

Implementation Tips for USAID Partners

Sharing Resources and Knowledge Among the Global CSO Community

Program Management 2 | 2018

Definitions

Award—Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants, cooperative agreements and other agreements in the form of money or property in lieu of money made by the U.S. Government (USG) to an eligible recipient.

Prime Recipient—An organization receiving direct financial assistance (a grant or Cooperative Agreement) to carry out an activity or program.

Subrecipient—Rather than the grantor (that is, the grant-making agency) entrusting just one entity with carrying out a US Government program, sometimes multiple awardees will shoulder the responsibilities. In such cases, one entity—the one who submitted the grant application—will act as the prime and serve as a pass-through to the partnering entities, which are called subrecipients or subs. The government funding they receive to carry out their responsibilities is called subawards.

References

[Subrecipient Monitoring and Management](#)

2 CFR 200.330-332

[Standard Provisions for Non-US Nongovernmental Organizations](#)

Mandatory Reference for ADS 300-303

[Standard Provisions for Fixed Amount Awards to Nongovernmental Organizations Standard Provisions for Fixed Amount Awards to Nongovernmental Organizations](#)

Mandatory Reference for ADS 303

<https://blog.grants.gov>

Managing Subrecipients Under a USAID Cooperative Agreement

Q. What is the relationship among a prime recipient, a subrecipient and USAID? What responsibilities does a prime recipient have regarding working with subrecipients?

A. USAID has a contractual relationship with the prime recipient. Under the Agreement, there are various requirements and provisions to which the prime must abide. These are specified or referenced in the Agreement.

The prime recipient has a similar relationship with a subrecipient. Since USAID does not have a direct relationship with the subrecipient, the prime is responsible for ensuring that all mandatory provisions and important clauses in the award flow down to the subrecipient.

The easiest way to do this is through a subagreement. The subagreement includes the requirements and practices to which the subrecipient must abide, and these are specified or referenced in the agreement between the prime and the sub.

The following covers major areas a prime partner needs to ensure are addressed when selecting and managing a subrecipient.

Subrecipient Selection Process

Selection Process. A prime will need to use its established selection process and properly document selection decisions. Suggested practices for selecting subrecipients include issuing a Request for Applications (RFA), formalizing existing informal relationships or soliciting bids from a smaller group of organizations that have a unique skillset. Subagreements should be awarded through competition unless specific conditions for restricting eligibility exist or competition is waived by the donor.

Pre-Award Assessment. Prior to making a final selection, a prime is required to evaluate a prospective subrecipient's financial and management systems and ability to implement a program. If possible, take the time to visit multiple finalists in your selection process. Ensure the subrecipient organization has the capacity to manage funds and comply with all USG regulations.

Working with Local Subrecipients

There are both financial and program factors to consider when deciding whether or not to use local subs.

Organizations may choose local subs to build indigenous capacity or because local organizations operate at lower costs than international organizations.

Regardless, **primes are accountable for all activities and actions undertaken by subs.** If subs need a great deal of assistance, primes may need to have in-country staff on hand as well as mechanisms to ensure appropriate monitoring and support.

USAID Approval. Because of the substantial involvement clause in your Cooperative Agreement, USAID must approve any subrecipient before it can receive funding. If a sub was named in your original proposal and budget, then it should be approved in your Cooperative Agreement; if not, seek approval from your Agreement Officer before signing a subagreement.

Agreement. When executing a subaward, the recommended agreements are the Standard Grant Agreement or the Fixed Amount Award. A valid Memorandum of Understanding or other less formal agreement is not a means of contracting a subrecipient because such agreements are not legally binding. Prior to entering into a contractual relationship, ensure that all parties understand the legal obligations involved, including provisions that flow down from a prime to a sub and any certifications or other documents required under the agreement.

Planning and Implementation

Requirements and Regulations. Check your award to see what provisions “flow down” to subs, and work with subs to review the requirements and USG regulations related to the type of agreement you use with them (standard grant or fixed amount award).

Examples

Procurement—Ensure subs are aware of cost principles and allowable costs and are properly documenting procurement actions.

Marking and Branding—Ensure subs understand the marking and branding requirements.

Cost Share. Any cost share that a subrecipient contributes may be aggregated and apply toward your cost-share contribution. Therefore, you should work with any subs to capture things such as volunteer hours and other in-kind contributions.

Reporting

Timelines. Give your subs deadlines that allow you to receive reports early enough that you can review and consolidate your reports for submission to USAID.

Audits. Determine whether subs will need to have an outside audit conducted. The threshold for Non-U.S. CSOs is \$300,000 or more in a given year. An annual audit is then required. In addition, a close-out audit is required for all awards in excess of \$500,000. The threshold for U.S. CSOs funded is US\$750,000.

For More Information

For this or other issues of *Implementation Tips*, please visit www.NGOConnect.net. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening CSOs, networks and CSO support organizations worldwide.

Funding for this publication was provided by the U.S. Agency for International Development, under the Strengthening Civil Society (SCS) Global Leader Award. Its contents, managed by SCS Global, do not necessarily reflect the views of USAID or the U.S. Government.

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These threshold amounts include total funding from all USG sources—not just the USAID funding subs receive from your organization under your award.

Post-Award

Close Out. Subs must close out financially, complete all required deliverables and clarify plans for any equipment or other inventory purchased with USAID funds. All of this must be done prior to your own close out. It is recommended that subagreements be closed three months prior to the close out of the prime award.

Records. Ensure subs are aware of what documentation must be maintained and for how long (typically three years after submission of the final report, but local laws may vary).

