

# Administrative Monitoring ... An In- Depth Look

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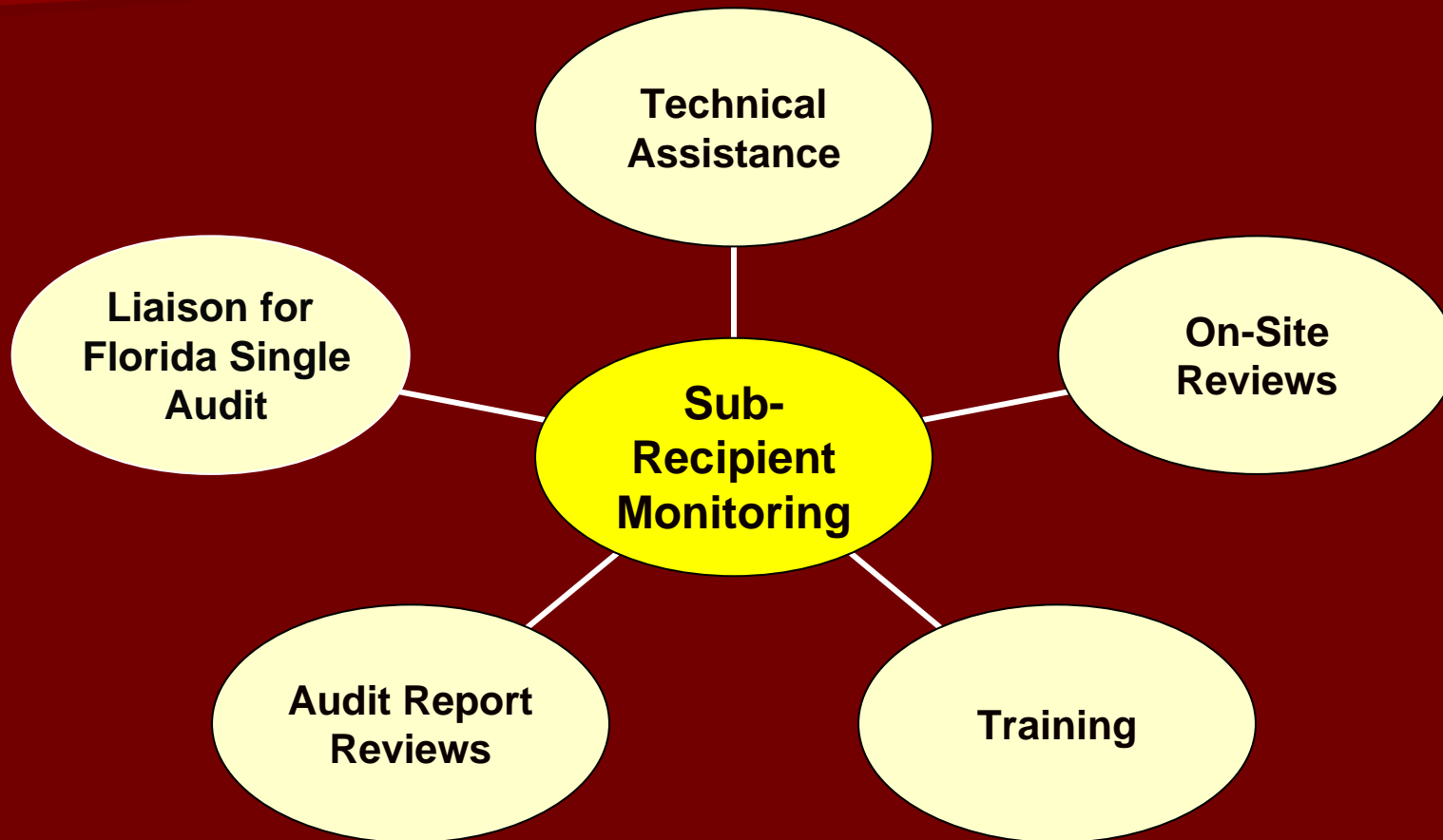
Presented by  
Lisa Tessier  
Bureau of Finance & Accounting

# Outline

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- Overview of Single Audit – Part 1
- Overview of On-Site Review Process –Part 2
- On-Site Review Procedures – Part 3
  - Criteria for Testing
  - Areas Tested
  - Pitfalls
- Toolbox (Resources) – Part 4
- Questions and Answers

# Contract Administrative Monitoring Unit



# Everyone says.....

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Are we  
graduates  
of the “Got  
‘Cha  
Police  
Academy”

# Part 1

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## Overview of Single Audit

# Overview of Single Audit

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## Audit Thresholds:

- OMB Circular A-133 – **Federal Single Audit** - \$500,000 or more of expenditures of Federal awards during the entity's fiscal year.
- Section 215.97, Fla. Stat. – **Florida Single Audit** - \$500,000 or more of expenditures of State financial assistance during the entity's fiscal year.

# Overview of Single Audit

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## CAM Unit Responsibilities:

- Ensure receipt of all required Single Audits
- Official point of contact for audit inquiries
- Comprehensively review Single Audits
- Issue report to Contract Managers identifying issues of concern
- Issue Management Decision Letter to provider on fiscal issues

# Overview of Single Audit

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## CAM Unit Responsibilities (cont'd):

- Follow-up on Management Decision Letters to ensure audit issues are resolved to the Department's satisfaction
- Maintain record of Single Audit report reviews
- Complete Audit Confirmations submitted by Independent Auditors

# Overview of Single Audit

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## Provider Responsibilities:

- Section \_\_.300 of OMB Circular A-133 – Federal Single Audit
- Section 215.97(8), Fla. Stat. – Florida Single Audit

# Overview of Single Audit

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## Provider Responsibilities (cont'd):

- Ensure audits are performed and timely submitted
- Follow-up and take corrective action on audit findings
- Prepare appropriate financial statements and schedules
- Comply with laws, regulations and provisions of contracts or awards

# Overview of Single Audit

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## Provider Responsibilities (cont'd):

- Maintain appropriate financial records to capture required information



- Maintain internal controls over programs to ensure compliance with laws, regulations and provisions of contracts or grants

Trivia Question #1: Where Single Audit thresholds are not met, what portion of an agency's audit may be charged to Federal awards or State financial assistance?



- a. All of the cost
- b. Only costs related to the Single Audit portion
- c. None of the cost
- d. A pro-rata share of the cost

Trivia Question #2: Which of the following is a responsibility of an organization who meets the Single Audit threshold?



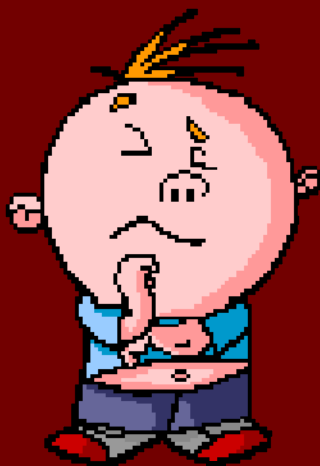
- a. Maintain financial records accounting for receipt and use of funds
- b. Maintain internal controls to ensure compliance with award
- c. Timely submit Single Audit to awarding agency
- d. All of the above

Trivia Question #3: ABC Organization receives \$550,000 in Federal awards during its fiscal year. It expended \$495,000? Is a Federal Single Audit required?



- a. Yes
- b. No

Trivia Question #4: ABC Organization expended \$300,000 of Federal awards and \$250,000 of State financial assistance during its fiscal year. What type of audit is required?



- a. Federal Single Audit
- b. Florida Single Audit
- c. Both a Federal and Florida Single Audit
- d. Only a financial statement audit
- e. No audit is required

# Questions & Answers



# Part 2

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## On-Site Review Process

# On-Site Review $\neq$ Audit



# On-Site Review Process

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## How Providers are Selected?

- Risk Assessment – Conducted annually based on established risk factors
- Emergency Reviews – Based on criteria which evaluates perceived risk to the Department and availability of other solutions



# On-Site Review Process

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- I. Confirmation Letter
- II. Pre-Review Process
- III. On-Site Review
- IV. Post-Review Process
- V. Report Issuance and Follow-up

# On-Site Review Process

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## I. Confirmation Letter

- Discusses scope of review & timeframes
- Notifies provider of types of documentation to be reviewed
- Request documentation to be sent to the Department prior to review
- Self-evaluation checklist
- Copied to Contract Managers



# On-Site Review Process

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## II. Pre-review Procedures

- Ensures that reviewer is prepared for monitoring visit
- Identification of program laws and guidelines
- Review of Audits
- Contract Manager Interview
  - Program developments
  - Contractual relationship
  - Contract manager concerns



# On-Site Review Process

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## II. Pre-review Procedures (cont'd)

- Obtain documentation from CM files
  - Financial reports
  - Invoices & supporting documentation
  - Programmatic monitoring reports/tools
  - Subcontracts
  - Contracts, amendments & budget revisions
- Obtain documentation from provider prior to monitoring visit



# On-Site Review Process

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## III. On-Site Review

- Typically 2-3 days
- Entrance Conference
- On-Site Review Procedures – see Part 3
- Exit Conference
  - Discusses *issues*, not *findings*
  - Discusses report issuance process
  - Evaluate need for technical assistance



# On-Site Review Process

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## IV. Post-Review Process

- Ensures that review and findings are properly supported with competent evidence
- Workpaper review and approval
- Contract Manager briefing
  - Discusses on-site review issues
  - Review draft report



# On-Site Review Process

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## V. Report Issuance & Follow-up

- Reports contain two types of findings:
  1. Requires corrective action
  2. Does not require corrective action
- If correction required - corrective action plan is requested
- Response is required w/i 30 days of receipt of report
- Corrective Action Plan approved/denied by CAM and Contract Managers



# On-Site Review Process

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## Some Keys to Success

- Proper accounting system set up
- Sufficient internal controls
- Maintain proper supporting documentation
- Commit time to the process
- Provide documents requested
- Provided access to staff
- Promptly follow up on questions or concerns



# Questions & Answers



# Part 3

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## On-Site Review Procedures

# Part 3-1:

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## On-Site Review Procedures

### Criteria for Review

# Criteria for Review

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- OMB Circular A-122 (2 CFR 230)
- OMB Circular A-110 (2 CFR 215)
- OMB Circular A-133 – See Part 1
- Reference Guide for State Expenditures
- Fiscal requirements set forth in laws, regulations, guidelines and contract

# Criteria for Review

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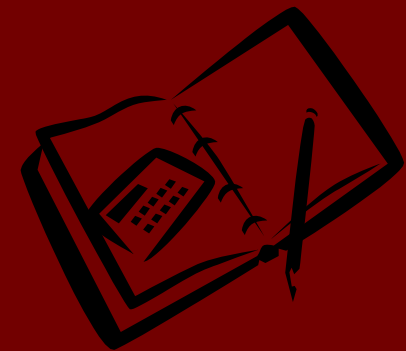
- OMB Circular A-122 - Cost Principles
  - Cost accounting policies associated with the administrative requirements of Federal awards.
  - Apply to all awards received, whether received directly from the Federal government, or indirectly through a pass-through entity.
  - Select cost items
  - Methodologies for calculating indirect cost rates
  - Allowable and unallowable costs



# Criteria for Review

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- OMB Circular A-110-Administrative Requirements
  - Uniform requirements related to:
    - Pre-award process
    - Financial and program management
    - Property standards
    - Procurement standards
    - Reports & records
    - Fiscal closeout
    - Termination and enforcement



## Reference Guide For State Expenditures:



- Provides guidance to state agencies as it relates to various categories of expenditures.
- Applies to all expenditures of state resources
  - including federal resources passed through the state – to the extent that state law doesn't contradict federal law

# BREAK

15 Minutes



# Part 3-2:

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## On-Site Review Procedures

### Areas Tested

# Areas Tested

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- A. Financial Management System
- B. Contract Staff/Salary Expenditures
- C. Assignments and Subcontracts
- D. Expenditure Testing – Non-Salary
- E. Period of Availability/Cash Management
- F. Allowable Costs/Costs Principles
- G. Equipment/Real Property
- H. Financial Reporting



# Areas Tested

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## A. Financial Management System

# Areas Tested

## Financial Management System:

- Financial Policies and Procedures
  - Public Access and Records Retention
  - Board oversight and conflicts of interest
    - Audit reporting
    - Approval of budgets
    - Review of financial statements
  - Fixed asset management system
  - Bank Reconciliations



Date	Amount
10/20	\$ 738.97
10/21	526.82
10/22	590.53
10/23	524.21
10/24	342.24
10/27	388.42

# Areas Tested

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## Financial Management System (cont'd):

- Cost Center Reporting
  - Verification of DOH funds
  - Accuracy of expenditure reports
- Budget to Actual Reporting
- Internal Controls
  - Segregation of duties
  - Approvals of processes

# Pitfalls

## Financial Management System:

- Failure to separately maintain accounting of funds by contract and funding source
- Segregation of duties
- Lack of public access to records policy
- Related party transactions
- Inadequate Board oversight

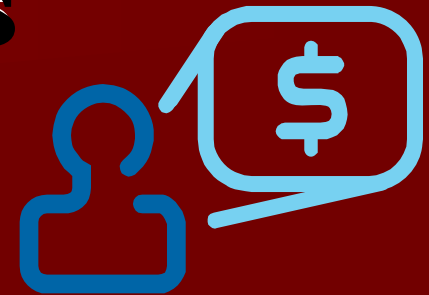


Date	Amount
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10/26	362.24
10/27	308.42

# Areas Tested

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## B. Contract Staff/**Salary Expenditures**



# Areas Tested

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## Contract Staff/**Salary Expenditures:**

- Comparison between salaries charged to contracts and those authorized
  - Gaps in employment
  - Amounts consistent with contract budget
  - FTE's charged equal those authorized
- Time and effort reporting
- Timesheets mathematically correct, signed by employee and approved by supervisor

# Areas Tested

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## Contract Staff/**Salary Expenditures**

(cont'd):

- Work times and location agree with contract
- Employee/Independent Contractor Status
- Fringe rate equals salary rate
- Employee Interviews
- Review of job descriptions



# Pitfalls

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## Contract Staff/Salary Expenditures:

- Salary expenditures based on budgeted amounts
- Vacancies
- Allocations not commensurate with benefit received
- Inadequacy of time study (optional)
- Not completing time sheets



# Areas Tested

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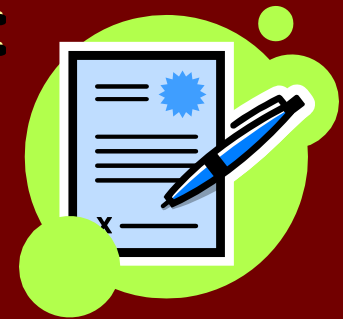
## C. Assignments and Subcontracts

# Areas Tested

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## Assignments and Subcontracts:

- Authorized by DOH in writing
- Subaward agreements
  - Award funding identified
  - Compliance requirements identified
  - Standard clauses

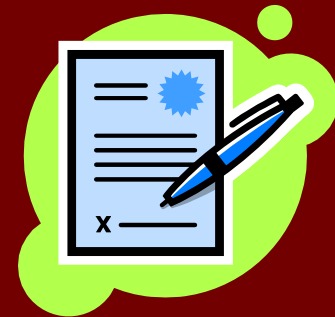


# Areas Tested

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## Assignments and Subcontracts:

- Subaward/Contracting process
  - Vendor/Subrecipient determinations
  - Conflict of Interest
  - Cost/Price Analysis
  - Competition
  - Suspended/Debarred Vendors
  - Policies and Procedures



# Areas Tested

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## Assignments and Subcontracts:

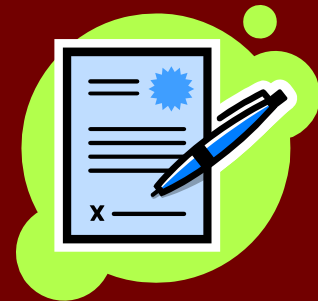
- Subrecipient Monitoring
  - Process for obtaining audits
  - Audit review and follow-up
  - On-site monitoring/desk audits
  - Adequacy of contract reporting
  - Invoice payment process

# Pitfalls

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## Assignments and Subcontracts:

- Lack of prior Department approval
- Failure to make vendor vs. subrecipient determinations
- No award identification data
- Lack of required clauses in subaward documents
- No cost/price analysis
- No conflict of interest forms



# Pitfalls

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## Assignments and Subcontracts (cont'd):

- No process to ensure funds aren't awarded to suspended or debarred vendors
- Not fiscally monitoring (desk audits or on-site reviews)
- Audit report review process (inadequate)
- Lack of a competitive procurement process

# Areas Tested

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D. Expenditure Testing –  
**Non-Salary Items**

# Areas Tested

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## Expenditure Testing – **Non-Salary Items**

- Were activities allowable?
  - Properly coded/recorded in accounting system
  - Incurred during authorized period
  - Based on actual costs/not budgeted amounts
  - Evidenced by canceled checks
  - Net of credits and refunds



# Areas Tested

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## Expenditure Testing – **Non-Salary Items**

- Were activities allowable? (cont'd)
  - Approved by appropriate individual
  - Authorized by contract and applicable laws
  - Necessary and reasonable for contract performance
  - Documented
  - Commensurate with benefit received



# Pitfalls

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## Expenditure Testing – **Non-Salary Items**

- Documentation
- Authorized by law
  - Food related items
  - Travel
  - Conferences and conventions
  - Personal cell phones
  - Incentives and Promotional Items
  - Reasonable and necessary for contract performance
- Allocation of joint costs
- Net of credits and refunds



# Documentation

## ■ **Travel –Section 112.061 F.S.**

- Travel Voucher Form
- Time of Departure
- Time of Return
- Agenda (Conferences and Meetings)
- Mileage Rate (.445 cent per mile)
- Meal Allowances (Breakfast, \$6; Lunch, \$11, Dinner, \$19)
- Original Receipts – Hotel, Rental Car, Registrations, airlines, etc.



# Documentation

- Other Non-Salary Expenditures
  - Authorization
  - Business/Contract Purpose
  - Invoice package
    - Purchase Order
    - Receiving Report
    - Invoice (Approved for Payment)
    - Cancelled Check (Proper Signatures)
  - Original Receipts – e.g. Credit Card Purchases
  - Support for Journal Entries & Transfers

# Not Reasonable and Necessary

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## Payee

Fish Market

Allied Vet Emergency

Forest Animal Hospital

David's Bridal

Toys R Us

Myra Jeans Restaurant

## Account

Advance

Advance

Advance

Advance

Advance

Office Supplies



# Not Reasonable and Necessary

(cont'd)

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## Payee

Pizza Hut

Disney Store

Nuttin But Nascar

Target

Withdrawal

## Account

Office Supplies

Advance

Advance

Advance

Advance



# Areas Tested

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**E. Period of Availability/  
Cash Management**

# Areas Tested

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## Period of Availability/Cash Management:

- Verify unobligated amounts reported to DOH
- Verify interest earned on advances
- Process to identify DOH interest
- Interest returned to DOH or netted against amount due
- Cost-reimbursement items are accurate
  - & paid for prior to requesting payment

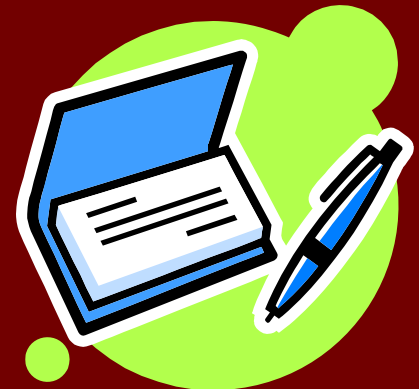


# Pitfalls

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## Period of Availability/Cash Management:

- Expenditures incurred outside of authorized period
- No process to identify interest on contracts
- Not refunding interest
- Failure to pay for items prior to requesting reimbursement



Trivia Question #5: Which of the following statements regarding interest earned on advanced funds is not correct?



- a. It may be returned to the Department
- b. It may be netted against amounts due to the provider
- c. It may be carried forward in a subsequent contract year to be spent on activities allowable under contract terms
- d. None of the above

# Areas Tested

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**F. Allowable Costs/Cost  
Principles**

# Areas Tested

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## Allowable Costs/Costs Principles :

### ■ Indirect costs

- Written cost allocation plan
  - Documented
  - Reasonable
  - Excludes fundraising
  - Excludes unallowable costs
- Federally approved indirect cost rate
- Consistent with DOH contract
- Specific costs aren't being charged as indirect and direct



# Pitfalls

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## Allowable Costs/Costs Principles :

- Failure to adequately document cost allocations
- Overcharging indirect
  - charging as both direct and indirect
- Inclusion of unallowable costs in indirect cost pool
- Allocations not commensurate with benefit received



# Areas Tested

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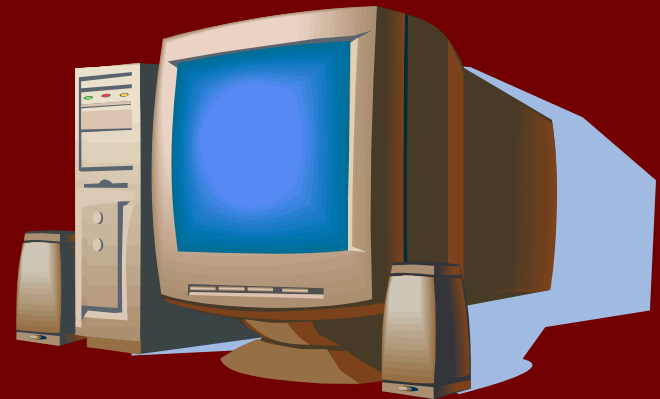
**G. Equipment/Real Property**

# Areas Tested

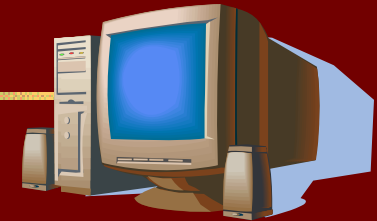
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## Equipment/Real Property:

- Fixed asset management system
- Inventory of property (purchased with DOH funds)
- Safeguarding of assets
- Asset disposals
- Collateralization of equipment



# Pitfalls



## Equipment/Real Property:

- Purchasing without authorization
- Not maintaining proper listing of fixed assets with all required information
  - Serial numbers/Property identification tags
  - Federal &/or state share
- Not conducting annual inventory
- Not charging building mortgage in accordance with Federal guidelines
- Not providing equipment inventory to DOH

[See OMB Circular A-110 SUBPART C - POST-AWARD REQUIREMENTS - Property Standards at §\_\_\_\_.30 to §\_\_\_\_.37]

# Areas Tested

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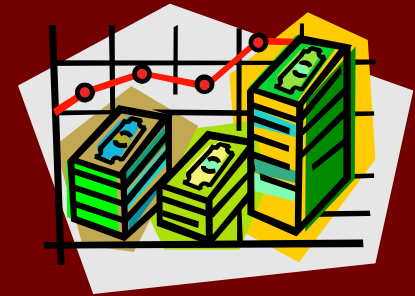
**H. Financial Reporting**

# Areas Tested

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## Financial Reporting:

- Analysis of variances
- Validate amounts reported
  - Agreement to accounting records
  - Accuracy of budget line item
- Mathematical accuracy
- Unobligated funding



# Pitfalls

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## Financial Reporting:

- Report amounts don't agree to financial records
- Unobligated balances not reported
- Cost items not accumulated by budget line item
- Mathematically inaccuracies in reports
- Not timely filed
- Lack of required certification



# Part 4: Toolbox

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Resources

# Resources

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- OMB Cost Circulars
  - Circular A-122
  - Circular A-110
  - Circular A-133

<http://www.whitehouse.gov/omb/circulars/index.html>

- Reference Guide for State Expenditures

<http://www.fldfs.com/aadir/reference%5Fguide/>

# Resources

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Florida Statutes: <http://www.leg.state.fl.us/>

Florida Administrative Code Rules:

<http://fac.dos.state.fl.us/>

Code of Federal Regulations:

<http://www.gpoaccess.gov/cfr/index.html>

Catalog of Federal Domestic Assistance (CFDA):

<http://12.46.245.173/cfda/cfda.html>



# Questions & Answers