

2021-22 DIVISION OF EARLY LEARNING (DEL) FISCAL MONITORING PROCESS ATTACHMENT 4

I. Fiscal monitoring overview

A. Why does DEL have to perform fiscal monitoring tasks?

- a. DEL is responsible for ensuring that all the federal and state funds it receives and passes through to the state's 30 Early Learning Coalitions (ELCs) and other sub-recipient(s) are used in accordance with applicable federal and state laws and regulations.
- b. Onsite monitoring of these entities is required for DEL to comply with its oversight and monitoring responsibilities as outlined in 45 CFR Part 74.51(a), Section 1002.82(r), Florida Statutes, and 2 CFR 200.331(b) and (d).
- c. DEL will also establish appropriate financial statement audit requirements on its own and include them in agreements with its for-profit subrecipients (if applicable). 2 CFR Part 200.501(h) indicates agreements "should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility."

II. Fiscal monitoring procedures

A. Who/what will be monitored? *

For 2021-22, DEL anticipates the following onsite monitoring visits will be performed. Program year activities for the School Readiness (SR) and Voluntary Prekindergarten (VPK) programs will be included in the monitoring scope for 2021-22.

- a. 30 of 30 ELCs
- b. Redlands Christian Migrant Association, Inc. (RCMA)
- c. University of South Florida for the HIPPIE program
- d. The Children's Forum (for the TEACH program and the FL Help Me Grow Project)
- e. Florida Reading Corps*
- f. Panhandle Area Educational Consortium (PAEC)*

**Note: FY2021-22's scope may include modifications to (1) include new entities/temporary projects and/or (2) to allow testing of stimulus/COVID-related federal funding streams (CRRSA, ARPA Discretionary, ARPA Stabilization Grants, etc.).*

B. What monitoring procedures will be performed? *

DEL has summarized the monitoring requirements for key fiscal operating areas and has provided testing procedures (listed by category) in separate files available for review as needed. For 2021-22, these fiscal monitoring tasks were reviewed in the planning phase and minimal changes from the prior year's monitoring tool were noted. This monitoring tool is provided to the contractors hired by DEL to perform the entities' monitoring visits. The key financial monitoring categories monitored include the following.

MATT MEARS

CHANCELLOR, DIVISION OF EARLY LEARNING

1. Preventive / Corrective Action Plan (PCAP) Implementation
2. Financial Management Systems
3. Internal Controls Environment
4. Cash Management
5. EFS Reconciliation to Financial Records (not part of scope for 2021-22)
6. Prepaid Program Items (Participant Support Costs)
7. Cost Allocation and Disbursement Testing
8. Travel
9. Purchasing Activities
10. Contract Activities
11. Subrecipient Monitoring

C. What analytics for internal controls will be performed?

Procedures to analyze subrecipient internal controls were implemented in 2008-09. A self-assessment survey form is required annually from each ELC/subrecipient. The survey inquires about controls for the following key areas of operations.

- a. Governance/Oversight/Management
- b. Revenues/Other Income Analysis
- c. Cash
- d. Prepaid Program Items (Participant Support Costs)
- e. Fixed Assets
- f. Payables and Disbursements
- g. Payroll – General
- h. Grant Match
- i. Program Requirements
- j. Subrecipient Monitoring
- k. Information Technology – Access Controls¹
- l. Information Technology – Data Backup¹
- m. Information Technology – Passwords¹
- n. Information Technology – Disaster Recovery¹
- o. Information Technology – Security¹

¹Note: For the ELCs and RCMA, these survey questions are meant to include workstations with access to the Enhanced Fields System (EFS) data.

D. Where and when will the fiscal monitoring procedures be performed?

- a. Onsite visits² will begin in October 2021.³
- b. All monitoring visits will be completed on or before March 15, 2022.

²Note: **If needed for 2021-22 (due to federal, state and/or local restrictions related to the COVID-19 public health emergency), DEL has the authority to issue supplemental written Contractor instructions to complete one or more scoped onsite monitoring tasks using equivalent remote-work/offsite processes.**

³Note: DEL activated the supplemental instructions described above in Note 2. The FY2021-22 scope proposes up to 10 entities will be monitored onsite, as local public health conditions allow. If needed, these plans will be revised to allow 100% equivalent remote-work/offsite processes.

E. How will we prepare for and scope these monitoring tasks?

- a. For 2021-22, DEL staff performed a risk assessment of each ELC and subrecipient to identify the sample sizes required for tests of detailed transactions (see “ELC Sample Sizes” files).
- b. Factors used to assign risk levels (low, medium, high), include but are not limited to: level of funding received, special projects/grants, entity operations, timeliness/accuracy of report filings, turnover in key management positions, results from all levels of prior year program testing, monitoring, audits and recent operating circumstances.
- c. Data request letters and other template files will be provided to each entity 42 calendar days (6 weeks) prior to the start date for the onsite visit.
- d. Requested data items from each entity are due 28 calendar days (4 weeks) prior to the start date for the onsite visit.
- e. A Pre-planning meeting will be held by DEL with each onsite monitoring team 2 weeks prior to the start date for the onsite visit. This is an opportunity for the contracted monitors to become familiar with the entity, its operations and current environment prior to starting the monitoring tasks. Pre-planning meetings are held in person or by telephone conference. Optional attendance by telephone for entity staff is allowed.
- f. In preparation for the pre-planning meetings, a separate pre-planning document has been prepared for FMSAS staff and the monitoring teams. This planning worksheet lists tasks that include, but may not be limited to the following.
 - i. Review prior year monitoring findings;
 - ii. Review the entity’s current policies/procedures, cost allocation plan (CAP), and other fiscal operating records;
 - iii. Examine data items provided by the entity, including responses to the annual Internal Control Questionnaire (ICQ); and
 - iv. Review the entity’s detailed General Ledger transactions to assist in sample selections for onsite testing.
- g. Combining the evidence from all of these testing tasks with data gathered by other DEL units allows DEL to reduce the level of disruption or administrative burden on the entities each year while still meeting DEL’s oversight and monitoring duties.
- h. Selected sample items will be provided to each entity 7 calendar days (1 week) prior to the start date for the onsite visit.

F. Other comments/items to consider during planning

- a. The service delivery models for the entities vary across the state. The selected Contractor(s) must obtain a sufficient understanding of activities performed by other material service organizations (i.e., administrative entities, central agencies or fiscal agents), and DEL will rely on the professional judgment of the selected CPA firm(s) to determine the testing levels needed beyond the minimum work plan requirements identified in the 2021-22 monitoring program (see “Template” files).
- b. The supplemental checklists and monitoring tool for 2021-22 were designed to provide a comprehensive list of monitoring tasks required for DEL subrecipients. Some tasks will be performed by the monitoring teams, while other tasks will be completed by various DEL staff. Tasks to be completed by DEL staff (and not part of the scoped services for the monitoring teams) will be clearly marked on the 2021-22 monitoring tool and checklists.

- c. Prices negotiated for executed contracts for the onsite/remote fiscal monitoring services are all-inclusive and include all travel, report production and other miscellaneous expenses, as applicable, for all procedures planned for any of the ELCs and other selected DEL subrecipients.

G. Onsite testing tasks²

- a. Each monitoring visit will last from 3 to 5 calendar days, based on the scoped tasks assigned by DEL during the planning phase for each entity.
- b. An entrance conference with the entity's management team will be conducted by the monitoring team leader on the first day of the visit.
- c. For details on specific tasks scoped as part of monitoring testing/tasks, see DEL's 2021-22 Onsite Financial Monitoring Tool.
- d. In addition to haphazard or random sampling of current year disbursements (general administrative costs, prepaid program items, staff salaries, fringe benefits and non-personnel services, travel, etc.), the monitoring tool includes other testing tasks by financial category for the monitors to perform for each entity. Other testing tasks include inspection of documents, tests of significant items, inquiries, observation and analytical procedures.
- e. A pre-exit conference will be held by the monitoring team leader with FMSAS staff after the scoped testing tasks are completed. This conference is usually held by phone and must be performed prior to the exit conference and the close of the monitoring visit.
- f. An exit conference with the entity's management team will be conducted by the onsite team leader on the last day of the monitoring visit. DEL staff will usually attend by phone conference; onsite attendance by DEL may occur as needed.

H. Reporting on results

The reporting process includes tasks assigned to the contracted monitoring teams and FMSAS staff. For specific report disclosure requirements, please see the 2021-22 DEL report template for more details. As part of this process additional research and review/approval processes may also be performed on a case-by-case basis.

- a. The contracted monitors will prepare and release a draft report to the entity and DEL for review within 15 days after completion of the entity's exit conference.
- b. A draft report review will be completed by the entity and DEL within 14 days after receipt of the draft report. If additional research, review/approval tasks are required, adjustments to this timeline may be required.
- c. The contracted onsite monitors will prepare and release a final report to the entity and DEL within 10 days of receipt of DEL's approval of the draft report.
- d. Follow-up on any corrective action recommendations is assigned to and will be completed by FMSAS staff. Also, any required technical assistance or follow-up.

III. Financial monitoring follow-up and close-out tasks

A. Close-out tasks

- a. The contracted monitors will submit the entity's testing workpapers to DEL for review within 3 days after the final report is released.
- b. DEL will perform the workpaper review process for each entity within 7 days after receipt of the workpaper files.

- c. A final analysis of the quality of work provided by the contracted onsite monitors will be prepared for and shared with DEL's fiscal staff. If applicable, performance results will be used to begin the renewal process for contract services for the next program year.

B. Preventive/Correction Action Plan (PCAP) process

If instances of noncompliance are noted by the onsite monitors, based on the scope of the monitoring tool(s) provided by DEL, report findings may be identified. The coalition must respond to all findings with a PCAP and additional documentation that will correct the findings. See PCAP instructions for more details.

- a. If a report has no findings a PCAP is not required; instead, a letter of final report approval is sent by DEL to the entity.
- b. Notice from DEL to the entity will be sent by email within 4 days after the final report is released to confirm the entity has findings and a PCAP is required.
- c. DEL staff will prepare a pre-populated PCAP template for each entity. The PCAP template will be sent by email within 3 days after the PCAP notice is transmitted.
- d. The entity will submit its PCAP within 30 calendar days after the release of the final report.
- e. DEL staff will review the PCAP responses and related support files provided to accept/approve the planned corrective actions provided. This process is completed within 30 calendar days, unless additional research tasks are required.
- f. Additional follow-up and inspection of the listed corrective actions for each entity are performed during the next onsite visit.

IV. Other related activities

- A. Uniform Grant Guidance changes (reductions) to financial statement audit scopes.

Based on updates to Uniform Grant Guidance for federal grant programs in recent years, some compliance areas are no longer tested by independent auditors for annual federal/state single audits. However, **compliance in these areas is still required**, so each non-federal pass-through entity (i.e., FDOE/DEL) must determine how best to address oversight/monitoring/testing for these areas of operations. *See attached excerpt from 2 CFR Part 200 Appendix XI, Compliance Supplement, CFDA #93.575/93.596 (CCDF cluster).*

- a. Activities allowed or unallowed
- b. Allowable costs/Cost principles
- c. Cash management #
- d. Eligibility
- e. Equipment/Real Property management #
- f. Matching, level of effort, earmarking
- g. Period of performance
- h. Procurement, Suspension and Debarment #
- i. Program Income #
- j. Reporting of subawards #
- k. Subrecipient monitoring
- l. Special tests and provisions

Testing category no longer covered by federal/state single audit compliance requirements.

- B. Other legacy scope considerations/recommendations

- a. **Property and equipment inventory testing gaps.** Fixed asset testing at the local level has not been covered by fiscal, programmatic or in-house FABS quarterly review processes. *FDOE received OAG findings in this area in recent program years.*
- b. **Match-related testing** (including in-kind valuations) **gaps.** Limited match-related monitoring tasks have been performed in onsite visits since 2008-09. Based on DEL's DEL Match Monitoring, PI/FMSAS staff will coordinate with FABS to identify appropriate tasks to allow for expanded tests to monitor match contributions for funds collected/expended.
 - Program Year 2021-22 – *research and development phase*
 - Program Year 2022-23 – *implementation phase*
- c. **Time reporting issues and related policy gaps.** Multiple observations related to incomplete or incorrect time reporting processes were noted for ELCs during the 2019-20 and 2020-21 monitoring cycle.
 - Staff research is ongoing for these issues
 - Other related topics will be evaluated by DEL's management team to determine if OEL should establish limits or standards for annual pay raises, staff bonuses, signing bonuses*, severance payments*, retirement benefits, etc. **This is currently an unallowed cost type for SR/VPK grant programs.*