

Controller Alert:

Controller Alerts are designed to highlight emerging financial management issues that may require agency attention or action. These Alerts are intended to inform the Chief Financial Officer (CFO) community of key issues where the Office of Management and Budget (OMB) believes further action may be warranted, but do not constitute official guidance or prescribe specific tasks for agencies beyond consideration of appropriate steps to address the issue.

The purpose of this Controller Alert is to remind agencies of their responsibilities for approving subawards under financial assistance awards and to hold recipients accountable for subaward reporting. All award terms and conditions must clearly and unambiguously notify recipients of their obligations to obtain agency approval for any subawards under 2 CFR § 200.308(c)(6). Further, agencies must include subaward reporting requirements in award terms and conditions as required by 2 CFR part 170.

Agencies are reminded of the subaward reporting requirements located at 2 CFR part 170 and actions agencies are expected to take when recipients are non-compliant with these reporting requirements. Federal grant and cooperative agreement recipients are required to report information on subawards, as required by the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. No. 109-282), as amended by section 6202 of Public L. No. 110-252. 2 CFR part 170 requires Federal agencies to include an award term requiring recipients to report first-tier subawards above \$30,000. OMB plans to add this requirement for subaward reporting for all COVID-19 programs listed in the 2020 Compliance Supplement Addendum and for all programs reviewed under the Single Audit requirements in the 2021 Compliance Supplement.

OMB Memorandum M-18-16, Appendix A to OMB Circular No. A-123, *Management of Reporting and Data Integrity Risk* requires Federal awarding agencies to establish appropriate internal controls to monitor compliance with these requirements. If a non-Federal entity fails to comply, Federal awarding agencies are expected to take appropriate action to remedy such non-compliance as outlined in 2 CFR § 200.339. In instances where the Federal awarding agency or pass-through entity determines that non-compliance cannot be remedied by imposing additional conditions, the Federal awarding agency is encouraged to take one or more of the following actions, as appropriate:

- Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity.
- Disallow all or part of the cost of the activity or action not in compliance.
- Wholly or partly suspend or terminate the Federal award, in accordance with 2 CFR §§ 340 through 343.
- Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
- Withhold further Federal awards for the project or program.
- Take other remedies that may be legally available.

In response to this Controller Alert, all CFO Act agencies that award and administer Federal grant and cooperative agreement programs, are expected to review their current policies and related terms and conditions to ascertain recipient compliance with existing subaward requirements. Corrective actions must be taken to immediately remedy any gaps in compliance. An example of agency oversight policy related to the subaward reporting requirement is attached for your reference.

EXAMPLE FOR AGENCIES
BUREAU OR PROGRAM COMMUNICATION REGARDING SUBAWARD REPORTING
For Reference Purposes Only

Ensuring We Approve All Subawards under Assistance Instruments and Hold Our Recipients Accountable for Reporting

Accurate and prompt subawards reporting through the [Federal Funding Accountability and Transparency Act Subaward Reporting System](#) (FSRS) and made publicly available through [USAspending.gov](#) is vital to monitoring the implementation of funded activities and our ability to focus resources on mission essential initiatives.

Grants management officers should familiarize themselves with the requirements for reporting subawards set forth in the [Federal Funding Accountability and Transparency Act of 2006 \(FFATA\)](#) and 2 C.F.R. part 170, Appendix A.

Agency Approval of Subawards:

Prime recipients must obtain prior written approval from the awarding agency for all proposed subawards, regardless of size (see 2 C.F.R. § 200.308(c)(1)(vi)).

When requesting approval, prime recipients must confirm that they have conducted:

1. A risk-assessment of each of the proposed subrecipient(s) by name; and,
2. Verify that each subrecipient:
 - a. Does not have active exclusions in the [System for Award Management](#) (SAM);
 - b. Does not appear on the [Specially Designated Nationals \(SDN\) and Blocked Persons List](#) maintained by the Office of Foreign Assets Control within the U.S. Department of the Treasury; and,
 - c. Does not appear on the [Consolidated List](#) of organizations and persons subject to sanctions by the United Nations Security Council.

This prime recipient approval process maximizes the value of grant funding by applying a risk-based, data-driven framework that balances compliance requirements with demonstrating successful results for the American taxpayer.

Subaward Reporting:

As required by FFATA, 2 C.F.R § 200.308(c)(1)(vi), and [insert references to agency guidance as appropriate], when the awarding agency approves a subaward equal to or greater than \$30,000 the agency approving official must remind the prime recipient of the requirement to report the subaward through FSRS. Specifically, prime recipients must report each action that obligates \$30,000 or more in funds, not including Recovery Funds (as defined in Section 1512(a)(2) of the American Recovery and Investment Act of 2009, Public Law 111-5). The awarding agency should also remind prime recipients that they must submit this report in FSRS and they have a continuing responsibility to update data on new obligations into subawards.

If a prime recipient fails to fully comply with the mandatory requirements and award terms, the awarding agency may impose additional award conditions or take other actions as appropriate under the circumstances. These actions could include (see 2 C.F.R. § 200.338 and [insert references to agency guidance as appropriate]):

- Withholding cash payments temporarily pending correction of the deficiency;
 - Disallowing all or part of the cost of the activity or action that is out of compliance;
 - Suspending (wholly or partly) or terminating the award; and,
 - Withholding further awards for the project or program, and initiating proceedings for suspension and debarment.
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