

Subawards: Assessment, Approval and Monitoring

NATIONAL SCIENCE FOUNDATION

Charlotte D. Grant-Cobb
Lead Analyst, Audit Resolution
Division of Institution and Award Support
Resolution and Advanced Monitoring Branch
Email: cgrantco@nsf.gov

Tamara D. Bowman
Lead Analyst, Advanced Monitoring
Division of Institution and Award Support
Resolution and Advanced Monitoring Branch
Email: tbowman@nsf.gov



NSF 's Division of Institution and Award Support (DIAS)

DIAS plays a key role in the oversight of NSF investments. DIAS staff conducts post-award activities including advanced monitoring and audit resolution. DIAS staff also provide expert assistance in matters related to NSF policies and procedures, business assistance to awardee organizations, and advice on issues of federal compliance for financial assistance awards.

Resolution & Advanced Monitoring (RAM) Branch: responsible for compliance with federal requirements for audit resolution and follow-up, advanced monitoring, as well as allowance of major expenditure adjustments to financially closed awards.



Increased non-compliance related to subawards, subrecipient monitoring and inadequate documentation is appearing in all NSF post-monitoring reviews (audit findings, site visits, post award assessments)

Focus on adequacy of Prime Awardee oversight of subawards and subrecipients.

Subawards and subrecipient monitoring are a prime focus for audit scrutiny at the National Science Foundation (NSF) . Through several recent audit reports and other post- award activities, NSF has noticed a trend in NSF award recipients **failing to obtain prior written approval** from NSF before entering new subaward agreements as well as **unsupported expenses resulting from inadequate subrecipient monitoring** .

| Audit Finding Category | Questioned Costs = Potential Disallowed Costs |
|---|---|
| Failure to Obtain Prior Written Approval from NSF | \$ 565,000 |
| Inadequate Documentation - Unsupported Expenses by Subrecipient | \$ 927,000 |
| Potential Disallowed Costs 2021-2022 | \$1,492,000 |



Workshop Focus

To reduce the occurrence of non-compliance with subaward management and monitoring in all post-award activities, this workshop provides technical guidance to assist both the Prime Awardee and the subrecipient.

We will share a practical framework as well as “lessons-learned” to help you:

1. Avoid pitfalls that lead to non-compliance with subaward approval, assessment and monitoring.
2. Adopt a Documentation Discipline to avoid non-compliance due to “inadequate documentation and unsupported expenses by subrecipient”.



KEY CONCEPTS

- 1. No portion of the proposed activity may be subawarded or transferred to another organization without prior written NSF authorization. If the subaward was included in the proposal budget, the award letter should indicate if the subaward(s) was(were) approved or declined. If the decision to subaward part of a project is made after the prime award is issued, approval must be requested through research.gov.**

PAPPG 22-1 (e) Subawards (Line G5 on the Proposal Budget)

- 2. The Prime Awardee must ensure that substantiating documentation is provided and retained for all incurred costs and for key decisions that impact the award, including:**
 - a documented process for determining whether to issue a subaward or contract
 - a documented risk assessment process to assess a subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward;

Research Terms and Conditions Overlay to the Uniform Administrative Requirements November 12, 2020, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Subpart E Cost Principles, § 200.400

- 3. NSF federal funding is provided to the organizations and Institutions of Higher Education, not to individuals, PIs or co-PIs, or beneficiaries of the award.**

2 CFR §200.86 "Recipient"



Subaward Management Framework

Subaward relationships and subrecipient monitoring requirements extend through the subrecipient performance period PLUS Prime Awardee's period of performance and record retention.





Pre-Award Stage– Choosing the appropriate agreement type



| Subrecipient | Contractor |
|--|---|
| <p>A subaward is executed so a subrecipient may carry out a portion of a Federal award. A subrecipient typically:</p> | <p>A contract is executed for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. A contractor typically:</p> |
| <ul style="list-style-type: none">• Determines who is eligible to receive what Federal assistance. | <ul style="list-style-type: none">• Provides the goods or services within normal business operations. |
| <ul style="list-style-type: none">• Has its performance measured in relation to the objectives of a Federal program. | <ul style="list-style-type: none">• Provides similar goods or services to many different purchasers and is not dependent on university for funding. |
| <ul style="list-style-type: none">• Has some responsibility for programmatic decision making | <ul style="list-style-type: none">• Normally operates in a competitive environment. |
| <ul style="list-style-type: none">• Is responsible for adherence to applicable terms and conditions specified in the prime Federal award. | <ul style="list-style-type: none">• Provides goods or services that are ancillary to the operation of the Federal program. |
| <ul style="list-style-type: none">• Uses the Federal funds to carry out a program for a public purpose, as opposed to providing goods or services for the benefit of the Prime | <ul style="list-style-type: none">• Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons. |





Pre-Award Stage – Fixed Price Subawards

With prior written approval from NSF, a Prime may issue subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the 2 CFR 200.201 requirements for fixed amount awards. Also see 2 CFR 200.333 Fixed amount subawards.

Fixed price subawards are uncommon. The Prime must consult with NSF grants officers and obtain written approval prior to issuing a fixed price sub-award.





Risk Assessment



1. Prime Recipients are required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:
 - ▶ The subrecipient's prior experience with the same or similar subawards;
 - ▶ The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
 - ▶ Whether the subrecipient has new personnel or new or substantially changed systems;
 - ▶ The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
2. Prime Recipients should document the results of the risk assessment (e.g., subrecipient is determined to be "high", "medium", or "low" risk).





Risk Assessment



3. Prime Recipients must develop a monitoring plan including activities to mitigate any identified risks, e.g., supporting documentation must be provided for each invoice, PI must approve each invoice prior to payment, or a site visit will be conducted. This plan can be developed post-award
4. Although not related to risk assessment, Prime Recipients are required to verify that potential subrecipients are not prohibited from receiving Federal funding on SAM.gov. The results of that review should be documented in the subaward file.

2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
Subrecipient Monitoring and Management Section 331 Subrecipient and contractor determinations, Section 332 Requirements for pass-through entities, and Section 333 Fixed amount subawards

NSF Subrecipient Monitoring and Management Self-Assessment Checklist | January 2022
https://www.nsf.gov/bfa/dias/resources/Subrecipient_Monitoring_Self-Assessment_Tool.pdf





Inaccurate risk assessment or failure to monitor based on assessment results may result in disallowed costs.



Large Nonprofit Research Institute --Subrecipient Risk Analysis Questioned Costs: None

Criteria: 2 CFR 200.331(b) states that a Prime must “Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.”

Condition: For (1) of (40) selections tested; a risk analysis was not timely performed before contract inception.

Cause: At the time of the award, the Contracts Officer incorrectly interpreted the risk assessment to only be a requirement for subrecipients who were OMB Single Audit filers.

Effect: Without an accurate risk assessment, subrecipient monitoring procedures were not conducted appropriately or timely, thus presenting potential risk to the federal funds; without corrective action, the Prime Awardee may have failed to monitor the subrecipient for the duration of the grant period.





Post-Award Stage-Changes in Objectives, Scope or Methods/Procedures

Changes in Objectives or Scope

- a. The objectives or scope of the project may not be changed without prior NSF approval. If approved by NSF, the Grants and Agreements Officer will amend the grant.

Significant Changes in Methods or Procedures

- b. Significant changes in methods or procedures (including PI, Co-PI shifts) should be reported to appropriate grantee official(s). The PI also must notify NSF via use of NSF's electronic systems, [research.gov](https://www.research.gov).

Significant Changes, Delays or Events of Unusual Interest

- c. In the event there are problems, delays, or adverse conditions that will materially impact the ability to attain the objectives of the project or to meet such time schedules as may have been proposed, the PI should notify the appropriate grantee official(s). The PI also must notify NSF via use of NSF's electronic systems.

NSF Proposal and Award Policies and Procedures Guide (PAPPG), 22-1





Post-Award Stage (1 of 2)

The Prime Awardee must obtain explicit written NSF approval, including the name of the proposed subrecipient, prior to issuing a subaward.

The Prime must ensure that every subaward agreement is clearly identified as a subaward and includes the following information at the time of the subaward:

1. Federal Award Identification

- An approved federally recognized indirect cost rate or, if no such rate exists, either a rate negotiated between the Prime and the subrecipient or a de minimis indirect cost rate;
- A requirement that the subrecipient permit the Prime and auditors to have access to the subrecipient's records and financial statements;
- Appropriate terms and conditions concerning closeout of the subaward.
- The Prime must also consider if it is appropriate to impose specific subaward conditions upon a subrecipient. These conditions may be necessary to mitigate any risks or deficiencies identified in the pre-award risk assessment.

We strongly recommend that Prime use a standardized agreement template to ensure consistency, transparency, and compliance.





Post-Award Stage (2 of 2)

2. All requirements imposed by the Prime on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
3. Any additional requirements that the Prime imposes on the subrecipient in order for the Prime to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
4. An approved federally recognized indirect cost rate or, if no such rate exists, either a rate negotiated between the Prime and the subrecipient or a de minimis indirect cost rate;
5. A requirement that the subrecipient permit the Prime, NSF, and auditors to have access to the subrecipient's records and financial statements;
6. Appropriate terms and conditions concerning closeout of the subaward.

The Prime must also consider if it is appropriate to impose specific subaward conditions upon a subrecipient. These conditions may be necessary to mitigate any risks or deficiencies identified in the pre-award risk assessment.

NSF or RAM recommends that Prime use a standardized agreement template to ensure consistency, transparency, and compliance.





Post-Award Adjustment Review Issues Noted



- Award was made with a clause that indicated approval of the subaward was being withheld; “NSF authorization to enter into the proposed subaward arrangement is being withheld pending submission of information detailed in Article 8.a. of the NSF Grant General Conditions (GC-1) dated February 25, 2019.” Prime did not read the award clause and proceeded to subaward to the organization without contacting NSF to determine information needed for subaward approval. This was not evident until the subaward submitted a late final invoice on the project which had to be paid after the award had been financially closed which triggered a review of the costs.
- Award was made with no subaward in the budget. As the project progressed, Prime determined a subaward was needed for specific parts of the project as the Prime did not have the expertise in house to perform this piece of the project. The PI asked the NSF program officer about a subaward to complete this area of the project. The NSF program officer indicated that he did not have a problem with a subaward, but the Prime must formally request through research.gov. The PI only read the first part of the email indicating the program officer did not have a problem with a subaward but did not formally request in research.gov. The PI told his Sponsored Research Office that NSF had approved and provided the email from the NSF program officer which the SPO also did not fully read.
- Award was made with a subaward to University of “Tamara” in the budget which was approved; however, the Prime decided to subaward to “Charlotte” University instead without obtaining approval from NSF.
- **Lessons learned: Read the award letter thoroughly, obtain documented subaward approval through either a clause in the original award or in a subsequent award amendment after formally requesting through research.gov.**





Subaward Agreement Requirements (Data Elements)

Every subaward agreement must contain the following data elements:

1. Subrecipient name (which must match the name associated with its unique entity identifier);
2. Subrecipient's unique entity identifier;
3. Federal Award Identification Number (FAIN);
4. Federal Award Date of award to the recipient by the Federal agency;
5. Subaward Period of Performance Start and End Date;
6. Amount of Federal Funds Obligated by this action by the Prime to the subrecipient;
7. Total Amount of Federal Funds Obligated to the subrecipient by the Prime including the current obligation;
8. Total Amount of the Federal Award committed to the subrecipient by the Prime;
9. Federal award project description, as required to be responsive to FFATA;
10. Name of Federal awarding agency, Prime, and contact information for awarding official of the Prime;
11. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
12. Identification of whether the award is R&D; and
13. Indirect cost rate for the Federal award (including if the de minimis rate is charged).





Monitoring during duration of award

1. Prime Recipients must monitor the activities of its subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.
2. Prime **monitoring must include** reviewing financial and performance reports required by the Prime.
3. Depending upon the results of the Prime's risk assessment **the following monitoring tools may be useful** for the Prime to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - ▶ Frequent communication between the Prime PI and the subrecipient PI to discuss any delays, concerns, or issues that have come up;
 - ▶ Subrecipient training and technical assistance on program-related matters;
 - ▶ Site visits, desk reviews, or other monitoring of the subrecipient's program operations;
 - ▶ Agreed-upon audit procedures engagements;
 - ▶ Review and approval for subrecipient invoices to verify that invoiced items have been completed and that the project is completed satisfactorily and on time. Review of programmatic reports of progress periodically (monthly, quarterly, annually).





Monitoring - Audit Requirements

1. Prime Recipients must proactively verify that every subrecipient is audited if required by 2 CFR 200 Subpart F— Audit Requirements.
2. Subawardees are subject to the same audit thresholds as Prime Recipients, i.e., a subrecipient that expends \$750,000 or more of Federal award funds during its fiscal year must have a single or program-specific audit conducted for that year in accordance with the 2 CFR 200 audit provisions.
3. Prime Recipients may be unaware of other Federal funding managed by the subrecipient or whether they have met or surpassed the audit threshold; they are required to proactively find out.
4. If audit findings are identified and may affect the subaward, subrecipients must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.
5. Prime Recipients must issue management decision for findings related to its subawards within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).





Ineffective Subrecipient Monitoring can result in disallowed costs

Large engineering education nonprofit: Subrecipient Monitoring **Questioned Costs: \$172,190**

Criteria: Per 2 CFR 200.331 A Prime Awardee was responsible for activities such as: determining subrecipient eligibility; having a system in place to manage the subaward; identifying to the subrecipient all the required award information; and monitoring the activities of the subrecipient during the award, which also includes reviewing and obtaining the Uniform Guidance audit reports, if applicable.

Condition: The Prime Awardee did not perform the required subrecipient monitoring compliance procedures. In addition to not having a documented policy for monitoring subrecipients, we noted the following: no monitoring of the performance of the subrecipient which includes site visits or inquiring about the Uniform Guidance audits; two of four subaward agreements do not indicate the required award information such as CFDA name and number or research & development classification.

Material Weakness. Repeat Finding

Cause: Lack of oversight to ensure compliance with subrecipient monitoring compliance requirements .

Effect: Ineffective Subrecipient Monitoring may increase risk to the federal funds while potentially jeopardizing the outcomes and deliverables of the award. Ineffective monitoring, as well as inadequately documented expenses may result in questioning all incurred costs.





Ineffective Subrecipient Monitoring



Large engineering non-profit Subrecipient Monitoring

Criteria: As required by 2 CFR part 200.331, the Prime Awardee is required to monitor the activities of subrecipients to ensure that the subaward is used for authorized purposes.

Condition: A control had not been implemented that defined expectations of the project manager to specify the requested payment was for allowable costs and was appropriate under the context of the agreement before accepting receipt of the invoice to enable the 3-way match and subsequent payment of the invoice to the vendor until the end of the fiscal year. **Repeat finding**

Cause: A control had not been implemented that demonstrated that the project manager that accepted receipt of the invoice to enable the 3-way match and subsequent payment of the invoice was approving the invoice and that it was an allowable cost and was appropriate under the context of the agreement. **Lack of documentation and information dissemination describing specific factors to be reviewed by a project manager when approving invoices for payment.**

Effect: Individual vendor invoices lacked specific factors to review by a project manager when approving invoices for payment which could lead to inaccurate reporting of federal expenditures and/or non-compliance with contract terms and conditions.





Subaward Documentation

Substantiating documentation is required to support the allowability of all expenses charged to the NSF award.

The supporting documentation for expenditures and costs should be adequate to demonstrate and justify that the expense:

- Provides a direct benefit to the award
- Complies with any award restrictions and approval requirements outlined in the terms and conditions of the award.

Subrecipients must document key decisions and all incurred costs relating to the award.

Examples of supporting documentation:

- Project Reports and Annual Reports
- PI's approval of invoices/receipts
- Executed Contract documents
- Emails from the PI with explanation and justification for the unanticipated costs
- Prior approval and Grant amendment(s) by NSF Grants Office
- Procurement Documentation
- Explanations and justifications for the audit trail
- Cost Share Tracking and Reporting





Prime and Subrecipient Performance Reporting (1 of 2)

The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity.

Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes

Alternatively, the Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year Federal awards. The final performance report submitted by the non-Federal entity and/or pass-through entity must be due no later than 120 calendar days after the period of performance end date.

A subrecipient must submit to the pass-through entity, no later than 90 calendar days after the period of performance end date, all final performance reports as required by the terms and conditions of the Federal award.

§200.329 Monitoring and reporting program performance.





Prime and Subrecipient Performance Reporting (2 of 2)

- For subawards that exceed \$30,000, Prime Recipients are required to report subaward financial and subawardee executive compensation information through the Federal Funding Accountability and Transparency Act (FFATA) Federal Subaward Reporting System (FSRS as codified by 2 CFR 170).
- Compliance with these reporting requirements is increasingly focused on by auditors and has recently been included in the Compliance Supplement for Single Audits.
- Prime Recipients must include subaward activities in annual project reports that are submitted to NSF (NSF GC-1, NSF Research Terms and Conditions, and CA-FATC).





Corrective Actions When Problems are Found (1 of 2)

- The Prime Awardee must follow-up and ensure that its subrecipients take timely and appropriate action on all deficiencies pertaining to its Federal subaward detected through audits, Prime monitoring activities, and other means.
- The Prime Awardee must consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the Prime Recipients own records.





Corrective Actions When Problems are Found (2 of 2)

The Prime Awardee is responsible for ensuring subrecipient compliance. If non-compliance with Federal regulations, statutes, agency-specific guidance, or subaward terms has been identified and not quickly resolved, the Prime must consider one or more of the following actions:

- ▶ Temporary suspension of cash payments or advances – Meant to be temporary; subaward activities may continue while the compliance issue is being resolved.
- ▶ Additional monitoring or business assistance – Often the first step in resolving compliance issues. If the compliance issue is not resolved promptly, Prime Recipients must consider stronger enforcement actions.
- ▶ Special Conditions – Often an early step in attempting to resolve compliance issues. If Special Conditions fail to resolve the compliance issue(s), Enforcement Actions should be considered.
- ▶ Termination – Typically a last resort, for serious issues or when all other approaches fail.
- ▶ Recommend to the Federal agency the initiation of suspension or debarment proceedings – Typically a last resort for serious issues or when all other approaches fail. When utilized, typically accompanied by termination.





Award Close-Out

The Prime Awardee should have a formal, documented closeout process to ensure completeness, consistency, and transparency. Things to consider including:

- ▶ Verification that programmatic obligations, financial obligations, and required reporting have been completed.
- ▶ The subaward file is fully updated so that future reviewers can find things quickly.

Reminder: while 2 CFR 200 stipulates that the prime awardee (the Prime) has 120 days to financially close out the prime award and provide final reporting to the funding Federal agency, the subrecipient only has 90 days to close the subaward.



REVIEW

1. NSF takes seriously compliance with its terms and conditions.

Requests for prior approval must be submitted through NSF's electronic system (e.g., research.gov.) This critical element of NSF's terms & conditions must be adhered to; auditors will test for compliance and findings will be sustained by NSF

2. Adopt A Documentation Discipline, from Proposal and Pre-Award Stage to Award Closeout.

When expenses are unsupported,(e.g., documentation is inadequate to substantiate, support, or confirm that the costs incurred resulted in relative benefit to the award), all the cost related to that activity may be questioned.



REVIEW

3. The legal agreement is determined by the substance of the relationship.

A subaward may be provided through any form of legal agreement, including an agreement that the proposing organization considers a contract. The substance of the relationship is more important than the form of the agreement.

4. The organization or university is the Prime Awardee of NSF funds.

As Prime, you are ultimately responsible and accountable for the management of all subawards and the monitoring of all subrecipients.





Thank You



Subrecipient Management and Monitoring Guidelines



Subrecipient Management and Monitoring Guidelines

2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (**Uniform Guidance**)

- Section 331
- Subrecipient and contractor determinations, Section 332 Requirements for pass-through entities
- Section 333 Fixed amount subawards
- Specific Conditions Section 208
- Remedies for noncompliance Section 339 and Termination Section 340
- Audit Requirements Subpart-F



Subrecipient Management and Monitoring Guidelines

Subawarding or Transferring Part of an NSF Award
(Subaward) **Research Terms and Conditions (RTC)**
Agency Implementation Statements [April 21, 2021](#)

- [RTC Overlay to 2 CFR 200](#) - November 12, 2020
- [RTC Appendix A Prior Approval Matrix](#)
- [RTC Appendix B Subaward Requirements](#) 2020
- [RTC Appendix C National Policy Requirements](#)
- **NSF Grant General Conditions (GC-1)**
- **NSF Cooperative Agreement Financial & Administrative Terms and Conditions (CA-FATC)**

Subrecipient Management and Monitoring Guidelines

NSF Proposal and Award Policies and Procedures Guide (PAPPG)

- Chapter II. Proposal Preparation Instructions, Section C. Proposal Contents, 2. Sections of the Proposal, g. Budget and Budget Justification (vi) Other Direct Costs, (e) Subawards (Line G5 on the Proposal Budget)
- Chapter VII. Grant Administration, Section B. Changes in Project Direction or Management

