

# **Lead Agency Administrative Guide**

**FY 2017 – 2018**

Children's Services Council of Palm Beach County

## Lead Agency Definition

The Children’s Services Council Palm Beach County (CSC) defines a “**Lead Agency**” (LA) as an agency that is primarily responsible for the delivery of specified services to children and families through and/or with one or more sub-contracted entities. Although accountable for the delivery of specified services, the Lead Agency may or may not provide the specified services itself.

If the Lead Agency is a direct provider of the specified services, it will be subject to all of the requirements CSC has for its contracted agencies. All Lead Agencies will have responsibility as outlined in this “Lead Agency Administrative Guide” and will have the responsibilities consistent with its “Level”, as shown below and as designated in its contract with CSC. CSC will monitor the Lead Agency for compliance to the below oversight requirements.

## Levels of Lead Agencies

**Level One Agency that CSC contracts with:** Subcontracts with other agencies for implementation of a program that falls under the “Program/Service Implementation” contract category. These subcontracts would require the highest level of oversight (Level One) as defined in Table 1.

**Level Two Agency that CSC contracts with:** Subcontracts with other agencies fitting the following contract categories: Management of Funds, Partnership/Special Services and Program Support in addition to any other contract where it is specifically noted in the contract. These subcontracts would require less oversight (Level Two) as defined in Table 1.

**Level Three Agency that CSC contracts with:** Subcontracts with other entities (not agencies) not fitting into any of the programmatic contract categories. These would include consulting agreements, specialty service by individuals and special initiatives. These subcontracts would require the least amount of oversight (Level Three).

## Minimum Oversight Requirements

The table below outlines the **MINIMUM** required oversight requirements of the Lead Agency in relation to their subcontracts. **In the event that additional oversight requirements are needed for a specific Lead Agency, those exceptions will be detailed in the contract.**

Table 1. Stratification of Oversight Requirements by a Lead Agency

Activity	Level One	Level Two	Level Three
1. Oversight and monitoring of programmatic portion of specified services	X	X	N/A
2. Oversight and management of fiscal portion of specified services	X	X	N/A
3. CSC Audit Requirement	X	X- Desk Audit	N/A

4.	Subcontractors must provide annual Financial Reconciliation Statement to the Lead Agency	N/A	<b>X</b>	<b>X</b>
5.	Subcontractors must have, or obtain, Nonprofits First, Inc. agency accreditation	<b>X</b>	N/A	N/A
6.	Subcontractor's agreements must include 'required' language [with noted exceptions where appropriate]	<b>X</b>	<b>X</b>	N/A

## Lead Agency Responsibilities

The following responsibilities are applicable to Lead Agencies to the extent specified in Table 1 above, unless otherwise specifically stated in their contract:

### 1. Oversight and monitoring of the programmatic portion of the specified services:

- A. The Lead Agency (LA) will identify agencies with which to subcontract that are appropriate to deliver the specified services. CSC has the right to review and approve all subcontracts. Ideally, the LA has identified the agencies in its response to CSC's solicitation process. The Lead Agency is responsible for:
- i. Verifying delivery of services and contract deliverables.
  - ii. Measuring the quantity of the services provided (capacity) and implementing actions to improve utilization and quality of services.
  - iii. Monitoring to ensure responsiveness and excellence in customer service.
  - iv. Collecting client data relevant to the program operation and reporting the data as required by CSC.
  - v. Attending all meetings required by CSC.
  - vi. Ensuring all licenses and other certifications are current.
  - vii. Ensuring all other program requirements are being met in compliance with CSC's contract.
  - viii. Monitoring subcontractor(s) for CSC's Comprehensive Program Performance Assessment (CPPA) and providing the relevant data/information to Program Officer, as applicable.
  - ix. Collecting all certification documents to ensure the subcontractor remains a viable business entity, including: Certification of Liability Insurance and Auto Insurance, as applicable, Fire Inspections, and HIPAA Business Associate Agreement, as applicable, and Annual Independent Audit.
- B. The Lead Agency will assume the responsibility for implementing as well as enforcing any performance improvement plan or corrective action required by CSC that results from subcontractor(s) program operation, and will be the responsible agency appearing at CSC's Council if necessary.

### 2. Oversight and management for the fiscal portion of the specified services:

- A. The Lead Agency will prepare a consolidated budget for the program, including the LA and subcontracted portion(s).
- B. Based on total allocation for the program, the Lead Agency negotiates the subcontractor(s) budgets. The Lead Agency will oversee the expenditure rate of the subcontracted portion of the program budget and initiate budget revision(s) if necessary.
- C. The Lead Agency may request an advance amount (if necessary) to provide sufficient cash flow for itself and the sub-contracted agency(s). The LA is ultimately responsible for the repayment of the advance prior to the end of the funding period. Any advance requested is subject to the rules outlined in the CSC Fiscal Guidelines found at <http://providers.cscpb.org/csc-fiscal-guidelines>
- D. The Lead Agency will submit to CSC a consolidated invoice including LA and sub-contracted amounts, as required by contract.
- E. Where possible, the Lead Agency is encouraged to provide subcontractor reimbursement via Electronic Funds Transfer, in order to effect timely payments.
- F. For unit cost contracts: For each service provided, as defined in the program's contract, the Lead Agency will ensure the subcontracted agency maintains all appropriate supporting documentation to demonstrate they satisfied the requirements for delivering each unit of service as it is defined, as well as proof supporting the number of units provided and paid for during the contract period. Evidence of service items could include (but not be limited to) employee time sheets, client sign-in and sign-out service logs with client name or ID number, and travel logs (if service is away from office). A case note to validate service delivery, time and date service was administered may be acceptable in some instances.

### 3. Audit Requirements

- A. The Lead Agency will conduct an audit of the subcontracted agencies per the Auditing Guide attached as "Attachment A" and will notify the CSC Program Officer of the dates scheduled for audit visits thereby giving them the option to attend the audit Entrance/Exit Meetings. This request must come via communication between the LA and the CSC Program Officer.
- B. The Lead Agency will be audited by CSC's Compliance Auditors. There will be a maximum of one **CSC agency audit** of Lead Agency per CSC fiscal/contract year (October 1 through September 30). This CSC audit will include a review of subcontractor audit reports and protocols maintained by the Lead Agency.

Following the audit by CSC, the LA will be responsible for addressing any concerns identified during the course of that audit as they relate to the LA or a subcontracted agency, or the LA process for auditing subcontractors. The frequency for LA audits by CSC Compliance Auditors will be within the first 9 months of a new LA contract operation **during the first contract year** and no later than 12 months after the close of any subsequent contract years.

**Note:** Any subcontractor mismanagement of funds, or findings that result in disallowances in excess of \$5000, identified as a result of the LA subcontractor audit, must be reported via e-mail to the CSC Program Officer within 3 business day of the finding. Depending on the finding, CSC may report the finding to the Office of the Inspector General of Palm Beach County.

- C. Any Lead Agency awarded a contract in excess of \$500,000, is subject to an internal (CSC) desk audit for fiscal compliance, with follow-up as needed. The desk audit typically consists of an analysis of fiscal-related documentation in-house (hard copy and/or electronic) including, but not limited to, reimbursement and/or reconciliation reports, quarterly reports containing fiscal data and other fiscal compliance elements of the agreement.

**4. Subcontractors must provide annual Financial Reconciliation Statement**

Lead Agencies must submit a Financial Reconciliation Statement (*Form on website*) and a summary of the year's activities and expenditures of the subcontractors. Documents must be submitted to CSC no later than October 31 following the end of the contract term.

**5. Subcontractors must have, or obtain, Nonprofits First, Inc. accreditation**

A subcontracted agency (other than a government or for-profit entity, or an individual) must either be certified by Nonprofits First, Inc. or obtain such accreditation within 18 months of contract funding.

**6. Must include 'required' language in subcontractor's agreements**

The following language must be included in all agreements between the Lead Agency and subcontractors for level 1 and 2, per Table 1.:

The Lead Agency, because of its contract ("Master Agreement") with the Children's Services Council of Palm Beach County ("CSC") for the implementation of specified services (the "Program"), has overall fiscal and programmatic responsibility for those specified services in Palm Beach County. The Lead Agency has agreed to perform the contracted services, and will be required to include the following language specified in the Subcontractor agreement.

a. Accordingly, the Subcontractor agrees to:

- i. Provide services according to all CSC contracted requirements and the Fiscal Guidelines for CSC Funded Programs, a copy of which can be found at <http://providers.cscpb.org/csc-fiscal-guidelines> and the Subcontractor acknowledges receiving. Additionally, the Subcontractor shall not discriminate against an employee, volunteer, or client of Provider on the basis of race, color, gender, marital status, familial status, sexual orientation, gender identity or expression, religion, national origin, disability, age, or any other characteristic protected by law, except that programs may target services for specific target groups as may be defined in this Subcontractor agreement. Subcontractor shall comply with all applicable federal, state, and local laws in

effect at the time of the execution of this Subcontractor agreement and as amended during the term of the Subcontractor agreement.

- ii. Make available for inspection, review or audit by the Lead Agency or CSC, upon reasonable notice, books, records and documents reflecting expenditure of funds provided by the Subcontractor agreement.
- iii. Maintain and file with the Lead Agency such progress, fiscal, inventory and other reports as may be required by the Lead Agency and/or CSC.
- iv. Retain all financial records, support documents, statistical records and any other documents pertinent to the Subcontractor agreement for a period of six (6) years following termination of the Subcontractor agreement or if an audit has been initiated and audit findings have not been resolved, the records shall be retained until resolution of all such audit findings.
- v. To acknowledge that CSC is a public agency subject to Chapter 119, Florida Statutes and that the Subcontractor shall comply with Florida's Public Records Law. Specifically, the Subcontractor shall:
  - (1) Keep and maintain public records required by CSC in order to perform the service required under the Subcontractor agreement;
  - (2) Upon request from the CSC custodian of public records, provide CSC with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, F.S. or as otherwise provided by law.
  - (3) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the term of the Subcontractor agreement and following completion of the Subcontractor agreement if the Subcontractor does not transfer the records to the CSC.
  - (4) Upon completion of the Subcontractor agreement, transfer, at no cost to CSC, all public records in possession of the Subcontractor, or keep and maintain public records required by CSC to perform the service required under the Subcontractor agreement. If the Subcontractor transfers all public records to the CSC upon completion of the Subcontractor agreement, the Subcontractor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If the Subcontractor keeps and maintains public records upon completion of the Subcontractor agreement, the Subcontractor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to CSC upon request from the CSC custodian of public records in a format that is compatible with the information technology systems of CSC.
  - (5) **IF THE SUBCONTRACTOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE PROVIDER'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT:**

**Children's Services Council of Palm Beach County  
C/O RECORDS CUSTODIAN  
2300 HIGH RIDGE ROAD  
BOYNTON BEACH, FL 33426  
(561) 374-7544**

**RECORDSCUSTODIAN@CSCPBC.ORG**

- vi. Permit access by persons duly authorized by the Lead Agency or CSC to the Program. Access may include, but not be limited to, on-going agency site visits, home visits, staff meetings, client files.
- vii. Establish and maintain reasonable procedures and controls for safeguarding records, so that no information contained in the Subcontractor's records, or obtained from others carrying out the terms of the Subcontractor agreement, shall be used by or disclosed by the Subcontractor, its agents, officers or employees except as provided by law.
- viii. Furnish the Lead Agency with reports of the effectiveness of the Program and include statistics and data on the persons served and such other reports and information that the Lead Agency and CSC may require. Such reports shall be made as requested from the effective date of the Subcontractor agreement and in a format provided by the Lead Agency and/or CSC.
- ix. Once invoices for payment under the Subcontractor agreement are submitted to the Lead Agency, appropriate documentation supporting all expenditures included must be maintained and accessible for review when requested by the Lead Agency and/or CSC.
- x. Return to the Lead Agency any overpayments made through inadvertence or miscalculation or because payment is disallowed as not having been properly earned under the Subcontractor agreement. Such funds shall be refunded in full by the Subcontractor to the Lead Agency as follows:
  - (1) Within twenty (20) days from the date of written notification by the Lead Contracting Agency to Subcontractor of overpayment or disallowance; or
  - (2) Within thirty (30) days following the end of the agreement.
  - (3) The Lead Agency shall have the right to deduct from any subsequent payment request submitted by the Subcontractor, the amount of any overpayments or disallowed expenses.
- xi. Ensure that staff meet the minimum training requirements, as required by the Lead Agency and/or CSC.
- xii. Submit to the Lead Agency, within 180 days of its completion, independent audited financial statements complete with management letter (which at a minimum, shall comply with AU-C 265 of the AICPA) – if required The Lead Agency is expected to review these annual audited financial statements for inconsistencies and auditors notes of concern, both of which (if present) must be discussed with the Subcontractor. **[Not applicable to State agency or for-profit corporation as Subcontractor.]**
- xiii. Provide (1) Commercial General Liability, Required \$1,000,000 per occurrence. This policy shall cover all risks, the contracted liability assumed by Subcontract under the indemnification provision in section xxiii below, and include bodily injury, property damage, and personal injury. (2) Workers' Compensation Insurance limits per Chapter 440 of Florida Statute. Required if Provider has employees engaged in the performance of work under this Agreement. (3) Automobile Liability Insurance. Required only if Subcontractor transports children in connection with the program (or any portion thereof) funded by CSC. \$1,000,000 limit is required.
- xiv. The Subcontractor shall furnish to the Lead Agency a Certificate of Insurance, naming CSC as an additional insured with respect to the Commercial General Liability of at least \$1,000,000 as stated above. If subsection automobile insurance is needed, a Certificate of Insurance coverage for the policy limits and the additional insured endorsement to the

policy must also be furnished to the Lead Agency. Subcontractor's coverage shall be primary and non-contributing to any insurance coverage CSC has available.

Waiver of Subrogation: In the event of loss, damage or injury to the Subcontractor and/or the Subcontractor's property, the Subcontractor shall look solely to any insurance in its favor without making any claim against CSC. The Subcontractor hereby waives any right of subrogation against CSC, for loss, damage, or injury within the scope of the Subcontractor's Insurance, and on behalf of itself and its insurer, waives all such claims against CSC.

- xv. Provide copies of fire inspections and HIPAA Business Associates Agreements, as applicable, to the Lead Agency.
- xvi. Engage in and cooperate with CSC's outreach and education efforts
  - (1) When the Subcontractor describes Children's Services Council in written material (including news releases), use the language provided below and available on the CSC website at [www.cscpb.org/logos](http://www.cscpb.org/logos).
 

***Children's Services Council of Palm Beach County, a special district created by Palm Beach County voters, provides leadership, funding, and research on behalf of the county's children so they grow up healthy, safe and strong.***
  - (2) Display the Council's logo according to the guidelines at [www.cscpb.org/logos](http://www.cscpb.org/logos) on any printed promotional material paid for using CSC funds including stationery, brochures, flyers, posters, etc., describing or referring to a program or service funded by CSC.
  - (3) Contact the CSC's Communications Division regarding questions: 561-740-7000 or [communications@cscpb.org](mailto:communications@cscpb.org).
- xvii. Obtain and maintain the basic level of nonprofit accreditation with Nonprofits First, Inc. during the term of this Subcontractor agreement. Renewal of the Subcontractor agreement shall be subject to the maintenance of such nonprofit accreditation. If this is the first year of CSC funding, the Subcontractor shall have obtained the basic level of nonprofit accreditation within the time frame pursuant to the policy established by CSC. Subcontractor acknowledges receipt of that policy, including the time frames for the milestones to be met during the process of obtaining the nonprofit accreditation, and shall thereafter maintain accreditation in order to be eligible for renewed funding.
- xviii. Ensure that all Subcontractor whose compensation is funded in whole or in part by the CSC and all volunteers working on the program funded under this subcontracting agreement whose job function may involve engagement, interaction, or communication with children in any way must complete a satisfactory Level 2 background screening (as defined in Section 435.04, F.S.) and be satisfactorily rescreened every five (5) years thereafter, trained and received ongoing supervision by qualified professionals. All Subcontractor staff hired during the term of this Agreement whose compensation is funded in whole or in part by the CSC shall be checked using the E-Verify of the Department of Homeland Security within three (3) days of being hired. The Subcontractor is encouraged to use the E-Verify for all other new hires. All documentation /results of the required background screenings for the Subcontractor staff and volunteers will be retained at the Subcontractor office location and will be produced upon request of the CSC. (Where the level 2 screening has been done by the School District of Palm Beach County, a copy of the badge provided by the School District for each applicable employee will constitute the required documentation. Subcontractor using this service will notify the School District if one of its screened employees is no longer an employee of the Subcontractor and shall comply with any other School District requirements for such a situation.) Should any applicable employee's or volunteer's satisfactory background

screening results change, the CSC must be notified in writing within five (5) days of receipt by the Subcontractor.

xix. Inspector General. The Subcontractor is aware that the Inspector General of Palm Beach County has the authority to investigate and review matters relating to the negotiation and performance of this Agreement, and in furtherance thereof may demand and obtain all records and documents in possession of the Lead Agency and any subcontractors and lower tier subcontractors, as well as, any other person or entity doing business with the Council or receiving Council funds. The Subcontractor understands and agrees that in addition to all other remedies and consequences provided by law, the failure of Subcontractors and lower tier subcontractors, as well as, any other person or entity doing business with the CSC or receiving CSC funds to fully cooperate with the Inspector General when requested may be deemed by CSC to be a material breach of this Subcontractor agreement justifying its termination (applicable if CSC enters into an agreement with the Inspector General).

xx. Additionally, the Subcontractor agrees:

That with respect to the program(s) funded, CSC has not and will not be involved in any way in the operation and management of such program(s). The Subcontractor agrees to save, defend, indemnify and hold harmless CSC, (including all Council members, employees and volunteers, with respect to Subcontractor's liability on account of any injuries (including bodily injury, property damage and personal and advertising injury), damages, omissions, commissions, actions, causes of actions, claims, suits, judgments and damages accruing, including court costs and reasonable attorneys' fees (at the trial appellate, post-judgment or bankruptcy procedure level), as a result of services performed or not performed, or any negligent act by the Subcontractor, or those acting on Subcontractor's behalf, or any action arising out of the operation of the Agreement.

The Subcontractor is performing the services and duties required by the agreement as an independent contractor and not as an employee, agent, partner of, or joint venture with CSC. The Subcontractor shall assume sole and exclusive responsibility for the payment of wages, including overtime, to all employees for services performed by them under this agreement and shall at all times adhere to the requirements set forth in the Fair Labor Standards Act. The Subcontractor shall, with respect to said employees, be responsible for withholding federal income taxes, FICA and any other applicable withholding, paying federal social security taxes, maintaining unemployment insurance and maintaining worker's compensation coverage in amounts required by applicable federal and state law.

**Attachment "A"**

*Lead Agency: Level One*

***Subcontractor***

***Auditing Guide***

### *General Information*

Effective contract review and audit processes are necessary to assess the status and trends in the subcontractors' program operation as stipulated by their agreement. Assessing status and trends includes both on-site review and auditing of fiscal and program related data, as well as data reports submitted as a condition of award. This activity will provide insights into the effectiveness of current subcontractor management strategies; indicate where contract goals are being met, where there are opportunities for improvement, and whether more direction, controls or management is warranted.

**It is advised that the Lead Agency develop a specific set of subcontractor audit procedures to ensure effective and consistent oversight.**

The Children's Services Council of Palm Beach County (CSC) developed this Auditing Guide to assist its Lead Agencies in their coordinated evaluation on an ongoing basis of how well their sub-contracted agencies are meeting their contracted goals/deliverables.

### **Purpose of this Guide**

These procedures are a sub-set of CSC's Audit & Compliance procedures, developed to guide the contract management of CSC's direct and sub-recipient contracts, and should form the framework for conducting the funded agencies compliance auditing of contract(s), both directly with and sub-contracted to the Children's Services Council of Palm Beach County.

These procedures assume the best case scenario. It may be necessary, to shorten or lengthen the steps in order to meet time frames or to deal adequately with unusual situations. An example would be when an emergency (out-of-cycle) or program termination (close-out) auditing visit is required.

Further, these procedures are developed with the goal of ensuring that CSC funds are spent prudently and in accordance with the guidelines adopted by CSC and reflected in the execution of contracts with provider agencies. These procedures also take into account the recommendations of CSC's external auditors, and will be updated accordingly on an as-needed basis.

### **Audit Frequency**

The frequency for subcontractor auditing will be once within the first 9 months of contract operation, in the first contract year, and within 12 months of the close of subsequent contract years. In those instances where a subcontractor program close-out audit is conducted, it may be necessary and appropriate to extend the audit visit time but no longer than 30 days after the previous fiscal year final invoice is approved and **before** it is paid.

**NOTE: It is important to clarify that after the Lead Agency conducts its initial audit (within the first 9 months of contract inception), any subsequent audit visits must reconcile actual expenses to reimbursements for that prior fiscal/contract year. It is critical to remember that CSC funding, direct or via subcontract, is granted on year-to-year basis, and under no circumstance are one years' contract funds allowed to be carried over to be expended in the next year.**

The audit of the subcontractor is conducted by the Lead Agency under the designated authority of its CEO/ED and/or CFO/Program Director as may be appropriate to the Lead Agency's organizational structure.

The executed agreement between the Lead Agency and the subcontractor is the base document and point of reference for the auditing of contracts, and said agreement should be supplemented by the CSC Fiscal Guidelines referenced therein.

Nonprofits First, Inc., through its Agency Accreditation process, has responsibility for certifying the general and administrative governance implemented by CSC funded agencies and sub-contracted agencies that fall under Level 1 oversight (Table 1). In no instance will a Lead Agency or CSC audit substitute for a Nonprofits First Accreditation Assessment Tool (AAT) review, or a AAT for a Lead Agency or CSC Audit. Also, a Lead Agency cannot substitute Nonprofits First accreditation for an annual subcontractor auditing visit.

### *Auditing Procedures*

#### **The on-site auditing event, at a minimum, shall include these steps:**

1. Agency Notification
  - A. The Lead Agency audit staff will make telephone (preferred) and/or electronic mail contact with the subcontractor's Executive Director and appropriate fiscal/program managers for the purpose of scheduling the audit visit at a mutually convenient time.
  - B. Any developed audit tool and checklist, if applicable, should be sent ahead of the visit so that the subcontractor is aware of what to expect.
  - C. It is appropriate to (where possible) schedule site visits approximately thirty (30) days in advance of your audit visit.
  - D. Lead Agency audit staff will notify CSC Program Officer the scheduled subcontractor audit visit so they may choose whether or not to attend. CSC Program Officer and/or other CSC staff attendance is for observation purposes only.
  - E. Intent to Audit Notification
    - I. Prepare and mail 30-day letter of "intent to audit" to confirm appointment (cc: CSC Program Officer)
2. Desk Review – Prior to the On-site Audit Visit
  - A. The Lead Agency audit staff must familiarize themselves with the approved budget(s) (SAMIS or other approved alternate format) which was incorporated into the sub-contract and any approved budget revisions/amendments (also in SAMIS or other approved alternate format) associated with the contract for the audit period (does not have to be year-end for on-going contracts).
  - B. Review the most recent past audit report (both independent audit and audit conducted by the Lead Agency audit staff) for the program(s), to determine any outstanding or follow-up issues. Obtain and review the following:
    - a) Contract, Contract Attachments, Appendices and/or Schedules
    - b) SAMIS Budget and any Revision/Amendment
    - c) Independent Audited Financial Statements and Management letter (most recent)

- d) Contract requirements list (insurance/service site fire inspection, and HIPAA Business Associate Agreement, as applicable).
  - e) Agency data reports
  - f) Payroll tax payments – 941 (may only be available on-site)
- C. Identify disallowances and adjustments from the last audit, the action taken, and to be taken, as well as the current status of the agency’s compliance with any corrective action plan.
- D. Review the dates SAMIS reimbursement requests are received to ensure compliance with the monthly submission deadlines set forth in the contract between the Lead Agency and its subcontractor(s). Subcontractor reimbursements must follow the same protocols the Lead Agency is subject to as specified in the CSC Fiscal Guidelines for Funded Programs.
- E. Review the date of submission of annual independent financial audit to ensure compliance with the 180-day post fiscal year end compliance.
- F. Prepare all fiscal data collection and validation spreadsheets well in advance, use SAMIS records and export to a workable Excel Workbook. The Excel Workbook and worksheets must include approved budgeted allocations, break-out salaries and fringe benefits from expenses and accounts payable, and must cover the audit review period. (*See website for sample Excel Workbook*)
- G. Review programmatic reports available – detailing the status of the contracted deliverables.
- H. Using the contract, extract all measurable elements and standards to create the Program review tools. A minimum # of 5 (or the actual # if population is less) participant files and a minimum of 5 personnel files must be reviewed for each program audited. Rule of thumb should be a minimum of 3% sample. The site can be used to obtain the sample. (<http://randomizer.org>) (*See website for Program Review Tool Samples*)
3. On-site Audit Activity
- A. **The Audit Entrance Meeting**
- The Lead Agency audit staff will meet with the principal parties who will participate in the audit entrance meeting and related review activity. In this meeting the procedures to be followed during the audit will be outlined as well as any comments on corrective actions/recommendations or follow-up from previous visits will be discussed. Allow for feedback from subcontractor and solicit any concerns they have which relate to the contract deliverables. The audit staff may address these concerns at the entrance meeting or leave them for the exit meeting if research or clarification is appropriate.
- a) Set a tentative time for the exit meeting, based on availability of required documentation. Every effort must be made to conduct an exit meeting of some sort on the day you are leaving the site – a more detailed exit may be necessary later.
  - b) The entrance meeting should identify for the subcontracted agency the records you will need and the order in which it is needed. Have the agency identify who will assist you with the necessary records.
  - c) *Audit staff are advised to maintain an accurate record of audit activities while on-site as these will form the basis for a complete audit report.*

- B. **Testing and Verification Process** (performed on a daily/periodic basis until on-site audit is complete), all potential findings or exceptions should be recorded as appropriate.
- a) **Financial** - [reference CSC Fiscal Guidelines for Funded Programs (CSC website/SAMIS) updated periodically]
    - i. Using the contract document or any revisions thereto and copies of the monthly reimbursement for selected month(s) submitted to CSC, examine each selected budgeted line within cost category and document in the SAMIS audit module or develop a work sheet as applicable.
    - ii. Document each procedure completed, or not completed. Note applicable exceptions.
    - iii. Determine the payroll system and/or accounting software being used by the agency. Request show & tell, and a brief lesson or tour of the data housed there as a verification step.
    - iv. Review the agency's general ledger.
    - v. Determine (to the extent possible) that sufficient internal controls are in place to promote satisfactory distribution of Lead Agency funds.
    - vi. Review the agency's bank statements along with its reconciliation (for the same period) to determine checks outstanding for long periods, (typically no longer than 180 days) and checks outstanding significantly in excess of the Lead Agency reimbursement being received. This could be a red flag to Lead Agency "floating" the agency, as well as an indicator that the agency may be in cash flow trouble.

**Note:** outstanding checks **will not** constitute a disallowance; the agency should demonstrate that due diligence was exercised in tracking down the recipient. Agency must then be advised to follow the State of Florida Unclaimed Property laws for disposal of the associated funds cite F. S # in your recommendation.

- vii. Obtain/Review any third party agreements, where applicable.
- viii. Obtain/Review any lease/rental agreements, where applicable.

**CRITICAL:** If verification of fringe benefits or any agency expense raises a question, or is incorrect, auditor **MUST** review other months to determine if the issue is an isolated error or a systemic problem, and establish the extent of the problem. Document this and report the issue to the Lead Agency Program/Budget staff (if applicable).

#### **Personnel**

- a) Salaries – Using the agency's payroll records, develop a schedule/work papers which provides the following information. 100% of funded staff should be reviewed.
  - i. Each budgeted position and person occupying the position.
  - ii. Budget for position for period being audited
  - iii. Approved Lead Agency percentage (%) for each position.
  - iv. Approved salary for position per pay period based on actual payroll records and Lead Agency %.
  - v. Total monthly salaries at Lead Agency %.
  - vi. Approved salaries at Lead Agency % for period being audited.
  - vii. Explanation of variances between approved salaries and amount billed for period being audited.

viii. The agency's payroll records can be either electronic or paper payroll registers or payroll check stubs. Also review apportionment spreadsheets as appropriate to determine percentage allocations by funder, site and program - where applicable. If payroll company, pay register and summaries S/B up to date.

b) FICA

- i. Verify the amount charged for FICA by applying the FICA rate times the salaries billed for each month, for each Lead Agency paid staff.
- ii. Verify that payroll taxes are being deposited on a timely basis through examination of: Deposits made to bank and Quarterly 941 Reports to the IRS. For electronic transfers verify that bank statements actually reflect data provided. If a Payroll Company is used, or employees are leased, obtain a payroll tax payment verification letter from the payroll or leasing company. Also verify payroll company is submitting w/c; u/c, and can clearly show their fee % or rate.

c) Fringe Benefits

- i. Florida Unemployment (if applicable): Examine payment for most recent quarter to determine that rate is as stated in budget and correct amount is billed to Lead Agency. Pay attention to whether the agency is submitting payment to the State of Florida or retaining for self UC payments on an as-needed basis. See UC rules for clarification.
- ii. Worker's Compensation (must have if more than 4 employees): Examine invoice to support payment for one month for each contract year in the audit period. Verify rate and amount to be in accordance with approved budget. Document if rate changed during review period. Tie out contract year to assure accuracy.
- iii. Life and Health Insurance: Tie in one or more month's billing to invoices to determine that program is charging only for program employees and at Lead Agency's % as stated in approved budget narrative.
- iv. Retirement: Using vendor invoice or any other pertinent data, verify for one month:
  - (1) Program employees covered
  - (2) Program employee's expenses are charged in accordance with approved % rate in budget.

**NOTE: Other Benefits (if applicable): Examine vendor invoice to determine nature and amount of charges.]**

- d) **Operating Expense/Accounts Payable** verification process –Select month(s) that include all line items in the approved budget - for each contract year in the audit period: [Ensure that the last month in each CY (in the audit period) is included in your sample]

**NOTE: Ensure State of Florida's sales tax, late fees and finance charges are not submitted for reimbursement] See Fiscal Guidelines for more information.**

**Note:** Conduct an analysis of operating expenses to select one (or more) budget lines to "thread" through the entire audit period – look at all or a significant portion of the support docs for related expenses.

**Note:** Prepaid expenses are payments made by the Providers in advance of goods or services being delivered. Examples of prepaid expenses include conferences, rent and insurance. Lead Agency will not reimburse the cost of purchasing items such as gift cards in one contract year (CY) for use in the next CY.

e) **Cost Categories**

i. **Travel/Transportation**

- (1) Tie in expenditures for a minimum of one month.
- (2) Verify rate (maximum CSC current - per budget) per mile is being charged. The IRS mileage rate in effect at the time the budget is prepared will be used, subject to the provisions outlined in the then current contract year CY Fiscal Guidelines; however, if the agency's rate paid is lower, verify the lower rate is used because CSC will reimburse at the lower of the two rates. **Note these rates do change by CSC executive order in relation to the IRS rate changes.**
- (3) Verify that **only** CSC budgeted program employees are being charged and that charges are consistent with approved budget or amendment as applicable.

ii. **Conferences/Registration/Travel**

Verify expenditures for period being audited. Check for inappropriate pre-paid items, and that employees and expenses conform to the approved budget. If a program prepays such expenses, they should budget and seek reimbursement for those expenses in the correct contract period.

iii. **Building Space**

- (1) Verify expenditure for one month.
- (2) Determine if expenditures conform to approved budget. Define & comment on the nature of the expense, i.e., *rent, leases, in-kind agreements – [mortgage payment and depreciation are not reimbursable]*.

iv. **Utilities**

For a selected month, examine vendor invoices to determine that expenses billed conform to budgeted percentages and/or program costs. Remember if there are discrepancies of any kind, do depth validation and review other months to determine if the issue is an error or systemic. Be aware that Utility items usually cross contract periods.

v. **Telephone**

For a selected month, examine vendor invoices to determine that expenses billed conform to budgeted percentages and/or program costs. Remember if there are discrepancies of any kind, do depth validation and review other months to determine if the issue is an error or systemic. Be aware that Utility items usually cross contract periods.

vi. **Office Supplies**

For selected months verify expenditures by examining vendor invoices to determine nature of expenditure and conformity with approved budget.

vii. **Program Supplies**

For selected month, examine vendor invoices to determine nature of expenditure, conformity with approved budget and proper classification of item.

viii. **Printing**

Verify expenditures for a selected month to determine nature of expenditure, conformity with approved budget and cost allocation methodology.

ix. **Postage & Shipping**

- Verify expenditures for a selected month to determine nature of expenditure, conformity with approved budget and cost allocation methodology.
- x. **Food**  
Verify expenditures for selected month to determine nature of expenditure and conformity with approved budget. For example, ensure no alcoholic beverages purchased were reimbursed.
  - xi. **Professional Fees**  
Examine invoice to verify that expense is for contract period and that charges are in accordance with approved budget. Ensure budget narrative sufficiently supports payments. Check for inappropriate pre-paid. Check agreement for terms and deliverables, question as applicable.
  - xii. **Insurance**  
Verify expenditure for period being audited and for conformity with approved budget. [If pre-paid and not prorated, verify the CSC Staff are aware]. For a selected month examine vendor invoice to determine conformity with approved budget.
  - xiii. **Building Maintenance**  
For a selected month, determine the nature of the expense cost allocation methodology and examine for conformity with approved budget.
  - xiv. **Equipment Rental/Maintenance**  
Verify agreement and/or lease docs.
  - xv. **Specific Assistance to Individuals**  
Verify assistance logs where individuals/families are logged – especially in cases where assistance is cash or cash related (gift/gas cards etc.).
  - xvi. **Dues and Subscriptions**  
Check for inappropriate pre-paid.
  - xvii. **Training and Development**  
Check for inappropriate pre-paid.
  - xviii. **Awards and Grants**  
Verify logs where applicable.
  - xix. **Sponsored Events**  
Check for inappropriate pre-paid.
  - xx. **Payments to Affiliated Organizations**  
Verify assistance logs where applicable.
  - xxi. **Miscellaneous**  
Ensure that there is sufficient specificity in budget narrative to support – always within reason.
  - xxii. **Indirect Cost**  
Determine the methodology used in allocating charges and that this is in conformity with approved budget. Ask for and review the agency's allocation work-sheet for this item, along with the budget narrative.
  - xxiii. **Capital Expenses**
    - (1) **Equipment**
      - a. Verify expenditures for period being audited for conformity with approved budget. If separate CSC Capital Expenditure grant – review as such.
      - b. Verify equipment on agency site to what is on the inventory list from IT.

- c. Verify equipment is being used by CSC funded staff and being used at CSC contracted sites.
  - d. For vehicle purchases examine title to ensure agency ownership and the absence of liens against vehicle. Only through CSC period of retained interest in the item.
  - e. Review and update CSC inventory listing
- xxiv. **Receipts**
- (1) Contributions and Program Fees
  - (2) Verify that contributions and program fees are being allocated to program in accordance with approved budget. **Note:** "Funds raised as a result of CSC-funded programs' fund-raising or development positions are expected to flow proportionately back into the CSC funded program or system of care and reflected in the budget. If unanticipated funds that are applicable to the Lead Agency program are raised during the budget period, a budget amendment is required". **This is necessary!**
  - (3) Review agency sliding fee scale procedures. Ensure conformity to procedures, and Lead Agency contract requirements.
- xxv. **Expenditure Level**
- (1) Line Item and Cost Category Expenditures
  - (2) Examine expenditure patterns per line item to determine any lags in expenditure patterns.
  - (3) Examine expenditure patterns per cost category to determine potential excess of 10% over cost category expenditure.
- xxvi. **Unit Cost Contracts**
- For unit cost contracts, Lead Agency will pay the Provider based on the actual number of units provided up to the capacity limits for the program, as defined in the contract. Providers will be required to adhere to the specific Unit Cost terms or requirements as defined by their approved budgets, and contained within their Lead Agency contract. Providers must maintain documentation that supports the provision of unit(s).
- f) **Program /Contract - verify contract deliverables**
- i. **Programmatic (Quantitative) Review:**  
Using the Program Review Tools (*See website*), engage agency Program Director/staff and/or Executive Director's/designee to review compliance of each program according to the contract, and related contract deliverables. Auditor must document all comments and exceptions on the tool to be transferred to the audit activity log.
  - ii. **Program File Review: a representative sample (3% sample or a minimum of 5) will be reviewed for contract compliance:**
    - (1) CSC funded employee files (to include volunteers if applicable)
    - (2) Program participant files (review may be conducted during site visit)
    - (3) Other program files (review may be conducted during site visit)
      - a. Program Site Visit (if applicable). Arrange for program review site visit(s) at the audit entrance interview, and provide as much clarity as possible to ensure the visit is planned. Contract compliance items that will be reviewed include, but not limited to:
    - (4) Capacity review (may vary with Unit Cost contracts)

- a. count number of participants – point-in-time
  - b. verify attendance records (sign-in sheets) against head-count number
  - c. identify any disproportion between # of staff billed for and actual capacity
- (4) Staff-to-participant ratio -count number of participants and number of staff present – where applicable
- (5) If Unit-cost-reimbursement contract, verify a sample of attendance records against SAMIS reimbursement request & and other pre-submitted documentation
- iii. Contract Required Documents (these items will be included in the Program review tool and are derived from the Lead Agency Contract (i.e., Contract Required Documents page)
- g) General Agency Review**
  - I. Verify Nonprofit First, Inc. agency accreditation status.
  - II. Review agency procedures to ensure:
    - 1) Procurement standards are in place and are being followed where applicable.
    - 2) Accounting policies and procedures are in place and that they conform to generally accepted accounting practices.
    - 3) Review at least the last 3 recent agency Board of Directors meeting minutes, but up to one year.
    - 4) Review other funders or accreditation monitoring reports.
- h) Summary of the Audit Visit:** Lead Agency audit staff will prepare a summary of the audit for discussion with the subcontracted agency at the exit meeting. This will include where applicable:
  - i.) Findings**
    - i. Designate a noncompliance issue as a finding when it is determined that the agency acted outside of the contracted agreement. A finding requires some action on the part of the subcontracted agency in order to come into compliance.
    - ii. The audit staff should clearly indicate what action(s) should be taken. Findings can result in the development of an action plan in order to correct a deficiency or it could require written assurance by the subcontracted agency to be submitted by a specific date, that the identified deficiencies will be addressed.
  - j) General Recommendations resulting from the audit**
    - i. Identify, as recommendations, those issues which would improve the services, enhance the procedures or facilitate better process but which are not necessarily non-compliance issues, and include them in the final audit report. An example would be an issue such as the ‘segregation of duties’ in a small agency with inadequate staffing for this would be a recommendation initially with follow-up later to see what progress was made.
- i. Areas of Commendation where appropriate**
  - III. The auditing staff should be very clear on the number of findings being assessed in each category (fiscal or program) and for what reason. Be able to specify your concern. At the same time, take the time to comment on the positives about the agency especially where there is noticeable improvement from one agency auditing visit to the next.

- C. **The Audit Exit Meeting:** Approach the exit meeting with an open mind and with clarity. It is possible that an issue which you determined to be a finding can be explained and removed. Refrain from an accusatory posture and entertain a discussion type of atmosphere.
- a) Raise all concerns you have, list all opportunities for improvement and recommendations for the subcontracted agency.
  - b) Afford the time to respond to each issue raised. All responses from the subcontracted agency should be recorded or requested in writing or via e-mail within 10 days of the Audit Exit Meeting.
  - c) Record any technical assistance request which Lead Agency can work with the subcontracted agency to assist as appropriate.
  - D. Maintain a cordial atmosphere throughout the audit visit; however, be sure to complete your job in as professional manner as possible, and express thanks for the accommodation as appropriate.
  - E. Indicate to the subcontracted agency that a formal audit report will be forthcoming within 30 days of the exit meeting or receipt of their written responses to the findings, whichever is later.
  - F. Advise agency that final report draft will be issued after the exit meeting and will require management responses. The final report will be issued after the responses have been received and transferred into the report.
  - G. Discuss strengths you identified and provide opportunity for discussion.
  - H. Present the final fiscal/programmatic/administrative findings and recommendations to the ED/CEO, Board Chair attending the meeting.
  - I. Discuss time for disallowance repayment and/or corrections as appropriate.
  - J. Complete sign in sheet with all present.
  - K. If close out audit, request agency include intent to retain program records through the contract stipulated retention period.
  - L. Identify and communicate any technical assistance recommendations (Nonprofit First or otherwise).
- D. **Reporting on the Auditing Activity**
- a) Having satisfactorily completed the on-site audit, the Lead Agency audit staff is expected to issue a report detailing the visit within 30 days after their exit meeting, or receipt of response to findings.
  - b) The final signed "Audit Report" will be forwarded to the subcontracted agency as well as the CSC Program Officer, and should include:
    - 1) A cover letter – signed by the Lead Agency CEO/ED or CFO, the report should be carbon copied (CC) to the subcontractor's Board of Directors and the CSC Program Officer. Electronic PDF of signed final reports is an option.
    - 2) The full audit report should include:
      - a) Summary of the subcontract requirements
      - b) Any administrative/operational issues
      - c) Fiscal review summary that shows fiscal accountability
      - d) Fiscal findings/disallowances/recommended adjustments
      - e) Program review summary that details contract adherence
      - f) Program findings with recommended corrective action
      - g) Conclusion page – summarize disallowances and corrective action directives, with appropriate timeframes.

**Note:** All information contained in the audit report must have been discussed with the subcontracted agency prior to the audit staff leaving the site after concluding the audit activity. Management responses to the findings will be incorporated into the final report verbatim.

E. Post-Audit

- a) All disallowances identified in the audit final report for the previous fiscal year must be (paid) within 30 days of the audit visit, and communicated to the CSC Budget Specialist, as these adjustments will affect the Lead Agency reimbursement invoice for the month in question. Any adjustments to current fiscal year noted may take the form of the budget revision request or an adjustment to the monthly report as necessary, and must be coordinated between the subcontracted agency and the CSC Budget Specialist [providing the subcontract budget is in SAMIS].
- b) Fiscal work papers will include a completed payroll analysis, and a report on receipts and expenditure reviewed – all of which can be drawn from SAMIS if the sub-contract is housed there. Lead Agency must retain all audit work papers to support their on-site audit activities.

**Available Tools:**

1. Fiscal Guidelines for CSC Funded Programs found at <http://providers.cscpsc.org/csc-fiscal-guidelines>  
The below samples are found at: <http://providers.cscpsc.org/lead-agency-administrative-guide>
2. Financial Monitoring Worksheet
3. Program Monitoring Worksheet
4. Subcontractor Monitoring Report
5. Financial Reconciliation Statement
6. Audit and Compliance Sample Report