

The image features a large, light gray watermark of the USAID seal in the background. The seal is circular and contains the text "UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT" around the perimeter. In the center, there is a shield with a map of the United States, and the word "USAID" is prominently displayed in a dark gray box above the shield. Three stars are positioned at the bottom of the seal.

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**TITLE: CIB 93-15 Audit Clause to Use In Cost-Reimbursement
Contracts With Non-profit Institutions**

July 19, 1993

MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

TO: Distribution List

FROM: DAA/FA, JOHN F. OWENS, Procurement Executive

SUBJECT: Audit Clause to Use In Cost-Reimbursement
Contracts With Non-profit Institutions

CONTRACT INFORMATION BULLETIN 93-15

The Federal Acquisition Regulation was recently amended by FAC 90-16, which, among other things, changed FAR Part 15 to implement the requirements of OMB Circular No. A-133, "Audits of Institutions of Higher Learning and Other Non-profit Institutions". OMB Circular No. A-133 was issued March 16, 1990, and applies to audits of non-profit institutions for fiscal years that begin on or after January 1, 1990. Circular No. A-133 became effective for contracts with non-profit institutions on February 19, 1993, upon its implementation in the FAR.

Prior to the issuance of Circular A-133 and its implementation in the FAR, non-profit institutions were subject to different audit requirements under contracts and grants. FAR clause 52.215-2, "Audit - Negotiation" provided that the government would audit both for-profit and non-profit contractors who had cost-reimbursement contracts. OMB Circular No. A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations" required that non-profit organizations who had grants would arrange for their own organization-wide audits. A-110, and later A-133, were implemented in Handbook 13, Grants.

One of the significant changes effected by the implementation of Circular A-133 in the FAR is to provide uniform requirements for audits of non-profit institutions who have both grants and cost-type contracts. The purpose of this change is to eliminate duplicate, or conflicting, audit requirements and to promote the efficient and effective use of audit services.

In implementing Circular A-133, FAR Clause 52.215-2, "Audit Negotiation (FEB 1993)" was changed to add Alternate II (FEB 1993), which states that OMB Circular No. A-133 is applicable to cost-reimbursement contracts with educational and other non-profit institutions. The effect of this change is to require that non-profit institutions, whether they have contracts or grants, arrange for an audit by their own independent auditor.

To ensure that the non-profit contractors are aware of, and subject to, the new audit requirement, it is essential that all appropriate contracts with non-profit institutions have the new audit provision incorporated as soon as possible. Please ensure that FAR Clause 52.215-2 with its Alternate II is included in all cost-type contracts with non-profit institutions that were active on or after February 19, 1993. The new provision should be included in the next modification of these contracts.