



**ASAP WEBINAR**

**ON**

**SUBAWARD MANAGEMENT –  
CREATING, PRE-AWARD  
ASSESSMENTS, MANAGING AND  
BUILDING CAPACITY**

**JUNE 17, 2020 & JANUARY 20, 2021**

**Questions and Answers**

**ACCELERATING SUPPORT TO ADVANCED  
LOCAL PARTNERS (ASAP)**



## Subaward Management - Creating, Pre-Award Assessments, Managing and Building Capacity

The answers to these questions are provided by the Managing Partner of SustainAbility Solutions PC, who conducted the webinar. As GAGAS or Yellow Book auditors, we take a conservative approach to which costs can be charged to USAID and other US Government agencies. As you will see in many of our answers below, USAID, through the Mandatory Standard Provisions for Non-US NGOs at M1(b), allows all awardees to obtain written confirmation from their Agreement Officer as to whether costs will be allowable or allocable. We strongly encourage organizations to do this. This same ability to obtain certainty about costs, can also be found at 2 CFR 200.407 – prior written approval – by going to the following link:

[https://www.ecfr.gov/cgi-bin/text-idx?SID=3982bef6bd0f506d3c33b4a331f27cc6&mc=true&node=se2.1.200\\_1407&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=3982bef6bd0f506d3c33b4a331f27cc6&mc=true&node=se2.1.200_1407&rgn=div8)

*NB: The questions below were taken directly from the webinar event and have not necessarily been edited or amended except for obvious typos, etc.*

PLEASE NOTE THAT SOME UNIFORM GUIDANCE NUMBERING OR REFERENCING HAS BEEN UPDATED AS OF NOVEMBER 12, 2020. ACCORDINGLY, THE REFERENCES FROM THE JUNE 17, 2020 Q&A BELOW ARE AS THEY WERE ON THE DATE OF THE JUNE WEBINAR AND POSSIBLY NOT AS THEY ARE CURRENTLY (JANUARY 2021) UPDATED AFTER THE JANUARY 20, 2021. GENERALLY, IF THE REFERENCE HAS CHANGED, IT MIGHT BE ONE NUMBER HIGHER AS THE OMB HAS ADDED A FEW NEW REQUIREMENTS, ESPECIALLY AROUND PERFORMANCE MEASUREMENT.

### **Q1. Why do we conduct pre-award capacity assessments?**

A1. As per the 2 CFR 200 Uniform Guidance, as well as USAID’s ADS 303, before USAID can make an award to an organization, USAID needs to make a determination that the organization has the capacity, or will be able to develop the capacity, to be able to correctly manage the funds and deliver on the technical aspects of the award. The same type of evaluation must also be performed by a prime recipient in cases where the prime recipient would like to award funds to a subrecipient. A prime recipient must also evaluate the capacity of a subrecipient before any funds are subawarded to a subrecipient.

### **Q2. What functional areas of the organization should be assessed during the pre-award capacity assessment?**

A2. The ASAP project has taken the standard NUPAS (Non-US Pre-award Survey) and added many functional assessment areas. As this webinar is focused on assisting new local partners to issue subawards, our answer will make the assumption as to what a prime should assess within a potential sub.

The six “original” functional areas to assess were: Legal, Finance and Internal Control, Procurement, Human Resources, Performance Management and Sustainability. Additional

relevant areas such as Fraud, Property Management, IT, M&E, Gender, etc. are part of the NUPAS PLUS assessment.

Certainly, the first six or original functional areas should still be reviewed, but the additional areas are also important to consider at some level of detail as those areas are likely to become relevant once the organization receives their subaward, so although these new areas may not apply to the organization in its current state, the assessment can identify areas where the organization may need strengthening. As the prime will be responsible for assisting the sub to be able to correctly manage their USAID funding, the prime needs to ensure that either the prime's or sub's budget includes expected costs.

**Q3. What are the primary compliance tests to be performed during pre-award capacity assessments under a USAID funded project?**

A3. Please see Q&A#2 above.

While there is no minimum or maximum level of testing or review required or expected, it is important for the prime to have comfort that the sub will competently manage the funds passed down to them, as the prime retains overall responsibility.

**Q4. Clarify the three risk levels and how we can manage them differently for subrecipient management? What specific measures and enforcements should be taken for subrecipients with the three risk levels?**

A4. I am not aware of three specific "risk levels" at the subrecipient level. In the webinar, I may have mentioned that for a local prime partner, or LIP (Local Implementing Partner) as the ASAP project likes to name them, there are many "risks" or, better stated, responsibilities. For Non-US NGOs, the official guidelines for managing subs is in the May 18<sup>th</sup>, 2020 Mandatory Standard Provisions (MSPs) Required As Applicable Provisions (RAAP) #8 – Subawards. While these guidelines provide some indication of LIP responsibilities for managing subrecipients, SustainAbility Solutions strongly believes that all primes should rather follow the guidance provided at 2 CFR 200.331 – Requirements for Pass-Through Entities. These are very detailed and excellent guidelines, which, if followed, will more likely lead to strong subrecipient management. Compliant subrecipient management can help mitigate and/or prevent potential risks that can arise from weak or poor subrecipient management.

The link to that section of CFR is found here: [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1331](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1331)

**Q5. What are the basic monitoring tools to subrecipient management?**

A5. Please see Q&A #4 above, and then focus on sections (d) and (e).

**Q6. What are the preconditions for the pre award capacity assessment and is it unique based on country situation and threshold?**

A6. I do not believe there are any preconditions; it appears to be a fundamental requirement. I am not aware of any specific country issues (except possibly those countries with extra partner vetting requirements such as Afghanistan and the Gaza Strip/West Bank).

From a threshold level, it might depend on your prime Agreement Officer (AO) but assume the level for all subawards is greater than \$25,000. Please remember that all subawards need to be prior approved by your AO in writing.

**Q7. What's the eligibility criteria for getting USAID funding? Is the award limited to only HIV or can it also be extended to other emerging issues like Covid-19 interventions?**

A7. All USAID, and USG for that matter, awards for Assistance, greater than \$25,000, are required to be included/"advertised" on the [www.grants.gov](http://www.grants.gov) website. For unsolicited concept papers and applications, please see ADS 303.3.5.5. If you would like to see which types of programs and/or activities the USG is funding in different countries around the world, please visit [www.foreignassistance.gov](http://www.foreignassistance.gov).

**Q8. Is it possible to have the 10% De Minimis approved in a cooperative agreement that is presently running without it?**

A8. In theory, yes. However, your AO may indicate that there is no additional funding available for your award. This is why it is so important to clearly document all expected project costs at the proposal stage, and then, in every annual budget request.

**Q9. How can the prime track level of effort of the subrecipient? Can the prime call for the submission of monthly timesheets by the sub?**

A9. Please see Q&A #4 above and visit the link to 2 CFR 200.331. It is the prime's responsibility to manage the sub which is certainly in the prime's interest as the prime is ultimately responsible for the proper and complaint management for all of the funds that get passed down to its subs.

When the prime is performing its subrecipient risk assessment, the prime should determine the strength of the sub's internal control systems and test the LoE or timesheet system. As auditors who always are concerned about accountability and risk management, we recommend that a prime regularly reviews supporting documentation from its subs. This is especially important when processing a sub's request for funds.

**Q10. Should I assess a sub-partner if I am just extending their subaward?**

A10. Please see Q#A #4 and #9 above. If your "extension" will require AO approval, then you may wish to confirm with your AO whether she or he requires another assessment. But we, as auditors,

would ask you a question about whether anything might be changing in the internal control and financial management systems of the sub as a result of the extension? As the prime is always at risk since it is responsible for all actions of a sub, it is in the prime's best interest to ensure your subs are competent and strong.

**Q11. Are there any different requirements for the organizations, if the passthrough institution is a local implementing partner and the subrecipient is a US based NGO? Or they are required to follow the same grant management treatment? Specifically, in relation managing the grant management activities of sub recipient and pre-award assessment.**

A11. Yes, if the LIP is passing down funding to a US-based NGO, you must pass down the Mandatory Standard Provisions for US NGOs, which incorporate the entire regulations of the 2 CFR 200 or Uniform Guidance. This means that the LIP must manage a sub that has rules that do not apply to the LIP itself. This suggests that the LIP pay special attention to compliance. We suggest that the LIP has a program compliance officer, or, what we referred to as a subrecipient management team/person (SRMT) in the webinar.

**Q12. Should the LIP do the pre capacity assessment by themselves or if not who ?**

A12. Yes, LIPs can perform the pre-capacity assessment. Or, it can be outsourced to a professional services firm that has specific expertise in the complex and ever-changing regulatory framework of the USG. Ideally, that firm would be GAGAS accredited. You can ask the USAID Controller for a list of such firms. As per 2 CFR 200.331 (e) (3), if the prime will be strengthening the subs, then they are required to use a GAGAS-competent firm as per 2.CFR 200.425 (c ) (1)-(3) – Audit Services. There are many types of assessment tools including NUPAS, which is a USAID tool that evaluates a recipient's capacity to competently manage USG funds and successfully deliver on the desired outcomes of the given award. ASAP also has other tools available for LIPs to use. As a prime, it is your responsibility to understand the capacity of your subs and strengthen them in any areas in which are found to be weak.

**Q13. What is the minimum score for the pre-award assessment for the sub or prime to qualify for an award?**

A13. There is no minimum score. However, you don't want to work with a sub-partner that is very weak (as would be indicated by a low score) and cannot be, or is unwilling to be, strengthened. If you are to take on these organizations as subs, you are also taking on the burden and additional responsibility of capacity building. Capacity building takes focus, time and money. This is why it is wise to get an understanding of a potential partner's competence right at the very beginning - at the proposal or consortium-forming stage.

**Q14. For local organization that are "essentially weak" in NUPAS, rather than them being a sub, how should that be handled? As well, how is it determined the amount of funding they can manage for an award?**

A14. For organizations which are deemed to be “too weak” to receive funding as a sub-awardee, a prime may consider issuing a Fixed Amount Subaward (FAA for subs). FAAs come with specific requirements and limitations including that a FAA issued by a prime, can only be for a limited amount of funding and for a specific amount of time. The Simplified Acquisition Threshold (SAT) is currently \$250,000. 3 years in length is the maximum amount of time allowed per FAA. USAID provides fantastic guidance in three separate documents which can be found with ADS 303, starting at section 303.3.25. Regardless, the prime must still ensure that the sub-organization eventually delivers what is expected of it.

**Q15. We have a scenario that a pre-award assessment has chosen an implementor and the regional health authority did not recommend them, what do we do here?**

A15. We suggest that you work with your USAID AO and AOR (Agreement Officer’s Representative). There can be significant local politics involved in NGO funding and it would make sense to try to get a feel of local politics (again, through your AOR, AO, and organization staff, board, etc.) before spending too much time assessing a potential partner.

**Q16. What is the average timeframe for sub-award solicitation?**

A16. The US Government operates on a 1 October – through 30 September fiscal year. The majority of awards are made in the final quarter of a fiscal year, July – September. As mentioned in Q&A #7 above, all future projects will be advertised at [www.grants.gov](http://www.grants.gov). You can also participate in the very informative USAID Business Forecast Forum. You can sign up for this by visiting [www.USAID.gov](http://www.USAID.gov). You’ll find the Business Forecast Forum at the bottom of the website.

We would recommend planning that any new project will take at least 3 months of time to build a new project or consortium, including subs. However, smart primes should always be on the lookout for strong local organizations operating within their country that could be potential partners. Also, see ADS 300 for Procurement Action Lead time which more applies to prime recipients but there is some information which could apply to subs as well.

**Q17. Do we have a minimum score on NUPAS that would mean "NOT TO MOVE FORWARD" or it all depends on the judgement of the contracting office?**

A17. Normally, there will be an evaluation team at each Mission that will evaluate the results of assessments and then make recommendations to the AO who will decide whether or not an organization (at the prime or sub level) will be funded. Please remember that Agreement Officers (AOs) issue Cooperative Agreements, and Contracting Officers (COs) issue contracts. LIPs are more likely to receive a Cooperative Agreement from an AO, versus a contract from a CO.

**Q18. What circumstances can amount to award sanctioning?**

A18. Many things can lead to sanctions or Debarment and Suspension as per the Non-US MSP #12 as well as MSP #10 – Award Termination and Suspension.

As auditors, most cases that we have seen leading to this unfortunate state relate to fraud, and/or significant unwillingness and/or inability to comply with the many mandatory requirements identified in the award. As we indicated in the training, under the new OMB guidance, any reference in your award or any attachment that indicates that you “must” do something, is considered to be a non-negotiable requirement. Your auditors will look for and test for these requirements.

**Q19. The threshold for the yellow book audit is \$750K in a year. Is it USAID's fiscal year? Is it in a calendar year? In any 12 consecutive months?**

A19. The \$750K threshold relates to USAID funds spent (not received) during the recipient's 12-month fiscal year. Accordingly, whereas the USG fiscal year is October 1st through September 30th, the fiscal year of many NGOs will be from January 1<sup>st</sup> – December 31<sup>st</sup> year or April 1<sup>st</sup> through March 31<sup>st</sup>. Before your audit, be sure to reconcile with the USAID OFM, the total funds given to your organization during *your* fiscal year. The auditors will test for this as per what you indicated on your Fund Accountability Statement, and if your records do not reconcile with USAID's, then the audit starts off on the wrong foot.

**Q20. For organization sustainability, is it allowed to use USG funds to organize fundraising?**

A20. No. Fundraising is specifically not allowed as per 2 CFR 200.442. However, “fundraising” needs to be distinguished from Bid and Proposal Costs as per 2 CFR 200.460. Fundraising is generally considered to be obtaining unrestricted funding that the organization can use for any purpose. Once an organization defines a budget and a specific purpose, then the activities to raise those funds could be considered Proposal Costs. However, such costs are generally only allowable as indirect costs, which is why LIPs would want to have their 10% de minimis in place, or to eventually apply for a NICRA.

**Q21. Suppose you have multiple USAID grants – e.g. one on OVC and another on TB and they add up to 750,000, does the USAID audit get triggered or we continue with our auditors?**

A21. Please see Q&A #19 above as well as MSP #M2(b).

Most organizations are required to have “statutory audits” based on the rules of their country. These annual audits cover all of the activities (including revenues and expenses) of the organization, including USAID/CDC funding. Statutory audits can be performed by any audit firm which meets the rules and requirements of their country's accounting/auditing authority.

The “USAID audit” or “Yellow Book” audit, which is performed under the US Generally Accepted Government Auditing Standards (GAGAS) is required when an organization expends more than \$750,000 of USAID-related funding in its fiscal year. These funds could be from serving as a USAID prime or sub-recipient. In this case, obtain from the USAID OFM office a recent copy of ADS

591maa and follow those instructions. As noted in Q&A #12 above, the USAID Controller, or Deputy Controller, should be able to provide LIPs with a list of audit firms deemed to be competent to perform GAGAS or Yellow Book audits.

Please note that the current threshold for HHS/CDC or NIH-related audits is \$300,000 for Non-US NGOs. Usually, those funds would be audited separately. However, the auditing of those funds would also be performed by GAGAS-accredited auditors. This can be complicated territory to fully understand and the interpretation of the rules changes on an on-going basis. If you have any questions, please feel free to contact me at [doug.franke@sustainabilitysolutions.co.za](mailto:doug.franke@sustainabilitysolutions.co.za)

**Q22. Is interest income allowable?**

A22. For USAID, the first \$250 of interest income earned on USAID-advanced funds can be retained to pay for organizational administrative expenses. Please see MSP RAAP#1(c).

If you are referring to interest incurred by the organization, such costs are generally unallowable, except in certain circumstances.

See: [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1449](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1449)

**Q23. Are subs required to complete FAS as well as the Prime?**

A23. Yes, depending on the audit requirement. As noted above in Q&A #19 and #21, primes and subs that expend more than \$750K in their own fiscal years are required to have a Yellow Book or GAGAS audit and each organization would also be required to have its own FAS.

Please be aware that the rules for preparing the FAS have changed and audit firms are no longer allowed to assist organizations with the preparation of their FASs. In such cases, it would make sense to engage with a different audit firm, in advance of your audit, to assist with the preparation of the FAS, as well as with general audit issues. After the FAS has been prepared, a Yellow Book or GAGAS-accredited audit firm can then perform the audit.

**Q24. Is there any possibility to provide a grant without conducting a pre-award capacity assessment? What are the circumstances to grant without conducting the assessment?**

A24. See ADS 303 for detailed guidance for the many scenarios where this may happen, but, in general, assume that for new LIPs who will be receiving their first USAID award as a prime, there will be a NUPAS assessment

**Q25. Where could one find tools for risk assessment for identified subs?**

A25. See the ADS 303 guidelines for pre-award survey guidance, or ask your USAID Mission for any available tools. The ASAP project may be able to provide assistance as well.

**Q26. If there has been a fraud at sub-partner and forensic audit is required..., are such forensic audit costs allowable?**

A26. Please read your award for fraud situations and requirements and study MSP #12(c) and #26.

For situations where an organization learns of fraud committed within the organization by certain staff members with funds provided from any Non-USG sources, (e.g., Gates Foundation, Global Fund, EU, etc.), the recipient must notify its AO. (MSP#12).

For situations in which the fraudulent funds relate to USAID funding, the prime must notify its local AO, as well as the USAID OIG in Washington DC. (see MSP#26). At the subrecipient level, the sub must notify the prime (person serving/acting as AO), as well as the OIG in Washington DC.

Regarding the costs for any forensic work, any costs to be incurred by the USAID officials, or consultants hired by USAID, will be covered by USAID. For costs incurred by the subrecipient, you would be wise to discuss such costs with your "AO-equivalent" at the prime as per MSP#1(b) as well as 2 CFR 200.407 – Prior Approvals. As always, the Golden Rule is to have the costs approved in writing by your AO.

As auditors, we have seen such costs/expenses approved by USAID.

**Q27. In regards to transitioning awards to local partners, is the expectation that the prime should be stronger than the subs? If some subs are stronger than the prime, how can this be handled?**

A27. We do not believe that there are defined expectations. There is no doubt that the intention of USAID is to transition a significant amount of their local funding to LIPs, who would naturally be "weaker" than the large US primes that they may have been subs to. And it is logical that USAID may wish to see continued participation of the former US primes, as subs, to continue supporting the new local primes. However, as noted in Q&A #11 above, managing a US-based sub can pose additional challenges. When managing a US-based sub, it is extremely important to incorporate the access to records requirement as noted at 2 CFR 200.331(a)(5).

**Q28. On the fund accountability statement..., do I treat advances to subs as "expenses" or its the actual funds spent that are recorded as expenses? EG, I advance \$10,000 to a sub, they actually spend \$8,000, balance / cash on hand is \$2,000, which amount do I record as expenses in my FAS as prime, is it \$8 000, or \$10 000 that was advanced?**

A28. A prime records the total amount provided to a sub as an expense. It is the sub, which recognizes the \$10,000 on their FAS as revenue, and then identifies the \$8,000 as expenses, reflecting the \$2,000 balance.

**Q29. if the subaward gets less than the \$750 threshold, and if they get their books audited in line with their financial policy, are the audit fees chargeable to the USAID fund?**

A29. If the sub is having their statutory (or nationally-required) audit conducted in accordance with their policy, the USG would want to see that that audit was actually legally required. If it was not

required, then USAID/USG will not necessarily pick up “its fair share”. You would need specific Prior Approval for this.

For USAID funds under the \$750K threshold, an organization should not have them audited. The prime’s auditors will perform certain tests of the prime’s management of the sub to assess the appropriateness of the costs. This is why at Q&A #11, #12, and #27 above, we stress the importance of subrecipient management.

**Q30 As you know in the FAA agreement it did not auditing the financial utilization by donor agencies and other special ADS 591 audit requirement if the LIPs wants to conduct ADS-591 AUDIT by its own self. Is the cost of this audit fee allowable?**

A30. No, not an AUDIT. See Q&A #29 above. This is why it is so important to do all of the preparation for awarding a FAA at the beginning. However, a prime can incur other costs as noted under 2 CFR 200.425 (c) for managing subs.

See link: [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1425](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1425)

**Q31. Are there available tools to track the improvement made by sub awardees over a period of time?**

A31. Please ask your ASAP project coordinator about available tools.

**Q32. Would you please share the subaward management manual, if any?**

A32. There is no sub-award management manual yet, prepared by the ASAP project. But please check with your ASAP project coordinator in the near future.

**Q33. How do we get the tools for Technical Assistance e.g. strategies to enhance donor confidence?**

A33. As noted in Q&A #31 and #32 above, please check with your ASAP coordinator.

**Q34. For Doug: Some of the projects like Global Fund put fixed LOE rates in the Cooperative Agreements and this becomes a challenge when they have to charge fair share to the rest of the projects since GF does not allow any flexibilities in their LOEs. How can we help such subs to ensure all projects get fair billing on the actual time worked?**

A34. Organizations that accept USAID Funding should understand the allocability rules that come with their awards. Unfortunately, other donor organizations like the Global Fund and many Foundations refuse to pick up their “fair share”. In such cases, the recipient organization needs to make hard choices as to whether or not they can or should accept such funding as the USG is not going to pick up funding “shortages” from the other donors. But the shortages which I am talking about normally refer to indirect costs for items such as administrative costs, overheads, etc.

Your question refers to LoE which relates to two possible things: 1. Rate of pay, or 2. Hours of work/effort. We would need to know more details to provide a specific answer to this question

but I would guess that you are saying that the GF will not pay more than for a budgeted LoE, whereas USAID will allow you to charge actual hours/effort, within some very wide ranges.

I suggest trying to discuss and negotiate these types of issues up front, as soon as you win an award. Or, you could also strictly manage the LoE of staff under GF or other limiting awards.

**Q35. When is the right time to conduct a pre-award assessment?**

A35. Good question. I would think that if you are forming a consortium and are at the stage where the delivery team members are close to final, that might be a good time. You would certainly wish to confirm with your current AO, that any assessment costs will be deemed allowable. But don't wait too long before the expected start of the new project in case the org being assessed is deemed very weak. I would think that 3 months before the start is not too early. One month before may be too late.

**Q36. RAA & MSP refers to those provisions that must be included in the subrecipient awardee grant agreement. Kindly clarify more.**

A36. In the two sections of the MSPs (MSP and RAAP), there are normally paragraphs at the end of each provision which define which provisions must be passed down. For the RAAPs, many provisions will be award-dependent as many recipients will simply not have indirect costs, subawards, human research, program income, etc.

**Q37. Do you mean that the risk assessment via the link should be done to all employees regardless of the level they hold?**

A37. Yes. All employees and all suppliers. I think this question applies to the requirement to make sure that all employees and suppliers are checked against the three sites detailed at MSP #12 (which is the old EPLS link now on [www.sam.gov](http://www.sam.gov)), and MSP #14 which is the US Treasury check and United Nations list. There are no lower limits.

**Q38. Is there any guideline or a requirement of how we select the subs? Or we just head hunt? Do we advertise?**

A38. There are not guidelines for selecting subs but an organization should have some idea as to which other organizations in their "marketplace" offer similar or complementary services. This would be part of the responsibilities for the Executive Director of the organization or the business development manager, if such a role exists. This all goes along with sustainability management and not being reliant on one donor or project. You can also visit [www.grants.gov](http://www.grants.gov) and inspect opportunities where your organization might be able to provide needed services. Frequently, one can add your org's name to the list of interested parties. You can also promote your organization to the large US and INGOs operating in your country or region. You can also follow opportunities listed in the USAID Business Forecast, highlighted above.

**Q39. What happens when a sub did not disclose their other US funded income/projects and therefore did not undergo the OMB audit yet they should have? What could be the remedial actions in this situation especially from the Prime?**

A39. First, it is/was the prime's responsibility to determine if its sub was receiving other USAID/USG funding as per 2 CFR 200.331(f). As auditors, we are constantly instructed to look for this situation as, in theory, our audit report could be rejected by USAID or the Office of Inspector General (OIG) if sub funds are missed – but it is the prime's responsibility to do this as those funds would have needed to be included on the prime's FAS, under the sub-recipient line item.

In these circumstances, we have seen that the prime and/or other primes or USAID will need to get together to have the sub funded and audited. This is not a situation that anybody wants to be in. Please check with your sub to verify the sources of all of their funding. Many LIPs do not understand the different sources of PEPFAR funding which could be USAID, HHS/CDC, NIH, State, DOD, Peace Corps, etc.

**Q40. I understood that audit should be conducted from USD 500,000 and above; but in the presentation it was mentioned 200,501; are there any changes or I had wrong information?**

A40. \$500,000 was the old US-based organization threshold before the 2 CFR 200.500 Uniform Guidance changes. For USAID Non-US organizations, the old threshold was \$300,000. Now, for all USAID implementing partners, the level is \$750,000.

As noted above, the current audit threshold for Non-US organizations receiving CDC funding is still \$300,000.

An interesting fact (if you love audit facts) is that when the USG raised the audit threshold from the \$300K or \$500K to \$750K, 99.7% of the total USG funding would still be audited. This means that there are relatively very few projects or organizations that spend up to \$750K. Certainly, for USAID Missions, auditors and organizations overseas, the increase in threshold had a significant impact on audits conducted.

**Q41. Is it allowed for the organization to be a prime in one project and sub for another project?**

A41. Absolutely. This is common.

**Q43. Where do you locate the Technical Assistant under this diagram?**

A43. The example that we provided in the webinar was extremely simple. If you are referring to a specific person who would be performing assistant responsibilities, that person would be among many staff members in the project-specific sections of the cost and technical proposals.

If you are talking about "Technical Assistance", as in a project that will include possibly short or long-term program-specific activities, you might include a detailed section stating that "x number of STTA, or short term technical assistants will be performing x activities". The more details that are provided about exactly what they will be doing, for how long, and how much they will cost, the better.

**Q44. What circumstances would amount to award sanctioning?**

A44. Please see Q&A #18 and #26 above.

**Q45. Can a poor relationship between a country and Washington jeopardize funding of organizations in that country?**

A45. Yes, it has happened in the past where issues such as human or Gay/Lesbian rights are significant. Also, significant government fraud, which calls into question that government's ability or willingness to enforce "clean government" has resulted in projects being suspended and funding withheld or withdrawn.

**Q46. It was stated that one of the potential risks in funding an organization is having incompetent staff. In the eventualities of building capacity in those staff without avail, can they be terminated and replaced with competent ones?**

A46. USAID expects an organization to have competent staff to manage its USAID funding. Most organizations should already operate, before receiving USAID funding, with the expectation that their staff are competent and willing to be compliant. If not, they should be managed under normal HR rules.

Certainly, when it comes to strengthening organization staff on skills and responsibilities which relate to USAID funding, such requirements and related costs should be included in the proposal and budget. Training costs are allowable as per 2 CFR 200.472

See: [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200\\_1472](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8cb9946b2ee86e990df473f2db301f85&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1472)

**Additional Sub-Award-Related Q&A from the  
January 20, 2021 Webinar**

**Q1. Budget review of an FAA is subject to the cost principles, correct?**

A1. No. As per 2 CFR 200.401 – Application – (a) (3).

The cost principles do not apply to Fixed Amount Awards, however, when the USG or a prime recipient is working with the recipient of the FAA, they would logically look at the reasonableness of the costs.

**Q2. Can you give more details on the prime recipient with sub recipient management for non-US MSPs & RAAPs?**

A2. A US-based prime awarding USG funds to a non-US NGO will pass down the ADS 303mab which are the USAID Standard Provisions for non-US NGOs (November 19, 2020.) At M1 (a), the definition explains which rules to apply to non-US NGOs. Essentially, the ADS303mab itself applies and the cost principles which can be found at 2 CFR 200.400.

**Q3. If the change in budget line exceeds 10%, is prior approval mandatory?**

A3. Yes, as per ADS 303mab M3 – Amendment of Award and Revision of Budget (b) (10) “... when the cumulative amount of such transfers exceeds or is expected to exceed 10% of the total award amount, as last approved by the Agreement Officer (AO), the recipient must receive prior written approval from the AO. This is the rule for non-US NGOs. For US-based NGOs, please see 2 CFR 200.308

**Q4. What are all required and standard FAA documentation for all the milestones expected to be submitted from the sub on all HIV program activity?**

A4. The required documentation for milestones at the subrecipient will be defined in the discussion and agreement between the prime and the sub. USAID, in their ADS 303 (main document) provides links to four (4) documents which are helpful. If you would like to receive these helpful guideline documents, please send me an email with the subject line “Request for FAA Documents” to my email address – doug.franke@sustainabilitysolutions.co.za I will send you a ZIP file.

**Q5. If you are a prime and you have given more than \$750,000 to the sub-recipient, do we need to have a separate audit for the sub-recipient apart from the audit on the prime?**

A5. No. In your subaward, you will include the ADS 303mab (assuming a non-US sub) which has the requirement at M2 – Accounting, Audit and Records, (13) (1) for those subs to also have their own “Recipient Contracted Audit” (RCA). This RCA will be distinct from your own prime RCA. Please note that the results of the subrecipient audit will need to be considered and acted upon by the prime organization and the prime’s auditors.

**Q6. What is the full meaning of SAM as in sam.org?**

A6. SAM stands for “System for Award Management” and can be found at [www.sam.gov](http://www.sam.gov). SAM is an official website of the US Government and can be used to:

- Register to do business with the US Government.
- Update or renew your entity’s registration.
- Check the status of an entity’s registration.
- Search for an entity’s registration and exclusion records.

**Q7. How is USAID capacitating the current subrecipients to be prime recipients?**

A7. The ASAP project (Accelerating Support to Advanced Local Partners) is a perfect example of USAID's capacitating current PEPFAR subrecipients to become primes. ASAP has many highly qualified advisors in most of PEPFAR's implementing countries.

**Q8. Can we include on our budget as a sub the expense for the single audit?**

A8. Absolutely. If your expected annual expenditure will be greater than USD \$ 750,000, you, the subrecipient, will be required to hire your own, qualified audit firm. Please note that GAGAS US-related Recipient Contracted Audits (RCAs) are generally more expensive than local statutory audits so please consider this when budgeting for proposal costs. If you are not sure, ask other NGOs of a similar size in that country how much they pay for their audits.

**Q9. Who is responsible for auditing of sub-awards, is that the Prime or themselves/subrecipients?**

A9. Please see the answers to questions # 5 and # 8 above.

**Q10. Is it possible for a sub or even a prime to have both the statutory and Yellow Book audit financed by USG?**

A10. As per ADS 303mab – Standard Provision for non-US NGOs M2 (b) (11), USAID will only pay for the costs of audits conducted in accordance with the terms of the award. Therefore, USAID will pay 100% of the costs of a compliant, GAGAS or “Yellow Book” audit. Regarding costs of the statutory or local audit, please see 2. CFR200.425 (b). Regardless, you would generally contract for each audit separately.

**Q11. At what point do we include audit fees in the budget? The year in which our proposed budget exceeds 750k or the following year when we are sure expenses for the preceding year exceeds 750k?**

A11. Please see the answers to questions #8, #9 and #10 above.

**Q12. Who picks the audit fee where two US agencies are involved for a single audit?**

A12. The US agencies will “pick” or set an amount for the audit fee. It is the auditee's (recipient's) responsibility to solicit for an audit firm that is qualified to perform such audits. Each Mission is developing lists of qualified audit firms.

Under the newest ADS 303mab guidance which was from November 19, 2020, M2 (b) (1), it is all Federal funds, not just USAID finds that need to be audited. This multi-agency audit environment for non-US NGOs is evolving. One additional document to consider is the USAID ADS 591 maa which relates to non-US NGO audits. The best thing to do is to confirm with your AO about how to deal with audits when you receive funding from USAID and other agencies.

**Q13. I would like to confirm the limit for a budget realignment, which does not require a prior approval from USAID.**

A13. Please see the answer to question #3 above. Please also note that USAID's rules for non-US NGOs, as per their ADS 303mab, are different from the Uniform Guidance regulations so depending on your status as a US-based or non-US-based NGO, the rules could be different.