

**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.