

General Guidance for Pass-through Entities on Managing Subawards



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This guidance is for applicants and recipients regarding their responsibilities as pass-through entities. While not exhaustive, it addresses several areas of concern related to managing subrecipients. For comprehensive guidance, refer to [2 CFR Part 200 – Uniform Administrative Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards](#), and the terms and conditions of award.

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What are recipients, pass-through entities, subrecipients, and subawards?

Many NEH programs permit recipients to issue subawards to subrecipients to perform a portion of the scope of work or objectives of the award. A **recipient** is a non-federal entity that receives federal dollars in the form of a grant or cooperative agreement to carry out a project. A **subrecipient** is a non-federal entity that receives a **subaward** from a recipient to carry out a portion of the scope of the work or objectives of the federal award. When a recipient passes dollars to a subrecipient to carry out part of a federally assisted project, the recipient is referred to as a **pass-through entity**. The terms recipient and pass-through entity are used interchangeably throughout this guidance.

Only organizations can be subrecipients. Individuals who are beneficiaries of federal awards are participants, not subrecipients.

Issuing subawards and managing subrecipients is a significant responsibility and requires careful planning. The pass-through entity must comply with federal regulations when making a subaward. It is responsible for monitoring programmatic progress, ensuring compliance with federal regulations and the terms and conditions of the award, issuing payments, reviewing requests, issuing approvals, reviewing reports, and ensuring that subrecipients complete closeout activities for each subaward.

Legal responsibilities of pass-through entities

NEH has a legal and financial relationship **only with its recipients**, not subrecipients of NEH awards. However, recipients are legally responsible for meeting the terms and conditions of their awards and ensuring that activities conducted by their organization and subrecipients comply with all federal regulations. For each subaward, the pass-through entity must prepare a subaward agreement, a written legal document with the negotiated terms for programmatic, administrative, financial, and reporting requirements. Pass-through entities must communicate required expectations and responsibilities to their subrecipients and monitor them to ensure compliance with requirements ([2 CFR Part 200](#) and the terms and conditions of award) and achievement of performance goals.

[With few exceptions](#), requirements that apply to a pass-through entity also apply to its subrecipients. A pass-through entity must ensure that its subrecipients comply with the applicable federal and grant requirements and that all costs are allowable, [allocable](#), reasonable, and necessary.

Authorization for subawards

Applicants and recipients must receive approval from NEH before entering into a subaward agreement.

Applicants preparing NEH proposals involving subrecipients must clearly identify the activities they will conduct as the pass-through entity and the activities that the subrecipients will conduct in the application narrative, work plan, budget, and budget justification. Further, they must submit a separate budget and budget justification itemizing costs for each subrecipient using the same cost categories as the applicant's budget form. The Notice of Funding Opportunity (NOFO) includes instructions for preparing and submitting each subrecipient budget and justification.

If a subaward was not identified and approved by NEH as part of the original award application and budget, the recipient must request prior approval from the NEH Office of Grant Management before issuing it.

The recipient must make substantive contributions to the success of the project; it may not function solely as a fiscal agent or sponsor. An organization that functions solely as a fiscal agent or fiscal sponsor is not eligible for an award or a subaward.

Subawards versus contracts

[2 CFR § 200.331](#) provides guidance on the characteristics of subawards versus contracts. Per the definitions in [2 CFR § 200.1](#), a **subaward** is 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, while a **contract** is a legal instrument by which a non-federal entity purchases goods or services needed to carry out the project or program under a federal award.

Recipients may incorporate subrecipient requirements through subaward agreements or contracts. For compliance with [2 CFR Part 200](#), the substance of the relationship is more important than the form of the agreement.

The following lists identify some of the common differences between subrecipient and contract relationships.

Characteristics of a Subrecipient or Contractor Relationship

A subrecipient:

- may be selected competitively or noncompetitively
- is responsible for programmatic decision making
- uses the federal funds to carry out a program for a public purpose specified in authorizing statute, in accordance with its award
- has its performance measured in relation to whether objectives of a federal program were met
- must adhere to applicable federal program compliance requirements specified in the federal award

A contractor:

- provides goods or services that contribute and support the operation of the federal program
- provides goods and services typically available to many different purchasers within a competitive market, and delivers them within normal business operations
- has its performance measured against the requirements of its contract
- is not subject to federal program compliance requirements because of the contract, though similar requirements may apply for other reasons.

Recipients must document how (single source or competitive) and why a subrecipient is selected.

Roles and responsibilities: NEH, pass-through entities, and subrecipients

Federal regulation and policy establish roles and responsibilities for NEH, pass-through entities, and subrecipients, including ways to prevent fraud, waste, and abuse and ensure programmatic

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integrity. Recipients should consider the following responsibilities when drafting subrecipient agreements.

NEH responsibilities	Pass-through entity responsibilities	Subrecipient responsibilities
Ensure proper internal controls and oversight of pass-through entities to prevent and detect fraud, waste, and abuse.	Establish and maintain effective internal control over the award funds and subrecipient oversight.	Establish and maintain effective internal control over the subaward.
Verify recipient eligibility.	Verify subrecipient eligibility.	Maintain and provide relevant documentation to substantiate eligibility claims.
Ensure pass-through entities are not suspended or debarred and that they comply with all award requirements.	Ensure subrecipients are not suspended or debarred and that they comply with all award requirements.	Ensure contractors are responsible and, if applicable, not suspended or debarred.
Conduct risk assessments of the pass-through entities prior to making awards and continue to monitor risk over the period of performance.	Conduct risk assessments of the subrecipients prior to making an award and continue to monitor risk over the period of performance.	Monitor internal controls to ensure compliance with regulations.
Monitor pass-through entities to ensure compliance with all federal statutes, regulations, and conditions of the award.	Monitor subrecipient's activities to ensure that the subaward is used for authorized purposes in compliance with federal statutes, regulations, and conditions of the subaward, and that subaward performance goals are achieved. In addition to required reporting, pass-through entities may require periodic financial and programmatic reports, site visits, and reviews of subrecipients' audit reports.	Monitor contractor activities to ensure compliance with applicable federal requirements. Comply with relevant federal regulations for procurement under grants.
Review recipient performance and financial reports against proposed activities and approved budget. Close out projects.	Certify that all costs are associated with the approved scope of work and that the subrecipient completed all work in accordance with regulations and NEH policies. Certify project as complete.	Complete all work in accordance with federal regulations and NEH policies.

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NEH responsibilities	Pass-through entity responsibilities	Subrecipient responsibilities
Take appropriate action to remedy noncompliance with the pass-through entity.	Identify instances of subrecipient noncompliance and take prompt action.	Promptly remedy instances of noncompliance when they are identified.
Identify disallowed costs and recover funds from the pass-through entity, if necessary.	Ensure subrecipients are aware of their responsibility to repay duplicate funding. Identify and recover funds for unallowable costs, unexpended funds, and funds expended in error or through misrepresentation or fraud. Repay improper payments or overpayments.	Repay improper payments or overpayments.
Remind pass-through entities expending \$750,000 or more in federal awards during their fiscal year to conduct a Single Audit per 2 CFR Part 200 Subpart F .	Conduct a Single Audit when expending \$750,000 or more in federal funds in their fiscal year. Remind subrecipients expending \$750,000 or more in federal awards during their fiscal year to conduct a Single Audit per 2 CFR Part 200 Subpart F .	Conduct a Single Audit when expending \$750,000 or more in federal funds in their fiscal year per 2 CFR Part 200 Subpart F .
Issue management decisions regarding audit findings related to the recipient.	Issue management decisions regarding audit findings related to the subaward within six months of the audit report's release.	Resolve management decisions relating to the program's audit.
Report suspected fraud and cooperate with investigations.	Report suspected fraud and cooperate with investigations.	Report suspected fraud and cooperate with investigations.

Pre-award and award requirements

Pass-through entities must ensure subrecipients comply with applicable regulatory requirements to protect federal funds over the life of the subaward.

Internal controls

In accordance with [2 CFR § 200.303](#), pass-through entities and subrecipients must have written internal control policies and procedures in place to manage their awards and protect federal funds. These policies must address the effectiveness of operations; reliability of reporting; and compliance with applicable federal statutes, regulations, and the terms and conditions of the award.

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Administrative and financial management systems provide internal controls and help the organization prepare reports required by the terms and conditions of its award. The systems must be capable of tracking grant funds to establish that the funds have been used according to federal statutes, regulations, and the terms and conditions of the award. Internal controls must enable pass-through entities and subrecipients to evaluate and monitor compliance and take prompt action when instances of noncompliance are identified, including audit findings.

Internal controls should comply with guidance in “[Standards for Internal Control in the Federal Government](#),” issued by the Comptroller General of the United States, or the “[Internal Control Integrated Framework](#),” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Unique Entity Identifier

Per [2 CFR § 25.300](#), recipients may only issue subawards with federal funds to organizations that have obtained and provided to the recipient a Unique Entity Identifier (UEI). Subrecipients must obtain a UEI from the [System for Award Management \(SAM\)](#), but are not required to complete registration. Pass-through entities are responsible for improper payments to ineligible subrecipients without a valid UEI.

Prior to issuing a subaward, pass-through entities must check SAM to verify the Unique Entity Identifier (UEI) assigned to the prospective subrecipient, that their status is current, and that they do not have delinquent federal debt. Pass-through entities cannot issue an award or payments to a subrecipient with an expired status in SAM or to a subrecipient with federal debt until that debt is resolved.

Budget review

Pass-through entities must review subrecipients’ budgets to ensure compliance with the cost principles in [2 CFR Part 200](#) and any special terms and conditions. Pass-through entities are responsible for repayment of disallowed costs. **If applicable, a pass-through entity must honor a subrecipient’s federally negotiated indirect cost rate.**

Overlapping costs

Per [2 CFR § 200.403 \(f\)](#), overlapping project costs between two or more approved federal award budgets is not permitted. Pass-through entities must ensure that subrecipients do not duplicate or overlap activities and related costs on other federal awards. Types of overlap include:

- Programmatic – the scope (or activities) of the project is similar between current or expired awards.
- Budgetary – requested costs (e.g., salary, equipment) are already provided by another award.
- Commitment – an individual’s time exceeds 100% across multiple active awards, regardless of whether salary is requested.

Pass-through entities should review [USASpending.gov](#) to avoid overlapping costs across federal awards.

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Debarment and suspension

Prior to issuing a subaward, a pass-through entity must ensure subrecipients have not been debarred or suspended by any federal department or agency. See [2 CFR Parts 180](#) and [3369](#) for the OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement).

Delinquent debt

Subrecipients may not be delinquent on repayment of federal debt and must not receive funds until federal debts are cleared. Examples include delinquent federal taxes, delinquent payroll taxes, and benefit overpayments. See [OMB Circular A-129](#).

Responsibility/Qualifications records

The [Responsibility/Qualifications records in SAM](#) (formerly Federal Awardee Performance and Integrity Information System (FAPIIS)) is a database that contains information to support award decisions as required by the [Federal Acquisition Regulation, including past performance information and criminal, civil, and administrative proceedings](#).

Before issuing a subaward, a pass-through entity must assess the level of risk and institutional integrity of its subrecipients. Pass-through entities must review [Responsibility/Qualifications records](#) to assess the prospective subrecipient's integrity, business ethics, and past performance to determine the risk associated with the subrecipient and whether to proceed with a subaward.

Managing risk

Consistent with [2 CFR § 200.332 \(b\)](#), pass-through entities must complete a risk assessment for each subrecipient to evaluate its potential for noncompliance with federal statutes, regulations, and the terms and conditions of the subaward. The risk assessment provides the framework by which pass-through entities can mitigate potential risks and determine the appropriate level of subrecipient monitoring.

Pass-through entities should evaluate risk factors such as:

- the subrecipient's prior experience with the same or similar subawards and/or experience managing direct federal awards.
- the results of [previous audits](#), including if the subrecipient received a Single Audit in accordance with [2 CFR 200 Subpart F—Audit Requirements](#), and the extent to which the same or similar subaward has been audited as a major program. See [2 CFR § 200.518](#).
- recent substantive changes, such as new personnel or modifications to financial and accounting systems.

Pass-through entities may identify additional risk evaluation criteria beyond those included in [2 CFR § 200.332 \(b\)](#), including a review of public information in the [Responsibility/Qualifications records](#).

Pass-through entities must document their risk assessment policies and procedures, as well as risk reviews for each subrecipient.

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Based upon the results of its pre-award risk assessment and subsequent subrecipient performance, pass-through entities may impose specific subaward conditions identified in [2 CFR § 200.208 \(b\) and \(c\)](#), as appropriate. Pass-through entities should tailor subaward conditions appropriate to the designated risk level. Pass-through entities may include additional subaward conditions, such as:

- requiring reimbursements rather than advance payments
- withholding authority to proceed with their project until there is evidence of acceptable performance
- requiring more frequent and more detailed financial reports
- requiring additional project monitoring
- requiring the subrecipient to obtain technical or management assistance
- establishing additional prior approvals

Pass-through entities must notify subrecipients if they impose specific subaward conditions, including:

- the nature of the additional requirement(s)
- the reason(s) why the additional requirements are being imposed
- the nature of the action(s) needed to remove the additional requirements, if applicable
- the time allowed for completing the action(s), if applicable
- the method for requesting reconsideration of the additional requirement(s)

Pass-through entities must promptly remove specific subaward conditions once subrecipients have resolved the issue(s).

Subaward requirements

Per [2 CFR § 200.332](#), pass-through entities must ensure that subaward agreements are clearly identified to subrecipients and that they include the following required information.

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Required Information	
1. Federal Award Identification:	
•	Subrecipient name (the legal name associated with its Unique Entity Identifier)
•	Subrecipient's Unique Entity Identifier (UEI)
•	Federal Award Identification Number (FAIN)
•	Date NEH issued the award to the pass-through entity
•	Subaward period of performance start and end date
•	Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
•	Total amount of federal funds obligated to the subrecipient, including the current obligation
•	Total amount of the federal award committed to the subrecipient
•	Federal award project description, as required by the Federal Funding Accountability and Transparency Act (FFATA)
•	Name of federal awarding agency (NEH), pass-through entity name, and contact information for the awarding official
•	Federal Assistance Listing (FAL) number and name, and the dollar amount made available under each subaward and the FAL number at time of disbursement
•	Identification that the subaward is not for Research & Development
•	Indirect cost rate for the subaward (including if the de minimis rate is charged)
2. All federal subaward terms and conditions that flow down to the subrecipient through the pass-through entity, including required financial and performance reports, access to records, closeout, and those required by the recipient.	
3. Any additional requirements that the pass-through entity imposes on the subrecipient for it to meet its award responsibility to NEH, including identification of any required financial and performance reports.	
4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with federal regulations) or the de minimis indirect cost rate per 2 CFR § 200.414(f) .	
5. A requirement that the subrecipient permits the pass-through entity, NEH, and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through to meet the requirements of this part.	
6. Appropriate terms and conditions concerning closeout of the subaward.	

If information in the subrecipient agreement changes, recipients must ensure that the changes are included in subsequent subaward modifications.

If some of the information above is not available, recipients must provide the best information available to describe the federal award and subaward.

Flow down requirements and cost principles

[2 CFR § 200.101](#) identifies the following sections of 2 CFR Part 200 that flow down from pass-through entities to subrecipients (i.e., what is required for pass-through entities is also required for subrecipients). Pass-through entities must comply with the flow down requirements in subaward agreements' terms and conditions in the sections of [2 CFR Part 200](#) below:

- [Subpart A - Acronyms and Definitions](#)
- [Subpart B - General Provisions](#), except for [§§ 200.111](#) English Language, [200.112](#) Conflict of Interest, and [200.113](#) Mandatory Disclosures
- [Subpart C - Pre-Federal Award Requirements and Contents of Federal Awards](#), except for [§ 200.203 \(a\)](#) Requirement to provide public notice of federal financial assistance programs
- [Subpart D - Post-Award Federal Requirements](#), note [§ 200.331-333](#) Subrecipient Monitoring and Management
- [Subpart E - Cost Principles](#)
- [Subpart F - Audit Requirements](#)

Cost principles

Pass-through entities must ensure that subrecipients comply with [2 CFR 200 Subpart E – Cost Principles](#). The cost principles establish standards for the allowability of costs, provide detailed guidance on the cost accounting treatment of costs as direct or indirect costs, and set allowability and allocability principles for selected items.

The cost principles establish four main guidelines for determining whether costs are applicable to an award:

- A cost is **allowable** if it is permitted under [2 CFR 200 Subpart E – Cost Principles](#) and the terms and conditions of the award. Pass-through entities must identify and exclude unallowable costs from the award and any associated payment.
- A cost is **allocable** to an award if the goods or services involved can be directly charged to the award based on the benefit provided.
- A cost is considered **reasonable** if the nature of the goods or services, and the price paid for the goods or services, reflects the action that a prudent person would have taken given the prevailing circumstances at the time the decision to incur the cost was made.
- A cost is **necessary** if it is required for the performance or administration of the award.

All costs incurred for the same purpose and similar circumstances must be **treated consistently** either as direct costs or as indirect costs.

Subrecipient monitoring, recordkeeping, and audits

Subrecipient monitoring

Pass-through entities must monitor subrecipients' expenditures and programmatic progress to ensure they use subawards for authorized purposes; comply with federal statutes, legislative requirements, regulations, and the terms and conditions of the subaward; and achieve performance goals. Pass-through entities must have written subrecipient monitoring policies and procedures and ensure that subrecipients track, appropriately use, and report program income generated by the subaward.

Monitoring occurs throughout the lifecycle of the subaward. At a minimum, [2 CFR § 200.332 \(d\)](#) requires pass-through entities to monitor the following subrecipient activities:

- timely review of performance reports and financial reports required under subaward agreements.
- audit or other on-site reviews performed pursuant to [2 CFR Part 200](#). A Single Audit ([2 CFR 200 Subpart F](#)) if the subrecipient expects to expend \$750,000 or more in federal awards during its fiscal year. Pass-through entities must act on all identified deficiencies pertaining to the federal award.
- audit findings specifically related to the subaward. Recipients must issue a management decision on audit findings relating to the subaward as required by [2 CFR § 200.521](#).

In addition, pass-through entities may consider the following monitoring activities:

- providing subrecipients with training and technical assistance on program-related matters
- reviewing subrecipient's program operations
- arranging for agreed-upon procedures to monitor the subrecipient as described in [2 CFR § 200.425](#)
- documenting the results of the subrecipient's audits, on-site reviews, or other monitoring

FFATA requirements

The Federal Funding Accountability and Transparency Act (FFATA) is intended to reduce wasteful government spending by making information about federal awards and subawards publicly available online.

For each cumulative subaward of \$30,000 or more, a pass-through entity must report subaward data to the [FFATA Subaward Reporting System \(FSRS\)](#) by the end of the month following the month in which they issued the subaward.

Recordkeeping

Accurate recordkeeping and reporting are crucial to the successful management of NEH-funded activities. Without adequate recordkeeping, pass-through entities and subrecipients cannot track performance and maintain oversight. Failure to maintain adequate documentation and support for award and subaward expenditures may result in audit findings, disallowance of unallowable costs, and repayment of NEH funds.

Pass-through entities and subrecipients must follow the record retention and access requirements at [2 CFR §§ 200.334 - .338](#). They must retain records for a period of three years from the date of submission of the final expenditure report unless otherwise noted in [2 CFR § 200.334](#).

Audit requirements

Pass-through entities and subrecipients that expend more than \$750,000 in federal funds from all sources during their fiscal year are subject to single audits. The audits must meet the requirements of the Single Audit Act Amendments of 1996 (31 USC 7501-7507), as implemented by [2 CFR 200 Subpart F - Audit Requirements](#).

Pass-through entities must notify subrecipients that meet the expenditure requirements to conduct a single audit and must issue a management decision regarding audit findings related to the subaward within six months of the audit report's release. The single audit must include the entity's financial statements related to its federal awards.

Addressing subrecipient noncompliance

A pass-through entity may determine that a subrecipient that fails to perform in accordance with the terms and conditions of its subaward award is noncompliant. Examples of noncompliance include making expenditures with award funds on unallowable costs, failure to submit required reports, failure to request prior approval for changes to the subaward, or failure to execute the project in accordance with the approved work plan.

If a subrecipient is noncompliant and that noncompliance cannot be remedied by imposing additional conditions, the pass-through entity may take the following enforcement actions, as appropriate:

- temporarily withholding cash payments
- disallowing costs associated with the activity or action in noncompliance
- requiring repayment of award funds
- suspending or terminating the subaward as described in [2 CFR § 200.339](#) and [§ 200.340](#)
- recommending suspension or debarment of the subrecipient to NEH

Audit findings

If a subrecipient has audit findings related to the subaward, the pass-through entity must issue management decisions within six months of the audit report's release. See [2 CFR 200 Subpart F](#).

Reporting subrecipient noncompliance

As required by [2 CFR 200 Appendix XII](#), recipients must disclose in the [Responsibility/Qualifications records](#) any information about criminal, civil, and administrative proceedings, and/or affirm that there is no new information to provide. This applies to subrecipients that receive federal awards (currently active grants, cooperative agreements, and procurement contracts) greater than \$10,000,000 for any period during the period of performance of an award.

Report fraud, waste, and abuse

Help NEH eliminate fraud and improve management by providing information to the [NEH Office of the Inspector General](#) about allegations or suspicions of waste, fraud, abuse, mismanagement, research misconduct (fabrication, falsification, plagiarism), or unnecessary government expenditures during the period of award performance.

Resources

The following resources referenced throughout this guidance may assist pass-through entities with subrecipient monitoring and oversight:

- [General Terms and Conditions for Awards to Organizations \(for grants and cooperative agreements issued January 1, 2022, or later\)](#)
- [2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [SAM.gov](#)
- [IRS Tax Exempt Organization Search](#)
- [Federal Audit Clearinghouse](#)
- [Responsibility/Qualifications records in SAM](#)
- [USA Spending](#)
- [FSRS - Federal Funding Accountability and Transparency Act Subaward Reporting System](#)