City of Seattle
Human Services Department

CONTRACT MONITORING MANUAL VERSION 1.0

A GUIDE TO THE HUMAN SERVICES DEPARTMENT'S CONTRACT MONITORING POLICIES AND PROCEDURES

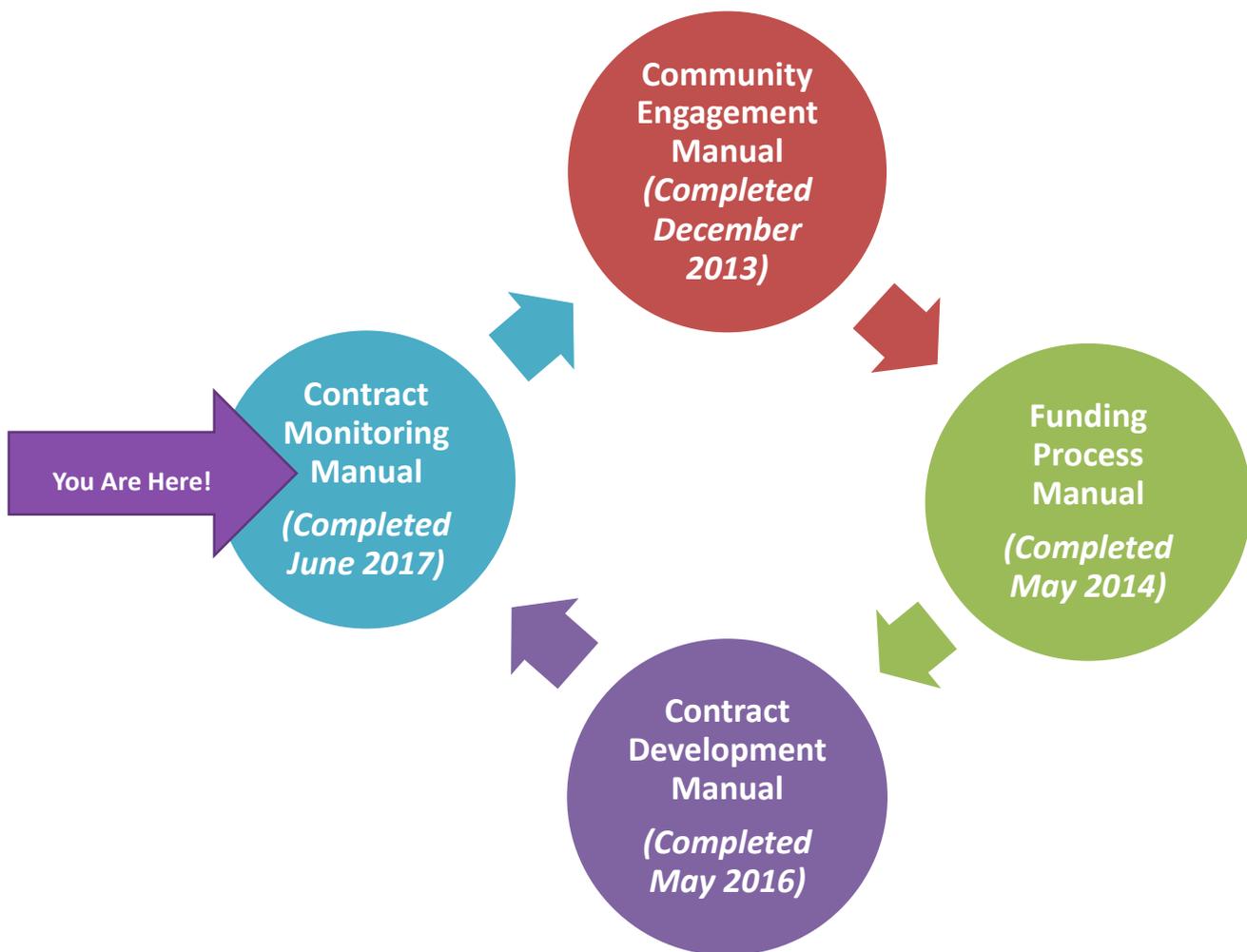# CONTRACT MONITORING MANUAL VERSION 1.0

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HSD'S POLICY MANUALS

WHICH HSD POLICY GUIDES ARE AVAILABLE?

The Human Services Department (HSD) began work in 2013 to develop four policy guides – or manuals – for use by staff throughout HSD's investment continuum. Each policy manual informs the next to create a continuous feedback loop throughout each step of our work – starting with the department's community engagement efforts, to the identification of contractors to provide service to the community through competitive funding processes, to contract development and monitoring, which in turn will inform future community engagement efforts and investments.

Community Engagement Manual *(Completed December 2013)*

Funding Process Manual *(Completed May 2014)*

Contract Development Manual *(Completed May 2016)*

Contract Monitoring Manual *(Completed June 2017)*
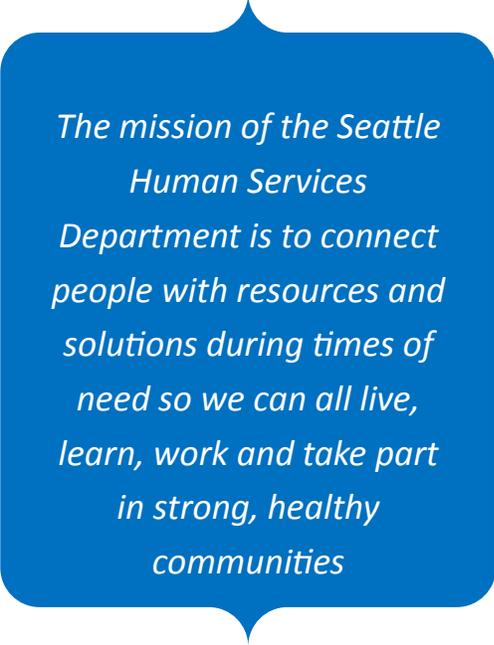
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INTRODUCTION

HUMAN SERVICES DEPARTMENT BACKGROUND

The vision of the Seattle Human Services Department (HSD) is that all basic needs in our communities are met through innovative and collaborative approaches. Greater Seattle is a place where the richness of our diversity is valued, all our communities thrive, and people grow up and grow old with opportunity and dignity. The Department works closely with our major community partners, including other public and nonprofit funders and service providers, to understand current and emerging human service's needs, and to create and invest in a comprehensive and integrated regional human services system that improves the health, safety and education of our residents.

The mission of the Seattle Human Services Department is to connect people with resources and solutions during times of need so we can all live, learn, work and take part in strong, healthy communities

All of HSD's contracted programmatic investments are part of a larger proactive, seamless service system investment that helps meet the basic needs of our community's most vulnerable residents and that helps people become and remain independent. All our contracted services or program areas will align with the HSD Strategic Plan, *Healthy Communities, Healthy Families*, the City of Seattle's Race and Social Justice Initiative (RSJI), HSD's Strategic Investment Plan (SIP), and HSD's Results Based Accountability (RBA).

HSD's contracts will clearly define the investment and desired results to ensure that HSD resources accomplishes our vision by adhering to our core values:

- **Results and Racial Equity** – our resources are devoted to addressing and eliminating racial, social, economic, and health disparities in our community.
- **Stewardship** – we fund and administer programs that are accountable, cost-effective, and research-based, ensuring people receive high-quality services.
- **Innovation** – we foster an environment where creativity and new approaches are valued, tested, refined, and implemented.
- **Collaboration** – we share the collective wisdom of our colleagues and community to develop and implement programs.

| What are we purchasing? | Why are we buying it? | What are we counting? |

CONTRACT MONITORING OVERVIEW

This *Contract Monitoring Manual* contains the Department's guidelines and procedures related to monitoring contracts. It is intended to be a reference tool for HSD staff, to provide an overall structure and guidance for HSD contract monitoring and links to key documents or websites.

WHAT'S SO IMPORTANT ABOUT CONTRACT MONITORING?

Stewardship – one of our core values – requires the Department to serve as an effective manager of critical public resources like funding. Much of the Department's funding is contracted out to service providers.

Contract monitoring is essential to achieving desired results in a responsible way. Monitoring provides the Department with the information necessary to assess the fiscal and programmatic accountability of service providers. Monitoring also helps us determine whether to renew contracts or require corrective actions.

In addition to monitoring the city's funding, HSD must also monitor its activities funded by federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved. For more information, please see §200.331 Requirements for pass-through entities of *Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

To effectively develop and monitor a contract for program services, it is important to understand the following:

- Monitoring proactively addresses programming and operational challenges and strategically guide HSD investment decisions through a systematic review of and evaluation of information gathered. The contract must precisely specify what is expected of the contractor. The contract language should be clear so that all parties can interpret the contract in the same way. Imagine if a change in staff occurs or if an outside party reviews the agreement – would they understand the contract? The purpose and expectations of the contract should be clear to everyone.

- **Contracts are legally binding documents**, which establish the respective rights and responsibilities of HSD and the contracted agency. For more information for contract requirements, please see MASA/ASA/PSA.

- Remember, **all contract monitoring materials are subject to public records requests**. You should assume that the contract may be read by someone who is not a party to the agreement.

- **HSD requires a minimum of one annual monitoring per contract.** A monitoring evaluation tool will be used to inform the level of monitoring HSD will conduct including Desk Review, Focused Review, or Comprehensive Program Review. Specific fund sources may have additional monitoring requirements.

The guidelines and procedures are intended to be comprehensive, but questions that are not already answered here may arise during the contract monitoring process. HSD staff should use their professional judgment when monitoring contracts and seek guidance from their unit's supervisor/manager if needed.

This Manual will be reviewed annually and updated as needed on SharePoint to capture new policies.

DEFINITIONS OF MONITORING ACTIVITIES

The *Contract Monitoring Manual* will address the following types of monitoring used by HSD.

The evaluation process includes answering the list of questions on the Monitoring Evaluation Tool to determine the level of monitoring that will be required: Desk Review, Focused Review and Comprehensive Program Review.

Desk Review
Monitoring of expenditures and services levels via written materials and reports such as invoices, monthly reports, and expenditure reports.

Focused Review
Dedicated time with an agency or program staff to observe program operations, discuss program performance, address programmatic or contract related issues, or provide technical assistance.

Comprehensive Program Review
On-site assessment of programmatic records, applicable policies and procedures, compliance with program standards/contract terms/regulations, reporting, and other items depending on the type of contract, type of program, or fund source as deemed appropriate by the Program Specialist and division leadership. Includes reporting and follow up on any findings.

WHAT ARE THE ROLES & RESPONSIBILITIES OF HSD STAFF IN THE CONTRACT MONITORING PROCESS?

The following staff will be involved at varying stages of the contract monitoring process:

HSD Staff:	Roles & Responsibilities in the Contract Monitoring Process:
Program Specialist	The Program Specialist provides administration and monitoring of assigned contracts for compliance with performance standards and program requirements. The Program Specialist is responsible for determining the level of review that will be required, completing the program monitoring, following up on the implementation of the corrective action plan, and providing technical assistance to help agencies build capacity. The Program Specialists provide the initial review of monthly invoices to ensure completeness and provide assurance that adequate supporting documentation are included to all HSD request for payments.
Supervisor/ Manager of Program Specialists	The Supervisor/Manager provides oversight, guidance and support to the Program Specialist. They also provide additional review of the monthly invoices to provide assurance that adequate supporting documentation are included to all HSD request for payments.
Finance Analyst	The Finance Analyst provides the account coding of monthly invoices. The Finance Analysts also plays a critical role in the monthly review of invoices to provide assurance that adequate supporting documentation are included to all HSD requests for payments. Incomplete invoices must be returned to the Program Specialists for further review.
Accounts Payable	The Accounts Payable role is to process the monthly invoices that have been reviewed by the Program Specialists, Supervisors/Managers, and Finance Analysts. The monthly invoices submitted for processing should be complete once it reaches Accounts Payable. Accounts Payable provides a cursory review to ensure that adequate supporting documentation are attached to monthly invoices.

Fiscal Monitor	The Fiscal Monitor reviews expenditures to ensure that funds are used appropriately per contract terms and other associated regulations and can be verified by supporting documentation. Monitoring activities may occur through on-site review contract expense records or desk monitoring of invoices and contract expenditure reports. The Fiscal Monitor may also provide technical assistance to HSD and agency staff on how to address areas of deficiency identified during monitoring and strengthen agency compliance.
Fiscal Auditor	The Fiscal Auditor is responsible for performing fiscal reviews of sub-recipient agencies to ensure proper usage of funds and contract/grant compliance, as well as annual review and assessment of agency 990 forms and audit reports. Fiscal auditors are available to program staff/management and the financial management team for consultation on fiscal and compliance issues that arise, and assist during external audits of the Department. In addition, the Fiscal Auditor takes part in the competitive funding process by providing available financial data, and periodically audits subcontract invoices to ensure they are complete, accurate, and properly supported. The Fiscal Auditor may perform in-depth departmental internal audits and other special projects, such as review of HSD operations that can result in a change to the monitoring process.

DESK REVIEW

This type of review is to determine whether providers are fulfilling service-level contract obligations and to detect any issues that may result in unspent funds, underserved clients, or unnecessarily costly services/units throughout the course of the contract.

The Desk Review includes items that can be reviewed without a site visit such as invoices, monthly reports, and expenditure reports. The review process of invoices may include the following HSD staff:

- Program Specialist
- Supervisor/Manager
- Finance Analyst
- Accounts Payable
- Fiscal Monitor

The following elements must be documented in a desk review:

- ❑ Projected budget and service levels (e.g. enrolled clients, units of service) in comparison to actual expenditures and service levels.
- ❑ Review of program and/or financial reports
- ❑ Contact with the provider to address any concerns, discrepancies, or previously required corrective actions.

The best practice for completing desk-monitoring activities is to process a complete invoice within 5 working days of receipt or review a complete expenditure report within 10 working days. A complete document means that all required information has been submitted and there are no unresolved issues with the information. **All documentation should be maintained in the contract file**, which is made available to external auditors.

DOCUMENTATION REQUIRED FOR INVOICE PAYMENT

All documentation contractually required at the time of invoicing, as outlined in the Reporting Requirements, must be submitted to HSD and be accurate and complete before the invoice can be approved for payment. See Appendix for Contract Invoice Processing.

EXPENDITURE REPORT REVIEW

Agencies receiving Outcome Based and/or Unit Cost Reimbursement contracts are required to submit both Mid-Year (MYE) and Year-End (YEE) Expenditure reports to HSD to conduct a review of their total expenditures in comparison to the contracted funds they received. Reports should (1) mitigate potential funding issues and (2) maintain good fiscal oversight of City funding.

References
- Master Agency Services Agreement (MASA)
- Project Services Agreement

Definitions
- Agency – an HSD-funded organization
- Program Specialist – Grants & Contracts Specialists
- Reallocate – to set apart for a specific purpose or service area

Policies and Procedures

The Program Specialist reviews reports for overall content, with special attention to excess revenue, if any. The Fiscal Monitor provides technical assistance and training needs.

Mid-Year Expenditure Reports

1. Agencies are required to submit their MYE reports within 30 days after the midway-point of the contract period. For example, if the midway-point of the contract is June 30, then the MYE report is due to HSD no later July 31. If the deadline cannot be met, then the Agency must notify the Program Specialist assigned to the contract.
2. The Division's Program Specialists will review an Agency's MYE report. The review will be conducted within 30 days of receipt of the report.
3. When an Agency's MYE report indicates that 30% or less has been used mid-way through their fiscal year, the Program Specialist will notify the Supervisor/Manager.
4. The Supervisor/Manager and Division Director will determine whether to reallocate the remaining funds (for other purposes within the Division).
5. If reallocation of funding is determined, the Program Specialist will prepare an amendment to the existing contract to move the remaining funding to other service area(s), as instructed by the Division Director and Supervisor/Manager.
6. The Division Director has final approval on the reallocation of the funding sources to ensure compliance with funding source requirements.

Year-End Expenditure Reports

1. Agencies are required to submit their YEE reports within 45 days after the contract end date. For example, if the contract end date is June 30, then the YEE report is due to HSD no later than August 15. If the deadline cannot be met, then the Agency must notify the assigned program Specialist to the contract.
2. The Division's Program Specialists will review an Agency's YEE report. The review will be conducted within 30 days of receipt of the report.

3. HSD's Finance & Budget Manager must be notified of all excess general fund revenue per the YEE report.   This notification should occur within 45 days after the contract end date.
4. When an Agency's YEE report indicates that an overpayment exceeds the 10% or $10,000 threshold, whichever is less, the Program Specialist will notify the Supervisor/Manager.
5. If excess revenue is confirmed, the Supervisor/Manager notifies the Division Budget Manager and HSD's Budget & Finance Manager.
6. The Program Specialist will request reimbursement from the Agency for the excess revenue in writing.
7. If the Agency requests to repurpose the overpayment, the Agency is required to submit the request in writing. The Agency must detail how the funding will be used.
8. If the excess revenue is $20,000 or less, the Division's Budget Manager and HSD's Finance & Budget Manager will review the request and either approve or disapproved the request.
9. If the request is more the $20,000, the request must be forwarded to HSD's Directors Office for approval.
10. If the request is approved, the Program Specialist will draft a letter for the Director's Office (via HSD's Deputy Director) signature which will be sent to the Agency detailing the use of the excess revenue.
11. For grant-specific excess revenue, please refer to the Division's management team.

FOCUSED REVIEW

If the Focused Review is indicated by the monitoring evaluation tool, the process includes verification of the following:

Program Records
- ❒ Services are delivered in accordance with the contract
- ❒ Program complies with program standards (for example: Washington Administrative Code (WAC), Revised Code of Washington (RCW), Code of Federal Regulations (CFR), Department of Health (DOH)
- ❒ Performance outcomes met
  - ❒ Programmatic policy and procedures
- ❒ Review of the resolutions of issues/complaints from the previous year
  - ❒ Any policy changes from the last comprehensive review
- ❒ Client records review
  - ❒ 5% or 7 files, whichever is less
  - ❒ Records contain sufficient information according to contract and other applicable standards
- ❒ Invoice records review (see the appendix for a list of the supporting documentation that should be reviewed during the Program Review to verify that documents submitted during invoicing are accurate)
  - ❒ 2 non-concurrent month sample
  - ❒ Outcome-based & Unit Cost: Source records for performance commitments or units billed, verification of information reported on monthly report, verification of expense source documents as deemed appropriate by the Fund Source (e.g. timesheets)
  - ❒ Cost Reimbursement (Line Item): Source records for expenses billed, verification of information reported on monthly report

Other
- ❒ Agency's business license is current
- ❒ Any item identified in the monitoring evaluation tool or previous monitoring

COMPREHENSIVE PROGRAM REVIEW

If the Comprehensive Program Review is indicated by the monitoring evaluation tool, the process includes verification of the following:

Program Records
- ☐ Services are delivered in accordance with the contract
- ☐ Program is in compliance with program standards (for example: WAC/RCW /CFR/DOH)
- ☐ Performance outcomes met
- ☐ Client satisfaction process & results
- ☐ Programmatic policy and procedures
    - ☐ Grievance procedure
    - ☐ Review of the resolutions of issues/complaints from the previous year
    - ☐ Use of gift cards, vouchers, flexible client funds
    - ☐ Procedures in place to ensure client confidentiality/security of client records
    - ☐ Staff Background check policy
- ☐ Program staff org chart
- ☐ Client records review
    - ☐ 5% or a minimum of 7 files, whichever is greater
    - ☐ Records contain sufficient information according to contract and other applicable standards
- ☐ Invoice records review (see the appendix for a list of the supporting documentation that should be reviewed during the Program Review to verify that documents submitted during invoicing are accurate)
    - ☐ 2 non-concurrent month sample
    - ☐ Outcome-based & Unit Cost: Source records for performance commitments or units billed, verification of information reported on monthly report, verification of expense source documents as deemed appropriate by the Fund Source (e.g. timesheets)
    - ☐ Cost Reimbursement (Line Item): Source records for expenses billed, verification of information reported on monthly report

Other
- ☐ Agency's business license is current
- ☐ Implementation of previous corrective actions
- ☐ MOUs/letters of agreement with partners identified in the contract or relevant to the program
- ☐ Facility meets the needs of the program

WRAPPING UP THE REVIEW PROCESS

All Program Review processes should include an exit interview and final monitoring report.

EXIT INTERVIEW

Program Specialists should conduct an exit interview at the conclusion of the assessment visit. The purpose of the exit interview is to convey the initial results of the monitoring process, including both positive feedback and areas that need strengthening. In addition to the opportunity to discuss the monitoring process in person, Program Specialists may also provide limited technical assistance immediately after noting problems with programmatic operations or documentation.

FINAL MONITORING LETTER

A final monitoring letter will be issued to the agency within 30 calendar days of the conclusion of a monitoring process, or as required by the funding source. The letter will contain the items reviewed during the monitoring visit and will clearly outline any findings or actions required by the agency. If a response is required, the letter will stipulate due dates for the required actions. Certain fund sources may require a final report. If the report includes findings, the agency will receive a draft report within 30 days and be provided 15 days to review and provide comment on the monitoring results. This extends the due date for the final report to 60 days.

COMPREHENSIVE FISCAL REVIEW

Fiscal monitoring ensures that contracted funds are being used for their intended purpose and for allowable costs. A comprehensive fiscal review is an on-site review of fiscal systems and internal controls. It includes verification of invoice and expenditure report source documents or desk review of an agency's audit report or other financial documents. In addition to the review of expenditure reports and invoice documents completed by Program Specialists, HSD fiscal staff conducts activities that support the annual monitoring process. Due to the interrelated nature of fiscal and programmatic monitoring, it is important that Program Specialists and fiscal staff are in communication on monitoring activities, particularly when issues and problems are identified. Coordinated monitoring activities, such as joint site visits or pre- and post-meetings, are encouraged whenever possible.

ANNUAL AUDIT REPORT REVIEW PROCESS

After HSD closes its fiscal year, an annual notification letter in early March is emailed from HSD's Deputy Director to the Agency's Executive Director about the summary of payment.

HSD's General Ledger or Accounts Payable Unit will email a notification letter to the agencies:

- For agencies with fiscal year-end of March 31st, the annual audit report is due no later than September 30th;
- For agencies with fiscal year-end of June 30th, the annual audit report is due no later than December 31st;
- For agencies with fiscal year-end of September 30th, the annual audit report is due no later than March 31st;
- For agencies with fiscal year-end of December 31st, the annual audit report is due no later than June 30th.

An extension request of 30-45 days may be granted if the agency notifies HSD that the audit will not be completed by the deadline date.

Section 340 of the Master Agency Services Agreement (MASA) details the reporting requirements. The guidelines are as follows:

Agency Contracted Amount	Required Report	Reporting Frequency
$50K-$300K	Financial statement review or an audit report by an independent CPA.	Every two years. If agency elects to

		have an audit or a review conducted every year, HSD has the option of asking for the report annually.
>$300K HSD funding <$750K federal funding	o Financial statement audit in accordance with Government Auditing Standards ("Yellow Book" Audit). An audit in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards would also be acceptable. o Documentation that the Agency's governing Board (or Board designated committee) has accepted the review. Acceptable documentation can be either: (a) minutes of the agency Board (or Board designated committee) meeting at which the review was accepted as final, or (b) a letter signed by an agency Board officer that, in his/her capacity as a Board officer, he/she accept the review as final.	Annually
>$750K federal direct or indirect funding from all sources	Audited Financial Statements. Documentation that the Agency's governing Board (or Board designated committee) has accepted the audit report. Acceptable documentation can be either: (a) minutes of the agency Board (or Board designated committee) meeting at which the audit report was accepted as final, or (b) a letter signed by an agency Board officer that, in his/her capacity as a Board officer, he/she accept the audit report as final.	Annually

| | | o | All Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, reports associated with the financial statement audit. | |
| | | o | Statements on Auditing Standards (SAS 115) letter, Communication of Internal Control Related Matters Identified in an Audit, or a management letter or letter signed by a Board officer stating that no material weaknesses or significant deficiencies were reported to the Board by the auditor. | |

The review includes a written report to the agency Executive Director summarizing any findings and requiring corrective action. This information is stored on the shared drive, J:\LAD_Audit & Compliance\Agency Name\Audit Report and should be reviewed by Program Specialists as they complete program monitoring.

When an audit report is received:
1. An electronic copy of the report is saved in J:\LAD_Audit & Compliance\Agency Name\Audit Report
2. If the audit report contains no finding, the HSD Fiscal Auditor will:
   ❐ Prepare an acknowledgment letter from the HSD Deputy Director to the Agency Executive Director or Chief Executive Officer;
   ❐ Cc HSD Fiscal & Budget Manager, Division Directors and Program Specialists involved with the agency;
   ❐ Save a signed PDF copy of the letter in J:\LAD_Audit & Compliance\Agency Name\Audit Report;
   ❐ Email PDF copy of letter to Division Directors and Program Specialists involved with the agency notifying them of the audit report review.
3. If the audit report contains finding(s), the HSD Fiscal Auditor will:
   ❐ Prepare a corrective action letter from HSD Director to Agency Executive Director or Chief Executive Officer indicating a response within 30-45 days;
   ❐ Cc HSD Fiscal & Budget Manager, Division Directors and Program Specialists involved with the agency;

- ❏ Save a signed PDF copy of the letter in J:\LAD Audit & Compliance\Agency Name\Audit Report;
- ❏ Email PDF copy of letter to Division Directors and Program Specialists involved with the agency notifying them of the audit report review.

FISCAL REVIEW AND ASSESSMENT

The purpose of this in-depth fiscal review and assessment is to obtain information to provide HSD, our funders and the public a level of assurance that the contract funds (federal, state, local or other source) received from HSD are expended in a manner consistent with the agreement/contract with HSD, relevant federal regulations, and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The review includes a look at agency internal controls, fiscal policies, governance and structure, and compliance requirements.

The HSD Fiscal Auditor will conduct fiscal review visits throughout the year, typically from March to December. Depending on the complexity of the agency, contracts or other issues, fiscal review visits last 1-5 days.

HSD's contracted agency fiscal review and assessment are as follows:

1. <u>No later than January 31st each year</u>, HSD Budget and Finance Manager and Fiscal Auditors develop an initial list of potential agencies for a comprehensive fiscal review using the following factors:

   Nonprofit agency (as opposed to for-profit or other government status) and
   - Receipt of $250,000 or more in federal funds and/or
   - No fiscal site visit by HSD Fiscal Auditors in the last 3-4 years and/or
   - Agency had recent audit findings and/or
   - Other known issues from prior year(s) requiring follow up
   - Specific requests for comprehensive fiscal review from Program Specialists via Supervisor/Manager

2. <u>No later than February 15th each year</u>, the initial list of selected agencies are reviewed and vetted with the HSD Operations Team for additions or deletions as they deem necessary.

3. <u>After the selected agencies have been finalized, the HSD Fiscal Auditor will:</u>
   a. Prepare an agency letter from the HSD Director to Executive Directors notifying them of the planned fiscal review;

b. Convene Program Specialists and Finance Analysts to discuss any contract issues or concerns of selected agencies and, when possible, coordinate program and fiscal visits concurrently;

c. Contact the agency fiscal representative to schedule a fiscal review visit and provide the agency monitoring checklist for completion prior to the visit;

d. Conduct an internal review of the agency's financial records prior to the fiscal review visit;

e. Analyze the records and provide an assessment report;

f. Convene Program Specialists, Supervisor/Manager and Finance Analysts to discuss result of the fiscal review;

g. Provide an internal memo to the HSD Department Director and program staff of the results of the fiscal review;

h. Prepare a letter from the HSD Department Director to Agency Executive Director notifying them of the results of the fiscal review;

i. Follow up on corrective actions as necessary.

ON-SITE EVALUATION PROCESS

During the on-site fiscal review, documentation is provided by the agency to the HSD fiscal auditors to conduct an in-depth analysis to validate costs and determine the allowable costs and compliance with the funding sources and contract agreements. A sampling of invoices will be conducted on site.

The Fiscal Review consists of:
1. Agency Fiscal Health Review
2. Contracts Administration Review

AGENCY FISCAL HEALTH REVIEW

The agency fiscal health review is summarized in the table and consists of looking at several areas, including organization administration, reporting requirements, financial systems, information and communication, and compliance requirements.

AREAS EXAMINED	SATISFACTORY YES / NO / NA
Organization/Administration	
A. Organizational Structure	
B. Board of Directors/ Governance	
Reporting Requirements	

A. Contract Reporting	
B. Insurance	
Financial Systems	
A. Organizational Activity	
B. Accounting Systems	
C. Budgetary Controls	
D. Cost Allocation/Indirect Cost Plan	
E. Cash Management	
F. Bank Reconciliations	
G. Payroll Disbursements	
H. Disbursement Process	
I. Petty Cash	
J. Travel	
K. Consultant/Subcontracting	
L. Purchasing and Procurement	
M. Fixed Assets (Property and Equipment)	
Information & Communications	
A. Accounting Methods	
B. Financial Statements and Reports	
C. Monitoring the Controls	
Compliance Requirements	
A. Activities Allowed or Unallowed	
B. Allowable Costs/Cost Principles	
C. Matching	
D. Reporting	
E. Program Income	

REVIEW OF AGENCY SERVICE AGREEMENTS

The contract agreement review checks allowable costs, performance, adherence to budget, funding sources and included review of payroll, related payroll taxes and fringe benefits, cost allocation, and financial reports. In addition, the review looks for required documentation, allocability, and reasonableness of expenditures in accordance with the terms of the contract agreements and applicable laws, regulations, and guidelines. The documents reviewed to verify

expenditures include, but are not limited to, original invoices, payroll reports, disbursement journals, other source documents and conversations with agency fiscal staff.

The scope of services and performance standards are detailed in the Project Services Agreements (PSA) between HSD and Agency. Agency has monitoring and documentation obligations under the PSAs that allow HSD to evaluate compliance within its expectations. The goal of the contract agreement review is to conclude with positive results regarding the recipient's handling of HSD-funded contracts.

The MASA compliance review will be conducted annually as part of the HSD Audit Unit's scheduled visits to various agencies.

PERFORMANCE PROBLEMS & NON-COMPLIANCE

Program Specialists may identify problems related to contract non-compliance, performance issues, reporting problems, or fiscal accountability during the formal monitoring process, through complaint investigation, or other means. Once the Program Specialist determines that a problem exists, the condition or situation that was observed should be documented, as should the effect or impact of the condition and the root cause of the problem to the extent that it can be determined. This process may result in written findings and subsequent recommendations or required corrective actions that resolve the issue. As outlined below, the Program Specialist is responsible for addressing identified performance problems and should consult with their supervisor for guidance and support as needed.

The Program Specialist is also responsible for following up on the implementation of the corrective action plan and documenting the entire process in the contract file. If an agency does not correct compliance issues within the designated timeframe, HSD may take further action such as withholding invoice payments, suspending service referrals, or contract termination. Such situations must be brought to the attention of the Division Director.

Program Specialist may provide technical assistance or training to agency staff to help them understand and meet contract requirements.

DEFINITIONS

Finding – a significant issue identified in relation to contract non-compliance, performance, reporting, or fiscal management.

Required action – actions outlined in the monitoring report or letter that an agency must complete to meet compliance or performance requirements.

Recommendation – a suggested action in the monitoring report or letter that an agency may complete to increase compliance or improve performance.

Corrective action plan – a plan submitted by the agency to initiate improvements in response to findings. The plan lists specific actions and the due date for completion.

THE ROLE OF TECHNICAL ASSISTANCE

Program Specialists and other HSD staff provide technical assistance to help agencies build capacity through the development of knowledge and expertise to meet program standards, understand policies & procedures, ensure compliance with federal, state, or local regulations or address performance issues. Technical assistance can be both proactive and reactive.

Proactive technical assistance is administered through on-going communication with providers regarding the progress, performance, and achievement of the contract milestones and performance commitments and to also learn about program successes, best practices and where Program Specialists can best support programs. Program Specialists may convene quarterly or biannual program area meetings to collaboratively examine data to make real time improvements to systems and service delivery, respond to questions, identify technical assistance needs, and share best practices.

Reactive technical assistance can be:
- At the request of the agency
- Performance problems and non-compliance discovered during monitoring
- Complaints or issues reported by clients or community members
- Changes in federal, state, local policy or program guidelines
- Under-performance or challenges in meeting outcomes
- Errors or problems identified with invoices and monthly program reports
- When there are staff training needs at agencies

If a need for technical assistance is identified, the Program Specialist should confer with the Supervisor/Manager to create a plan for technical assistance. Technical assistance may include but not limited to meetings, site visits, trainings, or phone calls depending on the situation and what type of support is needed. Technical assistance activities should be documented in the contract file.

CONTRACTOR INVOICE PROCESSING

The standard HSD Department deadline for agency contract invoices is the 10th business day of the month for the previous month's activities. Invoices may have different due dates and/or can be quarterly rather than monthly.

GRANTS AND CONTRACTS SPECIALIST (3 -5 DAYS)

1. Receive the original via email or hard copy of the paper invoice form and supporting documentation by the designated due date as defined in the contract.
2. Date stamp the original hard copy of the paper invoice form and invoice copy.
3. Review original invoice form to verify the following:
   - All contractually required documentation has been submitted with the invoice.
   - Contract Number, Contract Period, Invoice Number, Invoice Period.
   - All calculations and the following mathematical fields are correct: Cost, Total Cost Contract Budget, Less Previous, Less Net and Equals Contract Balance.
   - Printed Name, Original Authorized Signature (check Agency Authorization Payment form) and signature date.
4. If applicable, also review Detailed Statement of Costs, Personnel Detailed Statement of Costs, Disbursement Invoice, General Ledger and Match Report to verify the following:
   - All calculations are correct including amounts billed and/or match amounts reported this month, to date and balances.
   - All expenses are allowable.
   - Detailed cost totals match totals billed on the original invoice form.
   - If applicable, all detailed costs are supported by the Disbursement Invoice and/or the General Ledger.
5. Review and verify the required monthly/quarterly status report that the number of units/gains reported matches the number of units/gains billed and if applicable, verify database entries for accuracy and completeness.
6. If applicable, enter financial and performance information into tracking database/report and compare it to the original invoice and status report for accuracy.
7. If the invoice and supporting documentation are complete/accurate, follow steps 9 – 13.
8. If corrections are necessary:
   - Correct the invoice and/or supporting documentation and initials changes.
   - Sign and date the original invoice form and the invoice copy.
   - Email the agency the corrected invoice and/or supporting documentation with an explanation about the corrections.
   - Attach a copy of the email to the original invoice and follows steps 9 – 13.

OR

- Depending on the number and significance of the invoice and/or supporting documentation errors, contact the agency to request a revised original invoice form and/or email corrected supporting documentation.
- After the corrected documents are received, begin the review process anew.

9. Sign and date the original paper invoice form and the invoice copy.
10. Enter outcome data, invoice data, expenditure distribution, and approve the invoice electronically in CMS.
11. If applicable, keep a copy of the original invoice and supporting documentation in desk file.
12. Forward the signed original invoice form and supporting documentation to Supervisor/Manager.
13. File copy of invoice and supporting documentation in desk file.

Note: degree of verification and information verified varies according to division and contract.

CONTRACTS SUPERVISOR/MANAGER (3 DAYS)

Upon receiving the original paper invoice form and supporting documentation, the Supervisor/Manager will:

1. Review original paper invoice form and supporting documentation as required to be submitted by the contract.
    - Ensure the following fields are correct and allowable and verifies budget in CMS.
        - Contract Number, Contract Period, Invoice Number, Invoice Period and Fields: Cost, Total Cost and below chart: Contract Budget, Less Previous, Less Net and Equals Contracts Balance and the printed name of the Authorized Representative and signature.
2. Enter invoice data and expenditure distribution in CMS.
3. Sign original paper invoice form and copy and approves electronically in CMS.
4. Route invoice packet to Finance Analyst.

FINANCE ANALYST (3 DAYS)

1. Receive the original paper invoice form along with supporting documentation.
2. Verify the following fields: Contract Number, Invoice Number, Invoice Period, original signatures by Contract Specialist and authorized agency signatory and ensures that the math is correct per the invoice, costs are allowable per the funding source(s) requirements and that the remaining balance is correct.
3. Examine invoice backup to ensure what is invoiced is reflected in the backup documentation.
4. Sign the original paper invoice form and approve electronically in CMS.

5. Forward signed original paper invoice form and supporting documentation to Accounts Payable.

ACCOUNTS PAYABLE (3 DAYS)
1. Receive the original paper invoice form along with supporting documentation.
2. Verify that the invoice has the following four original approval signatures from the Authorized Representative (Agency), Grants/Contracts Specialist, Supervisor and Finance Analyst.
3. Proof invoice in CMS by verifying the original paper invoice form to the invoice information in CMS and verify the following items:
    *   Contractor's Name
    *   Contractor's Payment Address
    *   Invoice Number
    *   Invoice Date
    *   'Net Amount of This Request'
4. Upload invoice and processes in Summit for payment.

INVOICE REVIEW
There are three (3) types of contract invoices that are processed on a monthly or quarterly basis:

a. *Unit Cost Reimbursement (UCR)*: The UCR payment model is straightforward and typically the simplest of the HSD-funded contracts to monitor. When organizations do not achieve the agreed upon results as stated in the contracts, they are not compensated for those deliverables.

b. *Outcome Based Reimbursement (OBR):* The OBR model splits the payment in two categories:
    o   *Base Payments*
        The monthly or quarterly base payments are made in 4 or 12 installments. The review of the monthly base payments can be difficult as a program budget is not typically included in the contract agreement, though a program budget may have been provided by the organization during the contract negotiation phase.
    o   *Performance Commitments*
        The performance commitment payment is straightforward. Similar to the UCR, the payments are based upon the agreed payable outcomes, milestones or deliverables that the organization must achieve to receive performance compensation. When the organization does not meet any of the performance

commitments as stated in the contracts, they do not receive the performance pay for those measures.

c. *Line Item Reimbursement (LIR):* LIR invoices are typically straightforward as line items that HSD agreed to reimburse an organization are specified in the contract agreement. The table below contains a list of acceptable back-up documentation for each type of budget line item.

HSD investment type – OBR/UCR	BOTH REQUIRED	
	Invoice documentation submitted by Agency	HSD Invoice Fiscal Review
• Outcomes • Commitments • Milestones • Deliverables	• Monthly Contractor Invoice Form • Monthly Status Report • Client Data File	For monthly base payments (OBR only): It is advisable for the Program Specialist to have a general understanding of what line items are that are included with the base payment. Line items typically included are Payroll, Fringe Benefits, Rent, etc. Monitoring is simplified when line items are identified; general ledger reports, payroll reports, timesheets, vendor invoices, reimbursements forms, journal entries can be requested for review for assurance that HSD funds allocated to the monthly base payment were expended accordingly. For performance measure payments: Verify relevance of supporting documents submitted by agency with a review of: • Program logs • Pounds logs for food purchases • Other tracking mechanism agency practices • Additional reports or records on as needed basis
HSD Investment type-Line item	BOTH REQUIRED	
	Invoice documentation submitted by Agency	HSD Invoice Fiscal Review

Personnel:		
Salaries & Wages	Posted detailed general ledger (GL) report showing the names and payroll information; information must be auditable to the invoice total Optional: • Payroll Report • Timesheets	Required: • Payroll Report • Timesheets • Cost allocation, as necessary
Fringe Benefits, including: • Medical • Dental • Payroll Taxes • Pension • Other Benefits	Posted GL report detailing the fringe benefits costs Optional: Vendor invoices	Required: • Vendor invoices, including medical, dental, payroll taxes (Form 941), pension, other benefits provided • Cost allocation, as necessary
Supplies:		
• Office Supplies • Operating Supplies, as specified in contract • Repairs/Maintenance	Posted GL detailed report Optional: Vendor Invoices	Required: • Vendor invoices • Cost allocation as necessary
Other Services and Charges:		
• All Budget categories under "Other Services and Charges" except those below (Convention and Travel; Youth Stipend, and Admin/Indirect)	Posted GL detailed report Optional: Vendor invoices	Required: • Vendor invoices • Approved Authorization form or Employee mileage reimbursement form • Agency Subcontract Agreement as specified in the HSD contract and as grant allows • Posted journal entries, if expense is prepaid (Rentals/Insurance)
• Convention and Travel	Posted GL detailed report Optional: Employee reimbursement form to include the following: • Authorized training and travel form • Agenda • Hotel payment, as necessary	Required: Employee reimbursement form to include the following: • Authorized training and travel form • Agenda • Hotel payment, as necessary • Airline itinerary, as necessary

	• Airline itinerary, as necessary • Credit card receipts for meals and other misc receipts related to travel and training	• Credit card receipts for meals and other misc receipts related to travel and training
• Youth Stipend	Posted GL detailed report Optional: • List youth participant • Payroll reports	Required: • List of youth participant • Payroll reports • Check stubs
• Administrative/Indirect Costs, as itemized in the contract agreement	Posted GL detailed report	Required: • Journal entries • Cost allocation plan, as necessary • Ensure expense does not exceed 15% HSD cap • Understand the allowable items in the indirect plan

HSD Monitoring Evaluation Tool

AGENCY:

_____

PROGRAM SPECIALIST:

_____

CONTRACT NUMBER:

_____

EVALUATION DATE:

_____

The Monitoring Evaluation Tool is to assist in the determination of monitoring level to be completed by HSD. If the service agreement will not receive monitoring level indicated by the tool, please explain and obtain Supervisor's Approval Signature.

Provide Explanation (if applicable):

_____

Supervisor/Manager Approval signature

Rating scale: 3 = high, 0 = low

EVALUATION FACTOR	Available Value			Comments
1. Is this a brand new service agreement service agreement?	Y = 3	N = 0		
2. Is this a new provider with HSD?	Y = 3	N = 0		
3. Does the service agreement have federal funds?	Y = 3	N = 0		
4. Will the service agreement have more than one (1) funding source for the same program with HSD?	Y = 2	N = 0		
5. Has the provider been in existence 2 years or longer?	Y = 0	N = 1		
6. Does the provider have strong and stable leadership and staff? (No significant staff turnover in the past year.)	Y = 0	N = 2		
7. Does the provider have a generally positive public image? (No unfavorable press; unfavorable public appearances)	Y = 0	N = 2		
8. Is the provider clear of all independent financial audit findings at least for the last 2 years?	Y = 0	N = 1	NA = 0	
9. Is the service agreement award over $25,000?	Y = 1	N = 0		
10. Is more than 50% of the program budget funded by the City of Seattle?"	Y = 3	N = 0		
11. If applicable, were the monitoring findings on the previous monitoring resolved?	Y = 0	N = 3	NA = 0	
12. Do program staff have unsupervised contact with clients?	Y = 2	N = 0		
13. Do program staff have access to client belongings or client finances?	Y = 1	N = 0		

EVALUATION FACTOR	Available Value			Comments
14. Does the fund source or program guidelines require specific level of qualifications and expertise of staff?	Y = 3	N = 0		
15. Does this program have a strong pattern of accurate invoicing and reporting? (Few corrections; no significant pattern of late invoices)	Y = 0	N = 3	NA = 1	
16. Did the provider spend all their awarded funds in the prior service agreement within 10%? (reference the year end expenditure report)	Y = 0	N = 3	NA = 0	
17. Is the provider consistently meeting their performance/outcome goals?	Y = 0	N = 3	NA = 0	
18. Is the provider consistently following their service agreement guidelines and expectations?	Y = 0	N = 3	NA = 0	
19. Has the program had on site monitoring in the past 2 years?	Y = 0	N = 3	NA = 0	
20. Is the provider subcontracting services for the program?	Y = 1	N = 0		
21. If subcontracting, is the provider monitoring the subcontract for compliance of subcontract terms and conditions?	Y = 0	N = 2	NA = 0	
TOTAL RISK SCORE				

Low = 1-10

Medium = 11-16

High = 16+

Monitoring Evaluation Tool Instructions: If the service agreement will not receive monitoring level indicated by the tool, please explain and obtain Supervisor's Approval Signature (Example: No changes to personnel, system or program, clean audit and received full monitoring last year with no finding, etc.)

1. N/A
2. N/A
3. N/A
4. Does the provider have systems in place to rack expenses and the associated beneficiaries against separate funding sources for a single program in which the multiple funding sources are inter-dependent. (e.g. salary/benefits, service costs and in-direct costs for case management are split proportionately to 2 funding sources for the benefit of 10 individuals; **not** salary/benefits to fund source 1 and service costs and in-direct to fund source 2).
5. N/A
6. Does the provider have systems in place for training new staff who provide the services and supports? Does the significant turnover indicate an unusual pattern (e.g. several key senior leaders leaving in close succession or certain senior leadership positions turning over quickly)?
7. Add some examples of financial or programmatic concerns (i.e. whistleblower, media, etc.)
8. N/A
9. N/A
10. N/A
11. N/A
12. Keep in mind this is a statement of fact and does not indicate that the program structure is better or worse. Being mindful of this ensures we are doing our due diligence regarding appropriate services and ensuring safeguards are in place.
13. See above
14. Does a fund source or programmatic guidelines require certain staff credentials (i.e. MSW, LMHP, RN, etc.); clinical knowledge/education/expertise; or specific education requirements (BA/MA)?
15. It is appropriate to consider the size of the organization and their administrative capacities (i.e. Accounting staff, CQI/Compliance staff, etc.)
16. If they did not expend all funds was this a one-off or a pattern for this program or for this organization?
17. N/A
18. N/A
19. A subcontract agreement is defined as the exchange of money for services.
20. N/A
21. N/A