

Pass-Through Entity's Oversight Responsibilities

Guide Sheet

What Is a Subrecipient?

Per 2 CFR 200.1, "Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency."

In other words, your entity is the main recipient of the DOJ award and the subrecipient is another non-federal entity, which your entity provides with a subaward to complete part of the federal program you have taken on. See [OJP TFSC's Subawards Guide Sheet](#) for more information on providing subawards.

It is important to distinguish a subrecipient from a contractor. The subrecipient has a federal **assistance relationship** with the recipient while a contractor has a **procurement relationship** with the recipient. Some key characteristics of each are listed below.

Grant Financial Management Requirement

Your entity must develop systems, policies, and procedures to ensure subrecipients make responsible use of program funds and meet the [requirements for](#)

[pass-through entities \(2 CFR 200.332\)](#). Programmatic and financial oversight of the subrecipient and its progress is essential in complying with program goals.

How This Applies to Your Grant

The general purpose of subrecipient oversight is to ensure:

- ▶ The subaward is used for authorized purposes and is implemented in compliance with applicable federal law (statutes and regulations).
- ▶ The terms and conditions of the subaward are detailed on the subrecipient agreement and achieve the subaward performance goal.

Ensuring subawards are successful and compliant involves performing critical oversight activities, which include:

- ▶ Clearly identifying all subawards to the subrecipient with detailed information and, if it is modified, updating such information in a timely manner (see detailed list in linked requirements above).
- ▶ Imposing requirements on the subrecipient to ensure the award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award.

Table 1. Characteristic of Grant Subrecipients and Contractors

Subrecipient	Contractor
<ul style="list-style-type: none"> ▶ May determine who is eligible to receive assistance under program guidelines ▶ Has performance measured on having met program objectives ▶ Has responsibility for programmatic decision making ▶ Uses funds to carry out program purpose instead of providing a benefit to the recipient ▶ Cannot earn profit and is required to contribute cash or in-kind in support of the program 	<ul style="list-style-type: none"> ▶ Provides goods and services under normal business operation ▶ Provides similar goods and services to many different purchasers ▶ Operates in a competitive environment ▶ Provides goods and services, which are auxiliary or complementary to the program ▶ Can earn profit

- ▶ Requesting programmatic and financial reports.
- ▶ Agreeing on an indirect cost rate that is either a negotiated rate or the de minimis.
- ▶ Ensuring that the subrecipient allows the pass-through entity and auditors to have access to the subrecipient's records and financial statements.
- ▶ Including terms and conditions for subaward closeout.
- ▶ Assessing the subrecipient's noncompliance risk with the federal statutes, regulations, and terms and conditions of the subaward.
- ▶ Following up and ensuring corrective action is taken for any findings and deficiencies discovered in audits, desk reviews, and on-site reviews.
- ▶ Providing training and technical assistance on program-related matters.

Oversight of Programmatic and Financial Areas

Like awards, subawards can be divided in two main areas: programmatic and financial. The programmatic area refers to the key deliverables and main objectives of the subaward program that are to be met. For example, providing 100 hours of emotional capacity building seminars to DOJ crime victim program participants. The financial area focuses on the expenses that are necessarily incurred to be able to execute the programs. For example, how much was spent on printing the materials and handouts to be given to participants of the 100 hours of seminars. Below are some of the recommendations for oversight of each area.

Programmatic

- ▶ Request periodic programmatic reports, and review for reasonability and matching with financial expenditure reports. Financial and programmatic reports must be aligned with each other. For example, there may be something amiss if a subrecipient indicates seminars were conducted in which printed materials were handed out and there is no expense in the financial report for printing services or materials.
- ▶ Compare program schedule with actual executed activities to assess program progress. If progress is not up to par, request corrective action detailing how they will get back on schedule.
- ▶ Request a possible contingency plan, if progress is not satisfactory, to provide alternate program activities that are feasible within the remaining program time.

Financial

- ▶ Request periodic financial expenditure reports and review for reasonability and matching with programmatic reports. Financial and programmatic reports must be aligned with each other. (See example under programmatic.)
- ▶ Ensure financial reports are received in a timely manner. Late reports could denote underlying problems, which could be either programmatic or financial. If there is a persistent tendency, request explanations and take corrective action, accordingly.
- ▶ Review the subrecipient's accounting systems and processes to ensure they are adequate in recording and maintaining program costs and that personnel is adept in these functions.
- ▶ Compare budgeted expenses to period and YTD progress. If progress is lagging behind schedule, request future expenditure projections that show how they will catch up.
- ▶ If progress is not satisfactory, discuss possible budget modifications.
- ▶ Review all pertinent documentation to ensure funds were utilized for the amount and activity/good/service for which they were originally budgeted, and make sure only allowable costs are expensed.
- ▶ Review special terms and conditions and assess for strict compliance.
- ▶ If there are audit findings, request written and detailed corrective action plans and constantly monitor their progress.

Conducting Oversight Activities

- ▶ For both programmatic and financial oversight, consider conducting periodic desk reviews. Desk reviews can be done on a timely basis, as they can be conducted remotely. Request documentation and set a specific time limit for submittal by either email or shared drives. If you have reason to believe a subrecipient is not complying with the award agreement or if they are high risk, you could schedule a site review in which they not only show the requested documentation and information, but show where these are stored and how the provided information was created.
- ▶ On-site reviews are usually reserved for high-risk grantees or where malfeasance is very likely. When an on-site review is conducted, be considerate of the

subrecipient's time and resources. They are allocating them to you, so be thorough but do not over extend your assessment if your requests have been met in and adequate and timely manner.

- ▶ For high-risk subrecipients and those with significant award amounts, request audited financial reports and thoroughly review programmatic reports. Alternatively, conduct the audit yourself in which you request a sufficient sample size to ensure that the information reported is represented accurately and fairly.
- ▶ If a subrecipient is performing unsatisfactorily or is noncompliant, consider withholding disbursements or further awards, disallowing costs, or suspending the award.

Resources

Office of Justice Programs Territories Financial Support Center. (2021). Subawards Guide Sheet. <https://www.ojp.gov/training-and-technical-assistance/tfsc/resources>

United States Department of Justice. (2017). *DOJ Financial Guide*. [ojp.gov/sites/g/files/xyckuh241/files/media/document/DOJ_FinancialGuide_1.pdf](https://www.ojp.gov/sites/g/files/xyckuh241/files/media/document/DOJ_FinancialGuide_1.pdf)

[2 CFR 200.331 Subrecipient and contractor determinations](#)

[2 CFR 200.332 Requirements for pass-through entities](#)

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.



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