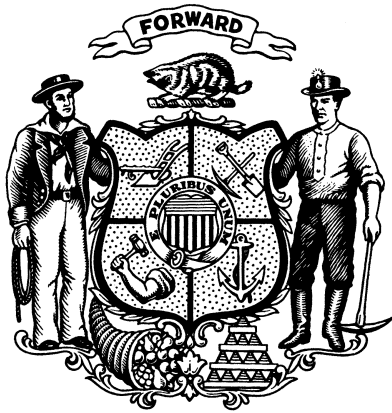


# **Appendix to the State Single Audit Guidelines for Programs from the Department of Children and Families**



**2017 Revision**

# Appendix to the State Single Audit Guidelines for Programs from the Department of Children and Families 2017 Revision

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## **2017 Legislative Updates for Rate-Based Providers**

This section provides information on recent changes to the law affecting contracts for rate-based services. The changes include modified language allowing a not-for-profit provider to retain up to five percent of surplus revenue received under the contract, repeal of the language related to cumulative reserves, new language establishing time limits on recouping excess reserves, and modified language increasing the threshold for required audit reports.

2017 Wisconsin Act 59, sections 923B through 923G, 9106(3t), and 9108, are the provisions applicable to DCF-funded programs. The changes apply to contracts as of January 1, 2018 (Section 9106(3t)).

Section 923B amended Wis. Stat. s. 49.34(4)(c) to increase the threshold for the requirement to provide the purchaser with a certified financial and compliance audit report from \$25,000 to \$100,000 of care and services purchased.

Section 923C amended Wis. Stat. 49.34(5m)(b)1. to state:

If revenue under a contract for the provision of a rate-based service exceeds allowable costs incurred in the contract period, the contract shall allow the provider to retain from the surplus up to 5 percent of the revenue received under the contract unless a uniform rate is established by rule under subd. 5., in which case the contract shall allow the provider to retain the uniform percentage rate established by the rule. The retained surplus is the property of the provider.

Sections 923D and 923E repealed Wis. Stat. ss. 49.34(5m)(b)2 and 3, related to accumulated excess reserve funds and limitations on using those funds.

Section 923F created a new statutory provision at Wis. Stat. s. 49.34(5m)(b)5. This new provision includes an annual period for determining excess reserves, a requirement for the provider to notify a purchaser of excess reserves that exceed the allowable retention rate, and provides a six month time period for purchasers to request a refund. The six-month period begins when the provider notifies the purchaser of an excess. Notice of any excess is normally provided in the annual audit findings. The provision also allows the department to recover funds beyond the six-month period based on audit or financial review findings.

Section 923G created a new statutory provision at Wis. Stat. s. 49.34(5m)5. This new provision includes rule-making authority where the department may establish the five percent retention rate as provided in statute or a different rate, and establish procedures for reviewing contracts for compliance with the provision of the statutory subsection.

Section 9106(3t) contains non-statutory guidance on transitioning from the ten percent accumulation provisions that were repealed. The provider must notify purchasers of amounts in excess of ten percent based on the total contract amount for rate-based services for the prior year. Purchasers have six months to request return of excess funds. The six-month period begins when the provider notifies the purchaser of an excess. Notice of any excess is normally provided in the annual audit findings. The provision also allows the department to recover funds beyond the six-month period based on audit or review findings.

# Appendix to the State Single Audit Guidelines for Programs from the Department of Children and Families

## 2017 Revision

### 1 Introduction

This document is part of the *State Single Audit Guidelines*, and it should be used only in context of the *Guidelines* as a whole. The *Guidelines* consist of two parts: the main document, which describes the state's single audit policy in general terms, and the department-specific appendices, which detail audit requirements for programs from the respective departments. An auditor planning an audit needs to consult the main document and the appendices for each of the departments that provided funding to the auditee. For example, if the auditee received funding from the Department of Children and Families (DCF) and the Department of Health Services (DHS), the auditor will need the main document, the DCF appendix, and the DHS Audit Guide, which serves as DHS's appendix to the SSAG. The main document and all appendices are online at <https://doa.wi.gov/Pages/StateFinances/State-Single-Audit-Guidelines.aspx>.

The *Provider Agency Audit Guide, 2017 Revision* (PAAG) establishes audit standards for providers which receive funding from or passed through the Wisconsin Department of Children and Families (DCF) for the purchase of care and services.

For agencies that require audits by law and/or contract, for its programs only, the DHS has consolidated its audit guidance from the PAAG and SSAG appendix into one audit guide, which is published as the Appendix to the *State Single Audit Guidelines – A Guide to Performing Audits and Special Investigations for Funding from the Department of Health Services*.

This guidance should be used for audits for fiscal years ending after December 31, 2017.

#### 1.1 Audit requirement for DCF programs

For 2017, agencies which receive more than \$25,000 from the DCF for the purchase of care and services need to have an audit, unless the audit is waived by the Department. Effective for the 2018 calendar year, the 2017 WI Act 59 raised the audit requirement threshold from \$25,000 to \$100,000 for the purchase of care and services. The effective date of the new statutory provision is for services beginning on January 1, 2018. The audit should be performed in accordance with standards prescribed by the department. These standards are:

- *State Single Audit Guidelines* - All agencies that receive more than \$25,000 in department funds need to have audits in accordance with the *State Single Audit Guidelines*, including this Appendix to the *Guidelines* unless required by contract to follow the *Provider Agency Audit Guide*. Local governmental units must use the *State Single Audit Guidelines*.
- *Provider Agency Audit Guide* - Certain private agencies are required by contract to have audits in accordance with the *Provider Agency Audit Guide* (PAAG). The *Provider Agency Audit Guide* is online at <https://dcf.wisconsin.gov/audit/requirements>
- Programs subject to an audit  
DCF has not excluded any of its programs from audit coverage.

## 1.2 General compliance requirements

DCF has identified General Compliance Requirements (Section 2) that are to be included in all audits of entities that receive funding from the department and that are audited under the *State Single Audit Guidelines*. The compliance testing must be performed whether or not the auditee has major programs from the department

## 1.3 Designated state major programs and Type A Programs

DCF has not designated specific programs to be state major programs (see Section 3.4 of the [Main Document](#)). The auditor should use a risk-based approach to determine which Federal programs are major programs and which program qualify as a Type A program as enumerated in §75.518 / §200.518 of the Uniform Guidance.

## 1.4 Letter notification

DCF no longer accepts letter notification of audit results.

## 1.5 Submission of audit reports

For agencies expending \$750,000 or more in federal awards, the OMB requires an electronic submittal of audit reports to the Federal Audit Clearinghouse (FAC). The auditee may register at the FAC and should remove all personally identifiable information prior to submitting their audit report. An Indian tribe or a tribal organization may opt not to authorize the FAC to make the reporting package publicly available. If this option is exercised, the auditee becomes responsible for submitting its audit directly to the pass-through entity providing the Federal award. For all auditees, §49.34 (4) (c), Wis. Stat., require providers to submit their audit report to the department where the purchase of care and services exceeds \$25,000. Auditees receiving \$25,000 and over shall continue to submit their audit report to the department. DCF strongly encourages that audit reports be submitted electronically in pdf format to the following email address:

[DCFAuditors@wisconsin.gov](mailto:DCFAuditors@wisconsin.gov)

Audit reports in hard copy format can be sent to the following address:

Department of Children and Families  
Fiscal Integrity & Audit Section  
P.O. Box 8916  
Madison, WI 53708-8916  
Attn: Tim Meeusen

## 1.6 Funding sources

Information on federal and state funding sources for programs from DCF is online at <https://dcfspark.wisconsin.gov/>

## 1.7 Department information

The website for the DCF, <https://dcf.wisconsin.gov/> provides information concerning the Department's programs, divisions and services.

## 1.8 Effective Date

This revision of the *Appendix to the State Single Audit Guidelines for Programs from the Department of Children and Families* is effective for audits of fiscal years ending after December 31, 2017

## **1.9 Contact the department**

Questions or comments on this appendix to the *State Single Audit Guidelines* should be referred to the Bureau of Finance.

Fiscal Integrity & Audit Section  
Division of Management Services  
Department of Children and Families  
201 East Washington Avenue Madison, WI  
53708-8916  
[DCFauditors@wisconsin.gov](mailto:DCFauditors@wisconsin.gov)  
(608) 422-6378

## 2 General requirements

DCF has identified several requirements that are applicable to more than one program. These general requirements must be tested as part of all audits involving funding from the department.

<u>Section 2.1</u>	Reconciliations and Allowable Expenditures
<u>Section 2.2</u>	Client Authorization
<u>Section 2.3</u>	Time and Effort Reporting
<u>Section 2.4</u>	Purchase of Service
<u>Section 2.5</u>	Subrecipient Monitoring
<u>Section 2.6</u>	Cost Allocation Plan - Random Moment Sampling (RMS)
<u>Section 2.7</u>	Cost Allocation (Other Than RMS) and Indirect Costs Plans

### 2.1 Reconciliations and Allowable Expenditures

#### *Background*

Reconciliation of the agency's reported costs for reimbursement with costs actually recorded in the agency's official accounting records is an important function. This enables the agency to identify any costs either not reported or not reimbursed.

#### *Compliance Requirement*

All DCF contracts with the various agencies contain a provision which relates to the required reconciliation of the agency's expenses/costs as reported to the Department with those recorded in the agency's accounting records.

#### *Suggested Audit Procedures*

1. On a sample basis, review the reconciliation(s) prepared by the agency. If no reconciliation has been prepared, a finding should be included in the Schedule of Findings and Questioned Costs.
2. Test expenditure records and supporting documentation to determine whether only reasonable and allowable expenditures were charged. Be sure the sample includes transactions from all cost elements. If unallowable costs are identified, test additional transactions for that specific cost element. Ensure costs are allowable within contract guidelines and the DCF Allowable Cost Policy Manual and reported as instructed in the SPARC Reporting Manual.

### 2.2 Client Authorization

#### *Compliance Requirement*

This requirement applies to all DCF programs. The funding sources for these programs may be Federal, State or Federal/State or Federal/Local. This compliance requirement is not to test eligibility, rather it is to be an internal control type test to assure that procedures for authorization of services have been established by the agency and are being followed.

### *Suggested Audit Procedures*

1. Test whether there are authorization procedures approved by the agency's board of directors on file.
2. Test whether the procedures are followed.

NOTE: Not all Federal and State financial assistance programs require a separate authorization for each individual client.

## **2.3 Time and Effort Reporting**

### *Local Government workers participating in the RMS or RMTS cost pools:*

Government entities should continue their current methods to document and report staff effort in support of federal, state and local programs using either RMS or RMTS. Random Moment Sampling (RMS) is a system administered by Wisconsin DCF used to identify, report, and allocate local worker costs to benefiting programs such as income maintenance and child care. The Social Services Random Moment Time Study (SS RMTS) is a federally approved method used by WI DCF to accurately determine proportions of local worker time spent providing services devoted to foster care and preventing foster care. Local government workers must also follow the rules outlined below when appropriate and any time reporting rules determined by their employer.

### *Non-profit agencies, For-profit agencies, Tribes and Local Government workers:*

Charges to federal/state programs for salaries and wages, whether treated as direct or indirect costs, must be based on documented payrolls approved by a responsible official of the agency. Where employees work solely on a single federal/state program or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. The certifications will be prepared preferably on a monthly basis and must be signed by the employee or a responsible supervisory official.

Also, certified reports reflecting the distribution of charges within the payroll for each employee (professional or nonprofessional) whose compensation is charged, in whole or in part, directly to federal/state programs must be maintained. The reports must provide an after-the-fact certification of the conformance of payroll charges with the activity of each employee. In no case will certification periods exceed 12 months.

Importantly, budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards, but may be used for interim accounting purposes.

The time and effort payroll system must:

1. Be incorporated into the official records of the agency
2. Be supported by a system of internal control to ensure charges are accurate, allowable and properly allocated
3. Reasonably reflect the total activity for which the employee is compensated
4. Incorporate both state and federal pass-through activities and all other activities
5. Comply with the established accounting policies and practices
6. Support the salary distribution among specific activities or cost objectives.

The distribution of salaries and wages must be supported by certifications of the consistency of charges with the work performed. All required certifications may either be provided electronically or on paper.



## 2.4 Purchase of Service

### *Compliance Requirement*

[Section 49.34](#) of the Wisconsin Statutes establishes the standards for contracting for care and services purchased by a county social services or human services department.

### *Suggested Audit Procedures*

1. Test whether the agency has contracts on file for purchase of services, where applicable, or a waiver from the DCF.
2. Test whether the agency has a system to monitor contract compliance, including whether the expenses were within the contract limits.

## 2.5 Subrecipient Monitoring

### *Compliance Requirement*

[Section 49.34 \(4\) \(c\)](#) requires each provider under contract to submit an annual certified financial and compliance audit report to the county. Providers which receive more than \$25,000 in 2017 (\$100,000 in 2018) in funds from the DCF either directly or as a pass through must have an audit that meets department standards, unless the audit is waived by the department. The department's standards are in the [State Single Audit Guidelines](#) and the [Provider Agency Audit Guide](#). Provider audit reports are due to the granting agency six months from the end of the provider's fiscal period, and the granting agency should review and resolve the provider audit reports within six month of receipt of the reports.

Due to timing issues, auditors may encounter situations where the county has not yet reviewed and resolved the subrecipient audit reports prior to the completion of the fieldwork for the county audit. In these cases, there is no finding of noncompliance, and county auditors must follow-up on the status of the provider audits in the subsequent county audit. Guidance on presenting audit findings involving provider audit reports is included at the end of this section.

### *Suggested Audit Procedures*

1. Test whether the agency has certified audit reports on file, where applicable, or a waiver from the DCF.
2. Test whether the county has a system to monitor receipt of the audit reports, and to review and resolve the audit findings with the provider agency.
3. Test whether the county is in compliance with the terms of the subrecipient contract. Examples, while not all inclusive, include:
  - a) Review the payments for services to assure that they are within the subrecipient contract limits.
  - b) Review the billings to determine that units of service, if specified in the subrecipient contract, have been provided and that total payments are based on actual units of service provided.
  - c) Review the subrecipient contract and audit report to verify that they are in compliance with the applicable audit guides.

### ***Subrecipient Audit Reports in the Schedule of Findings and Questioned Costs***

All subrecipient audit reports that have not been received and/or reviewed and resolved when the audit fieldwork is completed should be listed in the Schedule of Findings and Questioned Costs. If the deadline for receiving these audit reports had not yet passed at the end of audit fieldwork, no costs would be questioned. However, if the deadline for submission of subrecipient audit reports has passed, questioned costs equal to the payment made to the various subrecipients must be included in the Schedule of Findings and Questioned Costs. At a minimum, the finding should include, for each audit report not received:

- the name of the subrecipient
- the payments made applicable to the contract period
- the System for Payments and Reports of Contracts (SPARC) profile number on which the related expenditures were reported to DCF
- the program title and identification number

As a part of the review and resolution process of the entity's Single Audit Report, DCF may request an update of the status of any subrecipient audits indicated as not having been received and/or reviewed and resolved at the end of the audit fieldwork.

## **2.6 Cost Allocation Plan – Random Moment Sampling (RMS)**

A Random Moment Sampling (RMS) system has been implemented at the state level to document county worker effort and to determine percentages for allocating Agency Management Support and Overhead (AMSO) and shared costs to benefiting programs for federal reporting. Counties must keep separate cost pools for the IM, child support and child welfare programs. IM and child welfare are usually part of the same county human or social service department and child support may be included in the human service department. In situations where child support is part of the human service department, the child support program may be organizationally connected with the IM agency with both programs are supervised by the same supervisor. RMS information is available on the website <http://dcf.wisconsin.gov/rms>.

Counties submit quarterly employee rosters (for RMS sampling), all AMSO related to the agencies operating the IM \ program, shared costs in the IM functional area, and quarterly employee counts by functional area (for AMSO allocation) to the Department of Children and Families and the Department of Health Services. AMSO allocated to the IM functional area is added to the shared cost pool for federal claiming at the state level. Any other AMSO allocations must be reported by the counties to the appropriate source for federal claiming, with the exception of child support if located in the IM agency.

For RMS purposes, counties are placed in sampling groups and the samples are drawn from the quarterly employee rosters submitted to DCF by the counties. Observations are taken at random times during the workday for individuals in the sample. DCF contacts county staff by e-mail and county workers enter their response directly into a database. Sampled workers are asked to identify program(s), activity, and case number, if applicable, they are working on at the time of the RMS observation. This information is used to calculate percentages to distribute expenditures to programs for federal reporting. The county worker is not required to document the RMS contact in county files.

The State allocates all AMSO for the human or social service agency to all functional areas and further allocates the related AMSO and shared costs to the IM functional areas for federal reporting purposes. Auditors should review if counties and tribes are properly allocating costs to the three cost pools and AMSO costs to the three programs. In particular, auditors should check that IM and child support costs are allocated properly for counties where child support is organizationally connected with the IM agency. Tribes are not subject to RMS/RMTS and the administrative costs are allocated under federally-approved tribal indirect cost plans rather than the AMSO approach used by counties.

*Suggested Audit Procedures:*

- 1 Verify the employee counts reported to the State are complete and that employees were identified with the correct functional area.
- 2 Verify the AMSO and shared costs reported to the State: (a) can be reconciled to the accounting records, (b) are supported by adequate documentation and (c) represent only those costs not charged directly.
- 3 On a sample basis, review RMS responses to determine if the reported program(s) and activity are reasonable responses for the circumstances. Examples of unreasonable responses may include
  - The employee reported leave, but payroll records do not support this response.
  - The employee reported that they were working on the child care program when the recipient is a nursing home MA case.

Although many of the RMS responses will relate to a program for which the client is eligible, it is possible to have a reasonable program response for which the client is not eligible. Workers are instructed to report the program they are working on at the time of the sample, regardless of whether the client is eligible for the program. If a client is asking a question regarding a program, the worker could be working on that program even if the client is not eligible for that program.

County RMS responses are available for testing. Please call the RMS line at (608) 422-6372 or (608) 422-6365 to request information.

## **2.7 Cost Allocation (Other Than RMS) and Indirect Costs Plans**

*Note: This section pertains to Indirect Cost Plans at all agencies and to Cost Allocation Plans at agencies other than Counties. The DCF does not approve any agency's cost allocation or indirect cost plans. Instead, the department relies on the independent audit to confirm that plans are in accordance with the [Allowable Cost Policy Manual](#) and the [OMB Uniform Guidance](#). This testing must be performed if the agency claimed reimbursement from department programs for allocated or indirect costs. Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely*

As part of the general requirement, the Uniform Guidance requires that organizations must prepare the appropriate indirect cost or cost allocation plan and/or proposal and maintain them on file for later review. In addition, all subrecipient organizations who are not direct recipients of federal funds must:

- Substantiate claims for indirect and direct cost reimbursement.
- Have available, at the time a claim is made, prepared cost allocation plans. This includes the plan to charge indirect or overhead costs and the plan to allocate direct costs to programs/funding sources.

- Have the plans available for audit.
- Retain the plans for a period of three (3) years. This period starts on the last day of the accounting period covered by the plan.

The Department will utilize these same criteria for all subrecipient organizations (counties, American Indian Tribes, school districts, non-profit organizations and for-profit businesses, etc.) that receive state financial assistance commingled with federal financial assistance or state only financial assistance.

The Department relies on the independent auditor to review the organization's indirect cost or cost allocation plan regardless of whether the plan is prepared by the agency or an outside party hired by the agency. Therefore, using professional judgment, the independent auditor must determine if the cost allocation or indirect plan is reasonable and that costs included in the plan are not part of the direct costs being charged to the grant or contract. To assist the independent auditor, but not to supplant his or her professional judgment, the Wisconsin DCF has developed the following list of questions, that when answered in the affirmative, will aid in the determination required

1. Are the allocated direct cost and/or indirect cost categories, and the method of allocation of each, defined as well as documented in writing in the agency's Cost Allocation and/or Indirect Cost Plan?
2. Was the plan or were the plans available for review when requested?
3. Were the allocated and/or indirect costs actually allocated in a manner consistent with the respective plans?
4. Do the costs meet the criteria for allowability found in the applicable federal cost principle circulars and/or the [DCF Allowable Costs Policy Manual](#):
  - a. Do the agency's accounting records support the costs?
  - b. Are the costs supported by adequate documentation?
  - c. Are the costs that are included in the Cost Allocation and/or Indirect Cost Plan only those costs not charged directly?
5. Do the total costs charged, whether direct, allocated direct or indirect, equal the actual total costs incurred? Are the costs properly reported?
6. Is the basis used to charge programs with their direct, allocated direct and/or indirect costs an equitable measure of the extent to which the cost incurred actually benefits the program to which it is charged? NOTE: No costs are to be charged to programs on the basis of funds available or revenue received.
7. Were the allocated direct costs and/or indirect costs charged based on actual costs incurred rather than budgeted costs?
8. Did a program's equitable share of indirect cost reimbursement comply with any limitations contained in the grant agreement/contract? NOTE: When the grant agreement/contract limits the amount of reimbursement and the amount charged is greater than the available reimbursement the excess charges cannot be shifted to some other program.

Because of the Department's reliance on the auditor's review, if or when any of these questions are answered in the negative, it is our expectation the finding(s) and/or questioned cost(s) **must be** included in the Schedule of Findings and Questioned Costs.

## 3 Program Specific Guidance

### 3.1 Child Support IV-D Program

*CFDA Number 93.563, State Identification Number 445.350*

The following compliance requirements and suggested audit procedures are designed to meet the Federal requirements for those instances where Child Support is also a Federal Major Program.

#### I. PROGRAM OBJECTIVES

The objectives of the Child Support Enforcement Program (Title IV-D of the Social Security Act, enacted in 1975) are to:

- A. Enforce the support obligations owed by absent parents to their children
- B. Locate absent parents
- C. Establish paternity, and
- D. Obtain child and spousal support.

#### II. PROGRAM PROCEDURES

DCF/DFES contracts with counties to operate the program. A child support agency, in turn, may have cooperative agreements with the offices of the clerk of court, sheriff, and other law enforcement officials, along with subcontracts or purchase of service agreements with other agencies to carry out the many functions of the program. In order to claim expenses for federal reimbursement, the child support contract, cooperative agreement, and subcontract or purchase of service agreements must be signed for the quarter in which the expense occurred. Agencies are reimbursed with federal and state funds quarterly, based on the costs needed to provide child support enforcement services to individuals on public assistance, such as W-2 and individuals not on assistance that have applied for child support enforcement services.

To meet the requirements in [HHS OMB Uniform Guidance](#), Part 4, DCF/DFES conducts an annual, state-wide self-assessment as defined under [45 CFR 308](#). Under federal regulations, the state selects a statistically valid sample of cases and conducts an annual review to determine whether federal timelines are being met for child support program activities, including the following:

- 1. Establishment of Paternity and Support Obligations
- 2. Enforcement of Support Obligations
- 3. Securing and Enforcing Medical Support Obligations
- 4. Provision of Child Support Services in Interstate Cases

The annual Self-Assessment results are reported to OCSE by March 31 of each year. The annual Self-Assessment report covering the prior federal fiscal year is available from the DCF/DFES Bureau of Child Support.

### **III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

The program requirements for child support are contained in the [Code of Federal Regulations \(CFR\), Title 45, Parts 301 through 307](#), [Chapter 49.22 Wis. Stats.](#), and [Chapter 767 Wis. Stats.](#) The DCF/DFES also issues directives to agencies for operation of the program using the State-County Child Support Contract, [Administrator's Memos](#), Child Support Letters, [Child Support Bulletins](#), and other publications on the [Bureau of Child Support's Child Support Partner Resources website](#). These statutes, codes, directives, and the website should be reviewed prior to beginning the audit.

#### **A. TYPES OF SERVICES ALLOWED OR DISALLOWED**

##### *Compliance Requirement*

Federal and state funds can be expended only according to the approved Title IV-D state plan. ([45 CFR 302.12, .13, and .14](#))

Federal financial participation at the appropriate matching rate is available for necessary services and activities which are properly attributable to the child support program. ([45 CFR 304.20](#))

Services purchased from other entities are allowable to the extent that the amounts are reasonable and necessary to assure quality of services and, in the case such services are purchased from other public agencies, the cost must be reasonably assignable to such services. This information must be fully documented in the IV-D agency records. ([45 CFR 304.22](#))

##### *Suggested Audit Procedures*

1. Review contract and its addenda, if any, for contract terms, special conditions, and budget to ensure expenses were properly reported.
2. Test at least one month's expenditure records and supporting documentation to determine whether only allowable expenditures were charged. Be sure the sample includes transactions from all cost elements. If unallowable costs are identified, test additional transactions for that specific cost element. Ensure costs are allowable within contract guidelines. Ensure appropriate revenues are reported to offset expenditures.

#### **B. EXPENDITURES REPORTING REQUIREMENTS**

##### *Compliance Requirement*

The expenditure report must be submitted monthly for this program.

##### *Suggested Audit Procedures*

1. Reconcile reported costs and reimbursements to the County's ledger. Identify and detail any variance (expenditures, revenue, and accounts receivables) in the finding section of the audit report.
2. Audit schedules should identify expenditures, revenues and accounts receivables by the following: direct costs, indirect costs, performance-based funds, Medical Support Liability (MSL) incentives, other specific grants.

## **C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS/TESTING**

### *Compliance Requirement*

The non-federal share of administrative costs is 34%.

### *Suggested Audit Procedures*

Ascertain the amount of administrative costs and review financial records to determine the share paid by the non-federal sources.

## **D. REPORTING REQUIREMENTS**

Each grantee must report expenditures to DFES on a monthly basis, using SPARC. Closeout reports are due to DFES in accord with the grant contract.

## **E. SPECIAL TESTS AND PROVISIONS**

### *Compliance Requirement (Special Testing)*

The agency must maintain an accounting system and supporting fiscal records adequate to assure that claims for federal funds are in accord with applicable federal requirements. See Child Support Bulletin 10-07 and 11-01, A, B, C, and D. The system must provide the agency with the ability to file a timely and complete claim for reimbursement monthly. The retention and custodial requirements for these records are prescribed in [45 CFR 75](#).

### *Suggested Audit Procedures*

1. Analyze accounting system to identify its ability to document all expenses as identified on the monthly Expenditures Report. Only actual documented costs incurred should be reported, not annual budget amounts divided by 12.
2. Ascertain that the agency has procedures to properly account and report all applicable fees/revenues. Verify that fees/revenues that resulted from the county services were accurately reported.
3. Ensure revenues and expenditures were reported as instructed in the SPARC Manual and supporting documentation is maintained.
4. Determine costs are reasonable and properly calculated. Be sure the sample includes transactions from all cost elements. If unallowable costs are identified, test additional transactions for that specific cost element. Trace costs to allocation worksheets (state approved cost allocation plans), time sheets, general ledger and/or vouchers. This includes hours submitted by contracted cost- centers such as various County Departments on its time sheets. Review method of calculation and documentation on staff costs that are less than full time.
5. Verify time spent on non IV-D cases and non IV-D activities is adjusted for.

### *Compliance Requirement (Cooperative Agreements)*

In order to provide federal reimbursement for contracted services, Child Support Agencies are required to have in effect cooperative agreements, which are contracts between local child support agencies and courts or law enforcement officials for the covered services. The Cooperative Agreements and the Attachments must meet requirements under [45 CFR 303.107](#) and [45 CFR 304.21](#).



The State/County Child Support Contract, Cooperative Agreements Section, requires that all agencies use the Standard Cooperative Agreement starting January 1, 2006. The Standard Cooperative Agreement is reviewed each year to determine whether changes are needed for the following year. See the most recent Child Support Bulletin on annual Cooperative Agreements for details. The Standard Cooperative Agreements include the following provisions:

- a) Effective dates and circumstances for termination.
- b) Requirement that the cooperating agency will comply with Title IV-D of the Act and applicable Federal regulations and requirements, and Department policy.
- c) Requirements for maintenance of records, documentation, and reporting.
- d) Requirements for complying with confidentiality and data protection.
- e) Requirements to include three Attachments that are specific to the cooperating agency:
  - Attachment 1: Required Duties and Performance Standards
  - Attachment 2: Methods of Determining Costs and Procedures for Billing
  - Attachment 3: Budget Estimates

#### *Suggested Audit Procedures*

1. If any costs are reported on monthly reports from agency departments other than the child support agency, ensure that there is a properly completed and signed standard Cooperative Agreements in effect for the calendar quarter in which the costs were incurred.
2. Ensure that each Agreement is signed and dated by individuals authorized to create a contractual arrangement between the child support agency and the cooperative agency.
3. Review Cooperative Agreements and the terms of the three required attachments.
4. Select a sample month and follow suggested audit procedures in III-A and E (Special Testing) for one month of each of the Cooperative Agreements. In addition, review the documentation that supports the costs submitted for reimbursement, as follows:
  - Identify whether the duties performed were specified in Attachment 1 of the Cooperative Agreement, and that said duties are necessary expenditures properly attributable to the child support program;
  - Ensure that the county adopted and followed a reasonable methodology for determining child support costs and the procedures for billing as specified in Attachment 2 of the Cooperative Agreement. Ensure that all costs are reasonably assignable to the child support program; and
  - Ensure that the budget in Attachment 3 of the Cooperative Agreement specifies the covered expenditures and is a reasonable estimate for annual costs incurred under the agreement.
5. If the cooperating agency handles cash receipt of support, review the cooperating agencies' internal controls as they relate to separation of duties; receipting and depositing of collections under suggested audit procedures in III-E (Separation of Cash Handling and Accounting Functions).

#### ***Compliance Requirement (Bonding Requirements)***

All persons who handle funds collected under the child support enforcement program shall be bonded. Persons, who, as a regular part of their employment, receive, disburse, handle or have access to support or maintenance collections must be covered by a bond. This includes staff in the child support agency, employees of other county agencies operating under a cooperative agreement with the child support agency and employees of any other public or private entity from which the IV-D agency purchase services.

The minimum bond for the agency is \$30,000 per employee.



Self-bonding is acceptable to meet the bonding requirement. Any agency wishing to self-bond employees must ensure that agency funding is available up to the limits identified above to cover any default.

Bonding does not reduce or limit the ultimate liability of the agency for losses of support collections from the State's IV-D program.

#### *Suggested Audit Procedures*

1. Examine agency records to determine if agency is compliant with bonding policy.

#### ***Compliance Requirement (Separation of Cash Handling and Accounting Functions)***

The agency must meet requirements and criteria in effect for the separation of cash handling and accounting functions ([45 CFR 302.20](#)) as provided in the Child Support Bulletin 07-10R.

The child support agency should either refuse to collect support payments or convert payments from payers to a county check and forward to the WISCTF as soon as "reasonably" possible not to exceed (5) business days.

To the extent feasible, the following duties should be separated:

- Opening mail;
- Receipting support collections;
- Making deposits;
- Reconciling the bank account; and
- Ensuring that the payments are properly posted in KIDS.

All support payments received by a child support agency over-the-counter or in the mail must be recorded in a pre-numbered receipt book. A receipt must be written for all payment types including cash, money orders, and checks. Each receipt must include the date, the amount remitted, the NCP's name and case number or pin, and the signature of the individual who receipted the payment. In general, the original copy of the receipt should be provided to the payer and the duplicate copy or copies must be retained for balancing with deposits and for audit purposes.

The child support agency must maintain a cash receipt log for all payments that are converted to a county check before being sent to the Trust Fund. The cash receipt log summarizes the receipts, and shows the date of deposit/reissuance to the Trust Fund.

The agency shall maintain internal control methods of administration designed to assure that persons responsible for handling cash receipts of child support do not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse or diversion of child support receipts. Review Agency's cash handling procedures to ensure checks and balances existed to establish immediate accountability for cash and ensure amounts are recorded accurately.

### *Suggested Audit Procedures*

1. Verify that the agency has followed the procedures outlined in the Child Support Bulletin- 07-10R, Separation of Cash Handling. Review receipt book and case receipt log to ensure that payments are receipted and logged appropriately.
2. If cash receipts are identified, confirm that the receipts were converted into a county check on the same day and mailed to the Support Collections Trust Fund.
3. Ensure that CSA has procedures to submit payments to the Support Collections Trust Fund by regular mail as soon as “reasonably” possible not to exceed (5) business days.
4. Confirm that selected payments are timely receipted to the payer’s account in the KIDS system.
5. Ensure that the individual(s) who receipt support payments do not conduct the cash accounting reconciliation.

### ***Compliance Requirement (Specialized Service Contracts)***

The Bureau of Child Support supports efforts to reduce child support costs and provide child support services more efficiently. One strategy is to provide specialized child support services through inter-county contracts. Contracted services may include KIDS financial services, administrative enforcement services, or other services as agreed upon between the counties.

Under a specialized service contract, one CSA will provide certain child support services to another agency for a fee negotiated between the CSAs. The Bureau of Child Support policy does not restrict the use of service contracts or limit the types of services that can be provided under such contracts. However, BCS must be advised of inter-county contractual arrangements, and has developed procedures to ensure proper reporting of income and expenditures under service contracts.

A copy of all inter-county specialized service contracts must be submitted to the CS Regional Administrator within 30 days after the agreement is signed by the counties. (Copies of contracts with private vendors should **not** be provided to CS Regional Administrators.)

Under the terms of the annual State/County Child Support contract, counties must ensure that IV-D services are provided to their cases. When two CSAs contract with each other to provide IV-D services that are required by the State/County contract, the county paying for the services (payer county) is responsible to ensure that the required services are appropriately performed by the county providing the services (provider county) under the inter-county contract.

In the event of a dispute between the counties, the payer county and the provider county must work together to reach resolution. The Bureau of Child Support will not participate in dispute resolution but will hold the payer county responsible for ensuring that the services are provided. If BCS becomes aware that required child support services are not provided, the payer county (not the provider county) will be responsible to complete the BCS corrective action plan or otherwise remedy non-compliance.

### *Suggested Audit Procedures*

1. Ensure qualifying IV-D income from specialized contracts is reported with other qualifying IV-D income and qualifying IV-D expenditures for specialized contracts are reported with regular expenditures. Non-qualifying non IV-D income and expenditures must be reported separately.
2. Ensure that each specialized service contract is signed and dated by individuals authorized to create a contractual arrangement between the child support agencies of each county or counties.
3. Review the specialized service contract. Ensure the county has sent a copy of the specialized service contract to the county’s Regional Child Support Administrator.

4. Select a sample month and follow suggested audit procedures in III-A and E (Special Testing) for one month of each of the specialized service contracts. In addition, review the documentation that supports the qualifying IV-D costs submitted for reimbursement as follows:
  - Identify whether the duties performed are in the specialized service contract and that said duties are necessary expenditures properly attributable to the child support program;
  - Ensure that the county adopted and followed a reasonable methodology for determining child support costs and the procedures for billing. This methodology should also support costs and the procedures for billing non-qualifying non IV-D activity.

## **3.2 W-2 Programs**

*CFDA numbers 93.558, 93.596, 93.566, 93.778, 10.561 and State identification number 445.315*

The following compliance requirements and suggested audit procedures are designed to meet the Federal requirements for those instances where W-2 is also a Federal Major Program.

### **I. PROGRAM OBJECTIVE**

Wisconsin Works (W-2) is a Temporary Assistance for Needy Families (TANF) cash assistance and employment program. Under W-2 there is no entitlement to assistance, but there will be a place for all persons who are willing to work to their ability. W-2 agencies are responsible for providing assistance payments and services to W-2 participants, Job Access Loans and Emergency Assistance payments.

### **II. PROGRAM PROCEDURE**

In 2012, the Department issued a RFP (Request for Proposal) to accept bids from any workforce development entity (public, private not-for-profit or private for-profit) to manage ten geographical areas in the state (4 in Milwaukee and 6 in balance of the state). From this competitive process, eight contractors were selected to operate the W-2 program. The contractors are called W-2 agencies. The contractors are paid based on performance. In the initial RFP response and on a yearly basis, each contractor must propose a capitation price per monthly enrollee, a total proposed population to be served, a price per performance outcome and a proposed quantity per performance outcome. The total of these proposed outcome quantities and prices must be within the budget that is defined by DCF. The final prices and outcomes are negotiated with each contractor. The contractor is then paid only for what they accomplish in terms of a capitated price for their monthly enrollment and the performance outcome price for each documented performance outcome they achieve. The contractors must also report monthly allowable cost information used by the Department for purposes of federal draw down at a state aggregate level. There are a small number of cost-based reimbursement payments to the contractor for such things as Emergency Assistance loans that are pass-through funding. In addition, there are some quarterly and year-end added payments the contractors can earn for meeting federal targets or having the best performance outcome rates. The Department, rather than the contractor, is responsible for client benefit payments.

### **III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

DCF/DFES issues [Administrator's Memos](#), Bureau of Working Families (BWF) Operations Memos, and the [W-2 Manual](#), in addition to State and Federal rules and regulations and contract language for operation of the program. These items should be reviewed prior to the beginning of the audit.

## **TYPES OF SERVICES ALLOWED OR NOT ALLOWED**

### *Compliance Requirement*

Funds can only be expended in accordance with the COMPLIANCE REQUIREMENTS, Section III, above.

### *Suggested Audit Procedures*

1. Agency must have on file with the state a signed contract. Review appropriate contract for contract terms and special conditions to ensure expenses were properly reported. Agency may sub-contract with other agencies to perform needed services. The agency must submit all sub-contracts to the Department.
2. The agency must have an appropriate method for determining the amount of total administration expenses allocated to the W-2 contract.
3. Test expenditure records and supporting documentation to determine whether only reasonable and allowable expenditures were charged. Be sure the sample includes transactions from all cost elements. If unallowable costs are identified, test additional transactions for that specific cost element. Ensure costs are allowable within contract guidelines and the DCF Allowable Cost Policy Manual and reported as instructed in the SPARC Reporting Manual.

## **REPORTING REQUIREMENTS**

### *Compliance Requirement*

Funds can be expended only according to the Wisconsin Works (W-2) contract and the current state TANF plan. The expenditure report must be submitted monthly for this program.

### *Suggested Audit Procedures*

1. Analyze accounting system to identify its ability to document all expenses as identified on the monthly Expenditures Report. Only actual allowable, documented costs should be reported.
2. Reconcile reported costs to Agency's ledger. Identify and detail any variance (expenditures, revenue, and accounts receivable) in the findings section of the audit report.
3. Audit schedules should identify expenditures, revenues and accounts receivable by contracts/grants.
4. Ensure expenditures were reported as instructed in the SPARC Manual and supporting documentation is maintained.
5. Agree revenues reported agree to revenues paid by the Department.
6. Review purchases to ensure DCF requirements for prior approval have been followed.

## **ELIGIBILITY**

All participants must be eligible for the W-2 program. Eligibility requirements are set forth in the various W-2 program manuals.

### *Compliance Requirement*

Each W-2 eligible participant will meet with a Financial and Employment Planner (FEP), who will help the person develop a self-sufficiency plan and determine their place on the W-2 employment ladder.

W-2 participants are limited to 24 months in a single W-2 training/employment category, other than unsubsidized employment. The maximum lifetime participation limit is 48 months in W-2 training/employment components. Extensions may be available on a limited case-by-case basis when local labor market conditions preclude opportunities. The W-2 training/employment categories are:

- Unsubsidized Employment
- TEMP (Trial Employment Match Program for Custodial Parents and Non-Custodial Parents)
- Community Services Jobs (CSJ)
- Transition (W-2T)

### *Suggested Audit Procedures*

1. Client Assistance for Re-employment and Economic Support (CARES) system must be used by the agency to process eligibility and document services expended under the contract. If CARES was not used, review the agency's system to ensure the funding was appropriately used, i.e., Job Access Loans, transportation and emergency payments.
2. Verify, on a sample basis from CARES, the funding for W-2 was provided only for eligible individuals.

## **SPECIAL TEST AND PROVISIONS**

### *Compliance Requirement*

Compliance requirements for the W-2 program may be found in the Administrator's Memo Series, W-2 Manual, BWF Operation Memo Series and Emergency Assistance Manual.

### *Suggested Audit Procedures*

Verify on a sample basis the W-2 Agency complied with all requirements as detailed in Department's policies

### **3.3 Guidance for Auditing a Program with No Compliance Supplement**

Auditors are likely to encounter programs from DCF which do not have compliance supplements in this appendix. Auditors will need to identify the applicable compliance requirements and audit procedures for these programs.

#### ***Risk Assessment***

#### **A. GENERAL RISK FACTORS**

The program has not been audited in at least one of the last two audit periods. The auditor identified significant findings in the most recent audit.

The auditee has had significant changes in personnel or systems affecting the program. The program is new for this auditee or the program requirements have recently changed. The program has complex administrative requirements.

The auditor identified significant problems in performing the general compliance testing for requirements that are relevant to this program.

#### **B. PROGRAM SPECIFIC RISK FACTORS**

Consult the contract and program guidance for program specific risk factors.

#### **C. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

Auditors will need to identify the applicable compliance requirements and audit procedures for these programs. The general compliance requirements described earlier apply to most department programs.

The contract between the department and the auditee explains the nature and purpose of the program and may identify compliance requirements where noncompliance could have a direct and material effect on the program.

The HHS [OMB Uniform Guidance and its Compliance Supplement](#) includes guidance for identifying the types of compliance requirements to test when there is no compliance supplement. This guidance is designed for federal programs; however, it will also be useful for state programs.