Fixed Amount Awards to Non-Governmental Organizations

An Additional Help Document for ADS Chapter 303
I. PURPOSE

The purpose of this Additional Help document is to provide Activity Planners, Agreement Officers (AOs), and Agreement Officer’s Representatives (AORs) with guidance on how to draft, award, and administer fixed amount awards. This document supplements policy on fixed amount awards found in ADS 303, Grants and Cooperative Agreements to Non-Governmental Organizations. This guidance will help Agency staff:

- Understand the appropriate use of fixed amount awards,
- Solicit fixed amount awards based on applicable competition standards,
- Establish a fixed amount payment structure, and
- Effectively administer the fixed amount award.

II. USE OF FIXED AMOUNT AWARDS

Fixed amount awards are a type of grant or cooperative agreement that provides a specific level of support without regard to actual costs incurred. These were previously known within USAID as “fixed obligation grants” (FOGs). This type of award is particularly suitable for activities using pay-for-results design approaches. Fixed amount awards reduce some of the administrative burden and record-keeping requirements for both the recipient and USAID. Unlike under a traditional cost-reimbursement grant or cooperative agreement, USAID does not have to verify whether the recipient has the proper accounting and reporting systems in place, and the recipient can avoid indirect rate negotiations and incurred cost audits. The cost principles also do not apply to fixed amount awards (they are only used as a guide), which can save both sides valuable time during the implementation and close-out of the award.

With a fixed amount award, accountability is based primarily on performance, with a focus on results, while limiting risks for both parties. At the design stage, fixed amount awards are intended to reflect a reasonable estimate of the actual costs of performance. As a result, additional diligence is required at the outset to set accurate milestone payments. Once awarded, fixed amount awards are typically easier for the government to administer. Instead of reviewing recipients’ proposed costs (e.g., labor, travel, indirect) to assess reasonableness and allowability under the grant or cooperative agreement, the AO merely confirms achievement of the milestone. By tying payments to achieving milestones, fixed amount awards offer a way for USAID to prioritize the achievement of results, not merely the incurrence of costs. Fixed amount awards also offer a means of transferring performance risk to recipients, potentially allowing for greater innovation and a more effective use of USAID resources.

Fixed amount awards are most appropriate when activities performed under an award
can be segregated into achievable milestones with an associated fixed-dollar amount that can be established within a reasonable degree of certainty. Projects that have measurable goals and objectives, as well as adequate cost, historical, or unit pricing data available to establish fixed payment amounts, may be suitable for a fixed amount award. Traditionally, fixed amount awards (when they were FOGs) were typically limited to funding activities such as conferences, studies/surveys, workshops, and policy papers. While these types of activities are still suitable for fixed amount awards, many activities, including disaster or humanitarian relief and assistance, and technical development assistance, that can be segregated by task or deliverable with an associated milestone payment amount can be implemented through a fixed amount award.

The duration of the fixed amount award must not exceed three years to mitigate the risk that the pricing data used to determine milestone payments is outdated or no longer accurate. However, if a longer award is required, then the fixed amount award must be structured as a “renewal award” in accordance with the process described in ADS 303. Fixed amount awards must not be used to purchase real property.

Fixed amount awards can be awarded to recipients with any level of experience in managing U.S. Government (USG) assistance, and they can represent a useful tool for institutional capacity building and local capacity development of new and underutilized partners, as they require less financial management capacity than a standard cost-reimbursement award. They provide a manageable vehicle to allow recipients the opportunity to strengthen and improve their internal procedures, systems, and policies. Although fixed amount awards are a useful capacity development tool, an organization with limited or no experience in receiving USG grants may need the assistance of USAID in developing realistic milestones.

III. COMPETITION AND SOLICITATION REQUIREMENTS

Fixed amount awards must be awarded through competitive procedures with unrestricted eligibility, unless eligibility has been restricted in accordance with the procedures outlined in ADS 303. When soliciting for fixed amount awards through a notice of funding opportunity (NOFO), AOs may use any notice type, such as an annual program statement or a request for applications. Additionally, an applicant may propose a fixed amount award in response to a NOFO or an AO may recommend use of a fixed amount award as the most suitable award type for organizations which do not have the capacity to manage a cost-reimbursable award. In either instance, AOs must ensure that the proposed program is suitable for a fixed amount award payment structure. AOs should pay special consideration to the following points when issuing notices for fixed amount awards:

- **Identification of Assistance Type.** A fixed amount award can be either a grant or cooperative agreement. As applicable, substantial involvement must be identified in the NOFO and be tailored to not affect the achievement of payment milestones.

- **Technical Application Delineated by Milestone.** The NOFO should instruct
applicants to organize their project activities by milestones that correlate to a product, task, deliverable, or goal of the proposed activity to the extent the milestone structure is envisioned at the outset. For an award to be suitable for a fixed amount award, milestone activities proposed by the applicant must be broken down into goals and objectives that are measurable and verifiable. Requesting that applicants delineate activities by milestone will assist in the development and negotiation of the payment milestones.

- **Budget Details to Establish Milestones.** The NOFO should instruct the applicant to provide a budget and narrative describing the sufficient cost, historical, or unit pricing data necessary to establish realistic milestones.

- **Information to Assess the Potential Recipient’s Eligibility.** NOFOs must request information necessary to assess the applicant’s ability to meet the milestones, consistent with the procedures in ADS 303, section 303.3.25 and the Fixed Amount Award Entity Eligibility Checklist.

**IV. STRUCTURING PAYMENTS UNDER FIXED AMOUNT AWARDS**

Payments under fixed amount awards are based on meeting measurable goals and can be designed in a variety of ways (see ADS 303.3.25 and 2 CFR 200.201(b)(1)). Milestones are the most common way to structure payments under fixed amount awards. While the milestones should be based on a realistic estimate of the allowable, reasonable and allocable costs of performance, the cost principles do not apply, and individual milestone payments and the combined total of milestone payments are not required to reflect actual costs incurred.

Once the milestones and respective amounts to be paid per milestone are established, the recipient’s actual expenditure per milestone becomes irrelevant. As such, it is critical that the award total is thoroughly reviewed and determined to be reasonable. When fixed amount awards are made to entities with limited experience performing federal financial assistance awards, it may be necessary for the AO and Planner to provide additional guidance to the organization concerning the development of milestones.

Milestones may be based on the completion of a task, deliverable, or other goal (such as an output and/or an outcome) of the proposed activity. Completion of a milestone triggers payment of the established fixed amount to the recipient. Milestone completion should be objectively verifiable. AOs and Planners may consider structuring milestones to allow for partial payments if full milestone completion cannot be achieved. Generally, milestones will contain the following:

1. **Milestone.** Description of the task, deliverable, or goal to be accomplished.

2. **Verification.** Description of how the recipient will demonstrate the completion of the task, deliverable, or goal. Verification may include an on-site analysis of written documents (e.g., reports, vouchers, training sign-up sheets), photos, videos, or any other means designed to ensure that activities are satisfactorily
completed.

3. **Fixed Amount.** Dollar amount that USAID will pay the recipient for completion of the milestone.

4. **Completion Date.** Expected completion date for each milestone and for the entire award, as suitable for the nature of the activity. Specifics of milestone timing and allowable flexibility should be detailed in the Award Schedule.

An example of structuring payments follows:

<table>
<thead>
<tr>
<th>Milestone Description</th>
<th>Verification Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 5 surveys completed in X province</td>
<td>Survey Report</td>
</tr>
<tr>
<td>2. 10 training sessions completed in X province</td>
<td>Training materials and attendance sheets</td>
</tr>
<tr>
<td>3. Increase of 10% in test scores of the target beneficiary group</td>
<td>Test results from the target beneficiary group (as compared to the baseline test results documentation)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Amount</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>Insert Anticipated Completion Date</td>
</tr>
<tr>
<td>$1,000</td>
<td>Insert Anticipated Completion Date</td>
</tr>
<tr>
<td>$1,000</td>
<td>Insert Anticipated Completion Date</td>
</tr>
</tbody>
</table>

The award may be structured to establish milestones on a regular basis, which can ensure adequate cash flow for the recipient. Milestones may also be established as a lump sum at completion or in other frequencies as negotiated.

When developing and negotiating milestones, additional considerations include:

1. **Procurement of Equipment or Supplies.** The recipient may need to procure equipment or supplies (excluding real property) to accomplish project goals. In accordance with the standard provision entitled “USAID Eligibility Rules for Procurement of Commodities and Services,” it is only when the purchase of equipment or supplies is itself the milestone, unit price, or payment at completion, and such purchase is specifically named in that milestone, that the recipient must comply with USAID source and nationality rules (see [22 CFR 228](https://www.law.cornell.edu/cfr/text/22#s228), [ADS 310, Source and Nationality Requirements for Procurement of Commodities and Services Financed by USAID](https://www.state.gov/ads/ads310), and [ADS 312, Eligibility of Commodities](https://www.state.gov/ads/ads312)). If the recipient needs to procure or obtain certain telecommunications and video surveillance services or equipment and such purchase is specially named in a milestone, unit price, or payment at completion, the recipient must comply with the cost principles in [2 CFR 200.471](https://www.law.cornell.edu/cfr/text/2#s200) to be eligible for payment, except as otherwise provided in the terms and conditions of the award. Otherwise, purchases that are incidental to the recipient’s completion of a milestone are not deemed “financed” by the fixed amount award, notwithstanding that their...
costs were included in the estimate upon which the total amount of the fixed amount award was negotiated.

2. **Upfront Funding.** It may be critical to provide the recipient with upfront funds to start or continue activities. This may be especially necessary when working with new partners. Providing upfront funds can be achieved using an **initial milestone** or providing **sufficient funds to work towards completing other milestones**.

   a. **Initial Milestones.** An initial milestone may be necessary to provide the recipient with upfront funds to begin activities and may be a rather straightforward task. The initial milestone should be established early in the award period (e.g., 14 days after the award start date, but no later than 30 days). Examples of initial milestones include:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Verification Documentation</th>
<th>Fixed Amount</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation plan</td>
<td>Implementation Plan approved by the AOR.</td>
<td>$ or local currency</td>
<td>Insert Anticipated Completion Date</td>
</tr>
<tr>
<td>Setting up office</td>
<td>Confirmation of office set up signed by AOR following office visit or a signed certification by the recipient.</td>
<td>$ or local currency</td>
<td>Insert Anticipated Completion Date</td>
</tr>
<tr>
<td>Recruiting and training of key staff</td>
<td>Resumes, training sign-in sheets, and copies of training materials.</td>
<td>$ or local currency</td>
<td>Insert Anticipated Completion Date</td>
</tr>
</tbody>
</table>

   b. **Funding Flexibility Through Other Milestones.** Milestones may be structured to ensure the recipient has adequate cash flow to achieve subsequent milestones. Milestones should provide an incentive for the recipient to complete activities through the award end date.

V. **RISK ASSESSMENT**

Prior to making a fixed amount award, the AO must complete the **Fixed Amount Award Entity Eligibility Checklist**. If, after conducting a comprehensive risk assessment of a potential recipient as required in **ADS 303.3.25**, the AO is unable to make a positive risk determination or identifies weaknesses or deficiencies in the recipient’s capacity to complete the proposed activity, the AO may reject the Planner’s recommendation to make a fixed amount award or issue the award with “specific conditions” (high risk).

If making a fixed amount award with specific conditions, the AO and Planner should document the weaknesses and deficiencies and describe the mitigation measures taken to reduce or eliminate the risk to the recipient and USAID. For further information on specific conditions, see **ADS 303.3.9.2** and **2 CFR 200.208**.
VI. ADMINISTRATION OF FIXED AMOUNT AWARDS

a. Post-award orientation meeting. The AO and AOR are encouraged to conduct a post-award orientation meeting with the recipient. The post-award orientation meeting is an essential tool to help USAID and the recipient achieve a clear and mutual understanding of the fixed amount award’s requirements. In particular, the orientation meeting can help a recipient with limited or no USAID experience with administering the award and reduce performance risks. It is an opportunity to review, discuss, and clarify key aspects of the award and its administration, help the recipient meet the intended goals and outputs of the award, and contribute to building the recipient’s institutional capacity. In this meeting, the AO and AOR should discuss the authority of USAID personnel who administer the award, the specific terms and conditions of the award, any areas of substantial involvement, USAID’s monitoring and evaluation plans, milestones, requests for payment, voucher approval, and payment procedures.

b. Monitoring and Site Visits. Because payment to the recipient is based exclusively on the achievement of milestones, it is important that the AOR conducts appropriate monitoring and oversight of the recipient. To mitigate risks, the AOR is encouraged to conduct site visits to ensure that satisfactory progress is being made and the award’s goals and objectives are being met.

c. Amending the Payment Structure. With a fixed amount award, payment is not based on actual costs, and the fixed amount is not subject to adjustment. However, the AO may amend the award’s payment structure under limited circumstances (see ADS 303.3.25.c).

d. Payment. The award must state that the recipient’s requests for payment for completed milestones must correspond to the award’s payment structure specified in the fixed amount award. Prior to authorizing payment, the AOR must independently verify and document that the milestone is complete. The AOR may rely on verification by a third-party verifier. The AOR should conduct verification of milestone completion in a timely manner to allow the recipient to receive payment as soon as possible. The AOR should develop an internal verification/monitoring plan that is consistent with the terms of the award and details the type of documentation or other support that is acceptable for verification purposes. Verification may include physical confirmation, or an on-site visit either by USAID or a third party, for every activity under a milestone. Verification may also include analysis of written documents (vouchers, training sign-up sheets), photos, videos, or other means designed to ensure activities are satisfactorily completed. The AOR must sufficiently document the verification for payment purposes and include this in the AOR file. If authorized by the milestone payment schedule, AORs may make partial payments if only partial results are met, e.g., if the recipient meets 50% of the target, the recipient will receive 50% of the payment.

Since fixed amount award payments are structured as milestones, USAID should not attempt to verify that the recipient incurred the costs as estimated in
making the award. Any actual differences between the estimated costs used to set the payments and the recipient’s incurred costs cannot be used to adjust the agreed-upon fixed payment amount.

e. **Local capacity development of NGOs with limited or no previous direct experience with USAID or the USG.** Fixed amount awards are suitable to build the capacity of recipients that have limited or no previous experience managing USG awards. If one purpose of the fixed amount award is to build an organization’s capacity, USAID may need to first assess the organization’s accounting, management, and established policies and procedures to build the recipient’s capacity. When assessing the organization’s capacity, staff are reminded to not verify actual expenses to adjust milestone payments, but for purposes of assisting the organization in implementing procedures or improving controls to build the capacity of the recipient.

f. **Termination.** In the case of termination before completion of the fixed amount award, USAID may review the actual costs incurred by the recipient in performance of the award. In that event, the AO should determine the extent to which costs incurred by the recipient for partially completed milestones may be reimbursed.

g. **Audits.** Recipients of fixed amount awards are subject to the 2 CFR 200, Subpart F, Audit Requirements, which implements the Single Audit Act. Note: that this is not an audit specific to the fixed amount award itself, but rather of the recipient if it meets certain threshold requirements in Subpart F.