



Understanding Federal Award Relationships and Responsibilities

This quick guide explains the primary types of relationships and responsibilities that exist under federal awards: **Prime Recipient**, **Pass-Through Entities**, **Subrecipients**, and **Contractors**. These distinctions are critical for determining compliance obligations, reporting requirements, and oversight responsibilities under federal grants and cooperative agreements.

Understanding the Four Key Roles in Federal Financial Assistance

Publish Date

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Background

Federal financial assistance is governed by 2 CFR Part 200 (Uniform Guidance), which outlines how federal funds must be managed to maintain compliance. A key component of this guidance is the classification of entities involved in the award process. Misclassifying these roles can lead to audit findings, disallowed costs, or legal liability. Each relationship carries distinct responsibilities based on the nature of the funding mechanism and the roles of the involved entities.

Why It Matters:

- Determines applicable rules and responsibilities.
- Affects eligibility for indirect costs.
- Influences monitoring and audit requirements.
- Impacts transparency and accountability.

Key Components

Establishing a clear classification of entities responsible for managing grant awards is essential for ensuring accountability and compliance with federal financial assistance requirements. The structure of the award relationship defines the roles and responsibilities of each entity involved, guiding the appropriate management practices and oversight mechanisms necessary for effective grant administration.

A. Federal Agency to Prime Recipient (sometimes referred to as a Grantee): This is the primary award relationship, where a federal agency (Ex:

Department of Energy or Department of Transportation) issue a grant or cooperative agreement directly to a non-federal entity (the recipient).

- **Federal Agency (2 CFR 200.1):**
 - Ensure that awards are made in accordance with federal statutes, regulations, and the terms and conditions of the grant.
 - Provide technical assistance and monitoring.
 - Evaluate performance and compliance.
- **Prime Recipient (2 CFR 200.1):**
 - Direct recipient of federal funding from a Federal Agency.
 - Administer the award in accordance with applicable statutes, regulations, and terms and conditions.
 - Ensure proper financial management and internal controls.
 - Submit required performance and financial reports to the Federal Agency.
 - Monitor subrecipients (if applicable - see *Pass-Through Entity* below for more information).

Examples of Prime Recipients: State governments, local governments, universities, nonprofit organizations.

B. Pass-Through Entity (Prime Recipient to Subrecipients): A Prime Recipient may be authorized under the terms of a federal award to issue a subaward to another non-federal entity, known as a subrecipient, to carry out part of the federal program. In such cases, the Prime Recipient is considered a pass-through entity. The terms "Prime Recipient" and "pass-through entity" may be used interchangeably.

- **Pass-Through Entity (2 CFR 200.1):**
 - Issues subawards with clear terms and federal flow-down requirements.
 - Primarily responsible for compliance.
 - Evaluate each subrecipient's risk of noncompliance.
 - Monitor subrecipient activities to ensure compliance and performance.
 - Impose necessary conditions and corrective actions.
- **Subrecipients (2 CFR 200.1):**
 - Comply with federal regulations and the terms imposed by the pass-through entity.
 - Use the funds to carry out part of the federal program.
 - Subject to monitoring by the pass-through entity (i.e. prime recipient).
 - Required to submit performance and financial data to the pass-through entity.

Key Distinction: Subrecipients help implement the federal grant program, **NOT** provide goods or services.

- **Please note** that a subrecipient is different from a beneficiary. A beneficiary is an individual (or entity) who applies for or receives benefits or assistance funded by a federal grant, contract, or agreement. Beneficiaries directly benefit from the program or project outcomes. In contrast, a subrecipient is a non-federal entity that receives a subaward from a recipient to carry out a portion of the federal program, helping to administer or implement the program on behalf of the recipient. [42 USC § 1320a-7a\(q\)\(4\)](#)

Examples of Subrecipients: Local health departments, school districts, community-based organizations, local governments.

C. Contractor (formerly “Vendor”): An entity that receives a contract ([2 CFR 200.1](#)) to provide goods or services for the recipient’s own use in carrying out the federal award. This forms a **Procurement Relationship** and recipients/subrecipients must follow the procurement standards in [2 CFR § 200.317 - 200.327](#) and Appendix II - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.

Responsibilities:

- Deliver goods or services as specified in the contract.
- Not subject to the same compliance requirements as recipients and/or subrecipients.
- Subject to only the terms and conditions of the contract and any other applicable federal, state, or local contract laws.
- Not subject to subrecipient monitoring but may be subject to audit depending on involvement.

For Prime Recipients:

- Must correctly classify subrecipients vs. contractors.
- Maintain the responsibility of monitoring and overseeing compliance of subrecipients with applicable statutes, regulations, and terms and conditions of the grant award.
- Misclassification can lead to audit findings and repayment.

For Subrecipients:

- Must adhere to federal program requirements and the terms imposed by the pass-through entity.
- Subject to oversight and reporting obligations by the pass-through entity.

For Contractors:

- Deliver goods or services as specified in the contract.
- Must comply with the terms and conditions of the contract and any other applicable federal, state, or local contract laws.
- Must meet performance standards outlined in the terms and conditions of the contract.
- Not subject to programmatic compliance rules of the federal award.

Next Steps & Recommendations

- Develop internal guidance and procedures for properly classifying entities.
- Train staff on the differences between subrecipients and contractors.
- Use checklists or a decision matrix created from 2 CFR Uniform Guidance and agency specific guidance.
- Document rationale for classification decisions in grant files and maintain documentation to demonstrate compliance during audits.

Additional Resources

- [2 CFR Part 200 - Uniform Guidance](#)
- [200.331 Subrecipient and contractor determinations](#)
- [42 USC § 1320a-7a\(q\)\(4\)](#)

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