FOREST TRENDS
SUBAWARD MANAGEMENT POLICIES & PROCEDURES

April 2022

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POLICIES

As part of its due diligence process, FT monitors all subawardee organizations that it designates to carry out specific portions of a project or award. FT uses a risk-based approach to determine the level of monitoring activities it will undertake to ensure appropriate use and safeguarding of assets awarded to subaward organizations, and that address risks related to material non-compliance and/or loss or misappropriation of donor funds. The risk assessment process considers the dollar exposure of the subaward and the overall management protocols and internal controls the subawardee organization is able to demonstrate.

Selection and risk assessment criteria for subaward recipients include level of expertise, geography and organizational preparedness to manage subaward funds.

1. Organizations are selected based on their level of expertise and preparedness to deliver on the work plan and objectives of the work program. Levels of expertise and preparedness are determined through our direct experience in engaging these partners on initial assignments or, when direct experience is not available, by gathering information from peer organizations working in the field.
2. Depending on the work program, local presence may or may not be important and is considered accordingly.
3. Ability to comply with original donor requirements is determined by assessing organizational financial health and prior experience managing subaward funds.

Following a pre-award review and risk assessment, subawardees who are deemed to present a higher compliance risk, may be required to undergo more targeted and in-depth monitoring processes as illustrated by the graph below.

Figure 1. Levels of Risk and Resulting Levels of Monitoring
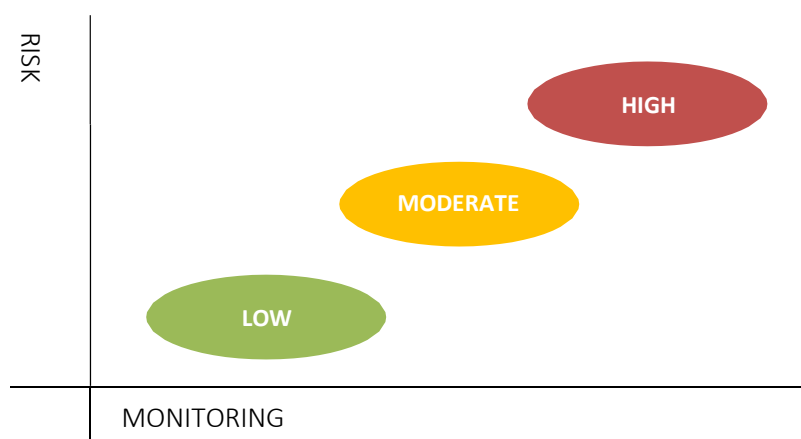
Subaward monitoring, therefore, is a phased approach that begins with a risk assessment exercise, is followed by varied monitoring actions throughout the life of the subaward, and ends with close out activities over the course of the last year of the agreement and the months following its expiration.

Subaward monitoring activities and processes are divided into the three distinct phases described below.

1. Pre-award Subaward Review. Prior to executing a subaward agreement with a third-party organization FT staff identifies risk levels by conducting a thorough review of the organizations good standing, internal controls, operating policies, and other information that outline organizational preparedness.

2. Post-award Subaward Monitoring. Post-award subaward monitoring refers to those periodic activities undertaken monthly, quarterly, and annually to monitor the subawardee' s financial management and programmatic progress, including any additional monitoring activities established as a result of the subaward monitoring assessment.

3. Closeout of Subawards. Closeout of subaward refers to those activities undertaken during the last year of the subaward and following the end of the period of performance.

PROCEDURES

A. Pre-Award Subaward Review/Risk Assessment

Before executing a subaward agreement, Forest Trends conducts an assessment of the selected subawardee organization by requesting the subawardee organization to complete the Subawardee Questionnaire (SQ), found in the share drive in the "Templates Folder". This questionnaire informs all matters relating to the organization's good standing, its operating procedures, internal controls and prior experience with other subawards. Additionally, the prospective subawardee organization will provide information on legal status and ownership structure, and make appropriate assurances and representations on its good standing and operations.

Next, Forest Trends staff will use the Subaward Risk Assessment Tool (SRAT), found in the share drive in the "Templates Folder," to determine whether there are any identified control weaknesses or other findings that would cause concern about the entity's ability to manage the funds entrusted to them. The process allows Forest Trends to ascertain the subawardee' s levels of expertise and qualifications to undertake a portion of the project, and the systems and controls it has in place to safeguard assets, and provide a complete accounting of funds.

Determination of organizational preparedness to manage grants may be informed by the following documentation:

• A copy of the most recent audited financial statements, tax return form (990 in the U.S.) and annual report.

• No record of suspension or debarment from work with the Federal government and (OFAC listing).

• Existing and current registration in the System for Award Maintenance at www.sam.gov or ability to submit a registration prior making the final award.

• Existing pre-approval from donor, as required, for any subawards that are not approved in original award scope of work and/or budget.

Program staff (or designated Program or Project Manager) is responsible for working with the subawardee organization and completing the SQ and SRAT processes. The final risk rating determination is made in

coordination with HQ Finance and Operations. The program must keep records of all due diligence documentation in the institutional shared drive.

B.   Post-award Subaward Monitoring Activities

Once the risk rating is determined, program staff establishes the set of post-award monitoring activities they will undertake over the course of the award based on the framework of minimum required subaward monitoring activities (Table 1 below).

Note that designated program staff will also assign any additional or stricter monitoring activities as required to mitigate risk levels identified by the organizational review and-or due to additional or stricter donor requirements. These additional monitoring measures will be assigned in coordination with HQ Finance and Operations in addition to the required financial subaward monitoring activities detailed in the framework below.

The sub agreement language is to include the established monitoring activities and ensure that sub agreements and amendments are signed on before the effective date.

Table 1. Framework of Minimum Required Subaward Monitoring Activities

Subaward Amount (US$) / Risk	A <$100,000	B $100,000 - 299,999	C ≥ $300,000
LOW	Financial Reporting should follow requirements of the prime award to Forest Trends, or more often. & Periodic Programmatic/ Technical Reporting	If institutional audit report of their most recently completed fiscal year is available, 4 Financial summary reports. If institutional audit report is not available, 3 Financial Summary Reports and 1 Financial Detailed Report & Periodic Programmatic/ Technical Reporting	If institutional audit report of their most recently completed fiscal year is available, 4 Financial Summary reports. If institutional audit report is not available, 3 Financial Summary Reports, 1 Financial Detailed report, and 1 other Financial Monitoring (Note 1) & Periodic Programmatic/ Technical Reporting
MEDIUM	Financial Quarterly Summary Reports & Periodic Programmatic/ Technical Reporting	3 Financial Summary Reports 1 Financial Detailed Report 1 other Financial Monitoring (Note 1) & Periodic Programmatic/ Technical Reporting	2 Financial Summary Reports 2 Financial Detailed Reports 1 other Financial Monitoring (Note 1) & Periodic Programmatic/ Technical Reporting
HIGH	3 Financial Summary Reports 1 Financial Detailed Report & Periodic Programmatic/ Technical Reporting	2 Financial Summary Reports 2 Financial Detailed Reports 1 other Financial monitoring (Note 1) & Periodic Programmatic/ Technical Reporting	1 Financial Summary Reports 3 Financial Detailed Reports 1 other Financial monitoring (Note 1) & Periodic Programmatic/ Technical Reporting

NOTES	
Note 1	"Other Financial Monitoring" activity can consist of (1) a submission of an additional detailed financial report instead of a summary Report, (2) a project audit or (3) a site visit. HQ Finance team (Finance Budget and Grants Manager & CFO) is to review and approve program proposed other Financial monitoring reporting requirement. It is recommended, when possible, that the higher the subaward amount, the "other Financial monitoring activity" be a Project Audit and be included in subawardee project budget.

Monitoring activities are grouped into main categories below. These activities represent the available tools that Forest Trends uses to monitor subawards.

1. Review and Analysis of Subaward Programmatic/Technical Reports
Each subaward agreement will identify the subaward's programmatic/technical reporting requirements. The subaward Project Manager in conjunction with the financial lead (if appropriate/applicable) determine the frequency of technical reporting to a) ensure that there is alignment between the financial and technical reporting as much possible, b) donor requirements are met, c) ensure that adequate monitoring of project implementation is documented and d) to ensure that requests for reimbursement are justified. Because projects differ widely, Forest Trends does not provide a standard template for Programmatic/Technical reporting.

2. Review and Analysis of Subaward Financial Reports
Each subaward agreement should identify the subaward's financial reporting requirements following the framework of required financial subaward monitoring activities by risk rating - table above, and also include any additional or stricter donor requirement. All subawardees receiving subawards of $100,000 or more, must submit periodic detailed or summary financial reports. If additional or stricter reporting requirements are deemed necessary, program staff will discuss options with the HQ Finance and Operations teams.

The default (typical) periodic report is the Summary Financial Report which provides an overview of total expenditures, progress against budget, cash position, and forecast for next period expenses (for subawards receiving advances). The Summary Financial Report is a stand-alone report that does not require additional backup documentation to be supplied for review.

The Detailed Financial Report consists of including general ledger transactional report listing all expenditures separated by funding source and budget line backing up the Summary Financial Report data. The Detailed Financial Report provides a much more thorough understanding of the subaward's financial activities and status. The Program and-or Financial managers of the subaward have the discretion to ask for and review receipts for expenditures during the report period, regardless of amount, if there are specific concerns about the subaward's expenses submitted for reimbursement.

3. Site Visits
Two types of site visits may be considered to fulfill monitoring requirements. They are:
   1. Visits by contracted external agents; and/or
   2. Structured visits by program financial team, if capacity is adequate. HQ Finance team is to work with program defining if program finance capacity is adequate to carry on subaward site visits.

4. Annual Subaward Monitoring

At least annually, the program will evaluate the subaward organization and determine, in coordination with HQ Finance and Operations, whether and if additional or corrective actions should be taken.

The program will use its knowledge of the subaward performance per ongoing monitoring activities, and as considered necessary gather updated information and documentation on subaward organizations' financial stability, financial processes, and controls, to evaluate the subaward organization. Pertinent updated information to be gathered, reviewed, and analyzed, including donor requirements, as follows:

- Institutional Financial Statement Audits
- In addition, the following approaches may be used to learn more about the subaward and confirm the risk profile:
  - Site visits to review processes, systems, and controls;
  - Reapplication of SRAT, especially Section 4 "Control Risk"
  - Other procedures deemed appropriate.
- If applicable, others could include:
  - Indirect Cost Rate
  - Status of Sales Tax reimbursement by government authorities
  - SAM renewal
  - Conflict of Interests
  - Timesheets

C. Closeout of Subaward Awards

The Program is responsible to ensure the timely and proper closeout of subaward awards, including compliance with specific donor requirements. The program is to begin subaward closeout actions during the last year of the subaward and immediately following conclusion of the subaward period of performance using Subaward Closeout List (SCL) found in the share drive in the "Templates folder".

Subawards should be formally closed within a 60-day time period noting that donor requirements will take precedence. A subaward may not be formally closed until all of the applicable closeout requirements have been accomplished.

Program is responsible for ensuring that requirements of the prime award, under which a subaward award is issued, will be considered and met during the closeout process. In general, a subaward is closed when it has expired and/or when final technical deliverables are received, and financial matters are concluded.

D. Responsibilities for Monitoring

Note that designated program staff will assign any additional or stricter monitoring activities as required to mitigate risk levels identified by the organizational review and-or due to additional or stricter rules donor requirements. These additional measures will be taken in coordination with HQ Finance and Operations in addition to the required financial subaward monitoring activities detailed in the framework above. The Program Manager or designated staff or Program staff is responsible for ensuring all subaward monitoring activities are carried out as assigned over the course of the life of the subaward. To be considered a monitoring activity, the Project Manager must document their review of all programmatic reports and other deliverables.

Program Directors (or designated staff) will ensure that the Project Manager:
- Tracks and follows up with sub awardee for timely delivery of required reporting.

- Reviews all programmatic and financial reports and other deliverables within 15 business days of receipt, and documents review. If the program counts with financial capacity, the Finance Lead is to review the financial reports and share review comments/findings with assigned Project Manager within 15 business days of receipt.
- After approval and documentation of technical and financial reporting, submits subaward payment requests.
- Reviews subaward external audit reports.
- Communicates any detected financial issues, as necessary, to HQ Finance staff to determine whether further action is required.
- Notifies Program Director, and other relevant staff/parties, when issues are not resolved timely.

SUBAWARD CODE OF CONDUCT

In addition to Conflicts of Interest Policy included in FT's Personnel Manual that apply to our staff and Board of Directors, all employees, contractors, or agents of FT will adhere to FT's Anti-Bribery and Anti-Corruption Policies. FT also has certain Code of Conduct Provisions that apply primarily in the accounting, procurement, and fiscal context provided below:

No Gifts for Personal Use or as Quid-Pro-Quo/Anti-Bribery. No employee, contractor, or agent of FT may solicit or accept for personal use gifts, gratuities, favors, or anything of value from contractors or potential contractors, or from parties or potential parties to sub-agreements (e.g., subcontracts and sub-grants, such as delegate agencies). A "gift" means anything substantial in nature offered directly by, or on behalf of, a contractor or potential contractor, other than promotional materials of little or nominal value (worth less than $25) such as pens, calendars, mugs, and other items intended for wide distribution and not easily resold. Gifts include (but are not limited to): personal gifts, such as sporting goods, household furnishings and liquor, tickets to entertainment or to sporting events, personal loans, privileges to obtain discounted merchandise, and the like. Employees may accept modest meals from vendor/contractors as long as the meal is not worth more than $25 per employee, and as long as it is provided in connection with an informational session or training. Employees may accept fundraising contributions to FT such as the purchase of a table at a fundraising dinner, provided the contribution is promptly remitted to the CEO.

Every employee, contractor and agent will decline or return any gift, as defined by this policy, and notify the CEO of such gift. The CEO will notify the Governing Board Chairperson of any such gift as appropriate.

Any employee, officer or agent of FT that violates these standards will be subject to penalties, sanctions, or other disciplinary action up to and including employment or contractual termination to the extent permitted by federal, state or local laws and regulations.