TO: Chief Financial Officers

FROM: Scott Soles
Principal Deputy Chief Financial Officer

SUBJECT: OMB Controller Alert: Subaward Reporting

On December 14, 2020, the Office of Management and Budget (OMB) released the attached Controller Alert: Subaward Reporting. The purpose of this memorandum is to remind agencies and staff offices 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 and staff offices 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.
Agencies and staff offices 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.

Questions concerning this memorandum should be directed to Tyson Whitney at 202-720-8978 or tyson.whitney@usda.gov.

cc: Federal Financial Assistance Committee
    Federal Financial Assistance Committee Agency Leads

Enclosures:
OMB Controller Alert: Subaward Reporting
Best Practice Example for Subaward Reporting Requirements