

Appendix A
Contractor Assistance Program Guide
Health Workforce Retraining Initiative (HWRI)

The goal of the Contractor Assistance Program (CAP) under the Health Workforce Retraining Initiative (HWRI) is to provide both the NYS Department of Labor (DOL) and the NYS Department of Health (DOH) with assurances that the contractors are expending contract funds within the approved budget parameters and in accordance with the terms and conditions of the respective contracts. To accomplish this goal, the CAP consultants will perform periodic reviews and verifications of reported expenditures of those contractors whose budget exceeds \$100,000 Upstate or exceed \$200,000 Downstate/NYC. The consultants will also perform reviews of contractors whose budget is less than these amounts when conditions warrant and when requested to do so by the Office of the State Comptroller (OSC), DOL and/or DOH contract liaisons. The results of each review will be presented in a CAP report prepared by the consultant.

The Financial Review will provide financial oversight of grantee activities to ensure all funds are expended in accordance with the terms and conditions of their contract and to verify the grantee maintains the required financial records to ensure proper vouchering of the expenses claimed.

The Program Review will verify all requirements of the grantee's contract are being met or exceeded by monitoring both the enrollments and the outcomes reported on the quarterly status reports including compliance to approved work plans, funding and overall goals.

Other methods suggested by DOH to manage high contract review workloads include:

- Do more desk audits, especially when contracts are more than two years old or tuition only. The contractors can bring their records to DOL, instead of DOL staff doing site visits.
- Do more thorough and timely reviews of current contracts so that issues are more quickly addressed, working on contracts that are older than two years when able.
- Abbreviate reviews by starting with a smaller sample size. If problems are encountered, do a larger sample.

The consultants will perform assessments of the contractor's financial and program systems to verify the grantee maintains the required financial records to ensure proper vouchering of all items claimed on the vouchers and to make recommendations for improvements or changes. The consultants will also be available to provide technical assistance to the contractors on financial issues related to the contracts.

PROCEDURES

A. Determine Method of Review

- Desk Audit or Set-Up CAP Visit

B. Prior to CAP Visits

1. Review the contract permanent file, if available. This should include at a minimum:
 - **Contractor written policies and procedures over their financial system:** Determine whether procedures comply with OMB 2 CFR 200. If there are no procedures in the permanent file, request these procedures in the engagement letter. If there are no written procedures, conduct an assessment of the financial system as part of the CAP steps performed on site.
 - **Prior CAP report:** Review prior CAP reports and work papers for resolution of findings, technical assistance given and pertinent work paper notes. **(Exhibit 11)**
2. Contact the appropriate DOH contract manager:
 - To determine if there are any problem areas that DOL should be alerted to or be aware of during the course of the review. Adjust review scope accordingly.
 - To obtain a copy of the contract and budget/modifications, and quarterly expenditure reports with vouchers for the review period.
3. Review the single audit report of the agency to determine if there are any problem areas or audit findings.
4. Prepare a Quarterly Expenditure Report Summary Schedule. This schedule will detail the total expenses for the entire review period by:
 - a) Personal services reimbursed by line item;
 - b) Total other than personal service reimbursed by line item;
 - c) Verify that all costs reimbursed are within the approved budget amount; and
 - d) Advance payments recouped - verify advance is fully recouped.
5. Send engagement letter confirming objectives and period of review.
 - If written financial procedures were available in the permanent file, attach them to the engagement letter asking the grantee to confirm its current accuracy. If these procedures are not in the permanent file, request a copy to be supplied in advance of the entrance conference. In addition, request a copy of the

Contractor's book of accounts that outlines the expenditures reported on the Quarterly Expenditure Reports. Use this report to prepare schedules for an on-site review. These items can be transferred either electronically or delivered in hard copy by the contractor.

C. Entrance Conference

A formal entrance conference is not always necessary, such as if the desk audit method is chosen for the review. The decision not to have one should be a mutual one between the contractor and Financial Consultant.

1. Instances where an entrance conference would be necessary are:
 - The contractor is new to the CAP program;
 - There are major problems with the contractor's financial system; or
 - The Financial Consultant is new to the contractor.
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. **(Exhibit 1)**

D. Assessment of the Financial System

This will be completed in cases where written procedures are not available or are incomplete.

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. **(Exhibit 2)**
 - 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
- e) Preparation of Quarterly Expenditure Reports
 - Preparing workpapers supporting reports
 - Reconciliation of reports to books of account
- f) Trail from source documentation to books of account to quarterly expenditure reports
- g) Payroll preparation and distribution
 - Personnel policies
 - Cumulative leave policy
 - Verify job titles; job descriptions; funding sources; program assignment; salary and authorization for raises; and bonuses, if any.

Note: To be eligible for a bonus, there must be a documented personnel policy in place, or the bonus must be awarded to all staff.

- h) Procurement and receipt of goods
 - Policy regarding bid procedures, sole source purchases, etc.
- i) Subcontractors
 - RFP process
 - Payment and posting to books of account
- j) Allocation Methods
 - Description of bases used for various cost objectives
 - Frequency of development of allocation bases

Note: Not all of the above areas will apply to every contractor. Also, be sure to include any pertinent topic areas not covered above.

E. Examination of Contractor's Books of Account

1. Obtain/prepare a Trial Balance for the review period from the books of account. **(Exhibit 4)**
2. Perform a comparison of adjusted program expenditures on the trial balance to the amounts on the Quarterly Expenditure Reports for the review period. All differences are to be investigated and explained. **(Exhibit 5)**

3. Verify cash receipts. Trace receipts to deposit slips or bank statements.
(Exhibit 3)

4. Based upon:

- the assessment of the contractor's policies and procedures
- the review of the contractor's single audit report
- the examination of the contractor's books of account
- feedback from the DOH contract manager
- the analysis of the review period budget and expenditures
- past experiences with the contractor

Determine the extent of testing necessary to ensure all funds provided to the contractor are expended in accordance with the terms of their contract.

Note: It is advisable that samples are selected from the entire program year and not restricted to just one quarter.

F. Examination of Expenditures

1. Staff Salaries

- Reconcile Payroll Register to General Ledger
- Prepare a spreadsheet from the Payroll Register showing gross earnings for all the program employees for the review period.
- Select a sample of these program employees. **(Exhibit 6 – PR)**
- Verify employee time sheets/time distribution record information supports the total salaries in the payroll register.
- Ensure timesheets comply with OMB 2 CFR 200 requirements and support the portion of the salaries claimed in the quarterly expenditures report. Verify Cost Allocation methods are accurate and reasonable and program benefit for the expenditures is evident.
- Determine that the cut-off payrolls (beginning and end of period) are accounted for properly.
- Verify leave taken is in accordance with contractor's leave time policy.

Note: If the contractor does not use timesheets/time distribution records to allocate time, review alternate method supplied by the contractor and access whether the method is allowable.

2. Fringe Benefits

- Determine if the agency has the fringe benefit rate approved by the cognizant agency. If agency uses a fringe component rate; multiply total program payroll expenses by the approved rate. This should equal or be

greater than the fringe benefits charged to the contract.

- If there is no federally approved rate per employee, calculate fringe benefits expense and verify that all employees are eligible for fringe benefits charged on their behalf via union contracts or other authorizing legal documents.
- Verify that the fringe costs were proper, and were paid. Select a sample from the contract period and determine whether the proper cost has been charged.

a) For FICA/SUTA: **(Exhibit 6 – Taxes)**

- i. Trace to cancel checks.
- ii. Trace to quarterly reports for payroll withholding taxes:
 - Form 941 for Federal payments
 - NYS-45-MN for New York State payments
 - W-2 forms for verification of gross salaries

b) For other fringe items:

- i. Trace to invoice and canceled check.

- Prepare and exhibit to outline all of the Fringe Benefits sampled. **(Exhibit 6 – Fringe)**

3. Testing & Assessment, Instruction, Tuition, Travel, Dependent Care, Other

- Examine appropriate support documentation for the selected sample.
- Ensure that payments for travel are in accordance with the contractor's policies.
- Examine itemized tuition bill from training institution.
- Ensure tuition payments have been reduced by **TAP, PELL** and other grants awarded to the participants.
- Review educational institution's policy for tuition reimbursement for individuals who drop out prior to completing the course work.
- Ensure dependent care costs are not reimbursed for retraining occurring during a participant's work hours.
- Examine canceled checks.
- Test to see if equipment, supplies, etc. are being purchased at the end of the program in an attempt to use up program funds.
- Prepare and exhibit outlining the sampled expenditures. **(Exhibit 6 - NPS)**

4. Lost Staff Time- **(Exhibit 6- LST)**

To establish the validity of the payment of lost staff wages, review the following records:

- Payroll registers which verify the hourly rate or salary of the employee attending the training and the replacement worker.
- A work schedule showing what hours the employee in training was scheduled to be at work.

- Attendance records from the training institute verifying that the employee was in training during their regular work hours.
 - A supplemental work schedule showing that another employee was brought in to replace the employee at training. **NOTE:** This replacement staff cannot be an employee normally scheduled to be at work during the same shift as the employee attending training. The expense is allowed only if an employer is required to bring in an employee not required to be at work during the training hours, thus generating an additional expense.
 - Documentation verifying that the expense reported to the contract was based on the wage rate of the employee attending the training, or the wage rate of the replacement worker, whichever is lower.
 - A statement signed by the Chief Financial Officer attesting that the replacement staff was necessary to replace staff in training and that the costs represent an additional employer expense.
5. Subsidies to offset loss of Unemployment Insurance Benefits. **(Exhibit 6-Other)**
- Review official notice of participant's approval of weekly UI benefits.
 - Review notification of termination of participant's weekly UI benefits.
6. Verify that administration costs are within the limitation approved in the contract. Costs should be analyzed to ensure that all administrative costs are properly allocated and charged to that cost objective.
7. Additional analyses should be done based on the Financial Consultant's judgment.

G. Allocated Expenses: (such as insurance, rent, telephone, office supplies, utilities and internet).

1. Prepare a narrative describing the contractor's Cost Allocation Plan. **(Exhibit 2)** and 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. Trace a sample of expenditures to invoices and cancelled checks.
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 expenditures.

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.

H. Equipment

1. Verify that equipment purchased is contained and approved in the contract budget.
2. Ensure that the contractor's records show that ownership resides with the State.
3. Perform a physical check of the equipment. **(Exhibit 7)**

I. Subcontracts/Consultants

This category is used to budget for time - limited/specific services which cannot be accomplished by existing staff, as well as for any services/expenses which will be provided by a subcontractor.

1. Examine the reasonableness of the procurement method used for awarding any Subcontracts.
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. Outline any issues in your review narrative. **(Exhibit 2)**

J. Participant Eligibility

Ensure that any participants who receive services or payments under the contract are eligible based on the contract criteria. Outline the process and any issues in the review narrative. **(Exhibit 2)**

K. Participant Outcomes

1. Obtain a list of participants from the contractor. The list should include all Participants enrolled in the program and their outcomes.
2. Ensure that the number of participants, withdrawals, completions, and continuing in training ties to the numbers reported to NYSDOH on the "Aggregate Participant Outcome" report.

3. Verify the outcomes through appropriate support documentation; withdrawal slips, transcripts, certifications, licenses, etc. **(Exhibit 8)**

L. Technical Assistance

There are no set procedures to follow for providing technical assistance. Each situation is unique. The Financial Consultant and DOH liaison 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.

M. Exit Conference

1. If there are substantial findings and/or required CAP adjustments, contact the DOH liaison to discuss prior to the Exit Meeting.
2. Determine methods for any 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 and current status;
 - d) Technical assistance; and
 - e) Future spending.
4. Open discussions should be encouraged at the meetings.
5. Maintain a record of the meeting in the CAP workpapers. **(Exhibit 9)**

N. Preparation of Workpapers

1. Ensure that all workpapers detail the source, purpose and conclusion for all items. All steps included in the CAP review should be linked to the workpapers, documenting the step and noting the auditor who performed each step. When the audit step is not completed, note the reason why.
2. Prepare a Summary of Amounts Sampled breaking down the sample by line item and determine the percentage sampled. Include the methodology used in selecting the sample. **(Exhibit 10)**
3. Prepare a narrative detailing problems and/or observations disclosed during the CAP visit. **(Exhibit 2)**

4. Follow up on any necessary technical assistance.
5. Prepare a Review Summary to be included as part of the review letter. Link to the Review Summary workpapers which support any conclusions and/or findings.
6. Submit workpapers for review. The supervisor should document any review of the workpapers performed. Ensure any findings are supported prior to releasing the report. In addition, ensure all required audit steps have been completed.

O. CAP Report – (Exhibit 12)

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

1. Management letter - This type of report will be used if there are no findings, disallowances under \$500, or if only minor issues are found which could easily be reported in a letter format. Attached to the letter will be the appropriate Quarterly Expenditure Report Correction Schedules. The report will be signed and issued by the CAP Regional Office Supervisor. The DOH liaison and appropriate contractor personnel will be cc'd, but DOH approval of the report is not required.
2. A full report will be issued if the review results in more significant issues, and DOH approval of the report must be received prior to the report being issued. Factors to consider in making the determination of what constitute “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 DOL on behalf of DOH. The report should include cc's to Internal Audit and the Workforce Programs Manager 2.

NOTE:

Disallowances should be paid directly to DOH with the check made out to the **New York State Department of Health**, with name and payment address for DOH included in the report as follows:

Ms. Susan Mitnick, Director
Division of Workforce Transformation
Center for Health Care Policy and Resource Development
Office of Primary Care and Health Systems Management
NYS Department of Health
Corning Tower, Room 1603
Albany, New York 12237

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 outlined on a Detailed Quarterly Expenditure Report Correction schedule included as part of the letter. Necessary corrective actions, including time frames, should be identified in the report.
2. Supervisors will forward the **full report** to DOH requesting email approval of the report for issuance if a **full report** is warranted.
3. DOH-approved **management letter reports** (those requiring only DOL supervisor approval) with no severe issues/ no disallowances can be sent to the contractor with email cc's as reflected in the report letter.
4. DOH-approved **full reports** with severe issues/ disallowances must be cleared through the Workforce Programs Manager 2, who will obtain clearance through DEWS executive staff. Once fully cleared through DEWS executive staff, such reports can be sent to contractor with email cc's as reflected in the report letter.

P. Timetables

The following guidelines should be used for scheduling purposes:

1. CAP reviews will be conducted at the end of each Program Year. The first visit should take place after the fourth quarterly voucher has been submitted for the year. The second visit should take place after the final voucher has been submitted. A pre-review of the final voucher may be scheduled in

instances where prior reviews have disclosed problems or if the DOH liaison or Financial Consultant deems a pre-review to be warranted.

2. Preparation of the report and supervisory review should be done within two weeks from the exit meeting, if practical.
3. The CAP report should be issued within one month of the review's exit meeting.

HWRI CAP GUIDE

List of Exhibits

- Exhibit 1: Entrance Conference**
- Exhibit 2: Review Narrative**
- Exhibit 3: Schedule of Cash Receipts**
- Exhibit 4: Contractor Books of Account/Trial Balance**
- Exhibit 5: Comparison of Adjusted Expenditures to Quarterly Expenditure Reports**
- Exhibit 6: Examination of Expenditures as follows:**
 - Exhibit 6-PR Staff Salaries**
 - Exhibit 6-Fringe Fringe Benefits**
 - Exhibit 6-Taxes 941 and State tax schedule of payments**
 - Exhibit 6-NPS Non-Personal Services**
 - Exhibit 6-LST Lost Staff Time**
 - Exhibit 6- Other Subsidies**
- Exhibit 7: Equipment**
- Exhibit 8: Participant Outcomes**
- Exhibit 9: Exit Conference**
- Exhibit 10: Summary of Amounts Sampled**
- Exhibit 11: Review of Prior CAP Reports (if applicable)**
- Exhibit 12: Current Review Letter/reports**

Note: Not all exhibits may be required for each review.