Grant Financial Management Requirement

Subawards are the focus of increasing scrutiny from agency inspectors general, auditors, and federal awarding offices. Pass-through entities must be especially careful when awarding grant funds to subrecipients and act in accordance with the Uniform Guidance (2 CFR 200). Under some grant programs, the federal government requires, allows, and encourages entities to distribute their awarded funds through subawards to lower-tier entities that perform the programmatic work.

Important Information to Know

Subawards

Per 2 CFR 200.92, “Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.”

An example of a subaward would be a territory being awarded federal funds from a Department of Justice mandatory grant to increase housing assistance for victims. The territory passes through the funds in a competitive process so that local housing agencies with the most innovative and promising ideas are funded.

OJP grantees would make subawards when looking to provide federal funding to non-federal entities for accomplishing the activities and outcomes aligned with their federal grant. It is important to fully understand the responsibility of the pass-through entity and the subrecipient when providing subawards.

Pass-through entities

A pass-through entity is a key component when it comes to subawards. Per 2 CFR 200.74, a pass-through entity is “...a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.” Pass-through entities must clearly identify key federal award information, subaward and subrecipient information, and applicable compliance requirements, including applicable award special conditions, in the subrecipient award agreement—that is, the subaward.

Pass-through entities must ensure that subawards include all required information at the time of the subaward. The pass-through entity must document any changes to subaward data elements during the period of performance in subsequent subaward modifications (see 2 CFR 200.331).

Subrecipients

A subrecipient is 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.

Characteristics that support the classification of the non-federal entity as a subrecipient include when the non-federal entity:

- Determines who is eligible to receive what federal assistance.
- Has its performance measured in relation to whether objectives of a federal program were met.
- Has responsibility for programmatic decision making.
Is responsible for adherence to applicable federal program requirements specified in the federal award.

Uses, in accordance with its agreement, the federal funds to carry out a program for a public purpose specified in the authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

**Contractors**

By contrast with a subrecipient, a contract is for the purpose of obtaining goods and services for the non-federal entity’s (i.e., the grantee’s) own use and creates a procurement relationship with the contractor (see 2 CFR 200.22). Characteristics indicative of a procurement relationship between the non-federal entity and a contractor are when the non-federal entity receiving the federal funds:

- Provides the goods and services within normal business operations.
- Provides similar goods or services to many different purchasers.
- Operates normally in a competitive environment.
- Provides goods or services that are ancillary to the operation of the federal program.
- Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

How This Applies to Your Grant

Subawards are usually discretionary awards, even if the pass-through entity received the money through a mandatory grant. However, depending on program statute, regulation, or guidance, subawards do not have to be competitively awarded. If your program is silent on subaward competition, you must follow your own established regulations, policies, or procedures governing subawards for your organization.

In determining whether an agreement between a pass-through entity and another non-federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

**Resources**


OJP TFSC offers resources on a variety of grants financial management topics, which can be found on our website at [https://www.ojp.gov/tfsc/resources](https://www.ojp.gov/tfsc/resources)