

## 2017-18 OFFICE OF EARLY LEARNING (OEL) FISCAL MONITORING PROCESS ATTACHMENT 4

### I. Fiscal monitoring overview

#### A. Why does OEL have to perform fiscal monitoring tasks?

- a. OEL 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 OEL to comply with its oversight and monitoring responsibilities as outlined in 45 CFR Part 74.51(a), Section 1002.82(p), Florida Statutes, and 2 CFR 200.331(b) and (d).
- c. OEL 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 will be monitored?

For 2017-18, OEL 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 2017-18. OAMI is not included.

- a. 15 of 30 ELCs\* - *\*Note: this is a scope modification generated by budget limitation for the 2017-18 program year*
- b. Redlands Christian Migrant Association, Inc. (RCMA)
- c. University of South Florida for the HIPPIY program
- d. The Children's Forum for the TEACH program and the FL Help Me Grow Project

#### B. What monitoring procedures will be performed?

OEL 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 2017-18, 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 OEL to perform the entities' onsite

RODNEY MACKINNON  
EXECUTIVE DIRECTOR, OFFICE OF EARLY LEARNING

annual monitoring visits. The key financial monitoring categories monitored include the following.

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 2017-18)
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 Controls (see note 1 below)
- l. Information Technology – Data Backup (see note 1 below)
- m. Information Technology – Passwords (see note 1 below)
- n. Information Technology – Disaster Recovery (see note 1 below)
- o. Information Technology – Security (see note 1 below)

*Note (1) 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 visits will begin in October 2017.
- b. All onsite visits will be completed on or before March 9, 2018.

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

- a. OEL modified for the onsite monitoring scope for 2017-18.\*
  - i. \*This decision was made in April 2017 prior to completion of the 2016-17 fiscal monitoring cycle.
  - ii. To identify ELCs for the 2018-19 onsite monitoring cycle, OEL staff completed a preliminary analysis of ELCs with no 2016-17 fiscal monitoring findings. Routine risk assessment tasks are described below in items b and c.

- b. For 2017-18, OEL staff performed a risk assessment for each ELC and subrecipient to identify the sample sizes required for tests of detailed transactions (see “ELC Sample Sizes” files).
- c. 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.
- d. 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.
- e. Requested data items from each entity are due 28 calendar days (4 weeks) prior to the start date for the onsite visit.
- f. Pre-planning meetings will be held by OEL 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 arriving onsite to begin monitoring tasks. These meetings are held in person or by telephone conference, and optional attendance by telephone for entity staff is allowed.
- g. As preparation of the pre-planning meetings, a separate pre-planning document has been prepared listing tasks that include, but may not be limited to: review prior year monitoring findings; review the entity’s current policies/procedures, cost allocation plan (CAP), and other fiscal operating records; examine data items provided by the entity, including responses to the annual Internal Control Questionnaire (ICQ); and review the entity’s detailed General Ledger transactions to assist in sample selections for onsite testing.
- h. Combining the evidence from all of these testing tasks with data gathered by other OEL units, will allow OEL to reduce the level of disruption or administrative burden on the entities each year while still meeting OEL’s oversight and monitoring duties.
- i. 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 OEL 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 2017-18 monitoring program (see “Template” files).
- b. The supplemental checklists and monitoring tool for 2017-18 were designed to provide a comprehensive list of monitoring tasks required for OEL subrecipients. Some tasks will be performed by the monitoring teams, while other tasks will be completed by various OEL staff. Tasks to be completed by OEL staff (and not part of the scoped services for the monitoring teams) will be clearly marked on the 2017-18 monitoring tool and checklists.

- c. Prices negotiated for executed contracts for the onsite 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 OEL subrecipients.

#### **G. Onsite testing tasks**

- a. Each onsite visit will last from 3 to 5 calendar days, based on the scoped tasks assigned by OEL during the planning phase for each entity.
- b. An entrance conference with the entity's management team will be conducted by the onsite team leader on the first day of the onsite visit.
- c. For details on specific tasks scoped as part of onsite testing, see OEL's 2017-18 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 while onsite at 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 onsite 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 onsite 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 onsite visit. OEL staff will usually attend by phone conference; onsite attendance by OEL may occur as needed.

#### **H. Reporting on results**

The reporting process includes tasks assigned to the contracted onsite teams and FMSAS staff. For specific requirements for report disclosures, please see the 2017-18 OEL 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 onsite monitors will prepare and release a draft report to the entity and OEL 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 OEL 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 OEL within 10 days of receipt of OEL's approval of the draft report.
- d. Follow-up on any corrective action recommendations is assigned to and will be completed by FMSAS staff. Any required technical assistance or follow-up

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

#### **A. Close-out tasks**

- a. The contracted onsite monitors will submit the entity's testing workpapers to OEL for review within 3 days after the final report is released.

- b. OEL 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 OEL'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 OEL, 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 OEL to the entity.
- b. Notice from OEL 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. OEL 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. OEL 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 to financial statement audit scopes.**

The scope of required compliance testing tasks for annual financial statement audits was reduced by updates to Uniform Grant Guidance. Compliance in these areas is still required, but testwork/monitoring will not be done by the auditors. Each non-federal pass-through entity must determine how best to address these areas of operations.

- a. Procurement and Suspension and Debarment – listed as N/A now for 93.575/93.596 (CCDF cluster)
- b. Program Income – listed as N/A now for CCDF cluster
- c. Reporting of subawards – no longer listed in matrix of compliance requirements
- d. For 2017-18 – Review OMB Part 6 of the Compliance Supplement to identify changes for internal control requirements; draft updates available June 2017
- e. For 2017-18 - Equipment is still listed in the Compliance Supplement; OEL's OIG may consider supplemental instructions to auditors

**B. Other legacy scope considerations/recommendations**

- a. Property and equipment inventory. Fixed asset testing at the local level has not been covered by fiscal, programmatic or in-house FABS quarterly review processes. FDOE has recently received OAG findings in this area.
- b. Match-related testing (including in-kind valuations). Limited match-related monitoring tasks have been performed in onsite visits since 2008-09.