



FINAL REPORT

County of Yolo

FISCAL MONITORING PROGRAM ASSESSMENT

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Table of Contents

I. Background, Scope, and Methodology	1
A. Background	1
B. Scope and Methodology	1
II. Gap Analysis	3
A. Overview	3
B. Results	4
Appendix A. Gap Analysis Results	5



I. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The County of Yolo (the County) requested that Moss Adams LLP (Moss Adams) assess their current practices for conducting fiscal monitoring, specifically to evaluate related policies and procedures (P&Ps) for consistency with best practices. The County has an existing Fiscal Monitoring Program in place; however, this documentation is specific to the Department of Health and Human Services Agency (HHS) and was last updated in July 2020. Additionally, documented monitoring has not taken place since 2021.

As of October 2022, the County had the following four Revenue/Prime Agreements, which require subrecipient monitoring, totaling approximately \$64 million:

- Drug Medi-Cal Organized Delivery System (DMC-ODS) (SUD), administered by HHS – \$20,838,906
- Community Services Block Grant (CSBG), administered by HHS – \$302,667
- Workforce Innovation and Opportunity Act (WIOA), administered by HHS – \$656,451
- American Rescue Plan Act (ARPA), administered by County Administrator – \$42,829,540

The current agreements are administered by the HHS, with the exception of the ARPA funding, which is monitored by the County Administrator. The County anticipates that as additional funding is obtained, other County departments or agencies may be involved in funding administration and monitoring. As a result, the County requested that Moss Adams assist in developing more comprehensive and updated guidance that can be administered Countywide.

The objectives of this Fiscal Monitoring Program Assessment were to:

- Obtain an understanding of the fiscal monitoring requirements that are applicable to the County
- Evaluate existing HHS fiscal monitoring documentation for consistency with applicable compliance requirements and best practices, and identify gaps in coverage and other opportunities for improvement
- Document a recommended Fiscal Monitoring Program that can be used Countywide

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. This report was developed based on our assessment of the County's Fiscal Monitoring Program as of October 2022. The procedures we performed do not constitute an examination in accordance with generally accepted auditing standards or attestation standards.

B. SCOPE AND METHODOLOGY

This assessment focused on the County's current fiscal monitoring practices and related documentation of County P&Ps, tools/templates, or other resources that support the Fiscal Monitoring Program. Based on initial discussions with the County, the only agency/department that had



documentation of these fiscal monitoring practices was HHSA, as they are currently responsible for administering the majority the County funds that require fiscal monitoring. As a result, this assessment was limited in scope to the County's HHSA Fiscal Monitoring Program, including HHSS Fiscal Monitoring Program documentation, available as of October 2022. Other documents, informal process documentation, or guideline documents may exist; however, they were not included in this analysis and are not included in the results presented in this report.

To complete this assessment, we performed the following procedures:

- **Interviews.** We conducted interviews with HHSA and County personnel responsible for performing various aspects of fiscal monitoring to obtain an understanding of what documentation was available to support the monitoring function and requirements, how monitoring had historically been performed, and their level of understanding of the related compliance requirements. We also conducted interviews with HHSA and County personnel responsible for performing various aspects of programmatic monitoring to understand if and how monitoring reviews were performed concurrently. Additionally, we conducted interviews with County Administrator personnel responsible for overseeing the administration of ARPA funds.
- **Documentation Reviews.** We requested all current (as of October 2022) Revenue/Prime Agreements with funders that require fiscal monitoring to be performed. We reviewed each of the four Revenue Agreements provided to identify specific requirements related to performing and documenting fiscal monitoring. In addition, we obtained documentation available to support the fiscal monitoring performed for one County subrecipient (Yolo County Children's Alliance (YCCA)). We reviewed the documentation to more thoroughly understand HHSA's current fiscal monitoring process and how the various tools, checklists, and forms were being utilized.
- **Existing Fiscal Monitoring Program Documents Inventory.** We obtained all documentation available, including documented P&Ps and supporting forms, tools, and templates, to support the HHSA fiscal monitoring process. Documents obtained and inventoried included:
 - HHSA Contract Monitoring Plan Fiscal Year (FY) 2020–2021, which describes the existing P&Ps related to fiscal monitoring and includes risk assessment tools, internal control questionnaires, and compliance letter templates
 - HHSA Subrecipient vs. Contractor Determination for Federal Sponsored Projects form, along with a supporting memo and flowchart related to the determination process
 - HHSA Monitoring Steps and Procedures document

We created an inventory of these documents to summarize the current coverage of documentation to support the HHSA fiscal monitoring process.

- **Fiscal Monitoring Program Documentation Gap Analysis.** We assessed the inventory results and performed a full gap analysis, including:
 - Assessed the current content for potential gaps in coverage related to the Fiscal Monitoring Program
 - Compared existing documentation to the general subrecipient monitoring requirements to identify gaps in monitoring requirements
 - Categorized the significance and extent of the identified gaps as: full, major, or minor
 - Developed recommendations to address the identified gaps
- **Fiscal Monitoring Program Development.** Based on the results of the procedures above, we developed a recommended Fiscal Monitoring Program that can be adapted to best meet the specific needs of the County and be implemented Countywide. The recommended Fiscal Monitoring Program was provided to the County as a separate document.



II. GAP ANALYSIS

A. OVERVIEW

Throughout the Fiscal Monitoring Program assessment, we found that HHSA had completed substantial work in 2019 and 2020 documenting P&Ps, specifically noting project deliverables that provided further guidance on Subrecipient vs. Contractor Determination (completed at the end of 2019) and the Contract Monitoring Plan (last updated July 2020). However, all documentation was specific to the HHS program and did not comprehensively describe subrecipient monitoring requirements. Additionally, based on interviews with various HHSA personnel, there appeared to be insufficient training on the requirements and processes of fiscal monitoring leading to a lack of a general understanding of their roles in fiscal monitoring and the overall P&Ps.

Gaps identified during the analysis were categorized as follows:

- **Full Gap:** Documented P&Ps do not exist for the area.
- **Major Gap:** Some P&P documentation exists; however, there are major gaps in overall coverage.
- **Minor Gap:** P&Ps cover most key areas but require updating or additional coverage.

The risk levels were assigned based on our understanding of the County, insights gained from management and staff, the inherent risk in each area, and the level and significance of gaps identified.

Assessed Risk Level	Category Description
High Risk	<ul style="list-style-type: none"> • Area is inherently high risk • Gaps identified were either full gaps (i.e., no P&P coverage) or major gaps • Area is a high priority due to its required application across all programs and/or funding sources
Medium Risk	<ul style="list-style-type: none"> • Area is inherently high or medium risk; however, a lack of documented P&Ps may only represent a medium risk to the County • Gaps identified were either full gaps or major gaps • Area is a medium priority due to its required application across all programs and/or funding sources
Low Risk	<ul style="list-style-type: none"> • Area is inherently low risk • Gaps identified were either minor in significance or magnitude, or the area only needed review or updating • Area is a low priority, as it does not require application across all programs and or funding sources



B. RESULTS

The following table provides an overview of the observations related to fiscal monitoring policy areas. Full results can be found in Appendix A. The results of this analysis were used to guide the development of the recommended Fiscal Monitoring Program, which was provided as a separate document to the County.

Policy Area	Type of Gap	Associated Risk
Funder-Specific Compliance Requirements	Full to Major Gaps	High
Preliminary Risk Assessment	Minor to Major Gaps	Medium
Subrecipient vs. Contractor Determination	Minor to Major Gaps	Medium
Desk Review vs. Site Visit Determination	Major Gaps	Medium
Desk Reviews and Site Visits	Major Gaps	High
Results Reporting	Minor to Major Gaps	Medium
Follow-Up	Minor to Major Gaps	Medium



APPENDIX A. GAP ANALYSIS RESULTS

Monitoring Stage	Risk Gap Level	Current Documentation/Process	Gaps Identified	Recommendations to Address Gaps Identified
Funder-Specific Compliance Requirements	High Risk Full to Major Gaps	<ul style="list-style-type: none"> During this assessment, the only documentation provided to support County fiscal monitoring was from HHSA although other departments currently, or may in the future, have responsibilities related to fiscal monitoring. The HHSA Contract Monitoring Plan addresses certain compliance requirements; however, it does not address how the County will identify funder-specific requirements (which are typically included in individual Revenue Agreements). Current Revenue Agreements contain funder-specific requirements. 	<ul style="list-style-type: none"> Current guidance (HHSA Contract Monitoring Plan) is specific to the HHSA program, and as a result, documented P&Ps for other departments/agencies do not exist. The County does not have a process documented for how funder-specific requirements will be identified, documented, and addressed. The County currently has four Revenue Agreements which require fiscal monitoring. These include: <ul style="list-style-type: none"> Drug Medi-Cal Organized Delivery System (DMC-ODS), administered by HHSA – \$20,838,906 Community Services Block Grant (CSBG), administered by HHSA – \$302,667 Workforce Innovation and Opportunity Act (WIOA), administered by HHSA – \$656,451 American Rescue Plan Act (ARPA), administered by County Administrator – \$42,829,540 	<ul style="list-style-type: none"> Develop a Countywide Fiscal Monitoring Program and provide related training to all County personnel involved in the fiscal monitoring process. In the Fiscal Monitoring Program, specify requirements for evaluating new Revenue Agreements and identifying and documenting funder-specific requirements related to fiscal monitoring. For the County's current Revenue Agreements, document any funder-specific requirements related to fiscal monitoring.
Preliminary Risk Assessment	Medium Risk Minor to Major Gaps	<ul style="list-style-type: none"> Current guidance related to the risk assessment process (2.2.102 Standards for Active Contracts and Risk Assessment Tool, found in the HHSA Contract Monitoring Plan) is HHSA-specific. The YCCA Contract Request Form (provided as example documentation) has sections for risk level recommendations, acceptance of that recommendation by the Fiscal Approver, and acceptance of that recommendation by the Audit & Compliance Approver. 	<ul style="list-style-type: none"> Current guidance (Risk Assessment Tool) does not include reviewing prior monitoring when assessing risk. Reviewing the results of prior monitoring, such as evaluating whether there were material compliance findings in the last two years of desk reviews/site visits, is a key aspect of assessing the current risk and determining the level of fiscal monitoring that needs to occur. While the risk level is documented in the current process through the Contract Request Form, the omission of results of prior monitoring results in an incomplete assessment. 	<ul style="list-style-type: none"> Within the Fiscal Monitoring Program, ensure the Risk Assessment Tool includes procedures to document and consider the results of previous monitoring (i.e., assessing whether prior desk reviews/site visits resulted in any material compliance findings).
Subrecipient vs. Contractor Determination	Medium Risk Minor to Major Gaps	<ul style="list-style-type: none"> Current guidance includes an HHSA-specific form for Subrecipient vs. Contractor Determination for Federal Sponsored Projects. This form is signed off by the Program Manager, Fiscal Approver, and Audit & Compliance Approver. HHSA Fiscal Monitoring Steps and Procedures 2.2 and 2.3 indicate Fiscal Monitoring occurs for both Subrecipients and Contractors, and risk assessment (more than vendor type) is what determines the major activities. 	<ul style="list-style-type: none"> The current Subrecipient vs. Contractor Determination form and supplemental guidance does not clarify the impact of the final determination or allow space for documented justification as to why a determination was made, where an organization has characteristics of both a subrecipient and subcontractor. During interviews, we found that there was a general lack of understanding of the subrecipient vs. contractor determination process and that those responsible for approving these classifications (through the defined forms) may not understand the key distinguishing factors to be able to fully assess and approve the determinations being made. As a result, individuals often defaulted to determining an organization to be a subrecipient. 	<ul style="list-style-type: none"> Within the Fiscal Monitoring Program, ensure the Subrecipient vs. Contractor Determination Tool, and related guidance includes details relating to the impact of the final determination on the monitoring that should occur. Additionally, ensure the Subrecipient vs. Contractor Determination Tool provides space for written documentation of the determination justification, when applicable.
Desk Review vs. Site Visit Determination	Medium Risk Major Gaps	<ul style="list-style-type: none"> Current guidance (HHSA Fiscal Monitoring Steps and Procedures Section 2.2) does not require site visits or desk reviews unless a subrecipient is deemed high risk or the funder requires that level of oversight. 	<ul style="list-style-type: none"> The results of the risk assessment performed with the Risk Assessment Tool appear to have no bearing on the type of review performed (i.e., whether a desk review or site visit is performed). During interviews, we found that staff capacity appears to have an influence on the type of review performed or whether reviews were performed at all. We noted that all visits had been completed as site visits to ensure timely responses from subrecipients. Additionally, we noted that due to the COVID-19 pandemic, the most recent fiscal monitoring completed by HHSA had been conducted as desk reviews. In these instances, there did not appear to be a process for documenting the justification for the type of monitoring performed. 	<ul style="list-style-type: none"> Within the Fiscal Monitoring Program, ensure that determination of the type of visit performed is guided by funder requirements and the results of the risk assessment performed. This determination process should be documented in a Desk Review vs. Site Visit Determination form, which clearly defines the following: <ul style="list-style-type: none"> How the Preliminary Risk Assessment results are utilized to determine the level of fiscal monitoring required How funder-specific requirements are considered in the decision-making process



Monitoring Stage	Risk Gap Level	Current Documentation/Process	Gaps Identified	Recommendations to Address Gaps Identified
Desk Reviews and Site Visits	High Risk Major Gaps	<ul style="list-style-type: none"> Current guidance (HHSA Fiscal Monitoring Steps and Procedures Section 2.5) lays out a timeline of activities related to Fiscal Monitoring and an estimated timeframe to complete each activity. Desk Reviews consist of reviewing the following: Contract, Internal Control Risk Assessment, Recent Financial Statements, Single Audit report with auditor's management letter, Departmental Records of invoices and expenditures submitted by vendors for reimbursement, and General Ledger to reconcile expenditures vs. vendor claims. 	<ul style="list-style-type: none"> The HHSA Fiscal Monitoring Steps and Procedures document does not adequately define the roles and responsibilities of various staff when a desk review or site visit is performed. HHSA Fiscal Monitoring Steps and Procedures lacks information on the purpose of the review performed on each item/document, what the review should be looking for, and how the reviews/testing should be documented. 	<ul style="list-style-type: none"> Within the Fiscal Monitoring Program, ensure the Documentation Review Tool provides guidance on what items should be requested, the purpose of reviewing each item/document (linking to the applicable funder-specific requirement or general compliance requirement), and what the review should consist of. Additionally, guidance on what must be documented to support the review/testing process should be provided.
Results Reporting	Medium Risk Minor to Major Gaps	<ul style="list-style-type: none"> Section 2.5 of the HHSA Fiscal Monitoring Steps Procedures provides the following framework of items to include in the report: 1) Date of visit, person conducting the visit, purpose, background, and results of the visit; 2) Incorporate any additional information received from contractor; 3) Finding(s); if there are non-compliance issues cite program requirements, and monitor's observations and recommendations; 4) Timeline for Contractor/Subrecipient to submit their response (generally within 20 working days after receipt of the report). 	<ul style="list-style-type: none"> HHSA Fiscal Monitoring Procedures do not include specific guidance on what constitutes a finding to be reported. 	<ul style="list-style-type: none"> Once the Fiscal Monitoring Program is finalized, the County should incorporate examples of findings within the Desk Review/Site Visit Evaluation Form. Examples may include missing policies and procedures or insufficient expenditure documentation.
Follow-Up	Medium Risk Minor to Major Gaps	<ul style="list-style-type: none"> The HHSA Contract Monitoring Plan defines what the options for resolution are, suggestions on which are appropriate for certain scenarios, and who at the County and at the vendor are responsible for reaching a resolution. 	<ul style="list-style-type: none"> Current guidance lacks direction on acceptable resolutions for certain types of findings and is unclear on which position is responsible for following up on findings and determining if resolution occurred. 	<ul style="list-style-type: none"> Once the Fiscal Monitoring Program is finalized, the County should provide acceptable resolutions to various findings and an acceptable timeline. This should incorporate assigned responsibilities into fiscal monitoring findings follow-up.

