WEBINAR
SUBAWARD MANAGEMENT –
Creating, Pre-Award Assessments, Managing and
Building Capacity

Presented by:
Accelerating Support to Advanced Local Partners
(ASAP)
The great news is that the ASAP project has many resources which can be utilized to enable LIPs to become competent to properly manage USAID funding as a prime recipient as well as a prime recipient with subrecipients.

LIPs need to learn what they will be responsible for managing and then reach out to the ASAP team for support.
ATTACHMENT A: SCHEDULE

A.1 Purpose of Cooperative
A.2 Period of Cooperative Agreement
A.3 Amount of Cooperative Agreement and Payment
A.4 Cooperative Agreement Budget
A.5 Reporting, Monitoring and Evaluation
A.6 Title To and Use of Property
A.7 Indirect Cost Rate
A.8 Program Income
A.9 Cost-Sharing (Matching)
A.10 Authorized Geographic Code
A.11 Substantial Involvement Understandings
A.12 Resolution of Conflicts
A.13 Post-Award Agreement Administration
A.14 Special Provisions
A.15 Environmental Compliance and Management
A.16 Standard/Mandatory Provisions
A.17 Branding Strategy and Marking Plan
A.18 Termination
A.19 Disputes
A.20 Management Review and External Evaluation
M1. ALLOWABLE COSTS (DECEMBER 2014)

a. The recipient will be reimbursed for costs incurred in carrying out the purposes of this
award in accordance with the terms of this award and the applicable cost principles in
effect on the date of this award. The recipient may obtain a copy of the applicable
cost principles from the Agreement Officer (AO):

2 CFR 200, Subpart E, Cost Principles

48 CFR 11.2 Federal Acquisition Regulations (FAR) and 48 CFR 731.2 USAID
Acquisition Regulations (AIDAR) - Cost Principles for Commercial Organizations

b. It is the recipient’s responsibility to ensure that costs incurred are in accordance
with the applicable cost principles, meaning the costs are (1) reasonable costs;
which are generally recognized as ordinary and necessary and would be incurred by a
prudent person in the conduct of normal business; (2) allocable: incurred specifically
for the award; and (3) allowable: conforms to any limitations in this award. The
recipient must obtain any prior written approvals from the AO that are required by the
applicable cost principles. The recipient may obtain the AO’s written determination on
whether specific costs are not clearly addressed in the applicable cost principles are
allowable or allocable. The AO reserves the right to make a final determination on the
allowability of costs.
RELATIONSHIP BETWEEN USAID, PRIME RECIPIENTS AND GRANTEES

- Successful implementation of a Co-op Agreement with USAID and the agreements between a prime recipient and future Recipients requires continuous communications between a number of parties.
- USAID and Recipient officials have defined roles (ADS 303) that need to be understood and discussed and be aware of the pitfalls of not working with the relevant person, e.g. informal commitments.
- USAID, as part of the US government, are also bound by rules and regulations. Many of the USG rules are passed down through a prime recipient to the subrecipient. (e.g. Pass Down provisions in the Mandatory Standard Provisions).

USAID

NON-U.S. (FOREIGN) PRIME
GET NON-U.S. MSPs WHICH INCLUDE 2 CFR 200.400 ONLY

U.S. SUBs
GET U.S. MSPs WHICH INCLUDE 2 CFR 200 & 700

NON-U.S. SUBs
GET NON-U.S. MSPs WHICH INCLUDE 2 CFR 200.400 ONLY
MSP & RAAP’s for Flowdown to Subawards

- M1. ALLOWABLE COSTS – Entire provision
- M2. ACCOUNTING, AUDIT, AND RECORDS – Entire provision
- M6. USAID ELIGIBILITY RULES FOR PROCUREMENT OF COMMODITIES AND SERVICES – Entire provision
- M7. TITLE TO AND USE OF PROPERTY – Entire provision
- M8. MARKING AND PUBLIC COMMUNICATIONS UNDER USAID-FUNDED ASSISTANCE – Only Marking provision
- M10. AWARD TERMINATION AND SUSPENSION – Paragraph (c)
- M11. DEBARMENT AND SUSPENSION – Entire provision except paragraph (2)-(4)
- M14. PREVENTING TRANSACTIONS WITH, OR THE PROVISION OF RESOURCES OR SUPPORT TO, SANCTIONED GROUPS AND INDIVIDUALS – Entire provision
- M15. TRAFFICKING IN PERSONS – Section (b)
- M17. EQUAL PARTICIPATION BY FAITH-BASED ORGANIZATIONS – Entire provision
- M20. LIMITING CONSTRUCTION ACTIVITIES – Entire provision
- M24. PROHIBITION ON REQUIRING CERTAIN INTERNAL CONFIDENTIALITY AGREEMENTS OR STATEMENTS – Substance of provision, including paragraph (f)
- M25. CHILD SAFEGUARDING – Paragraph (a) and (b)
- M26. MANDATORY DISCLOSURES – Entire provision
- M27. NONDISCRIMINATION AGAINST BENEFICIARIES – Entire provision
- M28. CONFLICT OF INTEREST – Substance of provision, including paragraph (i)

RAA for Flowdown to Subawards

- RAA9. TRAVEL AND INTERNATIONAL AIR TRANSPORTATION – Entire provision, if award will finance international air transportation
- RAA11. REPORTING HOST GOVERNMENT TAXES – Entire provision
- RAA25. CONDOMS – Entire provision
- RAA26. PROHIBITION ON THE PROMOTION OR ADVOCACY OF THE LEGALIZATION OR PRACTICE OF PROSTITUTION OR SEX TRAFFICKING(ASSISTANCE) – Entire provision
- RAA30. PROTECTING LIFE IN GLOBAL HEALTH ASSISTANCE – Entire provision, in verbatim

Sub-Awards

[Part II, no 7]

Sub-award means an award to carry out the purposes of the program but does not include a procurement contract for commodities or services. (A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.)

The prime recipient remains responsible for the work that is subawarded and must comply with the following:
- will be made with responsible recipients with the ability to perform successfully, considering record of past performance, financial and technical resources, etc.
- Check EPLS to ensure sub is not debarred or suspended.
- Sub-agreements shall have all provisions to define a sound and complete agreement, including all pass down provisions as per the prime agreement.
§200.331 Requirements for pass-through entities

All pass-through entities must:

a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

1. Federal Award Identification;
2. All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
3. Any additional requirements that pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency 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 this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient’s records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward

b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient’s prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has a new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
Pre-award Risk Assessment

According to ADS 303.3.21:
► It is mandatory for a Prime Recipient to conduct Risk Assessments for each proposed subrecipient, prior to obtaining Agreement Officer’s approval.
► Prime Recipient must confirm compliance with risk assessment requirements for subrecipients to the AO.

Pre-award Risk Assessment

The following must be verified for each proposed subrecipient(s)

1) Does not have active exclusions in the System for Award Management (SAM) (www.sam.gov)

Note: The subawardee is NOT required to register in SAM.

Pre-award Risk Assessment

The following must be verified for each proposed subrecipient(s)

2) Does not appear on the Specially Designated Nationals (SDN) and Blocked Persons List maintained by the U.S. Treasury for the Office of Foreign Assets Control, sometimes referred to as the “OFAC List” (online at: http://www.treasury.gov/resource-center/sanctions/SDNList/Pages/default.aspx; and
Pre-award Risk Assessment

The following must be verified for each proposed subrecipient(s)


Pre-award Assessment

Applicable Standard Provisions:

A U.S. recipient providing a subaward to a non-U.S. organization must use the Standard Provisions for a Non-U.S. Non-Governmental Organization.

A non-U.S. recipient providing an award to a U.S. organization must use the Standard Provisions for U.S. Non-Governmental Organizations.

Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments:

1. Legal & Governance – to include:
   - Legal requirements
   - Organizational Structure
   - Governance
   - Control Environment
Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (continued):

2. Financial Controls – to include:
   ► Financial management system
   ► Standards of internal control
   ► Financial records
   ► Allowable and unallowable costs
   ► Financial records management
   ► Response to audit findings

Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (continued):

3. Procurement – to include:
   ► Procurement policies and procedures
   ► Compliance with policies and procedures
   ► Procurement methods and approval thresholds
   ► Conflict of interest management

Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (continued):

4. Equipment – to include:
   ► Equipment policies
   ► Asset registers
   ► Equipment management procedures
Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (continued):

5. Monitoring and reporting— to include:
   ► Performance report submissions
   ► Programme performance measurement
   ► Integrated programme performance and financial data

6. Human Resources— to include:
   ► HR policies and procedures
   ► Payroll system
   ► Travel policies and procedures
   ► Employee file management

7. Organizational sustainability— to include:
   ► Cash flow management
   ► Absorptive Capacity
   ► Change management
   ► Knowledge management and external linkages
   ► Advocacy and influence
Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (continued):

8. Information technology – to include:
   ► IT Policies
   ► Backup procedures
   ► Disaster recovery plans
   ► Privacy and settings
   ► Cyber insurance
   ► Passwords

Results for pre-award assessments

Scores between 1 and 4 may be assigned to each area of assessment. Below is an example of the scoring and descriptions:

<table>
<thead>
<tr>
<th>Pre-award assessment score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0 – 5.0</td>
<td>Strong</td>
</tr>
<tr>
<td>3.5 – 4.0</td>
<td>Adequate</td>
</tr>
<tr>
<td>2.5 – 3.5</td>
<td>Weak</td>
</tr>
<tr>
<td>1.5 – 2.5</td>
<td>Inadequate</td>
</tr>
</tbody>
</table>

Below is an example of some pre-award assessment results:

<table>
<thead>
<tr>
<th>Area of Assessment</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; Governance</td>
<td>3.35</td>
</tr>
<tr>
<td>Financial Controls</td>
<td>3.65</td>
</tr>
<tr>
<td>Procurement</td>
<td>3.90</td>
</tr>
<tr>
<td>Equipment</td>
<td>2.90</td>
</tr>
<tr>
<td>Monitoring and Reporting</td>
<td>3.45</td>
</tr>
<tr>
<td>Human Resources</td>
<td>3.15</td>
</tr>
<tr>
<td>Organizational sustainability</td>
<td>3.45</td>
</tr>
<tr>
<td>Information Technology</td>
<td>3.35</td>
</tr>
<tr>
<td>ORGANIZATIONAL SCORE</td>
<td>2.53</td>
</tr>
</tbody>
</table>
c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific conditions

d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.425 Audit services.
425. AUDIT COSTS AND RELATED SERVICES

- Audit costs for 2 CFR 200 Subpart F or Yellow Book audits also known as Recipient Contracted Audits (for USAID & CDC) are allowable, only if conducted in accordance with guidelines.
- Other audit costs (e.g. statutory audit fees) are allowable as an Other Direct Cost, with prior approval, up to an allocable “fair share” (Discuss AO authority to deviate)
- Certain costs for agreed-upon procedures for managing subrecipients are allowable subject to certain conditions listed in 2 CFR 200.425 (c) (1-3).

e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

1. Providing subrecipients with training and technical assistance on program-related matters; and

2. Performing on-site reviews of the subrecipient’s program operations;

3. Arranging for agreed-upon-procedures engagements as described in §200.425

Audit services
Capacity Building

The results of the assessment may also to capacity building in the identified areas.

► This can be done through providing subrecipients with training and technical assistance on program-related matters, as stated on 2CFR200.331.e.1

MANAGING SUBRECIPIENTS

• It is the responsibility of the PR to ensure quality deliverables from the SR.
• The beginning of the project is very important.
• Expectations should be clear between both parties.
• Project induction training serves as an important aspect.
• It allows for questions to be asked and correct guidance provided, eliminating assumptions.

AREAS OF TRAINING

INCLUDE THE FOLLOWING:
1. Project reports (Program, Financial, etc.)
2. Program deliverables
3. Budget
4. Request for funding and payment timelines
5. Other important areas
1. PROJECT REPORTS

- Both financial and programmatic reports
- Reporting template to use for program deliverables. (guides on the important information to include)
- Reporting template for financial reports
  Reporting templates allows for uniformity (if more than one (1) subrecipient and easy data consolidation
- Frequency of submission of the reports

2. PROGRAM DELIVERABLES

- Agreed upon program deliverables allows for correct and accurate reporting (eliminates the “I thought” element)
- These may have been discussed at the proposal time if a consortium is being considered
3. BUDGET

• Analysis of and training on all budget line items to ensure a common understanding of what is REASONABLE, ALLOCABLE & ALLOWABLE under the project

• Clarity sought on anything of question

4. REQUEST FOR FUNDING

• Request for funding and payment process usually the detail is included in the agreement

• The template to be used for requesting funds to be provided to SR

• Advance vs Reimbursive funding

• Payment timelines to be explained

5. OTHER IMPORTANT AREAS

• Contact person(s) on any matters related to the project (financial, project, etc.), usually included in the agreement.

• Property loss, theft or damage (M7)

• Reporting project related fraud (M26 Mandatory Disclosures)
5. OTHER IMPORTANT AREAS

- VAT or other taxes reporting template for reporting Host Government Taxes (requirement per which RAA 7 for FAA and RAA 11 for Grants)
  - Reporting timelines (more frequent than annually, usually quarterly)

5. VAT REPORT TEMPLATE (e.g.)

f) Verify that every subrecipient is audited as required by Subpart F-Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equalled or exceeded the threshold set forth in §200.501 Audit requirements

g) Consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records
h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.
Illustrative Step-by-step process of Pre-award Assessment:

- Notify the prospective sub awardee on the pre-award assessment.
- Convene and appoint the team to carry out the assessment.
- Request preliminary review documents from subgrantee for desk review.
- Debrief the subgrantee on the assessment and share the tool.
- Visit site(s) to conduct the assessment.
- Prepare assessment report and recommendations.
- Discuss assessment report with prospective sub awardee.

Possible common risks include:

- Understaffing and/or unqualified staff.
- Lack of operating guidelines such as Financial policy, HR policy etc.
- Inadequate equipment and systems to support project implementation.
- Weak financial, M&E and HR systems and processes.
- Inadequate policies to guide in the operations and implementation of activities.
- Weakened internal controls.

How to minimize risk identified in assessments:

- Provide support specifically to address gaps identified during assessments, to full completion.
- Provide trainings to address gaps e.g. targeting the board if the gaps is a board oversight issue.
- Provide direct short-term technical assistant (STTA) to strengthen management and staff through mentorship, coaching and other on job trainings.
- Support targeted staff and train them on job to ensure they fully understand their systems.
- Support system strengthening such as financial management systems strengthening to ensure effective and efficient performance in financial operations e.g. accounting software’s, chart of accounts, bank reconciliation templates, finance manuals etc.
- Ensure constant monitoring site visits to discuss progress, success and challenges and suggest mitigation measures while at the same time, providing timely feedback.
UTILIZATION OF EXISTING TEMPLATES

- Budget variance analysis templates
- Board charters
- Timesheets
- Bank reconciliation
- Sub grant file checklist
- Sub award compliance
- Financial supporting documentation checklist
- Communication plans
- Recruitment policy and processes e.g. personnel requisition form, HR manual
- Conflict of interest

DIRECT TECHNICAL ASSISTANCE

- Skills on programming of a new project amidst related continuing projects.
- Strategies to enhance donor confidence.
- Support to leadership in staff management including sharing negative feedback.
- Strengthening leader’s role in engaging staff for effective implementation.
- Front office management and secretarial duties.
- Record keeping and documentation.
- Change Management.
- Ethics Policy and Governance Structure.

SUBAWARD MANAGEMENT TRAINING MANUAL FOR LOCAL PARTNERS FROM CRADLE TO GRAVE

- The manual aims to provide guidance to primes, on sub award monitoring, oversight and strengthening, thereby building the capacity of both primes and sub awardees.
- The manual consists 24 chapters aligned and discussed according to the general grant’s management lifecycle from project inception to closeout.
- Each chapter provides a detailed description on how a prime should manage and oversee their sub award(s) ensuring efficient, effective and systematic donor compliance, in addition to successful completion of project objectives thereby guaranteeing delivery of quality services to project beneficiaries.
THANK YOU

ARE YOU READY?