

Best Practices for Subaward Management

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This document will help grant recipients understand the federal requirements for financial and subaward management, and implement the related best practices. This document, however, is not an exhaustive list of requirements and should not be used in lieu of reviewing the [CFR Part 200 requirements](#) and all award terms and conditions.

Requirements

Subaward Management

A subaward is defined as an award provided by a pass-through entity to a subrecipient. The subrecipient will carry out part of a federal award, to include meeting the award's objectives or implementing a portion of the scope of work. It does not include payments to a contractor. See [CFR 200.331](#) for more information.

[CFR 200.332 – Requirements for Pass-through Entities](#) is important to read in its entirety. In summary, pass-through entities of federal funds must monitor the activities of a subrecipient to ensure the subrecipient uses awarded funds in accordance with all federal statutes and regulations, and that the subrecipient meets the audit requirements outlined in Subpart F (§§200.500-.521). The terms and conditions set forth in the Notice of Award also flow down to subrecipients, including lower tier subrecipients, and it is up to the primary recipient to ensure compliance (see the [DOC Financial Assistance Terms and Conditions](#) for additional information). Monitoring of subrecipients can include:

- Reviewing financial and performance reports and audit findings as necessary;
- Providing subrecipients with training and technical assistance on program-related matters; and
- Performing site visits.

Pass-through entities may use their own form of subaward agreements, provided the requirements meet the requirements stated in [CFR 200.332](#) and any internal requirements set by your organization. Subrecipient grant agreements must include:

- Federal award identification number.
- All requirements imposed by the pass-through entity as outlined in the terms and conditions of the federal award.
- Additional requirements for the pass-through entity to meet its responsibility (i.e. financial and performance reports).
- Due dates of performance and financial reports.
- Approved indirect cost rate or other negotiated rate (e.g., de minimis rate— now 15%).
- Access to records and financial statements by pass-through entity and auditors

- Closeout requirements.

Audit Responsibilities

- During an audit, a pass-through entity should be prepared to discuss with the auditor the scope of its subrecipient monitoring activities, including the number, size, and complexity of subawards.
- Auditors may review documentation to ascertain whether the pass-through entity informed its subrecipients about federal program requirements imposed by laws, regulations, and contract or grant agreement provisions.
- Pass-through entities are responsible for issuing a management decision for any subrecipient audit findings which are directly related to the Climate Resilience Regional Challenge subaward activities ([CFR 200.332\(e\)\(3\)](#)).

Federal Funding Accountability and Transparency Act Requirements

- The prime recipient must report each subaward that equals or exceeds \$30,000 by using <http://www.fsrs.gov>. See the DOC Financial Assistance Terms and Conditions maintained by the [DOC Office of Acquisition Management](#).
- The prime recipient must not make a subaward unless the subawardee has provided its Unique Entity Identification (UEI) to the recipient. Subrecipients are not required to complete full registration in SAM.gov to obtain a UEI.

Financial Management using the Automated Standard Application for Payments (ASAP)

- To access award funds, primary recipients are not required to submit invoices to NOAA, but having proper record keeping in place for reporting and possible future audits is important. This applies both to primary recipients as well as your subawardees.
- While invoices are not required, grantees are still responsible for making sure they don't have excessive drawdowns. The general rule of thumb is you should not be drawing down funds well in advance of when you need them or have excess cash on hand. Some exceptions may apply for purchases, such as land acquisitions, where funds need to be available with possibly little notice.

Internal Financial Monitoring Systems

- Requirements are outlined in [CFR 200.302](#) (financial management) and [CFR 200.303](#) (internal controls).
- To summarize: grant recipients must have administrative and financial management systems in place that provide internal controls and help the organization prepare the reports required by the terms and conditions of their award. The systems must be capable of:
 - Producing accurate, current, and complete disclosures of financial spending.
 - Tracking grant funds to adequately establish that the funds have been used according to federal statutes, regulations, and the award terms and conditions.

Best Practices and Tips

Getting Started with Subrecipient Monitoring

- Develop an annual monitoring plan based on assessed risk.
- Provide training and technical assistance as necessary.
- Conduct both desk reviews (i.e., regular calls) and onsite reviews.
- Collect progress reports and financial reports with enough time to compile all information by progress report due dates (4/30 and 10/30 annually if the reporting schedule has been synchronized with the financial reporting schedule).
 - **Tip:** Since progress and financial reports are due 30 days after the end of the reporting periods, consider collecting **quarterly** progress and financial reports from subawardees.
 - For final reporting, subrecipients must submit their final performance report to the pass-through entity within 90 calendar days after the end of the period of performance of the subaward unless an extension has been granted.

Avoiding Common Compliance Issues

- Maintain adequate financial, administrative, and program management systems.
- Create written standard operating procedures and policies.
- Review the award requirements frequently during the project period.
- Review internal controls periodically.
- Maintain thorough documentation.

Resources

Online Resources

- The [Department of Commerce Federal Financial Assistance Manual](#) provides additional detail about recipient and subrecipient responsibilities.
- DOC Financial Assistance Terms and Conditions maintained by the [DOC Office of Acquisition Management](#)
- NOAA Administrative Grant Award Conditions maintained by the [NOAA Grants Management Division](#)