
MONITORING

INTRODUCTION

The Mississippi Department of Human Services (MDHS) is required to monitor the activities of its subgrantees by following the Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the OMB Circular A-133 Compliance Supplement. MDHS must monitor each project, program, subgrant, function, or activity supported by a Federal award to assure compliance with applicable Federal regulations and that performance goals are achieved.

POLICY

MDHS has established uniform monitoring policies designed to ensure that all subgrants under the jurisdiction of MDHS are administered in compliance with Federal requirements and with the terms of the subgrant agreements. Monitoring subgrants for compliance with the applicable Federal regulations, State laws, Agency policies, and the terms of the subgrant agreements is the responsibility of the MDHS Division of Program Integrity.

Subgrant monitoring procedures may include several of the various options available. These options include: reviewing reports submitted by the subgrantee; reviewing documentation supporting expenses reported under MDHS subgrants; reviewing the subgrantee's single audit or program-specific audit results and evaluating audit findings and the subgrantee's corrective action plan; performing on-site reviews of fiscal and programmatic records and observing subgrantee operations; and/or, arranging for limited scope audits of specific compliance areas.

Planning Considerations

When determining the extent of monitoring procedures to perform, MDHS will consider factors such as the amount of the subgrant, the percentage of a Federal program's total funds awarded to subgrantees, and the complexity of the compliance requirements. To determine the appropriateness of monitoring procedures, MDHS will consider the cost-effectiveness of monitoring procedures compared to the relative size and complexity of the Federal awards administered by the subgrantee. The following factors will also be considered when determining the monitoring procedures to be performed to ensure compliance with the Federal regulations, State laws, Agency policies and procedures, and the terms of the subgrant agreement:

- A. The amount of the subgrant in relation to the total amount of the program;
- B. Prior experience of the subgrantee operating subgrants supported by Federal funds;
- C. Results of the MDHS follow-up on prior year single audit findings;
- D. Results of the review of documents submitted by the subgrantee;
- E. Results of the desk review of supporting documentation for expenditures;
- F. Results of previous on-site fiscal and programmatic reviews; and/or,
- G. Specific requests by the MDHS Executive Director or Funding Division Director.

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Monitoring Procedures

1. Review of Reports Submitted by Subgrantees

Subgrants may be monitored by reviewing reports submitted by the subgrantee for compliance with the subgrant agreement and program instructions. For example, the monthly reporting worksheets may be reviewed for accuracy and completeness or the quarterly programmatic report may be reviewed to ensure that each element of the Scope of Services is being met.

2. Review of Supporting Documentation for Expenditures

Subgrants may be monitored by performing a desk review of supporting documentation for expenditures reported under the subgrant. This review consists of contacting the subgrantee and requesting documents to support certain amounts included on the subgrantee's reporting worksheets. These documents will be examined by the monitors to determine compliance with the subgrant agreement and with State and Federal regulations. The results of the desk review will be communicated in a written report to the subgrantee and to the MDHS Funding Division.

Desk reviews may be conducted at any time by staff of the MDHS Division of Program Integrity. The desk review procedure may be used in conjunction with an on-site fiscal review or as a follow-up to an on-site fiscal review to ensure that corrective actions have been implemented.

3. Review of the Subgrantee's Single Audit Report for Compliance, Evaluation of Audit Findings, and Follow-up on Corrective Actions

Subgrantees that expend \$500,000 or more of Federal financial assistance during the subgrantee's fiscal year must have an audit performed by an independent Certified Public Accountant in accordance with the Single Audit Act and OMB Circular A-133. As a part of MDHS' monitoring of each of its subgrants, these independent auditor's reports will be obtained from the subgrantees and reviewed for compliance with Federal regulations.

Any audit findings identified in the independent auditor's reports, as well as the subgrantees proposed corrective action plans, will be evaluated by the MDHS Funding Divisions. If the subgrantee's corrective action plan is acceptable, a management decision will be issued by the MDHS Funding Division to resolve the audit findings. The MDHS Division of Program Integrity will follow-up on the subgrantee's corrective action plan during the next on-site fiscal review that is conducted.

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4. On-Site Reviews for Program Compliance

On-site reviews for program compliance are required to be conducted at least once during the subgrant period for every MDHS subgrant. On-site reviews for program compliance may be performed on any subgrant at any time and may be repeated as often as deemed necessary by MDHS. These reviews for program compliance will be conducted by the MDHS Division of Program Integrity.

The on-site programmatic reviews are formal in nature and are normally preceded by written notification to the subgrantee and to the appropriate MDHS Funding Division Directors. However, unannounced on-site programmatic reviews may also be conducted. On-site entrance and exit conferences will be conducted with subgrantee officials and a written report will be issued communicating the results of the review to the subgrantee and to the MDHS Funding Divisions. The Agency will follow-up on the subgrantee's corrective action plan for any programmatic monitoring findings.

5. On-Site Reviews for Fiscal Compliance

On-site reviews for fiscal compliance will be conducted by the Division of Program Integrity, as provided under this section. These visits may also be conducted at the request of the MDHS Executive Director or the MDHS Funding Division Director.

These reviews are formal in nature and are normally preceded by written notification to the subgrantee. The appropriate Funding Division Directors shall also receive written notification of on-site fiscal reviews. However, unannounced on-site fiscal reviews may also be conducted. On-site entrance and exit conferences will be conducted with subgrantee officials and a written report will be issued communicating the results of the review to the subgrantee and to the MDHS Funding Divisions. MDHS will follow-up on the subgrantee's corrective action plan for any fiscal monitoring findings.

6. Limited Scope Audits of Specific Compliance Areas

The Agency may engage an independent Certified Public Accountant to perform a Limited Scope Audit of certain MDHS subgrants. The need for this type of review will be determined on an individual basis and will be documented by the Division of Program Integrity. The results of this review will be communicated to the subgrantee and to the MDHS Funding Divisions in a written report.

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Corrective Action Process

The Initial Report of Findings and Recommendations that is forwarded to the subgrantee and to the MDHS funding division will require a written response from the subgrantee within fifteen (15) working days. Upon receipt of the response from the subgrantee, the Director of the Bureau of Audit and Evaluation and other appropriate staff will assess each response for adequacy. If all responses are adequate, the response will be accepted by a letter to the subgrantee clearing all findings. If any responses do not adequately address the findings, the subgrantee will be notified in writing by the issuance of a Status Report, which will require a second response from the subgrantee within ten (10) working days.

If the subgrantee fails to satisfactorily resolve all of the monitoring findings, the Bureau of Audit and Evaluation will issue a Final Notice Letter to the subgrantee demanding that the subgrantee refund the amount of questioned costs and advising the subgrantee of the procedures to follow if they wish to request an administrative hearing with the MDHS Executive Director.

If the subgrantee does not respond to the Final Notice Letter, the subgrantee will be referred to the State of Mississippi Office of the Attorney General to recover the unresolved questioned costs, and, the Agency will begin procedures for debarment and suspension against the subgrantee organization and the subgrantee authorized official.

Discovery of Possible Fraud, Mismanagement, or Program Abuse

In the event indications of possible fraud, mismanagement, or program abuse are discovered during the course of monitoring subgrants, the Director of the Bureau of Audit and Evaluation will notify the Director of the Division of Program Integrity, who will notify the MDHS Executive Director. The MDHS Executive Director and appropriate personnel will decide the course of action to be taken, including the degree of disclosure to subgrantee personnel and to the MDHS Funding Divisions. The format for reporting such incidents will be determined by the Director of the Bureau of Audit and Evaluation and/or the Director of the Division of Program Integrity, after consultation with the MDHS Executive Director.