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## Federal Grant Pass-Through Entity Oversight of Subrecipients

Pursuant to 31 U.S.C. §6304, the federal government awards grants to entities such as state and local governments “to carry out a public purpose.” When an entity receives a grant award directly from a federal administering agency, it becomes a prime grant recipient. Prime recipients sometimes require assistance implementing a grant award and meeting grant program goals. In such cases, the prime recipient may pass grant funds through to other, usually local, entities to help implement the grant award. This process is known as a federal grant pass-through. When it occurs, the prime grant recipient may then also be called a pass-through entity (PTE). The entity receiving the funds from a PTE may be called a subrecipient, and the passed-through funds may be referred to as a subaward.

When these relationships are in place, federal regulations require PTEs to take certain measures with respect to subrecipient activities. These requirements are primarily contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* contained in the Code of Federal Regulations at 2 C.F.R. Part 200. PTE responsibilities relative to grant subrecipients appear mostly at 2 C.F.R. §200.332.

### Subrecipient or Contractor?

Separately from passing through funds to subrecipients, PTEs (as well as other subrecipients) may use federal grant funds to enter into contracts with private companies to procure goods and services to fulfill the purposes of a grant award. Both activities require oversight, though in different forms. As a result, the initial step in determining what form of oversight a PTE will perform is to distinguish a grant subrecipient from a contractor. PTEs are responsible for making this determination.

With regard to federal grant activities, subrecipients and contractors serve different purposes and perform different functions. For example, subrecipients have overall responsibility for implementing their subaward, including making programmatic decisions (such as the decision to hire a contractor). These subrecipient responsibilities do not extend to contractors, whose purpose is limited to providing goods and services under a grant award or subaward. Additionally, unlike subrecipients, contractors may earn a profit from their activities under a grant award or subaward. Subrecipients are also evaluated on whether the grant program is meeting its goals, a requirement that does not extend to contractors.

### Pass-Through Entity Responsibilities

Although a federal agency administering a grant program has ultimate responsibility for monitoring grant compliance and performance, the agency maintains a direct legal

relationship only with the PTE, and not with any subrecipients. As a result, PTEs perform the direct oversight of subrecipients. PTE oversight of subrecipients is broadly comprised of:

- communicating and collecting required subaward information to and from subrecipients;
- evaluating subrecipient fraud risk and risk of noncompliance with the subaward;
- monitoring subrecipient activity to ensure compliance with federal statutes, regulations, and subaward terms and conditions; and
- verifying subrecipient audit procedures.

### Required Information

PTEs are required to both give and collect certain information to and from subrecipients for all subawards. For example, PTEs must collect specific subaward information for inclusion in SAM.gov (System for Award Management), the federal government’s public platform that, among other things, provides information to multiple other databases, including on federal grants. Among other things, the information includes the subrecipient’s name, the amount of federal funds obligated to the subrecipient by the PTE, and the subaward period of performance dates.

PTEs must also deliver certain information to subrecipients. Among other things, this includes communicating all requirements of the subaward to the recipient. This includes any duties imposed by federal statutes or regulations, or by the grant award’s terms and conditions. The PTE must also communicate any additional requirements that the PTE may impose on the subaward. This may include information that a subrecipient needs for submitting required financial and performance reports. The PTE must also provide the subrecipient with appropriate terms and conditions for subaward closeout.

### Subrecipient Fraud and Noncompliance Risk

PTEs must evaluate a subrecipient’s risk of fraud and noncompliance with a subaward. Methods for evaluating these risks include assessing a subrecipient’s:

- previous experience with the same or similar subawards;
- results from previous award or subaward audits;
- new personnel or systems; and
- findings under any prior federal administering agency monitoring (for example, if a subrecipient previously received a grant award directly from an agency).

Depending on the assessment’s results, PTEs may impose specific conditions on subrecipients. The specific

conditions may include requiring subaward payments to be provided on a reimbursement basis rather than as advance payments; requiring that a subrecipient receive technical assistance; and pausing the subaward until the PTE receives receipt of acceptable subrecipient performance.

### Monitoring Subrecipient Activity

PTEs are responsible for monitoring subrecipient activities to ensure compliance with federal statutes and regulations, and with subaward terms and conditions. In addition, PTEs must monitor a subrecipient's overall performance with the goal of making sure that subaward goals and objectives are fulfilled. PTEs are required to conduct this monitoring by:

- reviewing subrecipient performance and financial reports;
- ensuring subrecipients take corrective action on significant developments negatively impacting a subaward, such as relevant audit or site visit findings;
- providing subrecipients with any management decisions for audit findings related to the primary grant award; and
- resolving audit findings specifically related to a subaward.

### Verifying Subrecipient Audit Procedures

PTEs are required to verify that subrecipients are audited according to the provisions in 2 C.F.R. Part 200 Subpart F. For example, all non-federal entities (including PTEs and subrecipients) that spend at least \$1 million in federal awards (including grants) during a fiscal year must complete a single or program-specific audit for those expenditures. Among other things, the audit may evaluate the PTE's or subrecipient's financial statements and identify material non-compliance with the terms of the grant agreement or other federal regulation or law.

### Considerations for Congress

As noted, PTEs are responsible for overseeing subrecipient activities. Those responsibilities extend to collecting and reporting subrecipient information regarding a grant award. For example, the Federal Funding Accountability and Transparency Act of 2006 (FFATA, P.L. 109-282) required PTEs to report information about eligible subawards for inclusion in USASpending.gov, a federal government source for data on federal grant awards.

Some observers have noted that subaward reporting has been imperfect. For instance, a November 2023 Government Accountability Office (GAO) report examining approximately six million subaward records from between October 2010 and August 2023 found that, among other things, about a quarter of subaward records on USASpending.gov may have duplicated other records. Similarly, after reviewing 3,680 audits from federal grant PTEs, a March 2025 GAO report related that 36% of the audits found indications of incomplete subaward reporting, a lack of subrecipient monitoring, or no vetting of subrecipients' grant eligibility.

In that same report, GAO also noted that the U.S. Office of Management and Budget has taken steps that may address some of these issues. Those steps include directing federal agencies to, among other things:

- annually review financial assistance subaward data quality;
- clarify the required reporting of certain subawards and that awarding agencies are responsible for ensuring PTEs report required subaward information; and
- explain to PTEs precisely what qualifies as a subrecipient activity that must be reported.

Congress may want to assess how effective such steps have been, if additional actions may be necessary to ensure sufficient subaward oversight, and whether to direct federal agencies to take any specific measures to address any ongoing issues.

One tool PTEs have for ensuring adequate oversight of subrecipients is technical assistance. Federal grant technical assistance is comprised of activities undertaken by federal agencies and PTEs to provide resources to stakeholders to help navigate the federal grant process and to strengthen the capacity of grant applicants, recipients, and subrecipients to manage federal grant funding. (For more information, see CRS Report R47607, *Federal Grant Technical Assistance: Definition, Use, and Considerations for Congress*.)

Congress can play a role in PTEs' provision of technical assistance to subrecipients. For example, for existing grant programs, Congress could also create a separate grant program to provide technical assistance outreach to PTEs as a grant-funded project. Another option could be for Congress to establish dedicated funding for technical assistance within a grant program. Some grant programs include technical assistance costs as part of the overall program appropriation. However, if Congress seeks to target technical assistance to ensure specific funding levels are provided, or to ensure that a certain amount of technical assistance funding is provided to specific grant recipients, then a certain amount of grant appropriations could be designated as a set aside from the total program appropriations. For example, in the 119<sup>th</sup> Congress, P.L. 119-74 provided appropriations to the Department of Justice for grant programs under its Office of Justice Programs. Section 212 of the act stated that, "up to 2 percent of funds made available to the Office of Justice Programs for grant or reimbursement programs may be used by such Office to provide training and technical assistance." Congress could assess how widely to provide similar set asides for other federal grant programs.

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