

Subaward Manual



Montana Department of Natural
Resources and Conservation

Forestry & Trust Lands Division
Grants & Agreements Section

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Updates to the Subaward Manual:

- Issued June 10, 2013
- Revised July 15, 2015, to reflect consolidation of federal grant guidance into 2 CFR 200
- Revised February 9, 2017
- Revised October 1, 2024

Section 1: Introduction

Note: Throughout this manual, the term “DNRC” refers to the Forestry Section of the Forestry & Trust Lands Division of DNRC. Other DNRC divisions and/or State of Montana agencies may, or may not, be subject to the guidance in this manual, and may issue their own administrative requirements related to awarding funds.

1.1 Purpose

The Montana Department of Natural Resources and Conservation Forestry’s Subaward Manual was established to assist with interpreting the administrative and financial requirements for federal funds distributed through DNRC Forestry subawards.

This manual is intended to *supplement* the federal, state, and programmatic requirements that govern subaward administration. It is not a substitute for familiarization with the actual requirements. Any omission of a federal, state, or local requirement from this manual does not waive a subrecipient’s responsibility to comply with that requirement.

1.2 Definitions and Websites

- ❖ Terms [blue](#) in color and underlined are electronically linked to a definition in [Appendix A](#). Definitions can also be manually retrieved in the appendix.
- ❖ URLs, also [blue](#) in color and underlined, are linked to a website.

1.3 Notes on Terminology

When DNRC receives a grant award of funds directly from a federal agency, DNRC is considered the [primary recipient](#). When DNRC [subawards](#) (or subgrants) the funds to another entity, that entity is considered a [subrecipient](#) (or subgrantee), and DNRC is deemed a [pass-through entity](#). At all three stages—from initial federal allocation, to grant, to subaward—funds are considered federal, and specific laws and rules apply.

If the subrecipient then subawards the federal funds to a second entity, the second entity is considered a second-tier subrecipient. The entity intended to ultimately benefit from the award is considered a [beneficiary](#). Once subaward funds are **in the hands** of a beneficiary or contractor, they are no longer considered federal and therefore are not subject to the regulatory and administrative requirements that apply to recipients and subrecipients.

When DNRC awards state funds (rather than federal funds), DNRC is the awarding agency, and the receiving entity is a primary recipient.

State and federal grant administrative requirements are very similar. For simplicity, the term “**subrecipient**” is used throughout the manual to refer to both recipients of state funds and subrecipients of federal funds, and “**subaward**” to refer to both awards and subawards of DNRC funds, regardless of the underlying funding source.

A diagram of the flow-down of federal grant award funds and related terms is provided in [Appendix B](#).

1.4 DNRC Contact Information

Questions or comments about the manual should be directed to the DNRC Forestry’s Grants and Agreements Section:

Montana DNRC Forestry
Grants and Agreements
2705 Spurgin Road
Missoula, MT 59804
Phone: (406) 542-4300

Section 2: Compliance with Laws and Regulations

2.1 Office of Management and Budget (OMB) Guidance

Subrecipients of federal grant funds must comply with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* published by the federal Office of Management and Budget (OMB).

The Uniform Guidance is consolidated in the [Code of Federal Regulations](#) (CFR), Title 2, Part 200, Subparts A through F and appendices. These regulations, referred to collectively as “2 CFR 200,” are regularly referenced in this document. They can be viewed at www.ecfr.gov by selecting “Title 2 – Grants and Agreements”.

2.2 Additional Regulations Governing DNRC Subawards

Additional regulations governing DNRC subawards include, but are not limited to:

- ❖ federal, state, and local laws, statutes, rules, and ordinances, as applicable;
- ❖ the federal award—the signed agreement between DNRC and the federal agency providing funds. Terms and conditions of the federal award that are applicable to subrecipients are incorporated into the Subaward Agreement;
- ❖ the Subaward Agreement—a signed agreement that documents the legal relationship between DNRC and the subrecipient and describes each party’s roles and responsibilities;

- ❖ and other federal, or state program requirements. These are communicated to the subrecipient through subaward-related materials such as the request for proposal, application, and Subaward Agreement; or via relevant agency websites and publications.

Section 3: Applying for DNRC Subawards

3.1 Eligibility to Receive Subaward Funds

The following requirements must be met for an entity to receive subaward funds from DNRC:

- ❖ **No Debarment or Suspension**

By 2 CFR 200.214, parties debarred, suspended, or otherwise excluded from receiving or participating in Federal awards may not receive federal awards, subawards, or contracts. Subrecipients of federal funds are required to sign Form AD-1048, “Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transactions” to certify that neither their entity nor their principals have been debarred or suspended or are otherwise ineligible to receive federal funds. Additionally, federal debarment and suspended party searches are conducted at the System for Award Management website: [SAM.gov](https://www.sam.gov).

- ❖ **Insurance Requirements**

Subrecipients must purchase and maintain liability insurance coverage equal to or exceeding the limits required in the Subaward Agreement. Prior to applying for subaward funds, applicants can contact the designated DNRC Program Manager for information about insurance requirements. Documentation required by DNRC to verify insurance depends on the type of entity:

(1) Cities, towns, counties, or other governmental organizations with coverage under either the Montana Municipal Interlocal Authority (MMIA) or Montana Association of Counties (MACo) have coverage verified annually by DNRC. Generally, no additional documentation is required.

(2) Entities covered under private insurance companies must submit the following documentation to DNRC before a Subaward Agreement can be executed:

- a current Certificate of Liability Insurance specific to the award that (a) includes the types and maximum coverage for the insurance, (b) names the State of Montana as an additional insured and as the certificate holder, and (c) lists the DNRC Subaward Agreement Number on the face of the certificate.
- Endorsement, as required, to document the naming of the State of Montana as an additional insured. The address to use on the endorsement is: State of Montana; ATTN: DNRC Forestry Division, 2705 Spurgin Road, Missoula, MT 59804; or documentation of policy provisions covering Blanket Additional Insureds.

❖ **Single Audit**

Organizations expending more than the Single Audit threshold in federal award funding in the subrecipient's preceding fiscal year must complete a [Single Audit](#) or [Program-specific Audit](#). The topic is further discussed in **Section 6.3** of this manual. If a subrecipient has completed the audit, verification of the audit and any findings must be submitted to the Federal Audit Clearinghouse, as directed in 2 CFR 200.512. More information on audits can be found at [the Federal Audit Clearinghouse](#).

❖ **Subaward Disbursements**

DNRC prefers to release subawarded funds for project costs on a reimbursement basis. Reimbursements have proven to be a more straight-forward and reliable way to document project expenses and require less reporting and oversight for all sides. Subrecipients pay project costs from their own funds before requesting reimbursement from DNRC. In some circumstances, waiting for a reimbursement is not possible and an advance of awarded funds is needed. A description of the procedures that must be in place for requesting an advance can be found in 2 CFR 200.305(b).

❖ **Unique Entity Identifier (UEI)**

A subrecipient must have a UEI number prior to signing a DNRC Subaward Agreement. UEI applications are made through [SAM.gov](#).

❖ **EIN**

A subrecipient must have an Employer Identification Number (EIN), obtained from the IRS at <http://www.irs.gov>.

❖ **State Registration**

Non-governmental entities (nonprofits and for-profits) must be registered with the Montana Secretary of State's office at <http://sos.mt.gov/Business/>.

❖ **Internal Controls**

Entities applying for DNRC subaward funds must have internal controls and financial management systems in place to provide reasonable assurance of effectiveness and efficiency of operations; reliability of financial reporting, for internal and external use; and compliance with applicable laws and regulations. Internal control processes should be documented.

Internal controls are used for many different systems aside from financial ones, including procurement, personnel, travel, and the protection of [personally identifiable information](#). 2 CFR 200.302 -303 provides more information about this topic.

❖ **Specific Subaward Program Requirements**

In addition to the requirements listed above, each DNRC subaward program may have its own specific eligibility requirements, which are typically included in the application materials or communicated by the DNRC Program Manager.

3.2 Subaward Application

Most applications for DNRC subaward funding require a project narrative and proposed budget. Their general content is summarized here. Note that content may vary by subaward program.

Project Narrative

A narrative typically includes a Project Description, Funding Plan, and Work Plan.

- ❖ **Project Description.** Describes the following:
 - activities to be undertaken,
 - goals and objectives of the project that will also contribute to accomplishing the goals of the federal award,
 - location of the project or activity,
 - key personnel, and
 - any anticipated subawarding or subcontracting activity.
- ❖ **Funding Plan.** Identifies how subaward funds will be used and if applicable, how [match](#) requirements will be met.
- ❖ **Work Plan.** Outlines the action plan, timetable for specific milestones, and methods for measuring progress.

Project Budget

The project budget should provide realistic estimates of anticipated expenses, broken out into the budget categories provided in the application. Although budgets vary by subaward program and project, most include **line items** for [direct costs](#) (such as wages, operating expenses, and contracted services) and [indirect costs](#) and clearly distinguish between award and match funds. If goods or services are to be procured, quotes from [contractors or vendors](#) may help estimate costs.

DNRC recognizes that the costs shown in a proposed budget are usually estimates at the beginning of the project and as such are subject to revision as more information becomes available. Most Subaward Agreements contain a provision allowing for minor adjustments between budget items or categories and define limits above which an [amendment](#) to the agreement is required.

When preparing the project budget for the application, subrecipients should review 2 CFR 200, Subpart E Cost Principles, to determine the types of costs that are generally [allowable](#) and [unallowable](#). Some types of costs are allowable only under certain circumstances, while others are always unallowable. The topic is further discussed in **Sections 4.1 and 4.2** of this manual.

Match (Cost Share) Requirement

Match, a type of Cost Share, is the required portion of project or program costs paid with non-federal funds. Typically, it is the subrecipient's contribution or donated goods or services. DNRC often requires a match commitment from subrecipients or beneficiaries; subaward program-specific match requirements are outlined in the application materials.

If a subaward program requires match, the application narrative/project description must describe how match funds, goods, or services will support the project and who will be providing them. Also, the subaward budget must clearly distinguish between award and match funds.

On a final note, federal funding cannot be used as match on federal awards or subawards. Match requirements are further discussed in **Section 4.5**.

Section 4: Project Costs

4.1 Allowable Costs

General Principles for Allowable Costs

The principles for allowable costs are based on the premise that subrecipients are responsible for the following:

- ❖ administering the subaward efficiently and effectively through the application of sound management practices;
- ❖ managing subaward funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Subaward Agreement;
- ❖ employing sound organization and management techniques as necessary to assure proper and efficient administration of the subawarded funds; and
- ❖ the non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award.

To be considered “allowable” under a federal award or subaward, a cost must be:

- ❖ **necessary** to accomplish the project objectives as described in the Subaward Agreement and applicable industry or program standards;
- ❖ **reasonable** for proper and efficient performance and administration of the subaward under the provisions of 2 CFR 200.404. A cost is “reasonable” if, in its nature and amount, it does not exceed an amount that a prudent person would incur under the circumstances prevailing when the decision was made to incur the cost; and
- ❖ **allocable** to the subaward under the provisions of 2 CFR 200.405. A cost is allocable to a particular award or [cost objective](#) if the cost is assignable to that Federal award or other cost objective in accordance with the relative benefits received.

Additional general criteria for allowability of costs require as established by 2 CFR 200.403 that the cost also:

- ❖ be authorized or not prohibited under state or local laws or regulations;

- ❖ Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- ❖ be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the recipient or subrecipient;
- ❖ be accorded consistent treatment. For example, a cost must not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost, as clarified in **Section 4.3**;
- ❖ be determined in accordance with [generally accepted accounting principles](#) (GAAP), except, for State and local governments and Indian Tribes only, as otherwise provided for in part. Additionally, see 2 CFR 200.416-419 (applicable to states, local governments, Indian tribes, and Institutions of Higher Education);
- ❖ not be included as a cost or used to meet cost sharing requirements of any other federally-financed program or state award in either the current or a prior period, except as specifically provided by federal law or regulation, as discussed in **Section 4.5**;
- ❖ be adequately documented, as discussed in **Section 4.6.2.**; and
- ❖ be the net of all [applicable credits](#). Applicable credits, whether accruing or received, should be credited to the applicable award(s) as a cost reduction or cash refund, as appropriate.

Allowable Costs are described in greater detail in 2 CFR 200-Subpart E.

4.2 Unallowable Costs

Unallowable costs will not be reimbursed. If an item is not mentioned in this manual or the Subaward Agreement, no implication should be drawn that the cost is either allowable or unallowable. If the item is not listed in 2 CFR 200.420-476 Subpart E, it may be possible to determine allowability based on the degree to which it shares common characteristics with another, similar listed item. If no similar item is discussed, the general tests of allowability described in **Section 4.1** should be applied. If cost allowability is difficult to determine, subrecipients should consult with their DNRC Manager before incurring the cost.

Examples of unallowable costs include, **but are not limited to**, the following:

- ❖ *Unapproved Costs.* Costs not previously approved by DNRC in the subaward application, Subaward Agreement, or subaward amendments are usually unallowable.
- ❖ *Lobbying and Political Activity.* The costs of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans are not allowable.

- ❖ *Match (Cost Share).* Costs claimed to meet match requirements for other federal or state grants are not allowable.
- ❖ *Donations and Contributions.* The value of donated items or volunteer services is not reimbursable as either a direct or indirect cost; however, it may be used to meet match requirements.
- ❖ *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities, as well as any associated costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities), are unallowable.
- ❖ *Goods or Services for Personal Use.* Costs of goods or services for personal use of the subrecipient's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

4.3 Direct and Indirect Costs

As noted in **Section 4.1 Allowable Costs**, costs must be consistently treated as either direct or indirect. Cost principles set forth in 2 CFR 200.403 (d) state clearly that a cost may **not** be assigned to a federal award as a direct cost if any other cost incurred for the same purposes in like circumstances has been allocated to the award as an indirect cost. This practice helps to avoid possible double charging of costs.

There is no universal rule for classifying a particular cost as either direct or indirect under every accounting system, but the following guidelines may help determine whether to treat costs as direct or indirect.

Direct Costs. Direct costs can be identified specifically with a particular final cost objective, under the subaward. Costs typically charged as direct may include, but are not limited to:

- ❖ compensation (salaries, wages, and fringe benefit costs) of employees for time identified specifically for the performance of the subaward;
- ❖ cost of materials acquired, consumed, or expended for the purpose of the subaward;
- ❖ cost of services performed to accomplish the subaward; and
- ❖ travel expenses incurred specifically to carry out the subaward.

Indirect Costs. According to the Uniform Guidance, indirect costs are incurred for a common or joint purpose. They benefit more than one cost objective **and** are not readily assignable to the cost objective specifically benefitted, without effort disproportionate to the results achieved.

Indirect costs tend to be necessary for the operation of an organization as a whole, and their benefits are usually shared across all programs. They are sometimes also known as “facilities and administrative,” or F&A, costs.

The decision tree in [Appendix C](#) may help determine whether a cost should be considered direct or indirect. In general, an indirect cost pool **may** include items such as:

- ❖ facility operations and maintenance costs,
- ❖ general administration and general expenses,
- ❖ salaries and expenses of executive officers, personnel administration, and accounting, and
- ❖ depreciation and use allowances on buildings and equipment.

To obtain reimbursement of indirect costs for a DNRC subaward, a subrecipient’s indirect cost rate percentage is applied to the modified total direct cost base. There are two approaches to obtaining an indirect cost rate:

- ❖ ***Negotiated Indirect Cost Rate Agreement (NICRA)***. The NICRA documents an indirect cost rate negotiated with a subrecipient’s federal [Cognizant Agency](#). DNRC will apply the negotiated rate to subawards for the term identified in the NICRA. If the NICRA is soon to expire, a subrecipient may apply to its cognizant agency for a one-time extension of the negotiated rate for up to four years; otherwise, a new NICRA must be negotiated with the Cognizant Agency.
- ❖ ***Non-Negotiated Rate***. Subrecipients without a current NICRA may request the de minimis rate or less for the indirect cost pool under the subaward. Effective October 1, 2024, the de minimis rate established in 2 CFR 200.414(f), is: up to 15% of modified total direct costs (MTDC). The de minimis rate allows for reimbursement of minimal indirect costs without the need to negotiate a rate. Once elected, the subrecipient must use the de minimis rate for all Federal awards until the recipient or subrecipient chooses to receive a negotiated rate.

4.4 Budget Categories

Budget categories for direct costs in a DNRC Subaward Agreement may include [Personnel Costs \(Subrecipient Salary/Wages/Benefits\)](#), Operating Expenses, [Equipment](#) (rarely), Contracted Services, Payments to Beneficiaries, and Subawards to Second-Tier Subrecipients (rarely).

4.4.1 Personnel Costs

Personnel Costs, also referred to as payroll charges, include compensation paid to employees as wages or salaries and related fringe benefit costs for services provided for

the benefit of the subaward project. As with any cost attributed to the subaward, personnel costs must meet the general test of **allowability** by being **necessary, reasonable, and allocable** to the subaward.

Personnel costs can be checked for reasonableness by comparing compensation with other organizations' pay for similar work, or if no similar work exists, with market salary standards. Charges must be consistent with other payroll charges and organizational policies for non-federally-funded activities, and they must not be charged elsewhere to another award or function.

Fringe benefit costs associated with payroll charges (such as the employer's portion of payroll taxes; health insurance premiums; workers' compensation insurance; unemployment insurance; and contributions to retirement programs) are also allowable, provided the benefits are reasonable and required by law, employee agreement, or established policy of the subrecipient (2 CFR 200.431).

Costs of compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable when:

- ❖ they are provided under established written leave policies;
- ❖ the costs are equitably allocated to all related activities, including Federal awards; and
- ❖ the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the recipient or subrecipient or a specified grouping of employees.

All salaries, wages, and benefits claimed as direct costs to federal awards must be based on the entity's documented payroll records. Time and attendance records (including work schedules, calendars, and time sheets) may be used to document payroll charges.

If personnel costs are claimed as part of the indirect cost pool, such as for accounting and general administrative services, and are captured in an approved indirect cost rate, they are not eligible for direct cost reimbursement.

4.4.2 Operating Expenses

The Operating Expenses budget category includes such costs as supplies and materials, utilities, travel, and training. These types of expenses may be treated as either direct or indirect costs, depending on their relative benefit to the subaward. More information about direct and indirect costs is provided in **Section 4.3** and [Appendix C](#).

4.4.3 Equipment (Capital Equipment)

Equipment, also referred to as "capital equipment," is defined as tangible personal property having a useful life of more than one year and a per-unit acquisition cost that

exceeds the lesser of \$10,000 (federal threshold) or the subrecipient organization's own established threshold. The state of Montana's equipment threshold (capitalization level) is \$5,000. Subrecipient organizations without their own defined level for what constitutes a capital item should assume the federal threshold of \$10,000.

If an item costs less than the applicable threshold, it is categorized as "supplies" not equipment and placed in the "Operating Expenses" budget category.

DNRC subawards rarely allow for the purchase of equipment. If it is permitted by the award program, the DNRC Program Manager will work with the subrecipient during the application process to determine if there is a need to allocate subaward funds for equipment. If the purchase of equipment is deemed allowable, the cost will be clearly noted in the subaward budget table, and guidance related to the acquisition and disposition of the equipment will be included in the Subaward Agreement.

4.4.4 Contracted Services

The Contracted Services budget category entails costs incurred for services provided under contract in support of the subaward project. Contracted services represent an actual procurement or purchase of services. As with operating expenses, contractual expenses should be analyzed to determine whether they are more accurately treated as direct or indirect costs under the subaward.

Once funds have been paid out to contractors or vendors, they are no longer considered federal and no longer subject to many of the federal administrative requirements of 2 CFR 200.

4.4.5 Payments to Beneficiaries

Some DNRC subawards may allow the subrecipient to enter into a contract or other agreement with the intended beneficiary of the federal award program to accomplish project goals and distribute subaward funds. Even though there may be a written agreement governing the relationship, it is more of a cooperative relationship than a procurement relationship, so payments to beneficiaries are **not** considered a "contracted service".

4.4.6 Subawards to Second-Tier Subrecipients

Some DNRC subaward programs allow subrecipients to further subaward part of the project funds to another entity, referred to as a "second-tier subrecipient" to perform a specific part of the project. This "second-tier subaward" represents a federal subaward relationship. It is not to be confused with contracted services (a procurement relationship) or payments to beneficiaries (a cooperative relationship). Subrecipients at all tiers of the federal award process **are** subject to all federal administrative requirements in this

manual and 2 CFR 200.

4.4.7 Example Project Budget Table

<i>Project Funding Summary:</i>	<i>Cost</i>
Direct Costs	
Subrecipient Salary/Wages/Benefits	\$ 50,000
Operating Expenses	\$ 10,909
Payments to Landowners (Beneficiaries)	\$ 15,000
Contracted Services	\$ 15,000
Subtotal – Direct Costs	\$ 90,909
Indirect Costs (10%)	\$ 9,091
Total Subaward Amount	\$100,000
Match Required (4:1)	\$25,000
<i>Total Project Funding:</i>	\$125,000

4.5 Match (Cost Share)

Match, a type of cost share, is the required level of non-federal funds that must be provided for the project. Match is usually met through the subrecipient’s contribution or a third party’s donated services or supplies. For subawards that require match, the subrecipient must document, according to the terms of the Subaward Agreement, that the match requirement has been met.

Costs used to meet a match requirement must be allowable under the applicable cost principles and must meet program guidance and documentation requirements. Failure to properly record match expenses may result in the termination of the Subaward Agreement or the withholding of subaward disbursements by DNRC until appropriate documentation is provided.

4.5.1 Match Ratio

In a DNRC subaward, the match requirement is described as a ratio of federal to non-federal funds, such as, “3:1 federal to non-federal funds.” In this example, for every \$3 of federal funds received, the subrecipient or a third party must provide \$1 of non-federal funds. The subrecipient should work with the DNRC Program Manager to ensure the amount of match required is clearly understood as stated in the Subaward Agreement.

4.5.2 Match Requirements

Costs claimed as match must meet all the following criteria identified in 2 CFR 200.306(b):

- ❖ be verifiable from the subrecipient's records;

- ❖ not be included as match contributions for any other state or federally assisted project or program;
- ❖ be necessary and reasonable for the accomplishment of project objectives;
- ❖ be allowable under the cost principles of 2 CFR 200-Subpart E; and
- ❖ not be paid by the federal government under another award, except where authorized by federal statute for use as match.

Costs used to meet match requirements must be documented in the same manner as those claimed as allowable costs under DNRC subawards.

4.5.3 Match Types

Cash Match (Hard Match)

[Cash Match](#), also referred to as hard match, is the actual cash outlay contributed to the project by the subrecipient or third parties, such as project partners and beneficiaries. Costs often claimed as match include employee salary/wages and services or supplies purchased to support the project.

In-kind Match (Soft Match)

[In-kind Match](#), also referred to as soft match, is the value of non-cash contributions provided by subrecipients or third parties. In-kind contributions may take the form of goods, labor, services, facilities, space, personnel, materials, or equipment calculated at fair market value. Note that third-party in-kind match contributions count toward satisfying a match requirement only if the party receiving the non-cash contributions were to pay for them, the payments would be allowable costs under the subaward.

- ❖ **Donated Services - Volunteers**

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as match if the services are integral to the subaward project.

Values claimed for volunteer services must be consistent with costs of similar work performed in either the subrecipient's organization or the local labor market. Fringe benefits that are allowable, allocable, and reasonable may be included in the value. For value determination, a recommended source is the annual index of Informational Wage Rates by Occupation for Montana labor markets published by the Montana Department of Labor and Industry.

If volunteer services are approved to be claimed as match, the subrecipient should maintain documentation of who the volunteers were, how many hours were worked, and when and what kind of work was done. To the extent it is feasible, donated services should be documented by the same methods used to support regular personnel costs, as described in **Section 4.4.1**.

❖ **Donated Services - Other**

Other examples of donated services may include printing, website maintenance or server space, telephone services, transportation costs, or administrative or accounting services provided in support of the program. These donated services should be valued at the fair market value for the services or at what the entity would have to pay for the services if they were not donated.

❖ **Donated Goods**

A subrecipient may receive donations of supplies necessary to accomplish project goals, the reasonable value of which may be used for match requirements of the program. The value assessed must not exceed fair market value at the time of the donation. DNRC may ask subrecipients to describe their basis for determining the value of donated goods claimed as match.

4.6 Disbursements of Subaward Funds

4.6.1 Disbursement via Reimbursement versus Advance

Most disbursements under DNRC subawards are issued on a **reimbursement** basis. The subrecipient incurs expenses for award-funded activities, processes payment, and then submits a request for reimbursement to DNRC.

Many DNRC subawards allow an advance of funds. It should be noted that advances come with the following constraints, as described in 2 CFR 200.305:

- ❖ A subrecipient must maintain written procedures that minimize the time elapsing between the transfer of funds and their disbursement by the subrecipient and be able to provide these procedures to DNRC upon request.
- ❖ A request for advance funds must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the subrecipient in carrying out the approved project. The request must be submitted as close as is administratively feasible to the subrecipient's actual disbursement of funds.
- ❖ A subrecipient must maintain financial management systems that meet the standards for both fund control and accountability.

4.6.2 Disbursement Documentation

Disbursement request documentation varies by subaward program. Instructions, forms, and documentation requirements for the submittal of disbursement requests are provided in the Subaward Agreement or on the DNRC website. Across all programs, the following principles and procedures apply:

- ❖ Documentation required in support of subaward disbursement requests may include, but is not limited to, the following: itemized receipts, vendor invoices, project inspection certificates, landowner agreements, financial reports that clearly show expenditures, payroll records, copies of checks, bank statements, and other forms of proof that costs were **both incurred and paid**. DNRC will determine whether documentation submitted adequately supports the disbursement request.
- ❖ Reimbursement of expenditures will only be made for expenses included in the approved subaward project budget and clearly supported by the subrecipient's financial records.
- ❖ Federal award terms and standard audit practices require that subrecipients maintain appropriate and adequate records showing complete entries of all receipts, disbursements, and other transactions relating to the DNRC Subaward Agreement for at least three years after the termination or expiration of the agreement.

4.6.3 Disbursement Withholding

Most DNRC subaward programs require that a percentage of total subaward funds, or of each reimbursement request, be withheld until all conditions of the agreement are met. The withholding schedule is outlined in the Subaward Agreement. Withheld funds are released to the subrecipient when the subaward project is concluded; any required inspections are completed; and all reports, documentation, and reimbursement requests are submitted to and approved by DNRC.

Section 5: Procurement of Goods and Services

5.1 Procurement Standards by Entity Type

Subrecipients may procure a variety of commercially available goods or services in connection with their subaward project – as outlined in the approved plan. Subrecipients are responsible for determining the most appropriate instrument for a particular procurement to promote the best interest of the project. More information about considering a cost and selecting a procurement method can be found in **Section 4.1 Allowable Costs** and **5.2 Procurement of Goods and Services**.

The method of procurement will vary by situation and dollar amount, according to federal standards provided in 2 CFR 200, as well as any DNRC requirements communicated during the application process or in the Subaward Agreement.

Standards for policies and procedures governing the procurement of goods and services with federal grant funds also vary by the type of subrecipient:

- ❖ ***State Government Agencies and Indian Tribes*** are expected to follow the same policies and procedures used for procurements with non-Federal funds (2 CFR 200.317). States must also comply with procurement policy for recovered materials (2 CFR 200.323) and ensure that purchase orders or other contracts include federally required contract provisions (2 CFR 200.327).
- ❖ ***All Other Non-Federal Entities*** must follow their own documented procurement procedures. These must reflect applicable state, local, and tribal laws and regulations, provided they conform to federal law and the standards of 2 CFR 200.318-327. Organizational procurement procedures may be more restrictive than the federal standards but no less restrictive.

5.2 Procurement of Goods and Services

Below are some of the requirements for procurement procedures when subrecipients are spending federal grant funds (except for states and Indian Tribes, as noted in **Section 5.1**):

- ❖ **Documented Procurement Procedures**
Subrecipients must have documented procurement procedures that reflect applicable state, local, and tribal laws and regulations and comply with the standards of 2 CFR 200.318-327. Among other requirements noted in the CFR, procurement procedures must ensure that subrecipients (1) avoid unnecessary or duplicative purchases, (2) conduct some form of cost/price analysis for every procurement, and (3) award contracts only to responsible contractors who possess the ability to perform successfully under the terms and conditions of the proposed procurement.
- ❖ **Written Standards of Conduct**
Subrecipients must have written standards of conduct covering conflicts of interest and governing the performance of employees engaged in the selection, award, and administration of contracts. For instance, no employee, officer, agent, or board member may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Conflicts of interest are further clarified in 2 CFR 200.318(c), and in 2 CFR 400.2 for awards from USDA funds (US Forest Service), as well as in federal, state, or local laws and regulations.
- ❖ **Contract Administration and Dispute Resolution**
Subrecipients must maintain oversight to ensure that contractors perform within the terms and conditions of their contracts. Subrecipients are also responsible for the settlement of all contractual and administrative issues arising out of their procurements and therefore must have protest procedures in place to handle and resolve disputes.
- ❖ **Awarding Contracts**
The subrecipient must award contracts only to responsible contractors able to perform successfully under the terms and conditions of a proposed procurement. Consideration must be given to such criteria as the contractor's integrity, compliance with public policy, proper classification of employees, record of past performance, and financial and

technical resources. Some DNRC Subaward Agreements may contain more specific procurement direction, such as requiring bids be obtained and considered before procuring a certain product or service.

❖ **Contract Provisions**

All contracts obligating federal grant funds must contain certain specific provisions, depending on the contract amount or project activities. Possible provisions include, but are not limited to, the Davis-Bacon Act and the Contract Work Hours and Safety Standards Act. Subrecipients should consult 2 CFR 200 Appendix II for specifics.

❖ **Competition**

All procurement transactions must be conducted in a manner that provides full and open competition, as described in 2 CFR 200.319. Some situations to be avoided, as they are considered to be restrictive of competition, include (1) placing unreasonable requirements on firms in order for them to qualify to do business, (2) requiring unnecessary experience and excessive bonding, (3) noncompetitive pricing practices between firms or affiliated companies, (4) noncompetitive contracts to consultants on retainer contracts, (5) organizational conflicts of interest, (6) specifying only a “brand name” product instead of allowing “an equal” product to be offered in describing the performance or other relevant requirements of the procurement, and (7) any arbitrary action in the procurement process.

❖ **Cost/Price Analysis**

Some form of cost or price analysis should be made in connection with every procurement action. Cost/price analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability, as described in **Section 4.1 Allowable Costs**.

As with competition, discussed above, there is not one set procedure to follow in every circumstance. The analysis may be accomplished in a variety of ways, such as by comparing quotes, market prices, and discounts in the process of making a reasonable decision. During a cost/price analysis, subrecipients should, where applicable, consider lease versus purchase alternatives to determine which would be the most economical and practical procurement alternative.

❖ **Solicitations**

Federal grant regulations go into greater detail on specific solicitation requirements, but at a minimum a solicitation must present (1) a clear and accurate description of the technical requirements for the material, product, or service to be procured; (2) any other requirements that the bidder/contractor must fulfill; and (3) all other factors to be used in evaluating bids or proposals. 2 CFR 200.320 provides more information about this topic.

❖ **Preference for Small and Minority Businesses, Women’s Business Enterprises, and Labor-Surplus-Area Firms**

Subrecipient entities are required to take affirmative steps to assure that small businesses, minority-owned businesses, women’s business enterprises, and labor-surplus-area firms are used when possible. These steps are outlined in 2 CFR 200.321.

❖ **Domestic Preference**

To the greatest extent practicable and consistent with law, subrecipients should provide a preference for the purchase, acquisition, or use of goods, products or materials produced in the United States as outlined in 2 CFR 200.322.

❖ **Procurement Documentation**

The subrecipient must maintain records sufficient to detail the history of procurement. Records include, but are not necessarily limited to, the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price. This documentation may be requested and reviewed by DNRC during subrecipient monitoring activities or by independent auditors during an audit.

Documents must be held for a minimum of three years after the termination or expiration of the Subaward Agreement. For award-funded procurements that exceed the federal simplified acquisition threshold (currently \$250,000), additional conditions apply, detailed in 2 CFR 200.324. If procurements of this size are anticipated under DNRC's award-funded activities, DNRC and the subrecipient should discuss acceptable methods and procedures prior to executing the Subaward Agreement.

❖ **Suspension and Debarment**

All subrecipients and contractors to be paid with federal grant funds awarded through DNRC must complete form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion, Lower Tier Covered Transactions," prior to beginning work on the subaward. It is often included as an appendix in a subaward agreement.

Subrecipients should use the AD-1048 for their contractors and any second-tier subrecipients too. The form can be found at [Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions \(usda.gov\)](https://www.usda.gov/procurement/contracting/contracting-1048).

Signed AD-1048 forms must be kept on file. Subrecipients may also use the System for Award Management website, [SAM.gov](https://sam.gov), to verify that debarred, suspended, or otherwise ineligible contractors are not paid with federal funds. More information about suspension and debarment is provided at 2 CFR 200.214.

Section 6: Subrecipient Monitoring

According to the requirements of 2 CFR 200.332, DNRC is responsible for monitoring its subrecipients and their subaward projects to verify that project goals are achieved and subrecipients are in compliance with state and federal laws, program regulations, Subaward Agreement terms and conditions, and administrative requirements. Subrecipient monitoring must also accomplish the following objectives:

- ❖ verify that expenditures have been charged to the cost categories and within the cost limitations specified by the Subaward Agreement and applicable laws and regulations;
- ❖ determine that the subaward project is progressing properly and in compliance with applicable laws and regulations, contracts, Subaward Agreements, and 2 CFR 200; and
- ❖ provide technical assistance as necessary.

Periodic monitoring provides DNRC with information about the programmatic and financial health of the subrecipient and helps ensure successful grant administration at all levels of the federal award and subaward process. Monitoring procedures that are clearly documented and consistently followed also protect both DNRC and subrecipients in the event of an audit.

6.1 Monitoring Methods

The monitoring methods used by DNRC depend on the specific award program, amount of the subaward, scope and complexity of the project, and a subrecipient's financial and organizational history. Typical monitoring procedures include:

- ❖ performing a risk assessment to estimate the potential risk of fraud and risk of noncompliance with a subaward and determine an appropriate level of monitoring;
- ❖ engaging in regular communications, primarily by phone and email;
- ❖ reviewing subrecipient project performance reports;
- ❖ reviewing subrecipient financial reports and documentation supporting subaward expenses and procurement practices;
- ❖ providing training or technical assistance to help subrecipients understand and comply with applicable laws and regulations
- ❖ reviewing Single Audit findings and confirming that corrective actions have been taken;
- ❖ performing desk reviews of subaward-related documents, policies, and procedures;
- ❖ conducting site visits to verify project progress; and
- ❖ staying informed of subrecipient coverage in the news and media outlets.

6.2 Subrecipient Risk Assessment

DNRC may apply special subaward conditions and use additional monitoring techniques for subrecipients, depending on their estimated level of risk of noncompliance with laws and rules. Factors commonly considered in determining a subrecipient's level of risk are as follows:

- ❖ prior experience with the same or similar subawards;
- ❖ whether the subrecipient receives federal awards directly from a federal agency;
- ❖ results of previous audits;
- ❖ whether the subrecipient has new personnel or substantially changed administrative or financial systems;
- ❖ the amount of the subaward(s) being administered by the subrecipient; and
- ❖ the complexity of the award(s), project(s), or subaward(s) requirements.

6.3 Single Audit

For fiscal years beginning before September 30, 2024, Subrecipients expending \$750,000 or more in federal funds during their fiscal year are required to have a Single Audit or Program-Specific Audit conducted in accordance with the provisions of 2 CFR 200-Subpart F. The spending threshold for audit increased to \$1,000,000 for fiscal years beginning on or after October 1, 2024. As a primary recipient and pass-through entity, DNRC must ensure subrecipients are in compliance with this requirement, even if DNRC has only supplied a portion of the organization's federal funding. DNRC will review the results of audits and follow up with subrecipients as necessary.

For-profit entities are exempt from the audit requirement, as are subrecipients spending under the threshold. However, DNRC may require a subrecipient to conduct an audit according to federal government auditing standards if warranted by the subrecipient's risk level or past noncompliance.

6.4 Desk Review

DNRC may conduct a desk review to assess subrecipient compliance with laws and rules governing administration of federal subawards. In most circumstances, it entails an in-depth review of a disbursement request previously submitted by a subrecipient.

During the process, a subrecipient may be asked to submit additional supporting documentation not included in the original disbursement request, such as copies of payroll documentation or a description of the process a subrecipient followed for a particular procurement.

Desk reviews may also be conducted on a project level, such as verifying eligibility of program participants, or reviewing a group of subrecipients to target a specific area of compliance.

6.5 Site Visit

Site visits provide DNRC with a more in-depth look at a subrecipient's project or organization. Although the purpose of the visit may vary, subrecipients should view the visit as an opportunity to demonstrate project accomplishments and discuss any issues, obstacles, or opportunities for improvement. Site visits may include but are not limited to reviews of programmatic accomplishments such as touring a project/treatment area, organizational process and procedure reviews, or items of fiscal management.

After a site visit, DNRC may provide feedback to the subrecipient that includes its observations, any recommendations for improvement, or expectations for corrective action.

6.6 Corrective Action Plan

In the process of subrecipient monitoring, DNRC may work with the subrecipient to create a corrective action plan to address significant issues. At a minimum, this entails:

- ❖ identifying significant issues,
- ❖ describing corrective actions to be taken, and
- ❖ establishing a date by which each corrective action will be completed and the person responsible for implementation.

The corrective action plan should be agreed to by the subrecipient and DNRC, and specific activities should be completed by the subrecipient by the due date. If corrective actions are not undertaken as specified, the subrecipient may be out of compliance with the terms of the Subaward Agreement or federal requirements.

6.7 Monitoring Follow-Up

The follow-up to issues raised in DNRC monitoring of subrecipients varies depending on the extent and severity of the issues raised and how the corrective action process is managed. Follow-up may include communication with the subrecipient after the review of the corrective action plan, additional desk reviews, and announced or unannounced site visits.

6.8 Agency Remedies

If a subrecipient does not complete items described in a corrective action plan or correct known violations, DNRC may seek remedies to enforce the terms of a Subaward Agreement. Remedies

sought or imposed on noncompliant subrecipients are based on the severity of the violation and may include:

- ❖ temporarily withholding cash disbursements pending correction or submission of documentation;
- ❖ disallowing expenditure of funds for activities that do not comply with the law, regulations, or Subaward Agreement;
- ❖ classifying the recipient as “high-risk” and adding special terms and conditions to current and future Subaward Agreements to increase monitoring levels;
- ❖ requiring the recipient to conduct and pay for independent auditing;
- ❖ refusing to extend the term of the subaward;
- ❖ terminating the subaward;
- ❖ initiating proceedings to suspend or debar the recipient from participating in federal programs;
- ❖ pursuing recovery of funds; and
- ❖ pursuing criminal penalties.

DNRC works with subrecipients to facilitate understanding of and compliance with subaward requirements. Subrecipients with concerns or questions should contact their Program Manager or other appropriate DNRC representative for direction on the administration of their subaward.

[Section 7: Subaward Agreement](#)

7.1 Period of Performance

Allowable costs must be incurred, though not necessarily paid, within the Period of Performance, also called the “term”, of the Subaward Agreement. Unless other dates are specified in the Subaward Agreement, the period of performance begins on the date of the last signature to the agreement and ends on the agreement’s expiration date. In some cases, the period of performance of a Subaward Agreement may be extended via written amendment.

7.2 Subaward Modifications and Amendments

Permission to substantially modify the substance or scope of subaward projects must be requested in advance from the DNRC Program Manager. The Subaward Agreement provides guidance on the kinds of modifications that must be submitted for approval. Modifications that

commonly require prior approval include significant changes in project scope or objectives, extensions to the period of performance, or budget modifications.

Requests to modify an existing subaward should include a written narrative describing the reason for the changes and an itemized, revised budget (if applicable). Requests must be submitted and approved prior to any changes taking place.

DNRC Program Managers will review all modification requests and either approve or disapprove them in writing. Significant revisions may require a written amendment to the Subaward Agreement signed by both parties. DNRC will not approve any modification inconsistent with the purpose or terms and conditions of the federal grant awarded to DNRC.

7.3 Subaward Reporting

DNRC is responsible for implementing federally funded grant programs efficiently and effectively. Subrecipients of federal grant funds are held accountable for performance and required to report regularly on accomplishments. DNRC incorporates subrecipients' reported data into its reports to the federal awarding agency. Accurate and timely reporting at all levels helps the federal agency connect funding to accomplishments, increasing the likelihood of future funding opportunities.

Subrecipient project performance reports should describe the status of the project, accomplishment of project goals and objectives, and any problems or obstacles encountered. According to 2 CFR 200.301, performance should be measured in ways that will help the federal awarding agency, pass-through entity, and subrecipients improve program outcomes, share lessons learned, and spread the adoption of best practices.

Financial reports should provide an overview of the project's financial status, total expenditures, program income earned, and match provided. Reporting requirements for subrecipients vary by subaward program; further reporting requirements are outlined in the Subaward Agreement.

7.4 Subaward Closeout

Closeout of Subaward Agreements occurs when the following steps have been completed:

- ❖ All financial and performance reports and other required documentation have been submitted by the subrecipient and approved by DNRC.
- ❖ All approved expenses under the subaward have been reimbursed by DNRC.
- ❖ The DNRC Program Manager has certified that all required actions have been completed.
- ❖ DNRC has issued guidance to the subrecipient regarding the proper disposition of equipment or residual inventory of unused supplies purchased with subaward funds.

7.5 Record Retention

As the primary recipient of federal grant funds, DNRC must maintain award and subaward records according to federal and state record retention requirements. In turn, subrecipients must maintain appropriate and adequate subaward records for a minimum of three years after the expiration of the subaward. The subaward always includes direction on record retention period. With some program offerings, at subaward closeout, subrecipients may receive a letter indicating the date from which to count three years.

Appendix A: Definitions

Allowable Costs

In order to be considered allowable under a subaward, a cost must, at a minimum, be allocable, reasonable, and necessary. **Section 4.1** provides more criteria.

Amendment

An amendment is a formal modification to a subaward agreement. It is in written form, signed by both DNRC and the subrecipient, and legally incorporated into the subaward.

Applicable Credits

Applicable credits are receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the subaward as direct or indirect costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by a subrecipient relate to allowable costs, they shall be credited to the subaward either as a cost reduction or cash refund, as appropriate.

Beneficiary

Beneficiaries are the persons, groups, organizations, or other entities that are intended to ultimately benefit from a federal award. Beneficiaries are not considered subrecipients and therefore are not subject to the same regulatory and administrative requirements as subrecipients.

Cash Match (Hard Match)

Cash match, also referred to as to as hard match, is a contribution of cash to a subaward project by a subrecipient or third party. Examples include, but are not limited to, an expense in an accounting ledger attributable to the project or a project-related expense that can be verified via receipts.

Code of Federal Regulations (CFR)

The CFR is the codification of the general and permanent rules published in the Federal Register by departments and agencies of the federal government of the United States. The CFR is divided into 50 titles that represent broad areas subject to federal regulation. Title 2 (Grants and Agreements) contains instruction for recipients and subrecipients of federal grant awards to facilitate stewardship of and accountability for federal funds. The CFR can be viewed at <https://www.ecfr.gov/>.

Cognizant Agency (for indirect costs)

The Federal agency responsible for reviewing, negotiating, and approving cost allocation plans and indirect cost proposals for a grantee on behalf of all Federal agencies. The cognizant agency for indirect costs for a particular entity may be different than the cognizant agency for audit. The cognizant agency for indirect costs:

- (a) For an institution of higher education, nonprofit organization, State, local government, or Indian tribe is assigned as described in the appendices to 2 CFR 200.

(b) For a for-profit entity, normally will be the agency with the largest dollar amount of pertinent business, as described in the Federal Acquisition Regulation at [48 CFR 42.003](#).

Contractor or Vendor

A contractor or vendor is a dealer, distributor, merchant, or other seller that receives a contract to provide goods or services required to carry out the objectives of a federal program. The goods or services may be for use by an organization or by the beneficiaries of the federal program. Note that in 2 CFR 200, the term “vendor” has been eliminated in favor of “contractor.”

Cost Objective

Means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative (F&A)) cost activity, as described in subpart E of this part.

Direct Cost

A direct cost can be identified specifically with a final cost objective, such as a subaward project.

Equipment (Capital Equipment)

Means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$10,000.

Generally Accepted Accounting Principles (GAAP)

GAAP is a common set of rules, conventions, standards, and procedures for reporting financial information, issued by the Government Accounting Standards Board and the Financial Accounting Standards Board.

Indirect Cost

Means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

In-kind Match (Soft Match)

In-kind match, also referred to as “soft match,” is the value of non-cash contributions provided by a subrecipient or third party. Contributions may take the form of supplies, facilities, services, equipment, travel, or volunteer labor that directly benefits and is specifically identifiable to a subaward project. Contributions must be appraised at fair market value.

Match (Cost Share)

Match, also referred to as Cost Share, is the portion of project costs not paid with subaward funds. Required match is usually contributed by the subrecipient or a third-party.

Pass-Through Entity

A pass-through entity is a non-federal entity that provides a subaward of federal funds to a subrecipient to carry out part of a federal program.

Personally Identifiable Information (PII)

PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some information that is considered PII is available in public sources such as telephone books, public websites, and university listings. This type of information is considered Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made publicly available, in any medium and from any source, that, when combined with other available information, could be used to identify an individual. PII must be safeguarded by the subrecipient as part of its internal controls.

Personnel Costs

Personnel costs include compensation paid to employees as wages or salaries and related fringe benefit costs for services provided during the period of the subaward for the benefit of a subaward project.

Primary Recipient

The primary recipient is a non-federal entity that receives a federal award directly from a federal awarding agency to carry out a federal program.

Program-Specific Audit

A program-specific audit, described in 2 CFR 200-Subpart F, examines the financial and compliance components of an individual, federally-funded program. It is less rigorous than the single audit, which examines the financial and compliance components of an entire entity.

Single Audit

The Single Audit, described in 2 CFR 200-Subpart F, is a rigorous, organization-wide audit or examination of an entity that expended formerly \$750,000, now \$1,000,000 or more of federal funds in their previous fiscal year. The objective is to provide assurance to the U.S. federal government as to the management and use of federal funds. The audit is typically performed by an independent certified public accountant (CPA) and encompasses both financial and compliance components.

Subaward

A subaward is an award provided by a pass-through entity to a subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments directly to a

contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Subrecipient

Means an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

Unallowable Costs

Unallowable costs are costs that the federal government or the DNRC deem inappropriate per the federal Office of Management and Budget (OMB) guidance and will not reimburse.

Appendix B: Flowchart of Award Funding

Federal Funding Agency
USDA Forest Service

Awards federal grant funds to...



Primary Recipient
State of Montana – DNRC Forestry

Subawards federal grant funds to...



Subrecipient
Non- or for-profit; state, local, or tribal government

Procures goods or services from...



Contractor or Vendor

Provides good or service in exchange for payment.

Provides payment or benefit to...



Beneficiary

Receives monetary or other benefit from subaward.

Appendix C. Cost Determination: Direct or Indirect

Should this cost be allocated as a direct or indirect cost to the subaward?

