



How can charities prepare for USAID Funding?

The United States Agency for International Development (USAID) is one of the most generous international aid organisations in the world. With a good amount of this funding available to Non-US NGOs, it can be a valuable source of income for organisations working in the right areas.

Unusually, USAID does not put a cap on the amount of overheads that charities can claim. It has a standard indirect cost rate of 10% available to all recipients and this can be significantly higher, up to three or four times that amount, if organisations are able to negotiate an alternative arrangement with them. They are even allowed to move 10% of the entire award value between budget lines without prior approval, making them a very flexible donor as well.

Are there any downsides? Rules, regulation and compliance!

The rules and requirements that come with USAID funding are plentiful and sometimes puzzling. From timesheet management to tax reporting; from guidance on which airlines you can fly with, to limits on per diem rates; there are even rules about the size of USAID logos you should use. The rules that organisations must play by are likely to be very different to those of other funders so they need to know what they are if they are going to successfully manage the award.

To know what the rules are, you first need to know where the rules are. A common reason for charities falling foul of the guidelines is that they don't know where to go to look for them, because they won't all be in their grant agreement. They will need to pass page 78,000 of the United States Federal Register before they reach the section on whether depreciation can be charged to the project so if you start at the beginning, the chances are the project will be long finished before they sign off that budget request.

And then there's the audit. If they are lucky enough to spend over \$750,000 of USAID funding during the financial year then they will need to contract for an audit of how they have spent the money. Fortunately, this has recently increased from the previous threshold of \$300,000, but the amount does include any USAID money that they may have received via sub-awards from other organisations so it can mount up surprisingly quickly.

USAID's standards for the auditors are just as high as they are for their grant recipients. Auditors are required to check that USAID really are picking up their fair share of costs and so charities need to make sure they can evidence the basis for allocating that office rent and explain what they did when that vehicle was being driven for other projects. They also shouldn't be shocked to hear that the audits involve more than just a check of the spending. The auditors are required to review the systems and internal controls, and ensure the required policies and compliant processes are in place. Organisations will feel well and truly audited by the end of the process.

However, a successful project and a clean audit report can lead to a strong and ongoing relationship with USAID. Therefore, charities need to make sure they know the rules, put the correct processes in place and then they can confidently apply for your funding, fully aware that they are set up to successfully deliver the project within the rules.

Sayer Vincent will organise a USAID training session in London where you can gain comprehensive knowledge of the new guidelines and key points on how to prepare for an efficient and effective audit. For more details to follow on our website–

<http://www.sayervincent.co.uk/events/our-seminars/>