

Displaced Homemaker Program Contractor Assistance Program Review Guide

The primary goal of the Displaced Homemaker Program is to assist displaced homemakers in becoming self-sufficient by providing core and intensive services. The participants served are those persons, are TANF-eligible or WIA-eligible. Generally, the respective services are provided at the agency's employment resource center or the local One-Stop Center.

The goal of the Contractor Assistance Program (CAP) is to assist contractors in improving their financial and programmatic operations while helping to reduce or eliminate the disallowance of expenses. To accomplish this goal, a team consisting of the Account Executive for each program and a fiscal auditor performing in the capacity of a Financial Consultant will work together to conduct regular reviews of the contractors.

The cornerstone of the program is the performance of a complete assessment of the contractor's financial and program systems as they relate to the Department's contracts. Based on those systems assessments, determinations are made regarding the contractor's need for technical assistance. The CAP team then develops a technical assistance plan and works with the contractor to implement the plan.

CAP also includes the periodic review and verification of reported expenditures. The consultants analyze the expenditures to ensure they are reasonable, allowable, and properly supported by agency records and source documentation. The results of each review will be presented in a CAP report or management letter prepared by the consultant.

A. Set Up CAP Visit

2. Notify the contractor to schedule a CAP visit
3. Once a date has been set, notify the Account Executive of the start date.
3. Telephone the contractor prior to the start date of visit as a reminder.

B. Prior to CAP Visits

1. Copies of the Detail Reimbursement Requests (DRRs) should be obtained from the Account Executive or Contractor when they are submitted to Albany.
2. Budget modifications and correction notices are received from Albany.

3. Review the DRRs, correction notices, and budget modifications prior to the Site visit. The areas of interest are:
 - a. adjustments required from prior CAP visits;
 - b. comparison of actual expenditures to line item budgets; and
 - c. any extraordinary expenditures.
4. Prepare a DRR Summary Schedule. This schedule will detail the total expenses reported by line item for the period being reviewed during the CAP visit.
5. Update the Schedule of Cash Receipts.
6. Obtain the most recent participant roster from the Account Executive.
7. Review prior CAP report, technical assistance given, and notes from prior workpapers.
8. Determine if there are any outstanding advances from prior grants. If so, the CAP report should address the proper resolution of this issue.
9. Ensure the fidelity bonds required by contractors to receive an advance, have not lapsed or been revoked.

C. Entrance Conference

A formal entrance conference is not always necessary. The decision not to have one should be a mutual one between the contractor, Account Executive, and Financial Consultant. Instances where an entrance conference would be necessary are:

- a. the contractor is new to the CAP program;
 - b. there are major problems with the contractor's financial system; or
 - c. the Account Executive or Financial Consultant are new to the contractor.
1. When an entrance conference is held it must be attended by the Account Executive.
 2. Subjects discussed at an entrance conference may include, but are not limited to; the purpose of the CAP Program, the procedures used by the Financial Consultant, and problems disclosed during prior review visits.
 3. Maintain a record of the meeting in the CAP workpapers. See the "Contractor Meeting" exhibit.

D. Assessment of the Financial System

1. Prepare a narrative detailing the following elements of the contractor's financial system. This should be done during the initial visit and updated periodically or when changes are made.
 - a. Cash Receipts
 - Deposits to bank account
 - Comparison of amount received to amount requested
 - Posting to the books of account
 - b. Cash Disbursements
 - Approval of invoice for payment
 - Preparation of check
 - Check signing
 - Posting to books of account
 - Maintenance of support documentation
 - c. Journal Entries
 - Preparation
 - Approval
 - Posting to books of account
 - d. Bank Reconciliations
 - Review of outstanding checks
 - Separate checking account if required
 - e. Preparation of DRRs
 - Preparing workpapers supporting reports
 - Reconciliation of reports to books of account
 - Three month cash projections
 - f. Trail from source documentation to books of account to DRRs
 - g. Payroll preparation and distribution
 - Personnel policies
 - Cumulative leave policy
 - h. Allocation Methods
 - Description of bases used for various cost objectives
 - Frequency of development of allocation bases

- i. TANF and WIA expenditures
 - As forty percent of the grant is funded with TANF funds and sixty percent is funded with WIA funds, the agency must have a basis for allocation costs among these sources. Therefore, review the method employed for this function.
- * Not all of the above areas will apply to every contractor. Also, be sure to include any pertinent topic areas not covered above.
- 2. Prepare a narrative assessing the contractor's system. Areas requiring technical assistance should be detailed along with recommendations for improvement.

E. Examination of Contractor's Books of Account

- 1. Determine if contractor is reconciling their books of account to the DRRs on a monthly basis.
 - a. Reconciliations are being done:
 - 1. Obtain a copy for the workpapers.
 - 2. Trace the trial balance totals being used to the general ledger accounts.
 - 3. Verify that the DRR totals being used are those reported for the month.
 - 4. Examine explanations for the adjustments and differences.
 - 5. Include a conclusion regarding the reconciliation in the workpapers.
 - b. Reconciliations are not being done:
 - 1. Prepare a Trial Balance for the review period from the books of account.
 - 2. Perform a Comparison of Adjusted Expenditures to the amounts on the DRRs. This is to be done for the current review period and for the year to date totals.
 - 3. An effort to investigate and explain all differences should be made if an inordinate amount of time is not required.
- 2. Verify cash receipts. Trace receipts to deposit slips or bank statements.

F. Examination of Expenditures

1. Staff Salaries

- Trace sample to payroll registers.
- Examine timesheets, cumulative leave records, and canceled checks.
- Verify leave taken is in accordance with contractor's policy.
- Sample may be marked on the DRR; a separate exhibit is not necessary.

2. Fringe Benefits

- Sample an appropriate level of reported fringe benefits. The percentage sampled may vary depending on the consultant's past experiences with the contractor and the expectations of the CAP regional office supervisor.
- Reported amounts are to be traced to monthly invoices, policies, quarterly reports, and other pertinent documentation.
- Ensure contractor is current on payment of federal and state withholding taxes by examining most recent quarter's 941 and NYS-45 reports.
- Ensure contractor is current on payments to NYSDOL for Unemployment Insurance.
- Rates and calculations are to be verified.
- Investigate all differences.
- Prepare an analysis schedule for the workpapers.
- Examine canceled checks.
- Worker's Compensation and Disability coverage needs to be verified annually.

3. Non-Personal Services

- Examine appropriate support documentation for the selected sample.
- Obtain copies of leases and contracts for workpapers.
- Ensure that payments for travel are in accordance with the contractor's policies.
- Verify the allocation of expenses, if necessary.
- Examine canceled checks.
- Sample may be marked on the DRR; a separate exhibit is not necessary.
- Test to see if equipment, supplies, etc. are being purchased at the end of the program in an attempt to use up program funds.

4. Note any discrepancies or system problems found.

- Discrepancies may result in required DRR adjustments.
- Technical assistance should be provided on any system problems.

5. Additional analyses should be done based on the Financial Consultant's judgment.

G. FICA and Withholding Taxes

1. Obtain copies of quarterly reports (941 and NYS-45). Copies must be obtained for every quarter.
2. If payroll is done internally trace total reported wages, federal and state withholding taxes, and employee's FICA to the payroll registers.
3. Verify payments were made to the Federal and State governments by examining cancelled checks, remittance notices from bank, or EFTs on bank statements.
4. Ensure that payments are up to date and no outstanding liabilities exist.

H. Allocation

1. Prepare a narrative describing the contractor's allocation plan. Include the following:
 - a. the types of expenses that are allocated; and
 - b. the various allocation bases.
2. Verify that the expenditures are being allocated in accordance with the plan.
3. If the plan is not reasonable or there is no allocation plan then provide the necessary technical assistance.
4. If an indirect cost rate is used, verify that the rate has been approved by the appropriate cognizant agency and that the rate has been properly applied to the program.
5. When an administrative overhead rate is applied to the contract, verify the costs that serve as the base for the rate and verify that the rate is being properly applied and appropriately updated. Ensure that the costs, which are part of the overhead rate, are not also being directly charged.

I. Equipment

1. Verify that equipment purchased is written in the contract budget.
2. Ensure that the contractor's records show that ownership resides with State.
3. Perform a physical check of the equipment.

J. Subcontracts

1. Examine the reasonableness of the method used for awarding the subcontract.
2. Verify that payments were made in accordance with the contract requirements.
3. Verify that the terms and conditions of the contract have been fulfilled.

K. Technical Assistance

There are no set procedures to follow for providing technical assistance. Each situation is unique. The Financial Consultant, and Account Executive must determine what is appropriate. All technical assistance given must be documented in the CAP workpapers. Any necessary follow-up assistance should also be detailed in the CAP workpapers.

L. Additional Information

Copies of the following items should be included in the CAP workpapers. They should be periodically updated.

- a. Written accounting procedures, if available.
- b. Chart of Accounts, if appropriate.
- c. CPA audit report.

M. Exit Conference

1. An exit conference is to be held at the end of every review visit.
2. Prior to the exit conference discuss the findings with the Account Executive. With the Account Executive determine methods for corrective action, if necessary.
3. Subjects discussed at the exit conference may include, but are not limited to:
 - a. all findings disclosed during the review;
 - b. budget modifications (consultants should review modifications before they are submitted);
 - c. prior findings;
 - d. technical assistance; and
 - e. future spending;
 - f. changes in contractor's staff.

5. Open discussions should be encouraged at the meetings.
6. Maintain a record of the meeting in the CAP workpapers. See the "Contractor Meeting" exhibit.

N. Preparation of Workpapers

1. Ensure that all workpapers detail the source and conclusion.
2. Prepare a Summary of Amounts Sampled breaking down the sample by line item.
3. Prepare a narrative detailing problems, observations, points of interest, etc. disclosed during the CAP visit.
4. Follow up on any necessary technical assistance.
5. Prepare a "Review Summary".
6. Submit workpapers for review.

O. CAP Report

There are two types of reports that will be generated as a result of the CAP reviews:

- a. Management letter - This type of report will be used if there are no findings or if only minor issues are found which could easily be reported in a letter format. Attached to the letter will be the appropriate DRR Correction Schedules. The report will be signed and issued by the CAP Regional Office Supervisor. The Account Executive and appropriate contractor personnel will be cc'd.
- b. A full report will be issued if the review results in more significant issues. Factors to consider in making the determination of what constitutes "significant" issues should include the following:
 - * The Number of Issues - If the number of issues raised by the review would not facilitate a smooth presentation in the Management Letter format; elect to use the full report format.
 - * The Severity of Issues - If the review disclosed issues that resulted in significant voucher adjustments or the potential for such adjustments, the

full format may be used. Also, if issues were disclosed that required the immediate attention of the agency's management because of the impact of the findings, use the full report format.

* Unresolved Issues - If the review indicates that an agency has been unresponsive to important findings raised in previous reports the full report format may be used.

* Issues Needing Detailed Explanations - The consultant may need to detail issues regarding technical assistance, contract problems, agency reaction to findings, etc., that would be better accommodated in the full report format.

The report will be prepared for signature by the Director of OCREC and the Director, Office of State Programs.

1. Based on the outcomes of the CAP visit, prepare the appropriate type of report. The report should clearly identify all findings and required quarterly expenditure report adjustments. Necessary corrective actions including time frames should be identified in the report.
2. Submit workpapers and report for review.

P. Timetables

The following guidelines should be used for scheduling purposes:

1. The cycle of CAP reviews will vary from contractor to contractor. Factors that should be considered in determining the timing and frequency of visits should include the following:
 - The condition of the agency's records.
 - The number of programs administered.
 - Whether technical assistance is needed.
 - If the contractor has requested the Financial Consultant make a special visit.

Based on these and other factors the Financial Consultant should decide the optimal time to schedule a review visit.

2. Contractor's should be contacted prior to the end of the contract to determine when the Final DRR will be ready. A visit should be scheduled to coincide with this date, or as soon after this date as possible.