy process (up to 30 business days) to receive validated registrations. Therefore, make sure you are planning early and starting well ahead of when you need the registration in-hand. If you are even thinking about pursuing USG funding, it could be worth completing this process, so it does not delay other steps as you advance.

### **Step 1: CAGE/NCAGE registration**

CAGE is required for all United States-based organizations. NCAGE is required for all Non-United States based organizations. Both numbers are required to obtain a SAM registration. Your organization can follow the guidelines here to complete the process:

<https://eportal.nspa.nato.int/ACI35Public/Docs/US%20Instructions%20for%20NSPA%20NCAGE.pdf>

These guidelines will also provide instructions for the subsequent required registrations.

**Note:** it can take up to ten business days after a successful application submission to receive your number.

### **Step 2: DUNS registration**

The DUNS is a nine-digit code assigned to any organization that applies and is used as a global identification number. When any organization receives USG federal funding, the organization's DUNS is assigned to the allocation and logged in a federal system which enables USG to track how federal money is allocated.

Your organization can apply for a DUNS either online or by telephone (+1-866-705-5711); tell the operator you are applying to a federal financial assistance program and need to register for a DUNS number.

You can also apply online: <https://www.dnb.com/duns-number/get-a-duns.html>. Follow the prompts on the screen. Please note, the application is in English only.

**Note:** It can take 5 business days to receive your DUNS number after a successful application submission.

### **Step 3: SAM registration**

Once you've received both your CAGE/NCAGE and DUNS number, you can initiate your final registration in the SAM system. SAM is a government-wide portal that consolidates the capabilities of multiple systems and information sources used by the USG. Non-US-based organizations can follow the quick guidelines from SAM.gov found here:

[https://www.sam.gov/SAM/transcript/Quick\\_Guide\\_for\\_International\\_Entity\\_Registration.pdf](https://www.sam.gov/SAM/transcript/Quick_Guide_for_International_Entity_Registration.pdf). This will have helpful tips for what information you will need and what you may not need to pay attention to during the registration process. Your organization can register here: <https://www.sam.gov/SAM/>.

**Note:** Allow up to 15 business days for your application to be processed and to go live in the system  
**Note:** It can take 5 business days to receive your DUNS number after a successful application submission.

### **Key policies**

As a new organization contracting to either another organization or a donor, it is common that you are asked to provide internal documentation on your policies including, but not limited to:

- Human Resources/Salary Scale
- Indirect Cost Policy
- Procurement Policy
- Financial Policies
- Records Retention Policy
- Anti-fraud and anti-corruption Policy
- Recent Audited Financial Statements/Reports

This is a short list of some of the key policies organizations or donors consider essential prior to any investment to ensure that your organization has a strong financial management foundation.

### **Human resources/salary scale**

It is essential that you have an established and documented Human Resource (HR) Policy and Salary Scale. These policies will enable you to demonstrate that you have clear hiring and termination practices in addition to documentation on your salary structure being of market value. Remember that other organizations cannot tell you how to run your organization, pay your staff, or manage your staff, but if you price yourself above market value, it may limit the work and the funding you will receive. For example, if your leadership elects to pay someone above what is considered “market value” for their role, it is your responsibility as an organization to demonstrate that the salary is equitable, and you will need to document why that individual will be paid above “market value”.

Your Human Resources policy should document your benefits (e.g., leave policy, retirement or gratuity pay, severance practices, etc.). Ensure that you outline any local labor laws to demonstrate that some of these practices are non-negotiable and that you uphold the law. This is especially necessary regarding “gratuity” or severance payments that can be dictated by the local law. Clearly outline your hiring processes and your termination practices.

Ensure you have clearly outlined your salary scale demonstrating your minimum and maximum salary payment per job category. You will want to ensure that you document what level of education and number of years of experience is required for each job category. Your HR policy should outline how salaries are determined and how you calculate market value so you will not need to repeat it in this document.

Finally, some organizations elect to engage their expertise through service providers using open-ended or no-fixed term contracts. If this is your practice, ensure that you document in your Human Resource Policy that this is your practice, how you source and contract with the service provider. Additionally, you will want to document how you assess market value for their fees to demonstrate you are consistent in your contracting practices for long term expertise.

Additional resources are accessible here:

- <https://www.missionbox.com/article/409/creating-nonprofit-personnel-policies-and-procedures>

### **Indirect cost policy**

Indirect costs are the expenses of doing business that cannot be readily identified with a particular award, contract, grant, or direct implementation function. However, these expenses are considered necessary for the overall operation of the organization to successfully fulfill its contractual obligations. Some examples may include human resource functions, accounting teams, and senior leadership.

Many organizations are interested in receiving a set indirect cost rate, and the main challenge is ensuring a stabilized rate. While the lure for a large indirect cost policy can be exciting, you must remember that you must appropriately use all the funds for their assigned functions each year, otherwise, excess funding will be returned to the donor. Your indirect cost policy is not an opportunity to build up equity in your organization or create a savings account.

You are not required to have an indirect rate to receive USG funding. You can direct bill for all your expenses and provide proof of receipt for each. For example, if you have rent or water bills, you can include those costs in your budget and receive full reimbursement for those expenses.

If you elect to receive an indirect cost rate, there are three options to receive those rates. In either situation, you will be required to provide an *Indirect Cost Policy* that outlines on what eligible expenses your indirect cost funding will be spent. This may include human resources, information technology, board meetings, chief officer salaries, rent, laptops, etc. Generally, this funding is used for the basic operations required for the organization to function, but not directly applicable to one project by itself.

**Note:** if a cost is outlined in your indirect cost policy, it means you are not allowed to budget for or bill directly for the expense.

Lastly, if you're choosing to receive an indirect cost rate, you must bill all your USG-funded awards the same indirect cost rate. This is very important: **ALL PROJECTS MUST BE BILLED AT THE SAME INDIRECT COST RATE.** Therefore, it is essential you identify what your needs are in advance of your first agreement, as it is very challenging to change your rate once you receive your first USG award.

When negotiating the indirect cost rate policy, multiple year audited financial reports that explicitly outline the proportion of your indirect costs can be very helpful to demonstrate that you consistently use the same indirect cost rate across your organization.

### **Indirect cost rate options**

1. **10% flat fee or “de minimus”:** This is the most common method of providing an indirect cost. If you elect to receive the de minimus you will provide the funder your indirect cost policy. The funder will review and generally move forward. **Ensure that no costs identified in your policy appear in your budget as direct bill expenses.**
2. **Fixed indirect cost policy:** This is not often used and, thus, funders may not recommend this option or may be reluctant to use it. However, it is your right as an organization to receive a fixed indirect cost. It is important to have a developed indirect cost policy and that you consistently receive the same rate across all USG awards. This method will enable you to set your indirect cost rate, and regardless of what your direct costs are, you will receive a set rate for your indirect costs with every invoice. You will need to propose a payment schedule for this funding, and you must spend at least 80% of your direct expenses to receive the full indirect cost rate. You will need to produce annual audited financials to validate this rate as well demonstrate that you consistently require this amount as an indirect cost rate.
3. **Negotiated Indirect Cost Rate Agreement (NICRA)** – This is an agreed upon rate between your organization and the USG and is non-negotiable with your funders. Generally, it is granted to organizations serving in the “prime” role of a USG agreement. To receive and maintain a NICRA your organization must consistently charge all funders (not just USG) the same indirect cost rate. To achieve this, it is helpful if you can obtain Option 2 above to demonstrate your ability and readiness to manage a NICRA.

### **Procurement policy**

A **Procurement Policy** is an organizational document outlining your organization's governing structures for purchasing goods and services. This document can help ensure that your organization's spending aligns with your values and the interests of your supporters. It is essential that your organization consistently adhere to these requirements for all purchases to demonstrate your ability to ensure fair purchasing and an understanding of market value.

If your organization wants to consistently receive USG funding, it can be beneficial to align some of your policies with the USG to ensure constant and consistent implementation. Some key standards include:

- Open source of all services totaling more than or equal to \$10,000. This means that the opportunity is posted in areas where vendors can easily see the scope of work and apply for consideration. It can also be helpful to seek multiple quotes for goods and services and to document the process.
- Competitive sourcing for all services totaling more than or equal to \$250,000. If you intend to contract more than \$250,000 to a vendor, it must be a competitive sourcing process meaning that you are comparing different quotes for the same service.

There are several sources you can use to develop your procurement policy, such as:

- [https://files.hudexchange.info/resources/documents/SampleProcurementPolicy\\_Handout6.pdf](https://files.hudexchange.info/resources/documents/SampleProcurementPolicy_Handout6.pdf)
- <https://www.tgci.com/blog/2016/06/preview-model-purchasing-policies-procedures-preface>

### **Financial policy**

Financial Policies are essential for any organization to receive donor funding. This policy will document the roles, authority, and responsibilities (aka internal controls) for how funding is handled and managed at your organization. The key is to demonstrate that you have a clear system of checks and balances to ensure that no one person has ultimate authority and that you can prevent funding from being misappropriated or embezzled.

Good practices to include:

- Requiring two signatures on a check to prevent one person from having sole authority when writing checks on the organization's behalf.
- Locking the office door when no one is available to monitor the entrances to minimize risk of theft.
- Reimbursing employees for expenses that are approved in advance and accompanied with proper receipts and documentation.
- Segregating duties such that individuals responsible for distributing or receiving funding are not the same
- Clearly documenting who has signing authority within the organization
- Clearly defining bookkeeping methodology and software, whether it is through purchased platform like QuickBooks or through Excel.

It is essential that your policy be comprehensive to clearly demonstrate your fiscal responsibility. Funders will need to understand that you have clear policies and that you are willing and able to adhere to those policies to protect their investment in your organization.

Some resources to support the development of your financial policy can be located at:

- <https://www.councilofnonprofits.org/tools-resources/financial-management>
- <https://www.propelnonprofits.org/resources/financial-policy-guidelines-example/>

### **Records retention policy**

A Records Retention Policy outlines how your organization will manage documents from creation to retention to disposal. USG requires strict document retention and disposal adherence. Your organization will be required to document what records you retain, how long you retain them, and your methods to retain the information. Standard practice is that a document will be retained for seven years; this is especially important if it is a financial document for which you wish to be reimbursed. Also note, your records retention must adhere to national practices and laws.

It is essential to follow your established practices, because if you do not destroy your documents when you have stated you will, they are still considered valid and can be pulled by an auditor.

Some resources to support the development of your records retention policy can be located at:

- <https://www.indeed.com/hire/c/info/record-retention-policies#:~:text=A%20record%20retention%20policy%20states,documents%20properly%20to%20protect%20information>
- <https://www.usaid.gov/sites/default/files/documents/1868/502.pdf>

### **Anti-fraud and anti-corruption policies**

Anti-fraud and anti-corruption policies ensure the reputation and the financial viability of your organization. The policies will outline the preventive and detection steps your organization will implement

to prevent fraudulent and corrupt behavior. This document should describe the actions steps your organization will take to prevent fraud in addition to clearly outlining the detection and investigative measures you will take to preserve the evidence and address the issue. It should allocate responsibilities for the detection process and clearly state the disciplinary outcomes that will occur should fraud and corruption occur.

Additional resources can be found here:

- <https://www2.deloitte.com/nz/en/pages/finance/articles/fraud-policies-why-you-need-one.html>
- [https://www.acfe.com/uploadedfiles/acfe\\_website/content/documents/sample\\_fraud\\_policy.pdf](https://www.acfe.com/uploadedfiles/acfe_website/content/documents/sample_fraud_policy.pdf)

### **Recent external audited financial reports**

It is good practice for your organization to undergo an annual external audit by an accredited firm. These reports can demonstrate how your organization adheres to generally accepted accounting principles. In general, most organizations undergo an audit annually.

Once the final report is received, it is a helpful document to use when engaging in new work to demonstrate that you have a successful and functional system of accounts. However, please note that the cost of an External Financial Audit can be considered an indirect cost if it is auditing the entire organization; whereas, if you are just auditing one project that audit can be directly billed.

Additional resources can be found here.

- <https://www.humentum.org/free-resources/guide/external-audit>

## **Established Systems**

### **Bookkeeping**

As an organization you will want to assess what is your best method of bookkeeping or record recording. Smaller organizations tend to use an Excel-based system where you log cash in and out. Larger organizations may choose to invest in software to support bookkeeping practices. Regardless of how you maintain your financial accounts, your process must be documented and adhered to.

Prior to engaging in new work, you will want to check your bookkeeping system to ensure it is able to manage and work with the financial reporting requirements. For example, if your funder requests an invoice on the 5<sup>th</sup> of each month, will your books be closed and able to meet this deadline? You will want to explore the level of detail your funder will want you to track for your expenses, including if you must track per activity, sub activity, line item, etc. All of these should be explored in advance with your funder to ensure you are able to manage your finances easily and inexpensively to their satisfaction. If you are unable to, it can result in delayed payments from your funder.

It is important to note that adopting a new bookkeeping system is not an easy process. It requires significant financial resources and investment (from your indirect costs) in addition to requiring staff time and training to develop, program and adopt the system. Moreover, it will require additional effort to ensure that all staff members adhere to the new system and use it effectively. Therefore, if you do not think your bookkeeping system is adequate to manage a new award, you want to ensure that you can afford the upgrade prior to engaging in the new award.

### **Timesheets**

You will be required to maintain daily timesheets for each employee who works on your USG-funded project. Each employee will need to log how many hours per day they spent on each project and their pay slips must reflect that they were only paid for the hours worked on the USG-funded work. This is non-negotiable. If your organization does not have a daily time keeping process, you will want to discuss with your funder how they will want to see this tracked. Often, timesheets may be required to be submitted with invoices as back-up documentation.

Lastly, all timesheets must be signed by the individual's supervisor or someone who can verify that the hours documented are actually the hours worked. Ensure that each timesheet is signed prior to processing any payment to the employee.

### ***Financial monitoring and tracking***

It is imperative that you have a clear plan to monitor and track your finances. This can be achieved by appointing and funding a person to manage the budgets and the expenses. Whoever is responsible must be fully versed in the donor rules, understand the contract/agreement signed, and be capable to manage your expenses. It can also be helpful if this person has a strong grasp of the English language to enable easier access to the financial resources and guidance's available for this work. If English is not your primary language, ensure you discuss with your partners in advance to ensure everyone has an effective language to communicate. Additionally, engaging competent staff with experience managing and budgets and expenses, specifically for US government funded projects may be challenging, you will want to plan in advance to ensure you have this skill on your team.

## **Partner negotiation**

Finally, there are few areas you want to ask about and understand upfront before signing/entering into any agreement.

### ***Requesting advances/asking for your money upfront***

If your organization will require an advance in payment to be able to implement/execute the work, it must be discussed and agreed upon upfront. Make sure your donor understands how much cash in-hand you will require and that an advance is included in the payment and deliverables section of your agreement.

To achieve an advance, you will need to document and agree on how you will manage the reconciliation of the advance. Discuss how the funder wants it reconciled and ensure your organization's systems can manage this. Some options include receiving a monthly advance on each month expenditures and reconciling in the next monthly invoice, whereas others may provide you with a 25% advance upon signing the agreement which you will monitor and submit invoices that will slowly balance the advance. Regardless of how you address this with your funder, make sure it is discussed and agreed to prior to signing any agreement.

### ***Type of agreement: fixed-price versus cost-reimbursable***

When entering into an agreement with a funder, make sure you understand what type of agreement you are engaging in as it will have an impact on how you develop your budget. It is imperative that you ask and understand upfront so that you can knowledgeably enter into the agreement and fully understand the expectations. Remember, what may be considered standard contracting practice in your country may not be the same for your funder.

The most common agreement types are fixed-price and cost-reimbursable. It is essential that you understand the risks and advantages to each type. You will want to know what type of agreement you are entering into before the scope of work is developed to ensure you are able to achieve the deliverables without costing your organization any funding.

### ***Fixed price***

Fixed-price means that you will have a set of deliverables and, regardless of what it actually costs to complete them, you will receive the agreed-on price. This is a great agreement type if you're struggling to agree on indirect cost rates. Ensure you fully understand what the deliverable is upfront and you have a clear scope of work with steps so you can accurately budget. If the deliverable is not clear and you spend more than the agreed-on amount, you will lose money on meeting the deliverables.

## **Cost-reimbursable**

Cost-reimbursable means that you will submit invoices for the actual costs incurred to develop your deliverable and be reimbursed exactly for your costs. However, the reimbursable amount cannot go over the bottom line. This type of agreement will require significant documentation but can also be used for larger funding opportunities.

## **Currency payments**

Before signing your agreement, ensure you understand the funder's payment process, payment schedule and currency. If the funder will be delayed in making payments, you will want to factor that into your cash flow planning. If the funder only pays in USD, you will want to ensure you have a system to manage the USD or a process to ensure you do not lose funding on the exchange. Additionally, check with your bank to ensure that you do not have to pay any transfer fees for the foreign wire transfer, if you do – factor it into your budget.

## **Keys to success**

Finally, there are a few other elements that are important to understand to ensure you are launching for success.

- **Scope of work/Statement of work :** Make sure you receive a clear Scope of Work from the funder that outlines exactly and precisely what they want and their expectations. If you are unclear on anything, ask up front to avoid any confusion during implementation.
- **Financial spending restrictions/processes:** USG funding has a lot of restrictions and rules. It is crucial for someone on your team to receive training to the latest rules and regulations. You want to understand upfront what your restrictions are and how they can impact your ability to meet your deliverables. Key examples include travel limitations, no-alcohol purchases, and electronic restrictions.
- **Money must be spent:** If you do not use all your funding by the end of your agreement, it will have to be returned to the funder. You will need to negotiate early if you are going to underspend and work with your funder to ensure your funding is fully used in time.
- **American politics:** Pay attention to what the political climate is in the US. Especially if the US is entering a presidential election as it may have a significant impact on funding resources.
- **Communication platforms:** Create a platform for regular meetings (either in-person or virtual) with your partners to discuss financial and management issues. Develop these platforms on learning each organizations' principles and foster them as an open space to discuss successes, failures, challenges, and most importantly learning and adaptation. Transparency is key.

## **US government awards governance and approval structures**

Finally, it is essential to understand the basic approval structures from the government's side. When implementing US government funding, the government will assign either an Agreement Officer (AO) or Contracts Officer (CO) depending on the type of agreement. These individuals have overall authority on the award and responsible for the ensuring that the award is executed in accordance with the regulations. Additionally, agreements will have either an Agreement Officer Representative (AOR) or Contracts Officer Representative (COR) who will be the main point of contact for the prime recipient. These individuals will have some approval authority which will be outlined in a specific document that will be provided to the prime.

While implementing, make sure you understand the different approval structures in place for both contracting and deliverables as it will impact timelines and your ability to successfully spend down your funding.



## Additional Resources

### 2 CFR 200

<https://www.govinfo.gov/app/details/CFR-2014-title2-vol1/CFR-2014-title2-vol1-part200>

### USAID Standard Provisions for US Nongovernmental Organizations

<https://www.usaid.gov/sites/default/files/documents/303maa.pdf>

### USAID Standard Provisions for Non-US Nongovernmental Organizations

<https://www.usaid.gov/sites/default/files/documents/303mab.pdf>

### Lost in Regulation Blog

<http://lostinregulation.blogspot.com/>

This is a significant resource that will break down the USG rules and regulations into layman's terms. A great tool to better understand specific rules as they apply.

### Humentum Trainings

<https://www.humentum.org/>

This organization is an excellent resource for understanding the policies and regulations to which you must adhere.

### Work with USAID

<https://workwithusaid.org/>



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