

Subpart 731.7—Contracts With Nonprofit Organizations

Parent topic: [PART 731—CONTRACT COST PRINCIPLES AND PROCEDURES](#)

731.770 OMB Circular A-122, cost principles for nonprofit organizations; USAID implementation.

Link to an amendment published at 89 FR 4206, Jan. 23, 2024.

(a) Paragraph 6 of the transmittal letter for OMB Circular A-122 specifies that “Agencies shall designate a liaison official to serve as the agency representative on matters relating to the implementation of this Circular.” The Director, Bureau for Management, Office of Acquisition and Assistance, has been so designated. The Bureau for Management, Office of Acquisition and Assistance, Cost Audit Support Division, Overhead and Special Cost and Contract Close-Out Branch (M/OAA/CAS/OCC) provides staff assistance to the Director concerning OMB Circular A-122. M/OAA/CAS/OCC is also responsible for obtaining cognizance under the criteria in the transmittal letter for OMB Circular A-122; for liaison with other cognizant agencies; for authorizing exclusion of OMB Circular A-122 coverage for a particular nonprofit organization pursuant to paragraph 5 of the OMB Circular A-122 transmittal letter; and for advice and assistance in applying OMB Circular A-122 cost principles.

(b) Paragraph 4b of the OMB Circular A-122 transmittal letter contains a definition of *prior approval* as follows:

Prior approval means securing the awarding agency's permission in advance to incur costs for those items that are designated as requiring prior approval by OMB Circular A-122. Generally, this permission will be in writing. Where an item of cost requiring prior approval is specified in the budget of an award, approval of the budget constitute approval of that cost.

Consequently, an award containing a budget constitutes prior approval of the direct cost item in the budget, unless otherwise annotated. Accordingly, award budgets should be appropriately annotated substantially as follows:

Inclusion of any cost in the line item budget of this award does not obviate the requirement for prior approval of cost items designated as requiring prior approval by OMB Circular A-122 ; or

In accordance with the requirements to OMB Circular No. A-122, approval is granted to incur costs for (name specific item or items) which are included in the budget of this award.

731.771 Bid and proposal costs.

Link to an amendment published at 89 FR 4206, Jan. 23, 2024.

Pending the establishment of Government-wide principles in Attachment B of OMB Circular A-122, USAID will treat bid and proposal costs as follows:

(a) Bid and proposal costs are the costs of preparing bids, proposals, and applications for potential activities such as Government and non-Government grants, contracts and other agreements, including the development of scientific, cost, and other data needed to support such bids, proposals, and applications. Except as provided in (b) below, bid and proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect costs for allocation to all current activities, and no bid and proposal costs of past accounting periods will be allocable to the current period. However, if the organization's established practice is to treat bid and proposal costs by some other method, the results obtained may be accepted only if found to be reasonable and equitable.

(b) Bid and proposal costs incurred by the organization to obtain unrestricted funds are to be treated as fund raising and allocated an appropriate share of indirect costs under the conditions described in paragraph B.3 of Attachment A to OMB Circular A-122.

731.772 Compensation for personal services.

The policies set for in (48 CFR) AIDAR 731.205-6 are also applicable to contracts with a nonprofit organization.

731.773 Independent research and development costs.

[Link to an amendment published at 89 FR 4206, Jan. 23, 2024.](#)

Pending establishment of Government-wide principles in Attachment B of OMB Circular A-122, USAID will apply the cost principles at (48 CFR) FAR 31.205-18 for independent research and development costs.

731.774 Overseas recruitment incentive.

USAID's policies regarding overseas recruitment incentives are set forth in (48 CFR) AIDAR 731.205-70. These policies are also applicable to contracts with a nonprofit organization.

731.775 Conference approval requirements.

USAID's policies regarding conference approval requirements are set forth in (48 CFR) AIDAR 731.205-43. These policies are also applicable to contracts with nonprofit organizations.