

Subrecipient Monitoring

Introduction: Brad Billet, CPA

- Brad graduated from Wilmington College and joined CSH in the spring of 2020 after he interned for the previous two years.
- Brad is a Shareholder and chairs the Firm's higher education committee as well as being a member of government services committee.
- He specializes in audits of higher education institutions as well as all levels of local governments, including counties, cities, school districts, and various other authorities and agencies.
- Brad's expertise includes being responsible for audits of federal award programs provided to his various clients.



Introduction: Amr Elaskary, CPA, CFE

- Amr Elaskary, CPA, CFE, is a University of Toledo graduate with a Bachelor's Degree and a Master's Degree in Accountancy and Finance.
- Amr leads audit engagements under yellow books and single audit requirements for government agencies for nine years.
- In addition, Amr is a Certified Fraud Examiner. As such, he works with clients to extract and analyze data using his knowledge and expertise to detect or prevent fraud.
- Amr has extensive experience in providing actionable recommendations to his clients to help them improve the efficiency and effectiveness of internal controls.
- Amr is a graduate of the AICPA Leadership Academy



Introduction: Cody Mitchell, CPA

- Cody graduated from University of Toledo and joined CSH in September 2018.
- Cody is an audit Senior and serve in the government services Committee at CSH.
- Cody specializes in yellow book and single audits engagement.
- Cody focuses his time on providing quality audit deliverables to clients; supervising interns and staff; and communicating with clients to answer their questions in a timely fashion.
- Cody is Certified Single audit expert by AICPA.



Subrecipient vs. Contractor Determination

- A subrecipient is defined as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program.
- Does not include an individual that is a beneficiary of such a program.
- A contractor is defined as an entity that receives a contract.



Subrecipient

- Determines eligibility;
- Performance measured in relation to whether objectives of a Federal program were met;
- Responsibility for programmatic decision-making;
- Responsible for adherence to applicable Federal program requirements; and
- Public purpose program

Contractor

- Normal business operations;
- Provides similar goods or services to many different purchasers;
- Operates in a competitive environment;
- Not subject to compliance requirements of the Federal program.





Now, what if you determined you have a subrecipient. What is next?

Risk Assessment





Risk Assessment

- Evaluate each subrecipient's risk of noncompliance with:
 - Federal statutes
 - regulations
 - and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring
- Check for suspension/debarment
- Consider imposing specific subaward conditions upon a subrecipient





Risk Assessment Continued

- Consider the following when evaluating the risk of each subrecipient:
 - Prior experience with the same or similar subawards;
 - The results of previous audits;
 - New personnel;
 - New or substantially changed systems;
 - The extent and results of Federal awarding agency monitoring





After risk assessment. What do you need to do next?

Communicate and Educate





Additional Award Conditions

- Additional award conditions may include:
 - Requiring payments as reimbursements;
 - Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given performance period;
 - Additional, more detailed financial reports;
 - Additional project monitoring;
 - Requiring the non-Federal entity to obtain technical or management assistance; or
 - Establishing additional prior approvals.





Subaward Information

- Ensure that every subaward is clearly identified to the subrecipient as a subaward
- Includes the following information at the time of the subaward.
- Required information includes:
 - Federal award identification
 - All requirements imposed by the pass-through entity



Subaward Information Continued

- Any additional requirements that the pass-through entity imposes on the subrecipient;
- Approved federally recognized indirect cost rate
- If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:
 - The negotiated indirect cost rate between the pass-through entity and the subrecipient;
 - The de minimis indirect cost rate;
 - The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate.



Subaward Information Continued

- Subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements; and
- Terms and conditions concerning closeout of the subaward.



Now that you communicated and educated? What is your next step?

Monitoring



Subrecipient Monitoring

- Consider Risk assessments results.
- 1. The procedures can be same for all subrecipients if they have different risk assessments.
- 2. Low risk does NOT mean no monitoring.



Subrecipient Monitoring Continued

- Pass-through entity monitoring of the subrecipient must include:
- 1. Financial and performance reports.
- 2. Follow-up on deficiencies.
- 3. Management decision on audit findings.
- 4. Not responsible for resolving crosscutting findings.



Subrecipient Monitoring Continued

- Training and technical assistance;
- On-site reviews;
- Agreed-upon-procedures engagements.
- Subrecipient Audit



Results of Monitoring

- Consider whether the results of monitoring indicate conditions that require changes to the pass-through entity's records.
- Consider updating your risk assessments.



We monitored the subrecipients! Are we done yet?

Nope, you must follow up!



Follow-Up

- Enforcement action against noncompliant subrecipients.
- This includes the following:
 - Temporarily withhold cash payments.
 - Disallow the cost of the activity or action not in compliance.
 - Suspend or terminate the Federal award.
 - Suspension or debarment proceedings.
 - Withhold further Federal awards/funding.



Additional resources/references

- <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd>
- https://www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement_PDF_Rev_05.11.22.pdf
- U.S. Department of justice Subrecipient monitoring checklist example:
- https://www.ojp.gov/sites/g/files/xyckuh241/files/media/document/Sample_Subrecipient_Monitoring_Checklist.pdf



Recap the Five?

1. Subrecipient vs Contractor Determination
2. Risk Assessments
3. Communicate and Educate
4. Monitoring
5. Follow-up





QUESTIONS?

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